

# Mirbud

## 2Q21 results review

Mirbud published 2Q21 results above our expectations.

- Net profit PLN 22.2m, +444.5%/y above our forecast of PLN 19.6m.
- Revenues amounted to PLN 574.1m, 45.9%/y above our forecast of PLN 393.5.0m mainly on the back of higher revenues from the general construction segment.
- Cost base amounted to PLN 523.3m 50.3% above our expectations.
- Gross profit amounted to PLN 50.9m, +138.6%/y which is 12.0% above our expectations.
- Gross profit in the period declined to 8.9% from 12.9% in 1Q21. Gross profit in the general construction segment matched our expectations of 8%.
- EBITDA amounted to PLN 36.3m, +180.3%/y and above our expectations of PLN 32.2m.
- Other operating activity in the period amounted to PLN 2.2m.
- EBIT in the general construction segment turned negative and fell to PLN -15.3m. The whole group EBIT still was positive due to consolidation exclusions.
- Operating cash flow turned positive on q/q basis and amounted to PLN 22m.
- Still strong backlog amounts to PLN 5,500 m.

**Opinion:** Results are above our expectations on EBITDA and net income level by 12.6% and 13.6% respectively however the negative EBIT in general construction segment needs further management's comments. Gross profit margin in this segment matched exactly our forecast of 8% and raises questions whether this slide from 9.6% margin in 1Q21 is what the company was looking for or the market should brace for further declines in 2H21.

Figure 1. Mirbud 2Q21A results overview

	2Q20	1Q21	2Q21A	y/y	q/q	2Q21E	diff.
<b>Sales</b>	242.3	298.3	574.2	137.0%	92.5%	393.5	45.9%
General construction	246.3	264.9	545.1	121.4%	105.8%	365.0	49.4%
Real estate projects	12.2	30.9	33.2	171.2%	7.4%	25.0	32.7%
Long term lease	5.9	8.0	9.0	53.3%	12.4%	9.0	0.2%
Trade show activity	1.0	0.0	0.0	na	na	0.0	na
Others	0.3	6.5	12.1	na	85.3%	6.5	85.3%
Corrections	-23.4	-12.0	-25.2	7.7%	110.3%	-12.0	110.3%
Cost of goods & products sold	-220.9	-260.0	-523.3	136.9%	101.3%	-348.1	50.3%
<b>Gross profit</b>	21.3	38.4	50.9	138.6%	32.7%	45.4	12.0%
General construction	21.6	25.7	43.5	100.8%	68.8%	29.2	48.8%
Real estate projects	3.1	7.8	7.6	145.9%	-3.2%	6.0	26.0%
Long term lease	-0.6	3.4	3.9	na	13.5%	2.7	44.0%
Trade show activity	0.6	0.0	0.0	na	na	0.0	na
Others	-0.3	-0.3	0.5	na	na	-0.3	na
Corrections	-3.1	1.7	-4.5	45.5%	-363.4%	7.9	na
SG&A	-14.4	-13.3	-17.1	19.0%	28.7%	-17.0	0.9%
Other operating activity net	2.7	12.1	2.2	-16.2%	-81.6%	0.0	na
<b>EBIT</b>	9.6	37.1	33.0	245.1%	-11.0%	28.4	16.2%
Net financial activity	-3.7	-4.6	-4.6	25.9%	0.8%	-4.0	15.3%
<b>Pre-tax profit</b>	5.9	32.6	28.4	380.9%	-12.7%	24.4	16.3%
Tax	-1.8	-5.1	-6.2	239.1%	22.6%	-4.9	27.1%
<b>Net income</b>	4.1	27.5	22.2	444.5%	-19.2%	19.6	13.6%
<b>EBITDA</b>	13.0	40.3	36.3	180.3%	9.9%	32.2	12.6%

Source: Company, IPOPEMA Research

Construction

## Mirbud

BUY

FV PLN 6.60

34.4% upside

Price as of 27 August 2021 PLN 4.91

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	100%

#### Rating History – Mirbud

Data	Rekomendacja	FV	Price at recommendation	Author
03/09/2020	BUY	PLN 3.14	PLN 2.26	Robert Maj
04/03/2021	BUY	PLN 5.06	PLN 4.43	Robert Maj
27/05/2021	BUY	PLN 6.60	PLN 4.97	Robert Maj