Mirbud

Building on leverage

We initiate coverage of Mirbud with a BUY recommendation and a Fair Value of PLN 3.14, which implies 38.8% upside. The firm is heavily dependent on the macro situation in Poland and its influence on construction activity. This so far, despite an anticipated deep slump in GDP numbers in 2020 (expected -4.6% print for the full year), is holding up relatively well, fuelled by European funding and Poles returning to the real estate market in search of apartments after a brief break caused by the pandemic outbreak. Mirbud predominantly operates in the general construction segment, out of which the company yields over 90% of its revenues, with the balance derived from real estate activity and long-term lease contracts. The company's backlog, as of end-2Q20, amounted to PLN 5.5bn and spans to the end of 2024. This is a record-high backlog for Mirbud. This comes, however, at the cost of relatively high leverage, which we expect will reach 3.45x 2020E net debt/ EBITDA and decrease only slightly to 3.37x in 2021E, and 2.93x in 2022. These funds fuel the working capital expansion required for the multiple infrastructure projects planned for many years ahead. All in all, we expect the firm to post EBITDA of PLN 65.7m (up 2.9% y/y) in 2020E, PLN 77.8m (up 18.4% y/y) in 2021E and PLN 90.8m (up 16.6% y/y) in 2022E, with the upward trajectory stemming from a rising backlog and downward pressure on costs for personnel, materials and subcontractors.

2020 outlook: As of end-2Q20 the company boasts a total backlog of PLN 5.5bn. We expect revenues to reach PLN 807m in 2H20. Post-2Q20, the company has managed to sign another important deal with the National Road Authority (GDDKiA) for construction of another S1 expressway stretch. The company is likely to slightly expand its operational margins going forward mainly due to lowering of its cost base and fatter investment budgets of the road authority for jobs in quarters ahead. Overall, we expect the company to record 2020E EBITDA of PLN 65.7m, +2.9% y/y and a bottom line of PLN 29.0m, +3.2% y/y with both margins at 5.3% and 2.3%, respectively. The company trades at 2020E P/E of 7.1x, which constitutes a 48.0% discount to Polish peers (Budimex and Pekabex). We believe that due to rapid earnings expansion, the company warrants a higher multiple.

High leverage: The company adopted its dividend policy only very recently - on 18 May, 2020. It states that Mirbud will strive to pay out between 10% - 50% of the unitary net profit. We believe that in the long term the company is likely to deliver a payout level towards the upper side of range of its adopted policy, in the short term we expect debt holders of the company will likely put the brakes on high dividend payouts. The majority of the debt is expected to be rolled forward in years 2020-2023, but we believe the covenant which allows banks to ultimately decide on the dividend levels is likely to stay in place. Mirbud recorded net debt/EBITDA of 3.0x at the end of 2Q20, which we expect to rise further to 3.45x due to high working capital needs against a backdrop of dynamic sales growth. Only thereafter do we believe the level of net debt will fall, to 3.37x in 2021 and 2.93x in 2022.

Figure 1. Mirbud financial data (PLN m)

	2017	2018	2019	2020E	2021E	2022E
Revenue	859.9	1,143.1	949.1	1,242.1	1,594.1	1,765.7
EBIT	47.9	51.0	52.2	52.6	59.5	70.8
EBITDA	58.3	62.4	63.9	65.7	77.8	90.8
Net profit	22.8	24.6	28.1	29.0	36.5	41.1
EPS	0.3	0.3	0.3	0.3	0.4	0.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0
P/E (x)	8.2	7.6	7.0	7.1	5.7	5.0
EV/EBITDA (x)	7.5	6.7	5.5	6.6	6.0	5.2

Source: Company, IPOPEMA Research

Construction

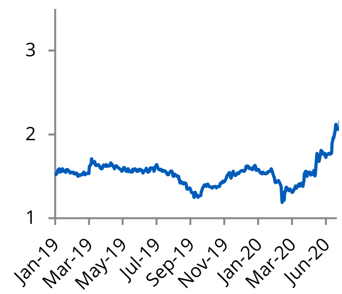
Mirbud

BUY
FV PLN 3.14

38.8% upside

Price as of 02 September 2020 PLN 2.26

Initiation of coverage



Share data

Number of shares (m)	91.7
Market cap (EUR m)	43.2
12M avg daily volume (k)	229.9
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	2.29/0.65
WIG weight (%)	0.02
Reuters	MRB.WA
Bloomberg	MRB PW

Total performance

1M	40.37%
3M	81.66%
12M	148.79%

Shareholders

Jerzy Migros	44.72%
NN OFE	11.21%

Analysts

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MIRBUD

BUY **FV PLN 3.14**

Mkt Cap EUR 43.2m Upside/downside +38.8%

Valuation multiples	2018	2019	2020E	2021E	2022E
P/E (x)	7.6	7.0	7.1	5.7	5.0
EV/EBITDA (x)	6.7	5.5	6.6	6.0	5.2
EV/Sales (x)	0.36	0.37	0.35	0.29	0.27
P/BV (x)	0.49	0.49	0.48	0.44	0.41
FCF yield (%)	28%	-41%	-5%	-2%	19%
DY (%)	0%	0%	1%	1%	2%

Per share	2018	2019	2020E	2021E	2022E
No. of shares (m units)	82.5	87.1	91.7	91.7	91.7
EPS (PLN)	0.30	0.32	0.32	0.40	0.45
BVPS (PLN)	4.64	4.65	4.71	5.08	5.49
FCFPS (PLN)	0.63	-0.92	-0.12	-0.06	0.43
DPS (PLN)	0.00	0.00	0.02	0.03	0.04

Change y/y (%)	2018	2019	2020E	2021E	2022E
Revenues	32.9%	-17.0%	30.9%	28.3%	10.8%
EBITDA	7.0%	2.4%	2.9%	18.4%	16.6%
EBIT	6.6%	2.3%	0.8%	13.1%	18.9%
Pre-tax	6.4%	10.7%	1.0%	20.7%	12.4%
Net profit	8.1%	14.1%	3.2%	25.9%	12.4%

Leverage and returr	2018	2019	2020E	2021E	2022E
Gross margin (%)	8.2%	10.6%	9.0%	8.8%	9.1%
EBITDA margin (%)	5.5%	6.7%	5.3%	4.9%	5.1%
EBIT margin (%)	4.5%	5.5%	4.2%	3.7%	4.0%
Net margin (%)	2.2%	3.0%	2.3%	2.3%	2.3%
Net debt / EBITDA (x)	2.77	2.42	3.45	3.37	2.93
Net debt / Equity (x)	0.45	0.38	0.52	0.56	0.53
Leverage Ratio (x)	1.27	1.24	1.20	1.15	1.09
ROE (%)	6.7%	7.1%	6.9%	8.1%	8.5%
ROA (%)	5.3%	5.7%	5.8%	7.1%	7.8%
ROCE (%)	7.8%	6.9%	6.3%	6.3%	7.0%

Assumptions	2018	2019	2020E	2021E	2022E
Sales (PLN m)	1,143.1	949.1	1,242.1	1,594.1	1,765.7
General constr.(PLN m)	1,074.7	908.4	1,212.8	1,576.7	1,734.4
Engineering (PLN m)	493.2	397.5	606.4	788.3	867.2
Trade show (PLN m)	5.9	8.0	3.5	0.0	0.0
Long term lease (PLN m	45.3	46.6	35.8	48.4	49.3
Consolidation corr(PLN	-82.7	-108.5	-89.8	-110.4	-121.4
Other sales (PLN m)	2.0	1.8	1.2	1.2	1.3
Real estate rev.(PLN m)	97.8	92.7	78.5	78.2	102.2
Poland GDP (%)	5.2%	4.1%	-4.6%	4.3%	2.4%
Poland CPI (%)	2.1%	2.2%	3.0%	2.0%	2.0%
Constr. activity(%)	9.2%	2.6%	-3.7%	2.4%	1.8%
USD PLN (avg)	3.61	3.84	3.90	3.90	3.90
EURPLN (avg)	4.26	4.30	4.30	4.30	4.30

P&L (PLN m)	2017	2018	2019	2020E	2021E	2022E
Revenues	859.9	1,143.1	949.1	1,242.1	1,594.1	1,765.7
COGS	-775.6	-1,049.9	-848.5	-1,130.3	-1,453.2	-1,604.8
Gross profit	84.2	93.2	100.6	111.8	140.9	160.9
general construction	54.6	52.6	58.6	87.7	118.3	134.4
real estate	16.5	18.8	18.6	16.7	16.8	21.7
long term lease of investment p	16.9	18.5	19.0	8.5	16.9	19.7
trade show activity	0.3	0.0	2.4	1.5	0.0	0.0
other	-0.6	-0.5	-0.7	-1.2	-0.6	-0.6
consolidation corrections	-3.5	3.8	2.7	-1.4	-10.5	-14.4
EBITDA	58.3	62.4	63.9	65.7	77.8	90.8
EBIT	47.9	51.0	52.2	52.6	59.5	70.8
Financial income (cost) net	-16.5	-17.6	-15.2	-15.3	-14.4	-20.1
Pre-tax	31.4	33.4	37.0	37.4	45.1	50.7
Tax	-6.3	-6.4	-8.9	-8.3	-8.6	-9.6
Net profit	22.8	24.6	28.1	29.0	36.5	41.1

BALANCE SHEET (PLN m)	2017	2018	2019	2020E	2021E	2022E
Non-current assets	538.8	515.4	518.6	543.3	573.1	594.0
Investment properties	210.5	254.1	249.6	249.6	249.6	249.6
PP&E	273.9	207.0	217.5	232.0	249.3	264.5
Receivables	15.9	14.5	12.3	16.1	20.6	22.8
Current assets	465.2	564.1	627.8	757.1	1,035.7	1,198.6
Inventories	172.6	216.9	261.0	319.0	410.1	452.9
Trade receivables	236.9	279.3	256.8	336.9	432.4	478.9
Cash and equivalents	46.5	64.1	108.2	99.4	191.3	264.9
Other current assets	9.2	3.7	1.9	1.9	1.9	1.9
Total assets	1,004.1	1,079.6	1,146.4	1,300.4	1,608.8	1,792.6
Equity	355.9	382.6	405.3	432.4	466.1	503.5
Minorities	54.3	56.7	0.0	0.0	0.0	0.0
Non-current liabilities	311.7	274.6	347.2	408.7	478.5	511.4
Loans and leasing	177.9	170.2	164.3	164.3	164.3	164.3
Other non-current liabilities	133.8	104.4	182.9	244.4	314.2	347.1
Current liabilities	336.5	422.3	394.0	459.3	664.2	777.7
Trade payables	235.2	322.8	263.4	263.2	338.4	373.7
Loans and leasing	67.8	66.9	98.2	161.9	289.5	366.7
Other current liabilities	33.5	32.6	32.4	34.2	36.3	37.3
Equity & liabilities	1,004.1	1,079.6	1,146.4	1,300.4	1,608.8	1,792.6
Inventories turnover (days)	81.2	75.4	112.3	103.0	103.0	103.0
Receivable turnover (days)	100.5	89.2	98.8	99.0	99.0	99.0
Net debt (PLN m)	199.1	172.9	154.4	226.8	262.5	266.1

CASH FLOW (PLN m)	2017	2018	2019	2020E	2021E	2022E
Operating cash flow	68.4	48.9	28.2	-42.7	2.1	34.6
Net income	22.8	24.6	28.1	29.0	36.5	41.1
D&A	10.5	11.4	11.7	14.1	18.3	20.0
Change in WC	11.7	-28.3	-1.8	-138.3	-111.4	-54.0
Other	18.9	-4.9	13.1	52.4	58.7	27.5
Investment cash flow	-29.9	3.0	-19.8	-27.9	-35.0	-34.5
CAPEX	1.5	-0.8	-18.2	-27.9	-35.0	-34.5
Investment properties	-26.7	2.2	3.6	0.0	0.0	0.0
Other	-4.8	1.6	-5.2	0.0	0.0	0.0
Financial cash flow	-42.4	-34.3	35.6	61.8	124.8	73.5
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	-15.6	-19.9	34.3	63.6	127.7	77.1
Dividend	0.0	-0.3	0.0	-1.8	-2.9	-3.7
Other	-26.9	-14.2	1.3	0.0	0.0	0.0
Change in cash	-3.9	17.6	44.0	-8.8	91.9	73.6
Cash as of eop	46.5	64.1	108.2	99.4	191.3	264.9

Source: Company data, IPOPEMA Research

Contents

Investment overview

We initiate our coverage of Mirbud with a BUY recommendation. On a 2020E P/E of 7.1x, Mirbud trades at a 50.8% discount to the international sector average and at a 48.0% discount to Polish construction companies (Budimex, Pekabex). Using the discounted cash flow (DCF) and dividend discount (DDM) models, we estimate the firm's fair value at PLN 3.14 per share, which implies 38.8% upside. The company is exposed to general macro conditions and the construction segment outlook. Polish GDP recorded a record high slump of -8.2% y/y and -8.9% q/q in 2Q20, and now the country is in recession. We expect the FY2020 Polish GDP will record -4.6% (in line with European Commission estimates). The infrastructure and general construction segments, however, show resilience to current macro conditions as they are fueled by European funds and governmental stimulus aimed at deliveries of new road infrastructure in subsequent years. With the inflow of new money from the EU in 2021 (as the new EU budget commences) we do expect the sector to return to higher growth dynamics. Mirbud operates in general infrastructure construction, real estate construction and development, which we expect to show rising margins in years ahead.

Figure 2. Mirbud share price performance

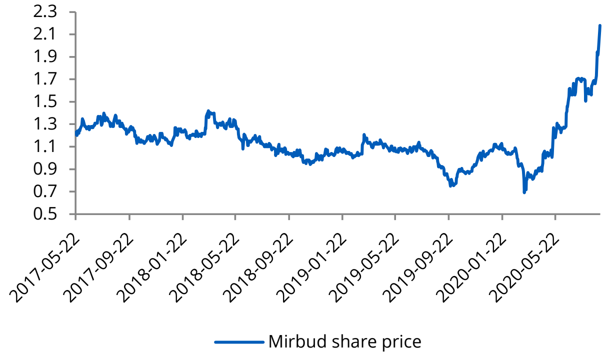
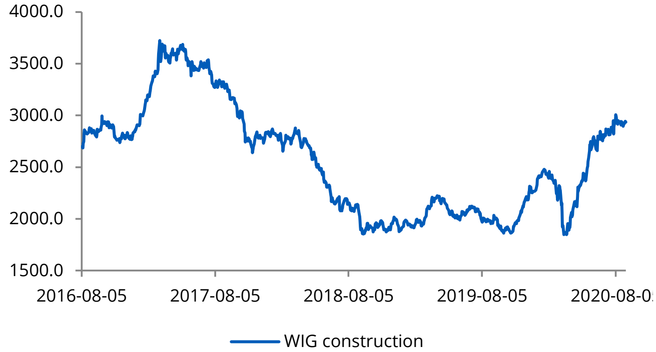


Figure 3. WIG Construction Index performance



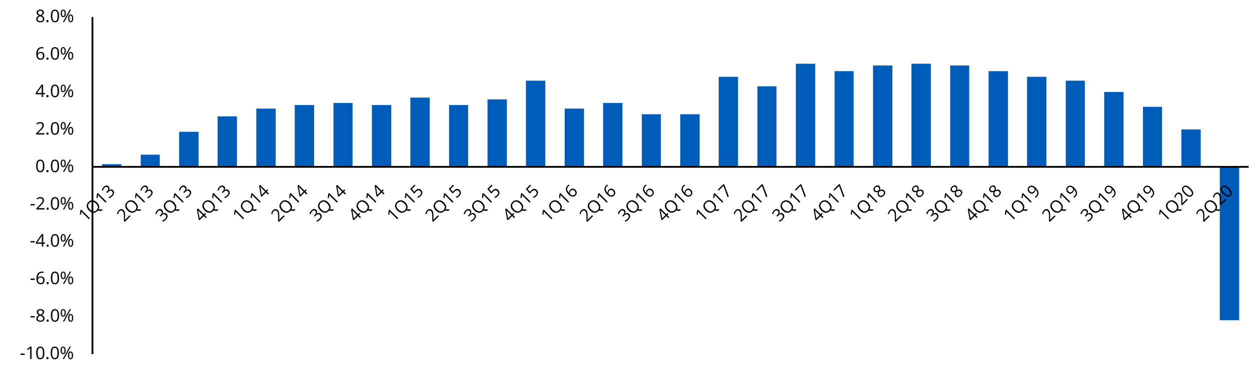
Source: Reuters, IPOPEMA Research

Trough in GDP already behind us

We project Poland's GDP growth to decelerate to negative 4.6% y/y in 2020 from +4.1% y/y in 2019, which is the steepest decline in recent decades. Statistics Poland (GUS) reported GDP in 2Q20 had declined by 8.2% y/y and 8.9% q/q which confirms the quick read published in mid-August. This means that in 1H20 the Polish economy shrank by 3.2% y/y. The biggest impact on these numbers was a decline in the consumption of households, which plummeted 10.9% y/y in 2Q20. This can be attributed to the imposed lockdown triggered by the coronavirus epidemic environment. This translated into an entire shutdown of many stores and services as well, and it caused Poles to save rather than spend their savings. The decline in consumption, according to economic analysts, was responsible for a 6.3% GDP decline in 2Q20. Investments in 2Q20 declined by 10.9% y/y. The pace of the decline could have been steeper, but a 20% y/y surge in EU funds payout in 2Q20 put a lid on the investment deceleration. This translated into relatively strong construction output, which in July only declined by 10.9% y/y but only by 3.6% m/m and -0.4% y/y in the January – July period. What bolstered the economy were net exports: exports fell 14.3% y/y, yet imports declined 17.5% y/y in the period. Net exports (+0.8% y/y) into the GDP components proved to be even higher than in 1Q20, which bodes well also for coming quarters. Going forward, we expect the Polish economy to continue the rebound that was already visible in retail sales and industrial production in July.

Overall, we view as justified the European Commission expectations for Polish GDP to decline 4.6% y/y in 2020 and to rebound by 4.3% y/y in 2021. Fresh inflows of EU funds should turn the tables on the macroeconomic front slightly in 2021-2028.

Figure 4. GDP evolution (%)



Source: Company, IPOPEMA Research

EU funds again a driver of construction spending

The EU's previous allocation for Poland amounted to EUR 67.3bn for the period 2007-2013. By the end of 2015, the final year during which funds planned for 2007-2013 were utilized, the average annual fund flow reached EUR 9.5bn versus an average of EUR 4.3bn in the years 2004-2006. Construction-related work attracted a combined EUR 43.7bn from EU and national Polish funds in the period 2007-2013.

We are currently nearing the end of the 2014-2020 period (the settlement of EU funds will be made by 2023). The total funds for Poland amount to EUR 82.5bn (PLN 330bn). The biggest single portion of the funds – PLN 78bn – has been earmarked for transportation investments. This is followed by low-emission investments (PLN 31.3bn) and R&D (PLN 21.5bn). Around PLN 18bn has been allocated to environmental protection activities, as well as small and mid-sized companies.

The new EU budget stipulates almost EUR 160bn (PLN 750bn) for Poland, which is almost 50% more than the previous round. Such a result of the negotiations came as quite a surprise, as earlier a 20-30% decline in Poland's pot seemed almost taken for granted (Brexit, cut in EU spending as such). The Coronavirus pandemic, however, changed the EU Commission's attitude towards investments and allowed for a record high budget.

The lump sum EUR 159bn encompasses the regular EU budget for 2021-2027 and the new Development and Reconstruction Fund, which was established to combat the outcome of the pandemic environment. This fund means an additional EUR 64bn for Poland. EUR 125bn will come in the form of direct spending, while the rest will be granted as low interest and preferable loans. The new EU budget means an additional 3% of GDP annually in spending for Poland, while the previous round amounted to a mere 2% GDP annually.

Figure 5. EU funds for Poland (% of GDP)

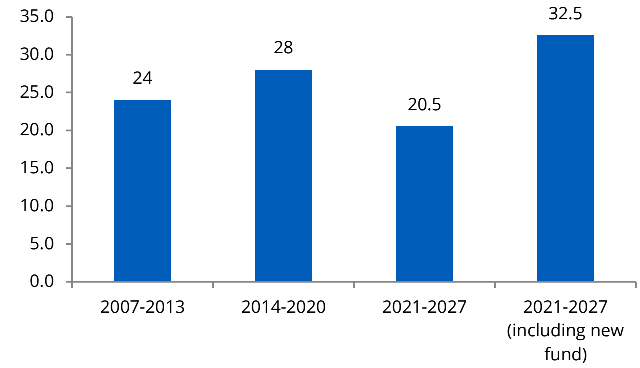
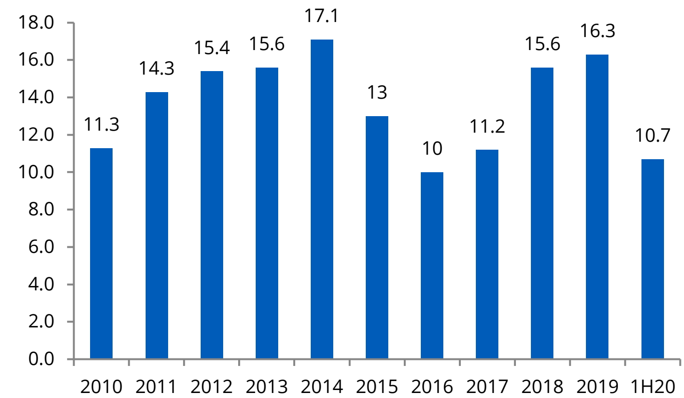


Figure 6. EU transfers to Poland (EUR bn)



Source: Ministry of Finance, Rzeczpospolita, IPOPEMA Research

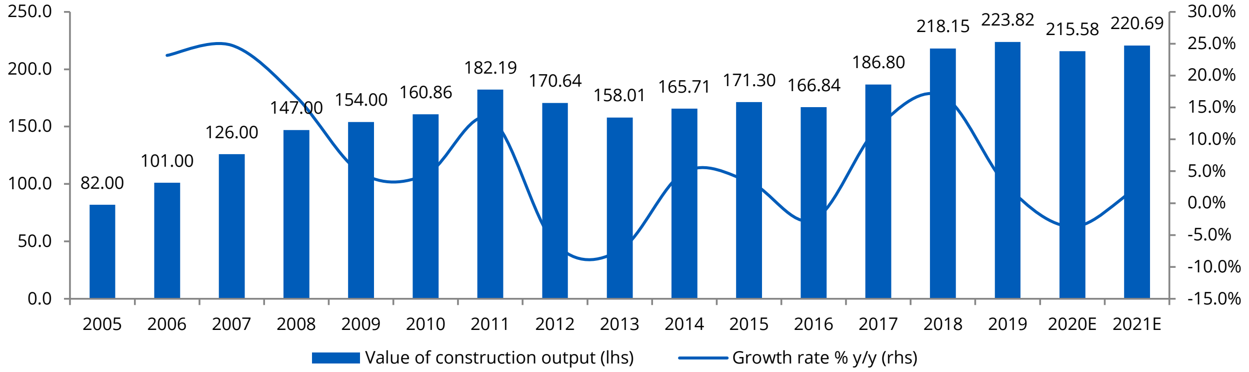
Risks to new EU budget

In order to tap in to the new proceeds, Poland will have a four year period to come up with a list of projects it would like to finance. This is an operational risk, which in case it materializes could mean lowering the real impact and real cash flow from the EU. Linking the EUR fund spending to the rule of law may also hinder the whole process of obtaining the proceeds.

Construction sector outlook

We expect the Polish construction sector to fall 3.7% y/y in 2020 after 2.6% y/y growth in 2019 and a superb 9.2% y/y growth figure for 2018. Our expectations mean that construction output is set to fall at a lower pace than the overall economy. Even so, the data on construction output in July came as an unpleasant surprise. According to Statistics Poland (GUS), construction output fell by 10.9% y/y (the highest since November 2016) but only 3.6% m/m and 0.4% y/y in the first seven months of the year. Compared to June, the lower output was recorded in specialized engineering works (-1.8% m/m) in land and water engineering (-2% m/m) and in housing construction (-7.1% m/m). The high pace of decline on an annual basis is to some extent a result of high base from a year ago; however, on the other hand it may indicate a subscale investment pace in the remainder of the year. Such a high slump is also a result of a freeze in private investments and current EU budget nearing an end.

Figure 7. Construction sector growth

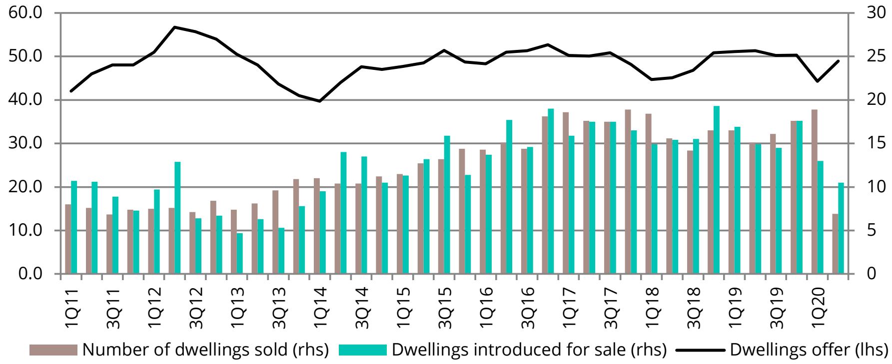


Source: Company, IPOPEMA Research

Residential market overview

According to JLL, residential developers reported a 54% y/y deterioration in pre-sales in 6 major Polish agglomerations to 6.9k units in 2Q20 due to the COVID-19 outbreak. At the same time, the number of dwellings introduced to their offer decreased by around 30% y/y to 10.5k units. As a result, the dwellings offer stabilized at the level of around 49k units (-5% y/y). The residential developers pointed toward the difficulties in obtaining administrative permits during the lockdown, while some of them decided to postpone commencement of new projects given low visibility on macro outlook (including labour market). However, according to the Statistics Poland, the number of new dwellings started still remains significantly lower y/y (-13% y/y in 1H20), but we highlight that the number of new dwelling permits is recovering (-5% y/y in 1H20).

Figure 8. Number of dwellings introduced for sale and sold in comparison to dwellings offer (thousand units)

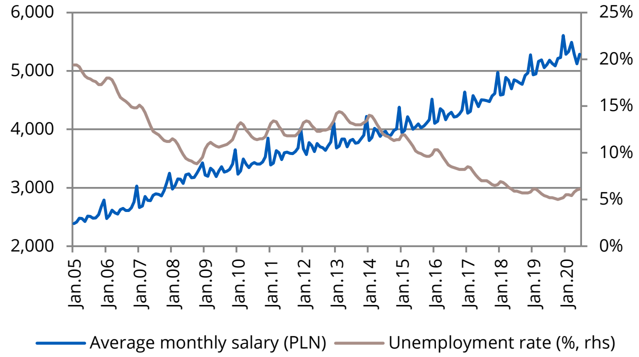


Source: JLL/REAS, IPOPEMA Research

With easing of restrictions after the lockdown period, we expect the demand for dwellings to remain strong and to recover to average pre-pandemic levels. On one hand, we point to the 'own-use' demand supported by still strong purchasing power of the client (although we highlight low visibility on the labour market outlook). On the other hand, we note that investment demand remains strong due to low interest rates.

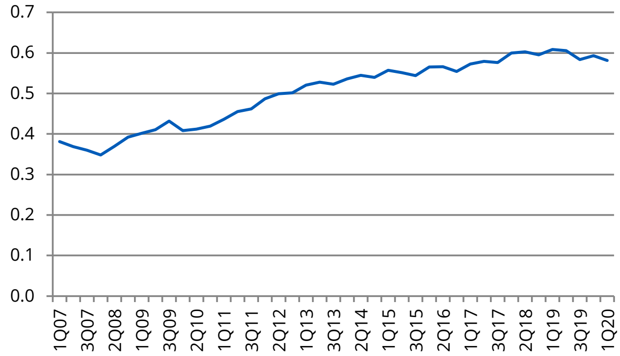
At the same time, we expect the dwelling prices to stabilize at the level comparable to pre-pandemic level (some discounts may be offered on some dwellings rather than whole projects). We make note of still low availability of land plots, and we do not expect any significant deterioration in construction costs. Therefore, we expect that developers with a solid land bank will manage to keep gross margins high.

Figure 9. Average monthly salary vs. unemployment rate in Poland



Source: Polish Statistical Office, IPOPEMA Research

Figure 10. Average monthly salary in comparison to the average price of residential sqm in Warsaw (x)



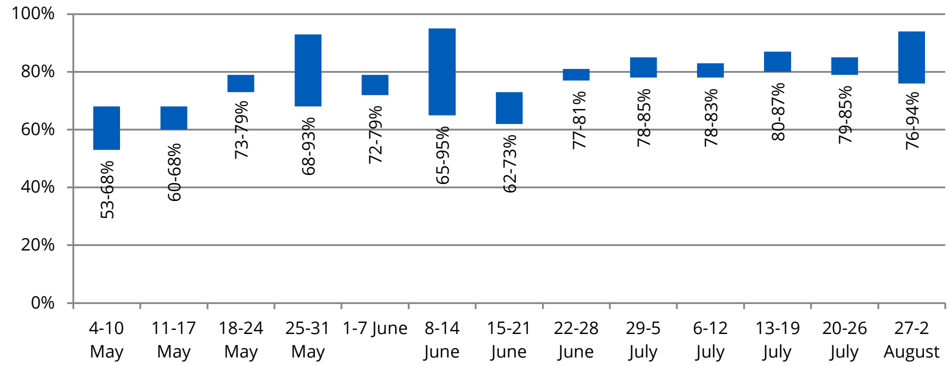
Source: Polish Statistical Office, IPOPEMA Research

Retail market overview

According to Colliers, the retail area amounted to over 12.2m sqm as of end-2Q20 with around 135k sqm delivered in 1H20. At the same time, another over 350k sqm of retail space was under construction, with the majority to be delivered in 2H20 (total supply should reach ca. 300-350k sqm in FY20, slightly higher y/y). According to Cushman & Wakefield, around half of the retail area currently under construction will be delivered in smaller cities with a population below 100k and small retail parks and convenience shopping centres will complement the existing retail area.

We note that the retail projects were mainly affected by the coronavirus outbreak. Firstly, we point out the lockdown period (14 March – 4 May in Poland) applied to retail projects with a retail area of over 2,000 sqm. However, we highlight that the recovery in traffic in the shopping malls after the lockdown period was above initial assumptions. According to the Polish Council of Shopping Malls, the traffic in June reached around 80% in comparison to the analogous week in 2019 and stabilized at that level in subsequent weeks. At the same time, the Retail Institute reported that the largest decreases in traffic were recorded in large (over 40,000 sqm) and medium (20-39,999 sqm) centres, while the customers preferred small retail parks and convenience centres with retail area below 20,000 sqm.

Figure 11. Footfall in retail projects comparing to analogous week in 2019

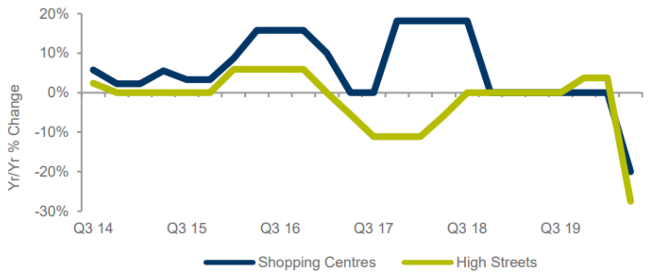


Source: Polish Council of Shopping Centres, IPOPEMA Research

We highlight that the Anti-Crisis Support Package introduced by the Polish Government allowed the tenants not to pay rental during the lockdown, which is associated with the extension of lease agreements by 12-18 months. As a result, many tenants decided to renegotiate the rental agreements; however, we expect that potential renegotiations should only have a short-term impact (until end-2020) on developers' results (reduction of rental payments, waiving of interest payments of service charges).

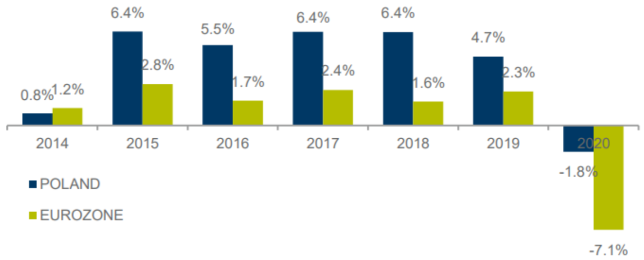
Given the COVID-19 outbreak, we point to higher activity in the e-commerce sector and potentially faster conversion of the Polish customer from offline to online. As a result, we believe that developers' plans regarding new developments may be postponed and mixed-use projects will gain importance. As the visibility still remains low, we point out potential pressure on yields for retail projects in the coming quarters (in comparison to the current 5.0% in Warsaw City Centre and 5.4% in Warsaw Out of Town).

Figure 12. Prime rents



Source: Cushman & Wakefield, IPOPEMA Research

Figure 13. Retail sales y/y growth



Source: Oxford Economics, IPOPEMA Research

Valuation

Our valuation approach for construction companies uses two methods: the discounted cash flow (DCF) and the dividend discount model (DDM). We calculate our Fair Value for Mirbud by taking the average of the two results. The two methods are aligned, as they are both based on the same financial model. The model assumes cashflow projections over a 10-year period for the firm based on our forecasts for the construction market, GDP in Poland as well as other parameters including volume growth, product mix changes, changes in the financing model, efficiency gains, production cost increases, capital expenditures and working capital needs. Our dividend projections are a derivative of the earnings forecasts in our financial model. Payout levels are determined by corporate policy in the short-term (10%) and then drift towards a target payout ratio of 50% in the long-term. The DDM is also a useful tool for understanding P/E multiples [P/E = (D/E)/(k-g)], with differences explained by a combination of earnings growth and dividend payout. Both our DCF and DDM models have terminal values with a growth rate of 1%.

Our assumptions for cost-of-equity were established by using a variable risk-free rate (equal to the 12-month forward interest rate) and adding a 5.0% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2020-2028 period. Thereafter, we use a flat 4.5% rate, which represents our estimate of a through-the-cycle interest rate for Emerging Europe. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

Figure 14. DCF Valuation (PLN m)

PLN m	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal Year
Revenues	1,242.1	1,594.1	1,765.7	1,941.7	2,001.8	2,044.1	2,104.8	2,164.0	2,220.4	2,277.5	2,277.5
EBIT	**52.6**	**59.5**	**70.8**	**80.1**	**87.2**	**92.7**	**96.8**	**103.6**	**108.7**	**110.4**	**110.4**
Tax on EBIT	11.8	11.3	13.4	15.2	16.6	17.6	18.4	19.7	20.7	21.0	21.0
NOPLAT	40.9	48.2	57.3	64.8	70.6	75.1	78.4	83.9	88.1	89.4	89.4
Depreciation	14.1	18.3	20.0	21.3	22.7	24.4	26.2	28.0	29.8	31.6	31.6
Capital expenditures	-27.9	-35.0	-34.5	-35.7	-34.9	-35.4	-35.5	-35.5	-35.3	-33.1	-33.1
Change in working capital	-138.3	-111.4	-54.0	-55.5	-18.8	-13.2	-19.1	-18.5	-17.7	-18.1	-18.1
Free cash flow	**-111.1**	**-79.8**	**-11.2**	**-5.1**	**39.6**	**51.0**	**50.0**	**57.9**	**65.0**	**69.8**	**69.8**
Risk-free rate	1.36%	1.45%	1.53%	1.70%	1.81%	1.87%	1.85%	1.72%	2.00%	3.00%	4.50%
Equity risk premium	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cost of equity	6.36%	6.45%	6.53%	6.70%	6.81%	6.87%	6.85%	6.72%	7.00%	8.00%	9.50%
Cost of debt (pre-tax)	3.9%	3.9%	4.0%	4.2%	4.3%	4.4%	4.4%	4.2%	4.5%	5.5%	5.5%
Effective tax rate	22.3%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	3.0%	3.2%	3.3%	3.4%	3.5%	3.5%	3.5%	3.4%	3.6%	4.5%	4.5%
Weight of debt	38.6%	43.0%	44.9%	44.0%	41.9%	40.7%	39.5%	39.2%	37.6%	35.7%	35.7%
Weight of equity	61.4%	57.0%	55.1%	56.0%	58.1%	59.3%	60.5%	60.8%	62.4%	64.3%	64.3%
WACC	**5.1%**	**5.1%**	**5.1%**	**5.2%**	**5.4%**	**5.5%**	**5.5%**	**5.4%**	**5.7%**	**6.7%**	**7.7%**
Discount fact	0.95	0.91	0.86	0.82	0.78	0.74	0.70	0.66	0.63	0.59	0.54
PV of FCF	-105.8	-72.3	-9.7	-4.2	30.8	37.6	34.9	38.3	40.7	40.9	38.0
Sum of FCF PV's	31.2										
FCF terminal growth rate	1.0%										
Terminal value	1,051.8										
PV of terminal value	572.9										
Unwind of discount	20.4										
Enterprise value	624.4										
Net debt 2019	154.4										
Employees liabilities	-145.5										
Dividend paid out in 2020 (ytd terms)	-1.8										
Equity value	322.7										
Per share value (PLN)	**3.52**										

Source: IPOPEMA Research

Figure 15. DDM Valuation (PLN m)

PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal Year
Dividends	2.9	3.7	4.1	4.7	10.7	11.7	12.5	13.6	21.9	32.9	32.9
Discount rate	6.4%	6.5%	6.7%	6.8%	6.9%	6.9%	6.7%	7.0%	8.0%	9.5%	9.5%
Discount factor	0.94	0.88	0.83	0.77	0.72	0.68	0.63	0.59	0.55	0.50	0.46
Discounted dividend	2.7	3.2	3.4	3.7	7.7	7.9	7.9	8.1	12.0	16.5	15.1
Sum of DD PV's	73.2										
DIV terminal growth rate	1.0%										
Terminal value	390.6										
PV of terminal value	179.0										
Discount unwind	0.7										
Equity value	252.9										
Per share value (PLN)	**2.76**										

Source: IPOPEMA Research

Figure 16. Valuation Summary (PLN)

PLN m	
DCF	3.52
DDM	2.76
Average	**3.14**

Source: IPOPEMA Research

Relative valuation

Compared to the international peers' median of 2020E P/E of 14.5x, Mirbud trades at 7.1x, which constitutes a 50.8% discount. In our opinion, the average multiple for Mirbud should be higher, as the company showed it is currently resilient to the downturn and was able to fill in the order books for the following quarters.

Figure 17. Relative Valuation – Intenrational peers

PRICE	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
(LCU)			2020	2021	2022	2020	2021	2022	2020	2021	2022
12.0	ABGV.VI	PORR	29.9	10.4	6.7	3.5	2.8	2.5	2.8	5.0	6.8
26.0	STRV.VI	STRABAG	8.8	9.3	8.2	1.8	1.8	1.8	4.1	4.4	5.2
23.0	WBSV.VI	WIENERBERGER	15.6	12.7	11.0	7.0	6.4	6.1	2.2	2.6	2.9
15.0	TKFEN.IS	TEKFEN HOLDING	7.9	6.2	5.1	4.4	3.6	2.7	4.0	4.8	3.1
6.5	ENKAI.IS	ENKA INSAAT	12.1	9.3	8.5	9.0	5.6	5.1	3.3	4.6	4.5
11.4	CIMSA.IS	CIMSA CIMENTO	22.8	8.0	5.3	9.7	6.6	5.2	0.0	3.9	5.4
220.4	BALF.L	BALFOUR BEATTY PLC	39.5	10.6	8.7	12.4	6.0	5.0	1.2	2.8	3.2
8.9	B5AG.DE	BAUER AG	NaN	21.6	8.0	7.0	5.3	4.6	0.0	1.7	2.3
8.2	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	12.8	10.8	9.9	7.7	7.0	6.7	4.4	4.6	4.8
73.4	HOTG.DE	HOCHTIEF AG	10.5	8.2	7.3	3.1	2.8	2.7	5.9	7.5	8.1
0.7	OHL.MC	OBRASCON HUARTE LAIN SA	NaN	NaN	NaN	6.6	5.5	4.7	0.0	0.0	0.0
1.9	SCYR.MC	SACYR SA	14.5	5.6	4.7	8.7	8.1	7.2	11.1	6.4	6.3
177.6	SKAb.ST	SKANSKA AB	12.7	14.0	13.0	7.6	8.2	7.2	2.3	3.7	4.4
33.3	BOUY.PA	BOUYGUES SA	25.5	12.3	10.6	7.1	5.6	5.2	5.1	5.2	5.2
1.6	MOTA.LS	MOTA ENGIL SGPS SA	11.3	4.2	2.4	5.0	4.2	3.7	3.8	4.4	12.0
20.5	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	11.3	7.9	6.8	4.7	3.9	3.7	7.1	7.8	9.0
100.7	ANA.MC	ACCIONA SA	25.7	17.5	14.6	9.9	8.7	8.0	2.7	3.0	3.4
22.4	FER.MC	FERROVIAL SA	NaN	77.0	41.7	56.2	37.8	32.7	2.1	3.1	3.2
76.2	FOUG.PA	EIFFAGE SA	18.5	10.6	9.3	9.0	7.0	6.6	2.8	3.7	4.1
16.6	GBFG.DE	BILFINGER SE	NaN	12.8	8.1	10.8	4.6	3.5	0.7	3.5	5.8
5.1	YIT.HE	YIT OYJ	14.3	10.9	8.8	11.1	9.1	8.0	5.4	5.5	6.1
1.1	WBD.MI	SALINI IMPREGILO SPA	65.2	10.7	8.8	8.4	6.1	5.6	2.0	1.4	4.1
77.8	SGEF.PA	VINCI SA	33.4	15.3	12.8	13.2	9.4	8.7	1.8	3.4	4.0
		MEDIAN	**14.5**	**10.7**	**8.6**	**7.7**	**6.0**	**5.2**	**2.8**	**3.9**	**4.5**
2.2	MRB.WA	MIRBUD	7.1	5.7	5.0	6.6	6.0	5.2	0.9	1.4	1.8
		Premium/discount to median									
		Mirbud	-50.8%	-46.7%	-41.4%	-14.8%	-0.1%	-0.2%	-68.1%	-64.1%	-60.6%

Source: Reuters, IPOPEMA Research

Figure 18. Relative valuation – Domestic peers

PRICE	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
(LCU)			2020	2021	2022	2020	2021	2022	2020	2021	2022
234.5	BDXP.WA	BUDIMEX	20.2	14.2	13.5	8.4	5.9	5.8	1.9	3.4	5.1
12.8	PBX.WA	PEKABEX	7.3	8.2	7.9	5.7	5.3	4.7	0.0	4.1	3.7
		MEDIAN	**13.8**	**11.2**	**10.7**	**7.0**	**5.6**	**5.3**	**1.0**	**3.7**	**4.4**
2.2	MRB.WA	MIRBUD	7.1	5.7	5.0	6.6	6.0	5.2	0.88	1.40	1.76
		Premium/discount to median **Mirbud**	**-48.0%**	**-49.4%**	**-52.8%**	**-5.9%**	**7.4%**	**-1.3%**	**-9.0%**	**-62.6%**	**-59.9%**

Source: Reuters, IPOPEMA Research

Company profile and business model

Here is the company's structure:

The company was established in 2002; however, the owners have operated in the construction sector since 1988. So far the company has realized over 500 contracts, including in the fields of:

- Industrial construction (production facilities, trade and service facilities).
- Public facilities (sports and town halls, municipal stadiums, hospitals, public service buildings).
- Commercial real estates (shopping malls, large shops).
- Engineering infrastructure (highways, national roads, express ways, bridges, fly overs, municipal road infrastructure, rail infrastructure).
- Residential construction.

Mirbud S.A, the mother company, specializes in general construction and land engineering.

Kobylarnia S.A is a subsidiary which specializes in road infrastructure and bridge construction. It also produces bitumen and concrete. It owns three production facilities:

- In Kobylarnia (close to Bydgoszcz) – Teltomat production facility with 240Mg/h capacities and Teltomat 120 production facility with 160 Mg/h capacities.
- In Boguslawice (close to Wloclawek) – Teltomat 160 production facility with 200 Mg/h capacity.
- In Miekinia (close to Wroclaw) – Amman Uniwersal facility with capacities of 240 Mg/h.

JHM Development executes real estate development investments.

Marywilska 44 manages the shopping and trade center in Warsaw on Marywilska Street. At the moment, due to pandemic environment, commercialization of the centre fell from 100% to 90%.

Expo Mazury – the company is an owner of and manages the 58k sqm trade center in Ostroda, northern Poland. The subsidiary is slated to be liquidated and its assets are to be transferred to other Mirbud SA subsidiaries.

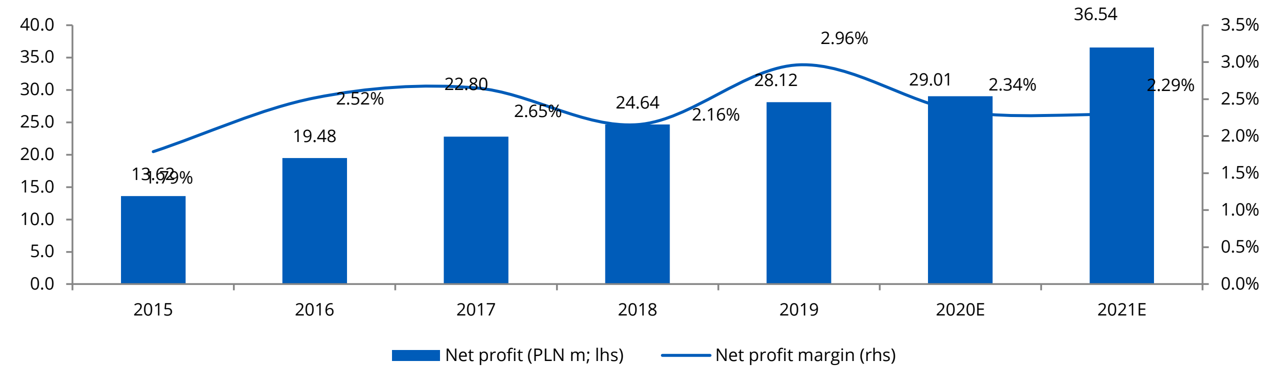
Shareholder structure

The CEO of Mirbud S.A. is Mr Jerzy Mirgos, who owns 44.72% of the company. NN OFE pension fund owns another 11.21% of Mirbud.

Earnings outlook

We expect Mirbud's bottom line to rise 3.2% y/y to PLN 29.0m in 2020 and a further 25.9% y/y to PLN 36.5m in 2021. This should be the result of increases in the realized backlog in the infrastructure segment and increases sales in the real estate segment. We expect the company to realize an above-average tax rate in 2020-2021.

Figure 19. Net profit evolution (PLN m lhs, % margin rhs)



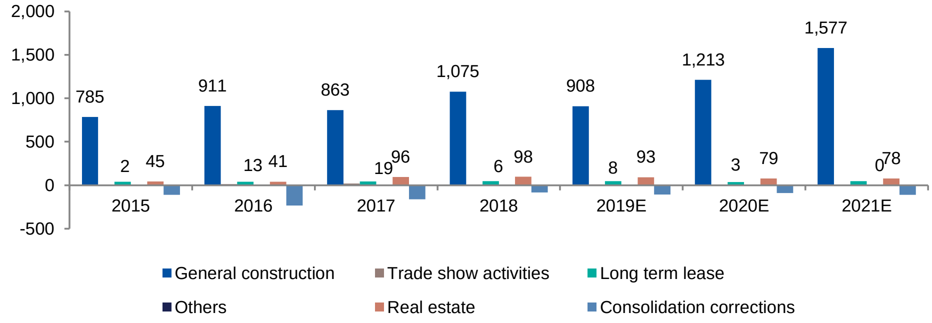
Source: Company, IPOPEMA Research

Revenue outlook

Mirbud's revenues are divided into three main segments: general construction, mainly in the cubature building, public housing, production and trade facilities and engineering infrastructure. The other two segments are real estate development and long term lease of commercial properties: Marywilska 44 and a large trade facility in Ostroda.

Our revenue forecasts are based on our view of the macroeconomic outlook for Poland, which impacts the growth of the construction segment in which Mirbud operates. After the 2015-2019 CAGR of 5.7% we expect revenue growth to rise to a 2019-2024 CAGR of 16.1%, which reflects the record high backlog of the company. We expect revenues to grow by 30.9% y/y to PLN 1,242.1m in 2020. This rapid increase should be driven by the company's increasing backlog in general construction. Thereafter, we expect revenues to rise 28.3% y/y in 2021E to PLN 1,594.1m and a further 10.8% y/y to PLN 1,765.7m in 2022E, also supported by deliveries in the real estate segment. General construction constituted 95.7% of total sales in 2019.

Figure 20. Revenue split (PLN m)



Source: Company, IPOPEMA Research

Real estate segment

JHM Development reported pre-sales of 80 units in 1Q20 (-17% y/y) and deterioration to 41 units in 2Q20 (-56% y/y). At the same time, the company had 122 reservation agreements as of end-2Q20 that should be converted to pre-sales agreements by end-2020. We also highlight that the company has increased its dwelling offer from 843 units as of end-4Q19 to 1,021 units as of end-2Q20, which should also be supportive for pre-sales in the coming quarters. Given the above-mentioned, we expect JHM to report pre-sales of 283 units in 2020E (-20% y/y) and improvement to 386 units in 2021E (+36% y/y, mainly on planned geographical diversification of the dwellings offer in Bydgoszcz, Gdansk, Łodz).

As a result, we expect the company to deliver around 301 units in 2020E and 294 units in 2021E (in comparison to 352 units in 2019) and increase to 381 units in 2022E (due to forecasted improvement of pre-sales in the coming quarters). We also expect the sales mix to remain stable in 2020-21E resulting in average value of delivered unit of around PLN 270k and an increase to nearly PLN 300k in 2022E (delivery of projects located in bigger cities, including Gdansk, Bydgoszcz, Lodz). Since we do not assume any significant changes in pricing policy and stable construction costs, we expect gross margin to stabilize at around 21% in the years ahead. Given the above-mentioned, we forecast revenues from residential activity of PLN 79m/78/102m and gross profit of PLN 16/17/22m in 2020-22E, respectively.

Backlog evolution

The company reported a backlog of PLN 5.5bn for the group as of the end of 2Q20. We expect revenues in 2H20 to amount to PLN 807m.

Figure 21. Company's backlog (PLN m)

Construction	Date of the deal	Duration	Contractor	Value gross (PLN m)
S1 express way Kosztowy - Bielsko Biała, third stretch Dankowice - Suchy Potok junction	03.08.2020	33 months	GDDKiA	586.71
Construction of Western Axle in Wroclaw - selection of the best offer	22.05.2020	na	Wroclawskie Inwestycje Sp. Z o.o.	188.79
Construction of voivodship road number 455,design&build mode	13.05.2020	24 months	Dolnosląska Służba Dróg i Kolei in Wroclaw	164.70
Construction of office building in Warsaw at Jana Nowaka-Jezioranskiego street	08.05.2020	na	PCO S.A.	36.53
Construction of petrol station and commercial buildings in Elk	07.05.2020	na	IMMO SI Polska Sp. Z o.o.	37.62
Construction of logistic and production facilities in Lodz	30.04.2020	na	7R S.A	27.46
Letter of intent - construction of logistic/production hall in Tomaszkow (Olsztyn)	28.04.2020	na	Panattoni Development Europe Sp. Zo.o.	35.27
Construction of S5 express way Nowe Marzy - Bydgoszcz, stretch 2, design&build mode	23.04.2020	22 months	GDDKiA	583.38
Construction of S5 express way Nowe Marzy - Bydgoszcz, Biale Blota - Szubin stretch, design&build mode	13.03.2020	17 months	GDDKiA	359.43
Design&build of the Radom airport terminal	06.03.2020	22 months	PPL	280.50
Construction of S11 express way Koszalin - Szczecinek, Koszalin South - Bobolice	04.03.2020	36	GDDKiA	450.00

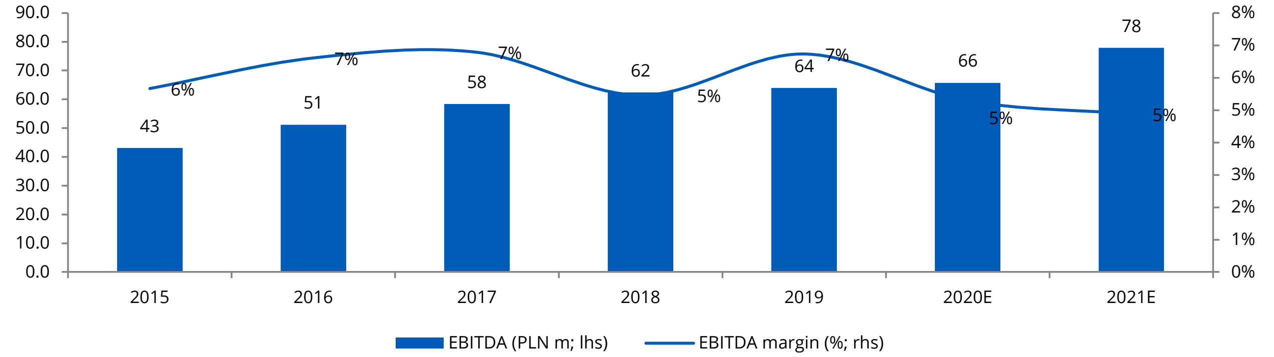
junction stretch, design&build		months		
Construction of residential complex in Bydgoszcz (intra group deal)	17.01.2020	na	JHM Development	92.69
Construction of school in Warsaw at Jana Kazimierza street	09.01.2020	24 months	City of Warsaw, Wola district	37.63
Construction of Poreba and Zawiercie ring road	23.12.2019	34 months	GDDKiA	414.71
Construction of Education Centre in Gorzow Wielkopolski	10.12.2019	by 30.08.2021	City of Gorzow Wielkopolski	103.97
Demolition of existing and construction of new municiapl stadium in Plock	29.11.2019	36 months	City of Plock	166.48
Letter of intent signed regarding construction of warehouses in Ruda Śląska	21.11.2019	na	Panattoni Development Europe Sp. Zo.o.	88.89
Reconstruction of southern lane of A18 Olszyna-Golnice motorway	14.11.2019	25 months	GDDKiA	254.15
Construction of the residential complex in Lodz (intra group deal)	04.11.2019	by 30.09.2021	JHM Development	50.04
Construction of S1 express way Bielsko-Biała-Zwardon, Przybedza-Milowka stretch	11.10.2019	34 months	GDDKiA	1,378.95
Construction of Eqilibrium office building in Warsaw	26.07.2019	na	Eqilibrium II Sp. Zo.o.	26.39
Construction of sport hall in Opole	05.07.2019	na	City of Opole	37.55
Construction of school in Warsaw at Jana Nowaka-Jezioranskiego street	03.07.2019	by 10.12.2021	City of Warsaw, Praga Poludnie distrct	61.12
Construction of municiapl stadium in Lodz in design&build mode	05.06.2019	36 months	City of Lodz	129.00
Construction of logistic centre in Zabrze	22.05.2019	na	Panattoni Development Europe Sp. Zo.o.	71.18
Construction of Olesno ring road (11 National Road), design&build mode	21.05.2019	36 months	GDDKiA	667.69
Construction of warehousing and production facility in Skarbimierz	08.05.2019	na	Zotefoams plc.	60.64
Construction of A1 motorway Tuszyn - Belchatow junction - Kamiensk junction stretch, design&build mode	18.04.2019	35 months	GDDKiA	857.00
Construction of shopping mall in Bialki/Siedlce	07.03.2019	na	Stop Shop Poland Sp. Zo.o.	63.27
Construction of sports hall in Lublin	17.01.2019	na	Medical University in Lublin	54.80
Construction of Castorama in Wloclawek	13.11.2018	na	Omega Investments Sp. Zo.o.	58.55
Construction of production facility in Stalowa Wola	09.11.2018	na	ARP	29.52
Construction of residential facility in Lodz at Jugoslawianska street (intra group deal)	25.10.2018	by 30.12.2021	JHM Development	38.30
Construction of State Music School in Brodnica	02.10.2018	na	State Music School in Brodnica	14.78
Construction of sport facilities in Swinoujscie	01.10.2018	na	City of Swinoujscie	43.72
Construction of shooting range in Gorzow Wielkopolski	11.09.2018	na	Police unit in Gorzow Wielkopolski city	37.79
Construction of Gabin rong road, voivodship 577 road	20.07.2018	na	Mazovian Road Directorate	45.26
Upgrade of voivodship road number 255, Pakosc - Strzelno stretch	05.07.2018	na	Bydgoszcz Road Directorate	15.90
Logistic centre at Panattoni Gdansk III Park	02.07.2018	na	Industrial Center 33 Sp. Zo.o.	77.42
Reconstruction of north lane of A4 motorway Bielany Wroclawskie - Wroclaw Wschod stretch	21.05.2018	na	GDDKiA	15.20
Construction of logistic warehouses	17.05.2018	na	MLP Pruszkow II Sp. Zo.o.	32.98
Refurbishment of A2 motorway Konin-Kolo-Dabie stretch	07.05.2018	na	GDDKiA	20.00
Construction of long term care facility in Swinoujscie	07.05.2018	na	City of Swinoujscie	33.41
Construction of warehouse in Szczecin Zalom Wschod	07.05.2018	na	Accolade PL IX Sp.zo.o.	52.28
Constrcution of warehouse in Szczecin Trzebusz	07.05.2018	na	PDC Industrial Center	48.34
Construction of fly-over within the road number 1 in Przechowo	26.01.2018	na	GDDKiA	53.80
Construction of warehouse in Radomsko	23.01.2018	na	Panattoni Construction Europe Sp. Zo.o.	41.01
Construction of warehouse in Czeladz	02.01.2018	na	MLP Czeladz Sp.zo.o.	36.59
Total				*8,061.4*

Source: Company, IPOPEMA Research

EBITDA outlook

We expect the company's EBITDA to increase at a 2019-2024 CAGR of 12.1%. We expect 2020E EBITDA of PLN 65.8m (up 2.9% y/y) as the company is currently executing more profitable contracts in the general construction segment. We expect the EBITDA to rise 18.4% y/y to PLN 77.8m in 2021 due to control of its cost base and a record high level of the company's backlog. We expect the EBITDA line to rise by 16.6% y/y in 2022 driven by the inflow of new EU funds and higher sales in the real estate segment.

Figure 22. EBITDA evolution (PLN m, lhs), EBITDA margin (rhs, %)



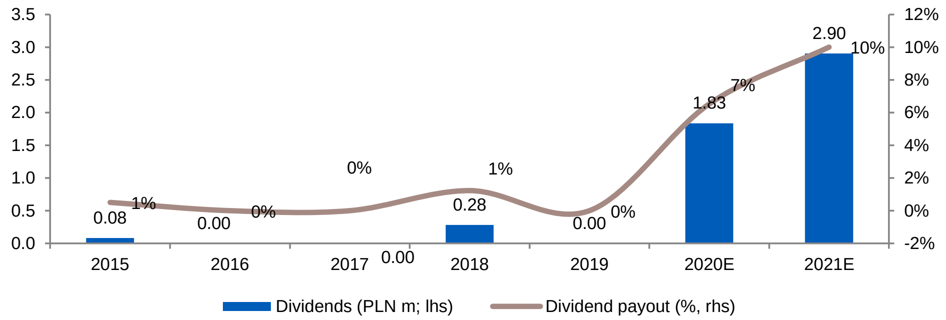
Source: Company, IPOPEMA Research

Balance sheet and dividends

Mirbud recorded net debt/EBITDA of 3.0x at the end of 2Q20, which we expect to rise further to 3.4x due to high working capital needs against a backdrop of dynamic sales growth. Only thereafter do we believe the level of net debt will fall, to 3.3x in 2021

The biggest threat to Mirbud would be a rapid increase in receivables stemming from the construction contract, which would cast a shadow over the profitability of the executed contracts. As of now, Mirbud's backlog is financed mainly by long-term construction budgets fueled by EU funds or governmental fiscal spending; hence we do not expect a short squeeze to threaten the company's liquidity.

Figure 23. Dividends (PLN m, lhs), dividend payout (rhs, %)

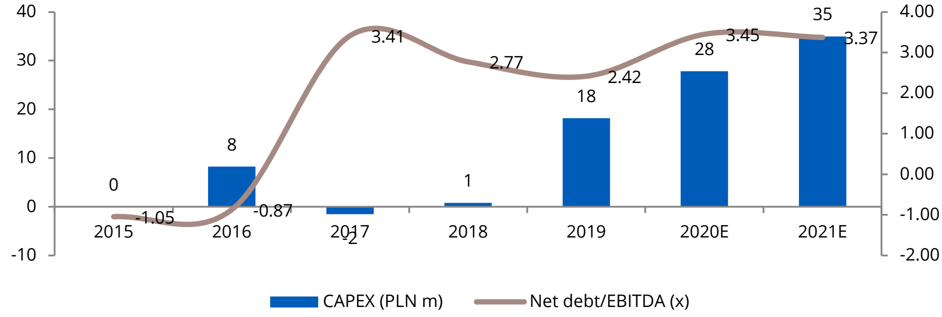


Source: Company, IPOPEMA Research

CAPEX forecast and net debt

We expect Mirbud's capital expenditures to rise in 2020 as the company ramps up spending for new equipment. We expect the CAPEX to reach PLN 27.9m in FY 2020. Thereafter, we forecast spending to rise to PLN 35.0m in 2021E. We do not assume any acquisitions in our model.

Figure 24. CAPEX and net debt evolution



Source: Company, IPOPEMA Research

ESG Section

Environment

Mirbud takes environmental concerns very seriously. The company has implemented several measures to control its dust emissions and to prevent it producing excessive waste. The company is enhancing its environmental policy by reducing its use of natural resources. Furthermore, the company has endeavoured to optimise its use of resources by focusing on recycling, waste control and water circulation.

Governance

Mirbud maintains transparent and continuous communications with its employees and shareholders. Regular meetings are held between employees and managers to provide updates and consolidate the company's strategy. It publishes quarterly and annual reports in a timely manner.

Risks to fair value

Demand volatility

With its asset-heavy business model, Mirbud is fully exposed to local demand for construction services. Weak demand may lead to sharp declines in profitability.

Unfavourable trend in prices of materials and services

Adverse trends such as rising raw material costs or inflation of transport service costs may hamper the company's profitability.

Potential rise in competition

Given the company's superior profitability, arising from complex solutions and a growing scale of operations, several local competitors might attempt to copy Mirbud's business model, which could potentially increase competition in the company's most important segments.

Workforce shortages

A shortage of skilled labour in the construction industry could result in Mirbud having insufficient employees to operate its business. There are no shortages at the moment, which would likely allow the company to lower its cost base and cost of third parties in quarters ahead.

Rise in receivables

The biggest threat to Mirbud would be a rapid increase in receivables stemming from construction contracts, which would cast a shadow over the profitability of the executed contracts.

Economy slowdown

Estimates for the Polish economy point to lower growth rates going forward. As a result, some investments could be suspended, which would raise questions about the level of Mirbud's future backlog. Decreasing EU funds are likely to accentuate the problem.

Financials

Figure 25. Mirbud P&L (PLN m)

	2017	2018	2019	2020E	2021E	2022E
Sales	**859.9**	**1,143.1**	**949.1**	**1,242.1**	**1,594.1**	**1,765.7**
Cost of goods & products sold	-775.6	-1,049.9	-848.5	-1,130.3	-1,453.2	-1,604.8
Gross profit	**84.2**	**93.2**	**100.6**	**111.8**	**140.9**	**160.9**
SG&A	-44.7	-51.9	-54.1	-55.4	-88.0	-97.5
EBIT	**39.6**	**41.3**	**46.5**	**56.4**	**52.8**	**63.4**
Net financial activity	-16.5	-17.6	-15.2	-15.3	-14.4	-20.1
Shares in affiliates	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	**23.1**	**23.7**	**31.3**	**41.1**	**38.4**	**43.3**
Tax	-6.3	-6.4	-8.9	-8.3	-8.6	-9.6
Minorities	2.3	2.4	0.0	0.0	0.0	0.0
Net income	**14.5**	**14.9**	**22.4**	**32.8**	**29.9**	**33.7**
EBITDA	**58.3**	**62.4**	**63.9**	**65.7**	**77.8**	**90.8**

Source: Company, IPOPEMA Research

Figure 26. Mirbud Balance sheet (PLN m)

	2017	2018	2019	2020E	2021E	2022E
Long-term assets	**538.8**	**515.4**	**518.6**	**543.3**	**573.1**	**594.0**
Tangible assets	273.9	207.0	217.5	232.0	249.3	264.5
Investment properties	210.5	254.1	249.6	249.6	249.6	249.6
Receivables and loans	15.9	14.5	12.3	16.1	20.6	22.8
Deferred assets	19.4	22.3	23.1	30.2	38.7	42.9
Others	19.1	17.6	16.1	15.5	14.8	14.1
Current assets	**465.2**	**564.1**	**627.8**	**757.1**	**1,035.7**	**1,198.6**
Inventories	172.6	216.9	261.0	319.0	410.1	452.9
Trade receivables and other	236.9	279.3	256.8	336.9	432.4	478.9
Cash	46.5	64.1	108.2	99.4	191.3	264.9
Other	9.2	3.7	1.9	1.9	1.9	1.9
Total assets	**1,004.1**	**1,079.6**	**1,146.4**	**1,300.4**	**1,608.8**	**1,792.6**
Equity	**355.9**	**382.6**	**405.3**	**432.4**	**466.1**	**503.5**
Long-term liabilities	**311.7**	**274.6**	**347.2**	**408.7**	**478.5**	**511.4**
Interest bearing	177.9	170.2	164.3	164.3	164.3	164.3
Deferred tax	26.8	30.9	34.2	45.5	58.5	64.6
Provisions	2.4	2.5	3.2	4.2	5.4	6.0
Other liabilities	104.5	71.1	145.5	194.7	250.2	276.5
Short-term liabilities	**336.5**	**422.3**	**394.0**	**459.3**	**664.2**	**777.7**
Interest bearing	67.8	66.9	98.2	161.9	289.5	366.7
tax/financial liabilities	0.4	2.7	2.4	3.2	4.1	4.6
Provisions	3.0	3.3	3.1	4.1	5.3	5.9
Other ST liabilities	30.2	26.6	26.9	26.9	26.9	26.9
Trade liabilities	235.2	322.8	263.4	263.2	338.4	373.7
Total liabilities& equity	1,004.1	1,079.6	1,146.4	1,300.4	1,608.8	1,792.6

Source: Company, IPOPEMA Research

Figure 27. Mirbud Cash flow statement (PLN m)

	2016	2017	2018	2019	2020E	2021E	2022E
Net profit	19.5	22.8	24.6	28.1	29.0	36.5	41.1
Depreciation	9.7	10.5	11.4	11.7	14.1	18.3	20.0
Change in net working capital	-1.9	11.7	-28.3	-1.8	-138.3	-111.4	-54.0
Other items	5.5	23.4	41.2	-9.7	52.4	58.7	27.5
Operating cash flow	**32.8**	**68.4**	**48.9**	**28.2**	**-42.7**	**2.1**	**34.6**
Purchases of tangibles & intangibles	-8.2	1.5	-0.8	-18.2	-27.9	-35.0	-34.5
Others	-1.3	-4.8	1.6	-5.2	0.0	0.0	0.0
Investing cash flow	**-9.5**	**-3.2**	**0.8**	**-23.4**	**-27.9**	**-35.0**	**-34.5**
Free cash flow	**23.3**	**65.2**	**49.7**	**4.8**	**-70.6**	**-32.8**	**0.1**
Change in interest-bearing debt	-4.4	-15.6	-19.9	34.3	63.6	127.7	77.1
Dividends	0.0	0.0	-0.3	0.0	-1.8	-2.9	-3.7
Other	-13.1	-16.5	-5.3	11.3	0.0	0.0	0.0
Financing cash flow	**-17.5**	**-32.0**	**-25.4**	**45.6**	**61.8**	**124.8**	**73.5**
Total cash flow	**5.7**	**33.2**	**24.3**	**50.4**	**-8.8**	**91.9**	**73.6**
Cash at beginning of period	45.1	44.5	46.5	64.1	108.2	99.4	191.3
Cash at end of period	**44.5**	**46.5**	**64.1**	**108.2**	**99.4**	**191.3**	**264.9**

Source: Company, IPOPEMA Research

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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.
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Rating History – Mirbud

Date	Recommendation	Fair Value	Price at recommendation	Author
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