

CEZ

Strong results, expected dividend of CZK65, acquisition of GasNet

Buy

Price 20.03.24	CZK 890
12m target	CZK 1,034
Upside to TP	16.2%
Dividend	CZK 64
Total return	23.4%

Sector stance

Overweight

Investment type

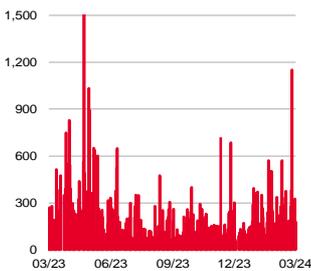
Commodity price exposure
High dividend yield

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Share data

RIC CEZsp.PR	Bloom CEZ CP	
52-week range	798 - 1225	
Market cap. (CZKbn)	478.8	
Market cap. (EURbn)	19	
Free float (%)	30.00	
Performance (%)	1m	3m
Share	7.7	-7.1
Rel. to PX Index	6.5	-13.3
		-23.8

Source: Bloomberg

The latest analysis and report:

- https://bit.ly/CEZ_analysis_202309_EN
- https://bit.ly/CEZ_3Q23_EN
- https://bit.ly/CEZ_GasNet_EN
- https://bit.ly/CEZ_e4Q23_EN

SOCIETE
GENERALE
GROUP

CEZ results for 4Q23 or FY23.

CZKbn	4Q22	4Q23	y/y	KB	Cons.	2022	2023	y/y	KB	Cons.
Revenues	77.4	94.1	22%	90.7	83.2	288.5	340.6	18%	337.1	329.6
EBITDA	42.3	29.8	-29%	25.3	25.2	131.6	124.8	-5%	120.3	120.2
margin	54.6%	31.7%	-23pps	27.9%	30.3%	45.6%	36.7%	-9,0pps	35.7%	36.5%
EBIT	36.7	17.4	-53%	15.3	17.1	101.9	84.5	-17%	82.5	84.2
Adjusted net profit	26.1	3.0	-88%	3.9	3.9	78.4	34.8	-56%	35.7	35.3

Source: CEZ, Economic & Strategy Research, Komerční banka; the consensus is compiled by CEZ, based on estimates of 14 analysts, incl. KB

CEZ has presented its results for the last quarter of last year as well as for last year as a whole. EBITDA for 4Q23 of CZK29.8bn beat the consensus by +18.4%. However, net income of CZK3.0bn missed market expectations by 22%, mainly due to a high tax burden. (However, the absolute difference is relatively small.) We see the full-year results in line with consensus (EBITDA better) and suggest a dividend of CZK65. Full-year guidance is in line with EBITDA and slightly below our net profit forecast. The acquisition price for GasNet is in line with our estimates. CEZ reported solid numbers. The outlook is slightly below our net profit estimate, which may be slightly conservative at the beginning of the year.

4Q23 revenues increased to CZK94.1bn (+21.6% yoy). EBITDA profit amounted to CZK29.8bn (-29% yoy). The margin declined from 54.6% to 31.7%, mainly due to the absence of high trading gains (CZK -5.3 billion), which did not recur, and lower contribution from nuclear power plants (higher operating costs, longer outages and reduction of nuclear provisions). Adjusted net income (CZK3.0bn in provisions, mainly related to Severoceske doly) for the quarter is CZK3.0bn (-88% yoy). The decline is clearly due to very high taxation (introduction of special taxes), which reached 102% in 4Q23. For the full year, EBITDA is CZK124.8bn (-5% yoy) and adjusted net profit is CZK34.8bn (-56% yoy). EBITDA is thus above CEZ's full-year target of CZK115-120bn and net profit is in the middle of the guidance (CZK33-37bn). The decrease vs. consensus is due to higher taxes.

For the whole year of 2023, CEZ paid CZK10.0bn in special taxes (levy on excess revenues) and CZK30.1bn (windfall tax).

Leverage: According to the net debt/EBITDA ratio, leverage is unchanged yoy at 1.2x (1.0x in 9M23, 1.2x in 2022), which we consider low. It is slightly higher on a quarterly basis, likely due to tax items.

Acquisition of GasNet: CEZ announced that it had entered into an agreement to acquire 55.21% of GasNet for EUR846.5m, i.e. CZK21.3bn, or about CZK40 per CEZ share. In our forecasts we had estimated the price at up to CZK25bn. The transaction is expected to be completed in the second half of the year. Considering GasNet's performance, which is regulated and should therefore be more or less stable, we expect CEZ's leverage to rise to about 1.5x.



Bohumil Trampota
Equity Analyst
bohumi_l.trampota@kb.cz
(420) 222 008 560

Dividend: CEZ management's proposal for last year's dividend payment has not yet been published. This does not come as a surprise. It is announced at the latest one month before the AGM (held last year on June 26, 2023). Based on the **current dividend policy (60-80%** of NI) and the net profit achieved, this suggests a **payout of CZK39-52** per share. **However, in our projections we expect to pay out the entire net profit, which would be close to CZK65** per share and a **yield of 7.3%** (gross).

Guidance for the full year 2024: According to CEZ management, the target for this year is to achieve **EBITDA of CZK115-120bn and net profit of CZK25-30bn**. This represents a decrease of about 11% and 21%, respectively, compared to 2023 results. It also proposes a dividend of up to CZK56 from 2024 earnings at the maximum payout. **Our full-year guidance is for EBITDA of CZK119.1bn and net profit of CZK34.4bn**. We are more optimistic on net profit than CEZ, but forecasts tend to be conservative at the beginning of the year and can change during the year.

Disclaimer

The information herein is not intended to be an offer to buy or sell, or a solicitation of an offer to buy or sell any securities. All information and opinions have been obtained from or are based on sources believed to be reliable, but their completeness and accuracy are not guaranteed by Komerční banka, a.s., even though Komerční banka, a.s. believes them to be fair and not misleading or deceptive. The views of Komerční banka, a.s. reflected in this document may change without notice.

Komerční banka, a.s. and its affiliated companies may from time to time deal in, profit from the trading of, hold or act as market makers of securities, or act as advisers, brokers or bankers in relation to securities or derivatives thereof emitted by persons, firms or entities mentioned in this document.

Employees of Komerční banka, a.s. and its affiliated companies, or individuals connected to them may from time to time have a position in or be holding any of the investments or related derivatives mentioned in this document. The authors of this document are not authorized to acquire the investment instruments mentioned in this document. This does not apply to cases when the investment recommendation mentioned in this document represents dissemination of an investment recommendation earlier produced by third parties according to Chapter III of regulation (EU) 2016/958. Komerční banka, a.s. and its affiliated companies are under no obligation to provide any services to their clients on the basis of this document.

Komerční banka, a.s. does not accept any liability whatsoever arising from the use of the material or information contained herein beyond what is required by law. This research document is primarily intended for professional and qualified investors. Should a private customer obtain a copy of this report, they should not base their investment decisions solely on the basis of this document and should seek independent financial advice. The investors must make their own informed decisions regarding the appropriateness of their investments because the securities discussed in this report may not be suitable for all investors.

The performance attained by investment instruments in the past may not under any circumstance serve as an guarantee of future performance. The estimates of future performance are based on assumptions that may not be realized. Investment instruments and investments are connected with different investment risks, the value of any investment can rise and fall and there is no guarantee for the return of the initial invested amount. Investment instruments denominated in foreign currencies are also subject to fluctuations caused by changes in exchange rates, which can have both positive and negative influences particularly on the prices of the investment instrument and consequently on the investment return.

This publication is issued by Komerční banka, a.s. which is a bank/stockbroker according to the applicable legislation and thus regulated by the Czech National Bank. Komerční banka, a.s. applies various measures to prevent conflict of interests in the process of creating investment recommendations, such as the implementation of an appropriate internal separation including information barriers between different departments of Komerční banka, a.s. in compliance with the requirements imposed by applicable regulation. The employees of Komerční banka, a.s. proceed in accordance with the internal regulations governing conflict of interest.

The evaluation of employees creating investment recommendations is never by any means tied with the volume or profit of the trades with instruments mentioned in this document done by Komerční banka, a.s., or the trades of Komerční banka, a.s. with the issuers of such instruments. However, the evaluation of the authors of this document is linked to the profits of Komerční banka, a.s. which also partially include the results of trading with investment instruments.

The recommendations mentioned in this document are intended for the public and the document before its publication is not available to persons not involved in the creation of this document. As per our practice, the issuers do not receive a copy of research reports prior to their publication. Each author of this research report hereby states that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the securities or issuers at stake.

This document and its contents is not designed for persons with permanent residence or seat in the United States of America and to persons who are deemed as "U.S. persons", as defined in Regulation S under the US Securities Act of 1933, as amended.

Please refer to our website <http://www.trading.kb.cz> for more details.

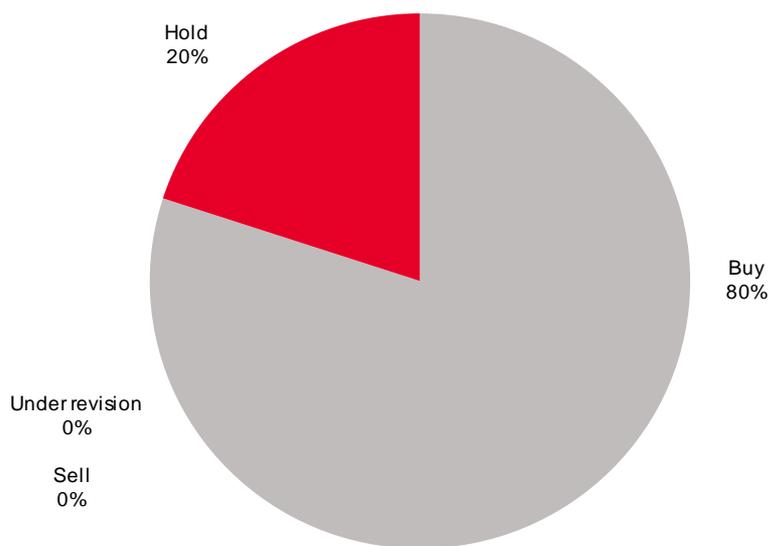
The recommendation in this document and/or the document itself was not disclosed to the issuer before its dissemination.

This recommendation is not updated at regular intervals. The date of the next update has not yet been determined and finally will be influenced by relevant changes of the facts used as the ground for this recommendation to reflect proper development in the industry and/or the analyzed company.

The main methods KB is using for setting target price for stocks are discounted free cash flow analysis and sector comparison. Other methods may also be used if deemed appropriate by the analyst (e.g. sum of parts valuation, discounted dividend valuation, discount / premium to NAV). Target price is set for the time period of 12 months. KB is using three grades of investment recommendation: buy, hold and sell. The recommendation is set for the time period of the next 3-6 months. The most important factor for setting the recommendation is the difference between actual market price and target price calculated by KB equity research. The recommendation also reflects other factors the analyst expects to influence the stock and market in the time period of 3-6 months after its publication. The target price substantially above current price does not automatically mean a buy recommendation for the 3-6 months following the first period of 3-6 months since publication of the recommendation. Valuation methods and factors key for setting the recommendation are explained in the text of each analysis.

The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

Investment recommendations of KB equity research



Source: Economic & Strategy Research, Komerční banka

KB Equity Research ratings on a 12 month period

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Overview of recommendations published by KB and relationships with particular issuers

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
Overview of last investment research and recommendations related to stocks of particular issuers							
Recommendation	Buy	Buy	Buy	Buy	Hold	End	End
Target price	CZK1,034	CZK921	CZK313	CZK102.8	CZK18,349	of coverage	of coverage
Date	07.09.2023	09.02.2024	29.05.2023	19.10.2023	03.03.2023	07.09.2022	25.02.2022
Price on the day of the publication	CZK923	CZK574	CZK244	CZK84	CZK17,200	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
Overview of investment researches and recommendations for last 12M (quarterly)							
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy	Buy
Target Price	CZK1,393	CZK652	CZK381	CZK104.6	CZK18,183	GBp600	CZK362
Date	07.06.2022	16.12.2022	12.05.2022	05.09.2022	11.02.2022	11.02.2021	26.03.2021
Recommendation	In revision	Buy	In revision	Buy	Buy	Buy	Buy
Target Price	In revision	CZK645	In revision	CZK109.7	CZK16,512	GBp466	CZK293
Date	10.05.2022	17.01.2022	15.02.2022	31.08.2021	20.11.2020	30.08.2019	08.01.2020
Recommendation	Buy	In revision	Buy	In revision	Buy	In revision	Buy
Target Price	CZK905	In revision	CZK367	In revision	CZK18,308	In revision	CZK298
Date	10.12.2021	31.03.2021	12.01.2021	07.05.2021	03.12.2018	14.08.2019	12.12.2018
Recommendation	Buy	Buy	In revision	Buy	Buy	Buy	Hold
Target Price	CZK621	CZK357	In revision	CZK97	CZK17,546	GBp342	CZK270
Date	23.07.2020	27.11.2020	26.11.2020	29.10.2019	22.08.2017	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
Relationships of Komerční banka with particular issuers							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

Source: Economic & Strategy Research, Komerční banka