

6 August 2015

CEZ – 2Q15 Preview

Nuke Outage Pushing Numbers Below Cons?

UTILITIES
CZECH REPUBLIC

CURRENT PRICE 583 CZK
TARGET PRICE 625 CZK

HOLD
CURRENT RATING

Bloomberg	CEZ CP
Reuters	CEZP.PR
www.cez.cz	
Market Cap	CZK 313,702m
Shares outst.	538.0m
Free float	30.2%
Next corporate event	
Results 2Q15: 11 August 2015	
Performance	1M 3M 12M
Absolute	+4% -8% 0%
Relative (PX)	-1% -10% -8%

2Q15 Results Preview

CEZ will release its 2Q15 results next Tuesday, 11th of August, B/Mkt.

Revenues in 2015 should be generally lower vs. 2014 due to the lower average achieved baseload electricity price (39.5 EUR/MWh in 2015 vs 44.5 EUR/MWh in 2014). On the other hand, this negative price-effect should be largely offset by notably higher planned generation volume of both coal (+18%) and nuclear power plants (+5%) and further fixed-costs reduction during the year according to CEZ leading to just 3% lower EBITDA y/y.

Nevertheless, most of the new capacity will impact 2H15 figures only (which should be expected by the market). Moreover, there should be about 8% y/y drop in nuclear output due to an extension of Temelin Unit 2 outage during 2Q15 (according to CEZ).

As a result, **we expect 5% lower revenues vs. 2Q14 and lower EBITDA margin (36% vs. 39% in 2Q14) which should lead to y/y 12% decline in EBITDA in 2Q15 and also to below cons. 2Q15 figures.**

The key focus of the results conference call will be a potential EBITDA guidance update (we do not expect any lowering for the time being even if numbers are to miss expectations) or on a progress in Vattenfall's assets bidding in Germany.

Although, we recommend locking some profits for S-T players before results, attractive dividend yield should protect CEZ shares from higher losses. Moreover, among CE3 power-producers, we prefer CEZ to PGE due the better dividend profile and lower political risks.

bCZK	2Q14A	2Q15E Patria	2Q15E Cons.*	y/y Patria	y/y Cons.
Revenues	48,5	46,0	47,2	-5%	-3%
EBITDA	18,7	16,5	17,1	-12%	-9%
EBIT	9,7	9,3	9,8	-4%	1%
Net income	7,3	6,2	6,9	-16%	-6%
adjusted NI	9,4	6,2	6,9	-35%	-27%

* consensus data as collected by IR dept. of CEZ (13)

Tomas Sykora
Head of Research
Patria Finance a.s.
+420 221 424 128
sykora@patria.cz

Conference call: 11th August 2015 at 16:00 (CET); Dial-in number: +44 203 043 2440; PIN: 948945#

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The company disclosures can be consulted on our website <http://www.patria.cz/stocks/research/recommendation.html>

Patria Finance
Jungmannova 745/24
110 00 Prague 1
Czech Republic
+420 221 424 111
Regulated by CNB

Patria – Institutional sales
Jungmannova 745/24
110 00 Prague 1
Czech Republic
+420 221 424 216
Regulated by CNB

Patria – Retail sales
Jungmannova 745/24
110 00 Prague 1
Czech Republic
+420 221 424 109
Regulated by CNB

Patria - Research
Jungmannova 745/24
110 00 Prague 1
Czech Republic
+420 221 424 128
Regulated by CNB

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