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Quarterly Earnings Forecast: Q1 2021

Equity Market

Financials

We expect a good first quarter of 2021 from our Polish bank line-up after counting out franc loan risk provisioning and the usual annual contributions into deposit guarantee and resolution funds (the "BFG charges"). Net interest income is likely to be weak due to sluggish business lending, but this will be offset by strong F&C income, tight cost management, and low regular risk reserves.

With continued improvement in core business demonstrated in Q1, analysts might be prompted to raise their expectations for the full FY2021. We see PKO BP and PZU as the likely top earners among Polish financials in the 2021 Q1 reporting season, and abroad we would watch OTP Bank.

Chemicals

There is little to indicate that Grupa Azoty will report growth in its 2021 first-quarter results, and at Ciech we are anticipating weak figures from the core soda ash business, with other segments picking up the slack.

Mining

JSW met coal and KGHM copper both are expected to deliver strong year-over-year growth in 2021 Q1 results along with positive guidance for the rest of FY2021.

Oil & Gas

Upstream oil and gas producers like MOL and PGNiG are eyeing robust segmental profits in the first quarter of 2021, fueled by higher prices.

On the other hand, refinery profits in the period felt downward pressure from weak demand, combined with lower-than-ever refining margins. At the same time, in petrochemicals robust market conditions prompt us to have high expectations for MOL and PKN Orlen for Q1 as well as Q2 of 2021.

With positive surprises likely in the first quarter, we see room for upward revisions to our FY2021 full-year forecasts for MOL and PGNiG.

Utilities

Our calculations indicate that, on aggregate, rated Polish utilities fulfilled 33% of our adjusted EBITDA forecast for the full year in the first quarter of 2021.

Coming into the reporting season, we see CEZ among the top earners in the sector, with its results supported by positive seasonal effects, and we also expect a standout showing from Tauron, with profits bolstered by strong sales registered by coal-fired power stations. Profits from power distribution and trading should be high across the board in Q1 2021 following favorable tariff adjustments that might not happen again next year.

Telecoms, Media, IT, e-Commerce

In Media, we see Wirtualna Polska as delivering strong first-quarter results, with EBITDA up 35% year on year on the back of strong digital ad sales and stabilization in e-commerce.

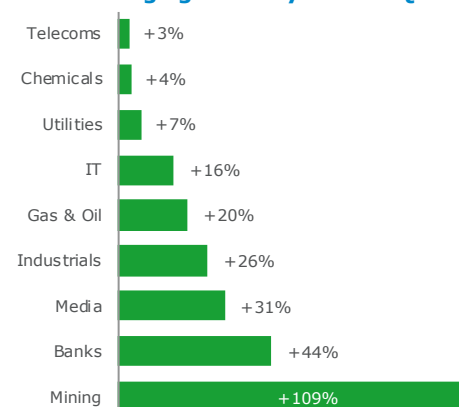
We also expect good results from Asseco Poland and Ailleron in IT, and from Allegro in e-Commerce.

Industrials

This earnings season, as many as 73% of our rated Industrials are set to report improvement in their 2021 first-quarter profits – the highest proportion in history. Only 20% of our line-up will have experienced deterioration in the period.

When it comes to positive earnings surprises, watch out for Astarta, Cognor, Mangata, Mo-BRUK, and Stalprodukt. On the other hand Famur will most likely report weak first-quarter results and a negative FY outlook.

YoY earnings growth by sector: Q1'21E*



*Net earnings for banks, otherwise EBITDA

Earnings Surprise Prediction	
negative	positive
Famur	Asseco Poland
Grupa Azoty	Astarta
	Cognor
	KGHM
	Mangata
	Mo-BRUK
	MOL
	OTP Bank
	PKO BP
	PZU
	Stalprodukt
	Tauron
	Wirtualna Polska

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

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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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SELL – we expect that an investment will bear a loss greater than 15%
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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.



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