

10 November 2015

## CEZ – 4Q15 Results Comment

### FY15 Targets Met, Guidance Weak

UTILITIES  
CZECH REPUBLIC

CURRENT PRICE 393 CZK  
TARGET PRICE (6M) Under Review

**UNDER REVIEW**  
RATING UNDER REVIEW

Bloomberg	CEZ CP		
Reuters	CEZP.PR		
www.cez.cz			
Market Cap	CZK 211,430m		
Shares outst.	538.0m		
Free float	30.2%		
Next corporate event			
Results 1Q16: 10 May 2016			
Performance	1M	3M	12M
Absolute	+2%	-8%	-35%
Relative (PX)	-1%	-6%	-27%

#### 4Q15 Results First Take

CEZ has just release its 4Q/FY15 figures. The company slightly exceed its FY15 targets with EBITDA at CZK 65.1bn (vs. 64.0) decreasing by 10% y/y and adjusted NI at CZK 27.7bn (vs. 27.0) also with a help of the refund of a portion of tax on emission allowances from 2011 and 2012 (CZK +3.8bn) and savings. CEZ expect 2016 EBITDA of CZK 60bn (vs. cons. 63.4) and adjusted NI at the level of CZK 18.0bn (vs. cons 21.9).

As for 4Q15 numbers, CEZ did another impairment of its assets in an amount of CZK 5.3bn in 4Q which drag down EBIT and NI figures below consensus expectations. Nevertheless, as impairment is non-cash operation, it was excluded from EBITDA and adjusted NI lines.

#### Our View:

Although solid FY15 results keeps hopes for appealing dividend this year (we expect 35-40 CZK), the guidance for 2016 is rather weak in our view.

We have been expecting (relatively) strong guidance driven by a plan of increasing production in 2016 (which was valid as results shown +11 % y/y), nevertheless, our expectation of CZK 65bn EBITDA and 22bn NI as FY16 targets has not been met. We are going to revise our target price down from 555 CZK to reflect both lower power prices and the guidance.

#### Conclusion:

We expect rather NEGATIVE short-term market reaction as guidance is well below BBG consensus expectations.

bCZK	4Q14A	4Q15A	4Q15E Cons.*	y/y	y/y Cons.
Revenues	51,7	59,6	53,1	+15%	+12%
EBITDA	17,8	16,7	15,9	-6%	+5%
EBIT	8,2	4,3	8,5	-48%	-50%
Net income	2,8	3,9	8,5	+39%	-54%
adjusted NI	5,2	8,9	8,6	+71%	+4%

\* consensus data as collected by IR dept. of CEZ (15)

Conference call: 15th March 2015 at 16:00 (CET); Dial-in number: +44 203 043 2440; PIN: 268554#

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

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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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Company	Conflicts of Interest
CEZ	2

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