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## Quarterly Earnings Forecast: Q2 2020

### Equity Market

#### Financials

The 2020 Q2 reporting season might bring into view a widening divide between the banking sector's strongest and weakest earners. Obviously the quarterly bottom lines will be battered by lockdown restrictions and low interest rates on top of additional reserves against future risks associated with the coronavirus pandemic, and, in case of lenders with mortgage portfolios denominated in Swiss francs, provisions for legal risk. Against this backdrop, we see PKO BP as the uncontested winner of the earnings season, with Pekao and ING BSK also ending the quarter on a strong footing. At the other end of the spectrum is Alior Bank with an expected net loss. On the whole, most rated banks seem on track to fulfilling our full-year forecasts.

#### Chemicals

Neither Ciech nor Grupa Azoty can be expected to have improved on the year-ago results in Q2 2020, and in case of the latter a second-half recovery is a tentative prospect.

#### Mining

Mining companies were hurt by low commodity prices in Q2 2020, with coal producers also having to curb production. Consequently the second quarter was a period of falling profits for JSW coal, but at KGHM copper we might see stable results thanks to rising prices of precious metals.

#### Oil & Gas

Lotos might come out as the biggest loser of the Q2 2020 earnings season, marked by an oil price crash and slim refining margins. PGNiG gas will most likely deliver a positive surprise with the help of trading profits, and MOL could beat expectations for petchem and gas midstream.

#### Power Utilities

The utilities in our coverage universe are set to achieve about 54% of our FY aggregate EBITDA forecast in the year to 30 June 2020 despite coronavirus impacts. CEZ and Enea emerge as the most likely winners, while PGE trailed (but did not fall off track).

#### Telecoms, Media, IT

The coronavirus crisis did not have much of an impact on the second-quarter performance of telecoms, except for Cyfrowy Polsat's media business where ad revenues did post significant declines. Telcos probably have a fairly solid outlook ahead in the second half of the year. On the other hand, both rated media companies, Wirtualna Polska and Agora, are set to report weak results for Q2 2020. In IT, the second quarter was a decent one with no major losses likely to be reported by any of the rated companies. Our top IT pick, Asseco SEE, will stand out with projected EBITDA growth of 37%.

#### Gaming

Our gaming universe is set to deliver continued growth in Q2 2020 on the back of robust sales, albeit less robust than in the previous quarter, when user numbers blew up amid stricter stay-at-home guidelines. 11 bit studios and Ten Square Games will probably move ahead as the top earners.

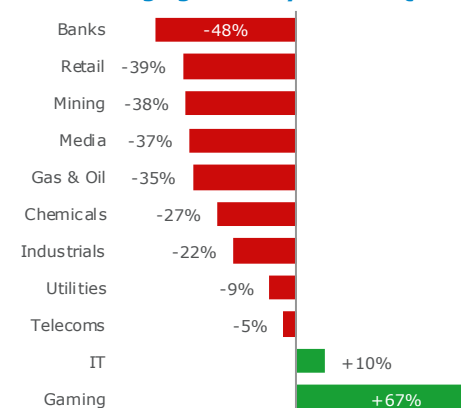
#### Industrials

Only three companies in our industrials universe: Amica, Grupa Kęty, and TIM, can be expected to have improved on the year-ago results in Q2 2020. On the whole, however, the reporting season is looking better today than it did a month ago, with more positive P&L and cash flow surprises facilitated by coronavirus lifelines and more favorable zloty exchange rates.

#### Retail

The coronavirus crisis had a severe impact on the second quarter results of our retail universe, but the grocery operator Dino will most likely be able to deliver improvement compared with the same period last year. We expect to see the worst year-over-year losses at AmRest restaurants and at LPP and VRG fashion.

#### YoY earnings growth by sector: Q2'20E\*



\*Net earnings for banks, otherwise EBITDA

Earnings Surprise Prediction	
negative	positive
<b>Agora</b>	<b>11 bit studios</b>
<b>Alior</b>	<b>Amica</b>
<b>Alumetal</b>	<b>Asseco SEE</b>
<b>AmRest</b>	<b>Cognor</b>
<b>Boryszew</b>	<b>Enea</b>
<b>Grupa Azoty</b>	<b>Famur</b>
<b>Jeronimo Martins</b>	<b>Forte</b>
<b>Lotos</b>	<b>MOL</b>
<b>PKP Cargo</b>	<b>Pekao</b>
<b>Wirtualna Polska</b>	<b>PGNiG</b>
	<b>PKO</b>
	<b>PZU</b>
	<b>Ten Square Games</b>
	<b>TIM</b>

#### Research Department

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

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

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

Aleksandra Szklarczyk  
+48 22 438 24 04  
[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@mbank.pl)

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

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

Mikołaj Lemańczyk  
+48 22 438 24 07  
[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)

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

Piotr Poniatowski  
+48 22 438 24 09  
[piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)

# 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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**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.



**mBank S.A.**  
Senatorska 18  
00-950 Warszawa  
<http://www.mbank.pl/>

## Research Department

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

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

Aleksandra Szklarczyk  
+48 22 438 24 04  
[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@mbank.pl)  
construction, real-estate development

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

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

Piotr Poniąkowski  
+48 22 438 24 09  
[piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)  
industrials

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

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

Mikołaj Lemańczyk  
+48 22 438 24 07  
[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)  
financials

## Sales and Trading

### Traders

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

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

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

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

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

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

### Sales, Foreign Markets

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

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

### Private Client Sales

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

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