

| Utility | Quarterly results | Czech Republic |

## 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

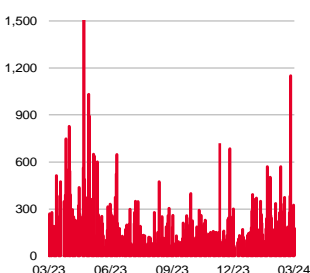
Investment type  
Commodity price exposure  
High dividend yield

## 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 12m
Share	7.7 -7.1 -14.0
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_analysis_202309_EN)
[https://bit.ly/CEZ\\_3Q23\\_EN](https://bit.ly/CEZ_3Q23_EN)
[https://bit.ly/CEZ\\_GasNet\\_EN](https://bit.ly/CEZ_GasNet_EN)
[https://bit.ly/CEZ\\_e4Q23\\_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 &amp; 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.



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**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.

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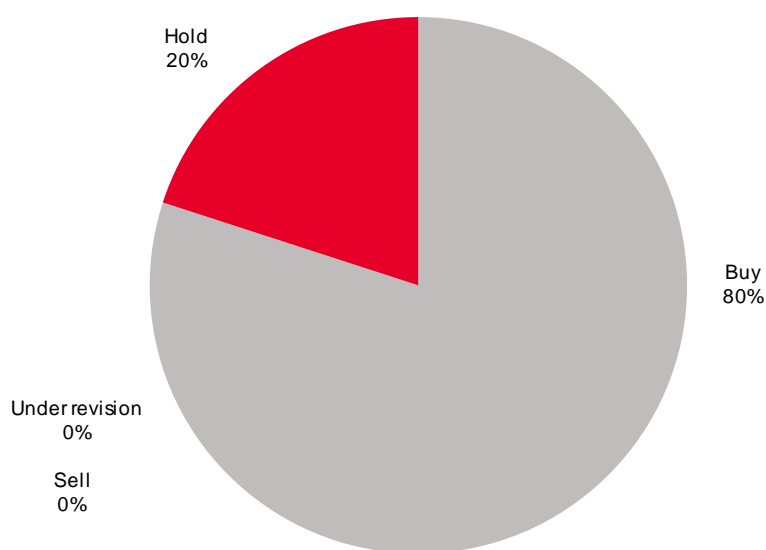
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The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

#### 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
<b>Overview of last investment research and recommendations related to stocks of particular issuers</b>							
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		
<b>Overview of investment researches and recommendations for last 12M (quarterly)</b>							
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
<b>Relationships of Komerční banka with particular issuers</b>							
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