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## Quarterly Earnings Forecast: Q4 2020

### Equity Market

#### Financials

Polish bank earnings in Q4 2020 will again be significantly affected by one-time items. On the plus side are big fair value gains on Visa shares, and on the downside we will see another quarter of rising charges associated with franc-denominated mortgage loans that in cases where franc loan portfolios are still big could lead to quarterly losses. Provisions aside, on a core business basis most banks generated higher interest revenues in Q4 2020 alongside high F&C income and tightly-managed costs. Moreover, the core franc-adjusted cost of risk will not have grown much despite pandemic conditions. We expect particularly strong fourth-quarter results from Alior Bank and Handlowy in Poland, and abroad we have high hopes for Moneta. Among non-banks we see good but priced-in results from Kruk and GPW.

#### Chemicals

Neither Grupa Azoty fertilizers nor Ciech soda ash are likely to improve EBITDA in Q4 2020. Of the two, Azoty has the less positive outlook for 2021.

#### Mining

JSW did not have the best quarter in Q4 2020 in terms of profit generation, but its prospects since have improved significantly. KGHM copper most likely achieved higher earnings in Q4 2020 than in the same year-ago period; we will know more after the miner releases its sales figures for December.

#### Oil & Gas

Refiners had to contend with another quarter of low cracking margins in Q4 2020, partly offset by record-high margins on retail fuel sales and surprisingly resilient profits from petrochemicals. Upstream producers enjoyed favorable market conditions in Q4, marked by rising prices. We are anticipating relatively good fourth-quarter results from PKN and MOL, and we see PGNiG as delivering robust growth in quarterly profits.

#### Utilities

Our Q4 estimates indicate that, on aggregate, rated Polish utilities fulfilled about 100% of our adjusted EBITDA forecast for the full FY2020, with Tauron forging ahead of Enea and Polenergia. Looking ahead, Poland's coal phaseout plans have taken the center stage but the guidance of companies for the new year ahead is no less important.

#### Telecoms, Media, IT

Most tech companies improved results in Q4 2020, with ACP, ASE, ALL and ATD the most likely top earners. ABS will have also improved on a less successful third quarter. A disappointment in the form of thinner EBITDA margin could be served by ALE. For WPL, Q4 2020 was a period of recovery. In Telecommunications, the fourth quarter was marked by fairly stable results with CPS expected to come out as the winner of the earnings season.

#### Gaming

Ten Square Games will most likely deliver robust results in Q4 2020 after a strong rebound from the comparable year-ago period. On the other hand, 11 bit studios and PlayWay will probably post declines with no major new releases. A 2020 Q4 forecast for CD Projekt is forthcoming.

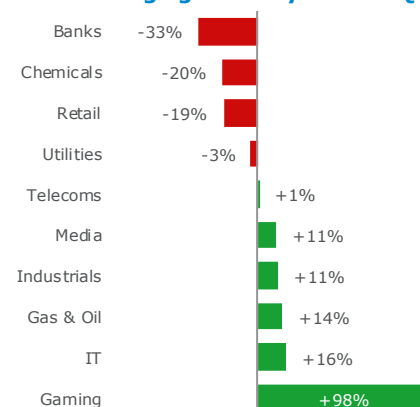
#### Industrials

71% of our industrials universe most likely improved 2020 Q4 results compared to the same period a year earlier – the highest proportion in nine quarters, with only 24% experiencing declines. When it comes to potential beats, watch out for AST, COG, FMF, FTE, KER, MBR, STP, and TIM. Looking ahead, AMC and PKP seem to have bleaker prospects than most in 2021.

#### Retail

The introduction of a fresh round of lockdown restrictions in November most likely had a damaging effect on the 2020 fourth-quarter results of most fashion retailers, but we also anticipate a year-over-year slowdown figures from the grocery operators Eurocash and Jeronimo Martins, against a strong rise at Dino Polska.

#### YoY earnings growth by sector: Q4'20E\*



\*Net earnings for banks, otherwise EBITDA

Earnings Surprise Prediction	
negative	positive
<b>Allegro</b>	<b>Ailleron</b>
<b>Amica</b>	<b>Asseco Poland</b>
<b>Bank Millennium</b>	<b>Asseco SEE</b>
<b>Enea</b>	<b>Atende</b>
<b>Grupa Azoty</b>	<b>Bank Handlowy</b>
<b>Lotos</b>	<b>Cognor</b>
<b>PKP Cargo</b>	<b>Dino</b>
	<b>Famur</b>
	<b>Forte</b>
	<b>JSW</b>
	<b>Kernel</b>
	<b>Mo-BRUK</b>
	<b>Moneta Money Bank</b>
	<b>PGNiG</b>
	<b>Stalprodukt</b>
	<b>Tauron</b>
	<b>Ten Square Games</b>
	<b>TIM</b>
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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

**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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**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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