

Mirbud

Economic slowdown means stabilizing costs

Mirbud reported a strong cash position in 4Q22 which raise hopes for a higher-than-expected dividend payout in months ahead. As we consider the company's business model to stay intact in ensuing years (Mirbud is unlikely to divest investment properties), we believe the company's current activities should bring further improvements in results on a y/y basis in 2023. This predominantly stems from our forecast of 1% better gross margin on a y/y basis in 2023 on the back of a slightly lower cost base. We believe that costs may pick up again in 2024 on the back of reviving economic growth. On top of that, Mirbud recently filed the best bid for the S19 expressway with a planned budget of PLN 1.3bn, which does not yet appear in the company's backlog, but in case the deal is signed it will provide revenue generation beyond 2024 and substantiates our thesis that Mirbud is likely to grow its revenues above PLN 3.5bn in 2025E. All in all, we increase the EBITDA forecast by 40.6% for 2023E, by 8.0% for 2024E and by 11.4% for the 2025E period to PLN 259.9m (up 33.7% y/y) in 2023E, PLN 200.9m (down 22.7% y/y) in 2024E and PLN 208.6m (up 3.9% y/y) in 2025E. We increase our Fair Value by 96.4% to PLN 9.93, which provides 21.3% upside, and we reiterate our BUY recommendation.

2023E and 1Q23 results preview

According to Polskie Składy Budowlane (PSB), a Polish branch organization monitoring the prices of materials in Poland, in March, construction material prices grew by 11% y/y, which is half of the growth recorded in April 2022. We expect the growth of costs to further decelerate in coming months and fall to single-digit values, underpinning our 2023E EBITDA growth projections for Mirbud. Due to less favourable weather, we expect the revenue level to arrive at PLN 451.8m, -10.0% y/y. As a result, we forecast EBITDA in 1Q23E at PLN 26.8m, -6.4% y/y. The gross profit line is expected to come in at PLN 38.4m, -7.7% y/y, which indicates an 8.5% margin, better than the 8.3% recorded a year ago.

Backlog still strong

Mirbud is systematically building a portfolio of orders. At the end of 4Q22, Mirbud had orders worth PLN 5.56bn. For the company it is crucial that the value of the portfolio should stay over PLN 5bn in each period. The great majority of orders (75%) for now comprise road investments, and the remaining 14% are public buildings, 9% production and warehouse construction and approximately 2% residential buildings.

Higher multiple warranted

Mirbud trades at a 2023E EV/EBITDA of 2.5x, which constitutes a 55.7% discount to international peers and a 69.9% discount to Budimex. Budimex is recognized due to its high dividend payout track record; however, we still feel the premium to Mirbud should be smaller due to Mirbud's continued inking of new contracts which we believe will allow the company to increase margins going forward.

Figure 1. Mirbud financial data, (PLN m)

	2021	2022	2023E	2024E	2025E
Revenue	2,505.6	3,319.3	3,348.9	3,427.0	3,575.8
EBIT	174.5	178.4	242.3	184.8	191.3
EBITDA	187.9	194.4	259.9	200.9	208.6
Net profit	128.0	119.2	168.2	132.9	142.2
DPS	0.08	0.20	0.39	0.55	0.43
P/E (x)	5.9	6.3	4.5	5.7	5.3
EV/EBITDA (x)	3.9	3.6	2.5	2.9	2.3

Source: Company, IPOPEMA Research

Construction

Mirbud

BUY

FV PLN 9.93

21.3% upside

Price as of 27 April 2023 PLN 8.19

Recommendation maintained



Share data

Number of shares (m)	91.7
Market cap (EUR m)	155.8
12M avg daily volume (k)	160.0
12M avg daily turnover (EUR m)	0.2
12M high/low (PLN)	8.12/2.90
WIG weight (%)	0.12
Reuters	MRB.WA
Bloomberg	MRB.PW

Total performance

1M	+21.15%
3M	+39.76%
12M	+161.39%

Shareholders

Jerzy Mirgos	45.34%
NN OFE	10.05%

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MIRBUD

BUY

FV PLN 9.93

Mkt Cap EUR 155.8m

Upside/downside +21.3%

Valuation multiples	2021	2022	2023E	2024E	2025E
P/E (x)	5.9	6.3	4.5	5.7	5.3
EV/EBITDA (x)	3.9	3.6	2.5	2.9	2.3
EV/Sales (x)	0.30	0.21	0.19	0.17	0.13
P/BV (x)	1.29	1.10	0.92	0.84	0.75
FCF yield (%)	20%	17%	14%	18%	18%
DY (%)	1%	2%	5%	7%	5%

Per share	2021	2022	2023E	2024E	2025E
No. of shares (m units)	91.7	91.7	91.7	91.7	91.7
EPS (PLN)	1.40	1.30	1.83	1.45	1.55
BVPS (PLN)	6.35	7.43	8.88	9.78	10.89
FCFPS (PLN)	1.64	1.41	1.14	1.51	1.51
DPS (PLN)	0.08	0.20	0.39	0.55	0.43

Change y/y (%)	2021	2022	2023E	2024E	2025E
Revenues	101.6%	32.5%	0.9%	2.3%	4.3%
EBITDA	91.1%	3.5%	33.7%	-22.7%	3.9%
EBIT	106.9%	2.2%	35.8%	-23.7%	3.5%
Pre-tax	122.1%	-3.1%	39.1%	-22.0%	7.0%
Net profit	120.0%	-6.9%	41.2%	-21.0%	7.0%

Leverage and return	2021	2022	2023E	2024E	2025E
Gross margin (%)	9.2%	8.1%	9.1%	8.6%	8.6%
EBITDA margin (%)	7.5%	5.9%	7.8%	5.9%	5.8%
EBIT margin (%)	7.0%	5.4%	7.2%	5.4%	5.3%
Net margin (%)	5.1%	3.6%	5.0%	3.9%	4.0%
Net debt / EBITDA (x)	-0.06	-0.30	-0.39	-0.88	-1.31
Net debt / Equity (x)	-0.02	-0.09	-0.12	-0.20	-0.27
Leverage Ratio (x)	0.98	0.87	0.79	0.72	0.66
ROE (%)	24.5%	18.9%	22.5%	15.5%	15.0%
ROA (%)	25.0%	21.8%	28.4%	21.5%	22.9%
ROCE (%)	14.0%	13.4%	16.6%	11.9%	11.5%

Assumptions	2021	2022	2023E	2024E	2025E
Sales (PLN m)	2,505.6	3,319.3	3,348.9	3,427.0	3,575.8
General constr.(PLN m)	2,344.0	3,265.9	3,165.0	3,323.3	3,439.6
Engineering (PLN m)	1,341.8	1,782.3	1,582.5	1,661.6	1,719.8
Trade show (PLN m)	0.0	0.0	0.0	0.0	0.0
Long term lease (PLN m)	42.1	54.4	56.0	58.8	60.9
Consolidation corr(PLN)	-98.9	-177.4	-100.0	-166.2	-172.0
Other sales (PLN m)	72.0	45.0	51.0	53.2	55.6
Real estate rev.(PLN m)	146.4	131.5	176.9	157.9	191.7
Poland GDP (%)	6.8%	4.8%	0.3%	3.5%	3.5%
Poland CPI (%)	5.1%	14.3%	13.4%	5.0%	3.5%
Constr. activity(%)	8.5%	6.2%	0.4%	4.4%	4.4%
USD PLN (avg)	3.86	4.46	3.75	3.65	3.65
EURPLN (avg)	4.56	4.68	4.68	4.68	4.68

P&L (PLN m)	2020	2021	2022	2023E	2024E	2025E
Revenues	1,242.9	2,505.6	3,319.3	3,348.9	3,427.0	3,575.8
COGS	-1,105.6	-2,274.0	-3,048.8	-3,042.6	-3,131.7	-3,269.1
Gross profit	137.3	231.6	270.5	306.3	295.3	306.6
general construction	88.1	173.6	197.3	189.9	199.4	223.6
real estate	27.7	33.6	38.3	50.5	44.7	53.8
long term lease of investment p	5.6	22.9	33.6	22.4	11.8	12.2
trade show activity	2.5	0.0	0.0	0.0	0.0	0.0
other	-1.3	3.1	1.6	0.8	1.1	1.1
consolidation corrections	14.7	-1.6	-0.4	42.7	38.4	16.0
EBITDA	98.3	187.9	194.4	259.9	200.9	208.6
EBIT	84.3	174.5	178.4	242.3	184.8	191.3
Financial income (cost) net	-14.0	-18.4	-27.2	-32.0	-20.7	-15.7
Pre-tax	70.3	156.1	151.2	210.3	164.0	175.5
Tax	-12.1	-28.0	-32.0	-42.1	-31.2	-33.4
Net profit	58.2	128.0	119.2	168.2	132.9	142.2

BALANCE SHEET (PLN m)	2020	2021E	2022	2023E	2024E	2025E
Non-current assets	677.9	714.7	729.7	736.4	746.6	757.0
Investment properties	422.3	506.3	489.0	489.0	489.0	489.0
PP&E	217.0	153.0	170.5	177.3	186.6	195.0
Receivables	9.6	6.0	3.6	3.6	3.7	3.9
Current assets	861.2	1,325.9	1,518.3	1,751.2	1,793.8	1,870.1
Inventories	282.8	316.2	392.9	458.5	471.9	492.6
Trade receivables	287.5	498.0	575.5	580.6	594.1	619.9
Cash and equivalents	289.0	467.8	507.6	669.8	685.4	715.2
Other current assets	1.9	43.9	42.4	42.4	42.4	42.4
Total assets	1,539.1	2,040.6	2,248.0	2,487.7	2,540.4	2,627.1
Equity	461.6	582.3	682.0	814.5	896.9	999.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	605.8	668.4	648.6	648.2	655.5	666.9
Loans and leasing	293.6	366.7	395.3	395.3	395.3	395.3
Other non-current liabilities	312.3	301.6	253.3	252.8	260.2	271.6
Current liabilities	471.7	790.0	917.5	1,025.0	988.0	960.9
Trade payables	359.1	673.3	847.2	833.6	858.0	895.7
Loans and leasing	79.2	90.4	53.0	174.2	112.3	46.8
Other current liabilities	33.4	26.3	17.2	17.3	17.7	18.4
Equity & liabilities	1,539.1	2,040.6	2,248.0	2,487.7	2,540.4	2,627.1
Inventories turnover (days)	93.4	50.7	47.0	55.0	55.0	55.0
Receivable turnover (days)	84.4	72.5	63.3	63.3	63.3	63.3
Net debt (PLN m)	83.8	-10.7	-59.2	-100.3	-177.8	-273.0

CASH FLOW (PLN m)	2020	2021E	2022	2023E	2024E	2025E
Operating cash flow	247.9	205.4	133.3	100.6	152.9	160.4
Net income	58.2	128.0	119.2	168.2	132.9	142.2
D&A	14.0	13.4	16.1	17.6	16.1	17.3
Change in WC	166.8	52.7	-37.2	-84.3	-2.6	-8.8
Other	-55.4	135.0	170.5	-0.9	6.5	9.7
Investment cash flow	0.0	-54.5	-4.0	-22.2	-25.0	-25.3
CAPEX	-4.8	-1.1	-7.1	-22.2	-25.0	-25.3
Investment properties	4.8	-40.1	2.8	0.0	0.0	0.0
Other	0.0	-13.4	0.3	0.0	0.0	0.0
Financial cash flow	-67.1	27.9	-89.5	85.4	-112.3	-105.4
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	-54.3	22.0	-17.7	121.2	-61.8	-65.5
Dividend	-1.8	-7.3	-18.3	-35.8	-50.5	-39.9
Other	-10.9	13.2	-53.4	0.0	0.0	0.0
Change in cash	180.8	178.8	39.8	163.8	15.6	29.7
Cash as of eop	289.0	467.8	507.6	669.8	685.4	715.2

Source: Company data, IPOPEMA Research

4Q22 results overview/1Q23 results preview

Our main take away after the 4Q22 call with the management was that the profitability is likely to be at least maintained in 2023 vs 2022. We believe that this is an overly conservative guidance. We forecast EBITDA in 1Q23E at PLN 26.8m, -6.4% y/y. The gross profit line is expected to come in at PLN 38.4m, -7.7% y/y, which indicates an 8.5% margin, better than the 8.3% recorded a year ago.

Figure 2. Mirbud: 1Q23 results preview

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	y/y	q/q
Sales	298.3	574.2	774.6	858.4	501.8	849.3	951.8	1,016.5	451.8	-10.0%	-55.6%
General construction	264.9	545.1	741.3	792.6	495.8	858.5	943.2	968.3	450.0	-9.2%	-53.5%
Real estate projects	30.9	33.2	32.9	49.4	12.1	17.7	43.8	57.9	7.8	-36.1%	-86.6%
Long term lease	8.0	9.0	12.4	12.6	13.5	13.7	13.4	13.8	14.0	3.9%	1.2%
Others	6.5	12.1	14.6	38.7	4.1	10.0	15.5	15.3	5.0	20.9%	-67.3%
Corrections	-12.0	-25.2	-26.7	-35.0	-23.8	-50.6	-64.2	-38.8	-25.0	5.2%	-35.6%
Cost of goods & products sold	-260.0	-523.3	-703.5	-787.1	-460.3	-788.0	-869.3	-931.3	-413.4	-10.2%	-55.6%
Gross profit	38.4	50.9	71.1	71.2	41.5	61.3	82.5	85.1	38.4	-7.7%	-55.0%
General construction	25.7	43.5	55.0	49.4	30.7	50.6	62.9	53.0	27.0	-12.1%	-49.1%
Real estate projects	7.8	7.6	7.6	10.6	2.9	5.7	11.7	18.0	2.1	-28.0%	-88.5%
Long term lease	3.4	3.9	7.8	7.8	7.7	9.1	8.3	8.5	5.6	-27.6%	-34.3%
Others	-0.3	0.5	1.8	1.2	1.3	-0.7	1.8	-0.9	0.2	-84.5%	na
Corrections	1.7	-4.5	-1.0	2.2	-1.1	-3.4	-2.3	6.5	3.5	na	-46.0%
SG&A	-13.3	-17.1	-17.0	-18.0	-16.0	-19.4	-18.7	-19.2	-18.0	12.2%	-6.3%
Other operating activity net	12.1	2.2	1.8	-3.3	-0.6	-1.4	-1.8	-15.0	2.0	na	na
EBIT	37.1	33.0	56.5	47.8	24.9	40.5	62.0	50.9	22.4	-10.2%	-56.1%
Net financial activity	-4.6	-4.6	-3.5	-5.7	-4.7	-6.3	-1.7	-14.5	-8.0	68.7%	-44.8%
Pre-tax profit	32.6	28.4	52.9	42.1	20.1	34.3	60.3	36.5	14.4	-28.7%	-60.6%
Tax	-5.1	-6.2	-9.7	-7.1	-5.0	-10.0	-12.1	-4.9	-2.9	-42.2%	-41.8%
Net income	27.5	22.2	43.2	35.1	15.2	24.3	48.2	31.5	11.5	-24.3%	-63.6%
EBITDA	40.3	36.3	59.9	51.4	28.6	44.5	66.1	55.3	26.8	-6.4%	-51.6%

Source: Company, IPOPEMA Research

Changes in forecast

Figure 3. Changes in forecasts

PLN m	2023E			2024E			2025E		
	OLD	NEW	Diff. %	OLD	NEW	Diff. %	OLD	NEW	Diff. %
Sales	3,152.7	3,348.9	6.2%	3,308.8	3,699.9	11.8%	3,260.7	3,575.8	9.7%
Gross profit	249.9	306.3	22.6%	255.3	326.5	27.9%	252.8	306.6	21.3%
EBIT	169.9	242.3	42.6%	171.3	207.2	20.9%	170.0	191.3	12.5%
Net income	117.2	168.2	43.5%	120.7	156.4	29.6%	121.1	142.2	17.4%
EBITDA	184.86	259.91	40.6%	186.02	200.85	8.0%	187.22	208.62	11.4%

Source: Company, IPOPEMA Research

Ipopema vs. Consensus

Figure 4. Ipopema vs. Consensus

PLN m	2023E			2024E			2025E		
	Bloomberg	IPOPEMA	Diff. %	Bloomberg	IPOPEMA	Diff. %	Bloomberg	IPOPEMA	Diff. %
Sales	3,364.0	3,348.9	0%	3,452.0	3,427.0	-1%	3,407.0	3,575.8	5%
EBITDA	199.0	259.9	31%	194.0	200.9	4%	191.0	208.6	9%
EBIT	185.0	242.3	31%	179.0	184.8	3%	175.0	191.3	9%
Net profit	128.0	168.2	31%	135.0	132.9	-2%	134.0	142.2	6%
EBITDA margin	5.9%	7.8%		5.6%	5.9%		5.6%	5.8%	
EBIT margin	5.5%	7.2%		5.2%	5.4%		5.1%	5.3%	
Net margin	3.8%	5.0%		3.9%	3.9%		3.9%	4.0%	

Source: Bloomberg, 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 (15%) 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 5.5% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2023-2032 period. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

Figure 5. DCF Valuation (PLN m)

PLN m	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Revenues	3,348.9	3,427.0	3,575.8	3,699.9	3,826.8	3,958.2	4,093.7	4,233.6	4,378.0	4,527.1	4,527.1
EBIT	242.3	184.8	191.3	207.2	215.0	223.0	219.6	212.0	195.1	221.8	221.8
Tax on EBIT	41.7	33.2	40.4	41.4	40.9	42.4	41.7	40.3	37.1	42.1	42.1
NOPLAT	193.8	149.7	154.9	167.8	174.2	180.6	177.9	171.8	158.1	179.6	179.6
Depreciation	17.6	16.1	17.3	18.6	19.9	21.2	22.5	23.7	24.9	26.2	26.2
Capital expenditures	-22.2	-25.0	-25.3	-25.4	-25.4	-25.2	-23.6	-24.8	-26.1	-27.5	-27.5
Change in working capital	-84.3	-2.6	-8.8	-8.7	-7.8	-8.1	-6.9	-6.6	-5.7	-11.3	-11.3
Free cash flow	105.0	138.2	138.1	152.3	160.9	168.6	169.9	164.0	151.1	167.0	167.0
Risk-free rate	5.95%	5.98%	6.03%	6.08%	6.12%	6.19%	6.58%	6.58%	6.58%	6.58%	6.58%
Equity risk premium	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
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	11.45%	11.48%	11.53%	11.58%	11.62%	11.69%	12.08%	12.08%	12.08%	12.08%	12.08%
Cost of debt (pre-tax)	8.4%	8.5%	8.5%	8.6%	8.6%	8.7%	9.1%	9.1%	9.1%	9.1%	9.1%
Effective tax rate	17.2%	18.0%	21.1%	20.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	7.0%	7.0%	6.7%	6.9%	7.0%	7.0%	7.4%	7.4%	7.4%	7.4%	7.4%
Weight of debt	28.0%	24.7%	21.2%	23.9%	12.8%	8.7%	5.0%	1.5%	-1.2%	-4.4%	-4.4%
Weight of equity	72.0%	75.3%	78.8%	76.1%	87.2%	91.3%	95.0%	98.5%	101.2%	104.4%	104.4%
WACC	10.2%	10.4%	10.5%	10.5%	11.0%	11.3%	11.8%	12.0%	12.1%	12.3%	12.3%
Discount fact	0.91	0.82	0.74	0.67	0.61	0.55	0.49	0.44	0.39	0.35	0.31
PV of FCF	95.2	113.6	102.8	102.6	97.6	91.9	82.8	71.4	58.7	57.7	51.4
Sum of FCF PV's	874.3										
FCF terminal growth rate	1.0%										
Terminal value	1,494.5										
PV of terminal value	460.0										
Unwind of discount	42.2										
Enterprise value	1,376.4										
Net debt 2022	-59.2										
Employees liabilities	-211.3										
Dividend paid out in 2023 (ytd terms)	0.0										
Equity value	1,224.3										
Per share value (PLN)	13.34										

Source: Company, IPOPEMA Research

Figure 6. DDM Valuation (PLN m)

PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Dividends	35.8	50.5	39.9	42.7	46.9	67.3	82.6	83.7	92.4	87.7	87.7
Discount rate	11.5%	11.5%	11.6%	11.6%	11.7%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Discount factor	0.90	0.80	0.72	0.65	0.58	0.52	0.46	0.41	0.37	0.33	0.29
Discounted dividend	32.1	40.6	28.7	27.5	27.1	34.7	38.0	34.4	33.8	28.7	25.6
Sum of DD PV's	325.6										
DIV terminal growth rate	1.0%										
Terminal value	799.5										
PV of terminal value	233.2										
Discount unwind	39.6										
Equity value	598.4										
Per share value (PLN)	6.52										

Source: Company, IPOPEMA Research

Figure 7. Valuation Summary

PLN m	
DCF	13.34
DDM	6.52
Average	9.93

Source: Company, IPOPEMA Research

Figure 8. DCF Valuation Summary

	Equity risk premium				
FCF terminal growth	3.0%	4.0%	5.5%	6.0%	7.0%
0.5%	16.91	15.15	13.11	12.55	11.56
0.8%	17.15	15.32	13.22	12.65	11.64
1.0%	17.40	15.51	13.34	12.76	11.73
2.0%	18.58	16.36	13.89	13.23	12.10
3.0%	20.11	17.43	14.56	13.81	12.53

Source: Company, IPOPEMA Research

Relative valuation

Mirbud trades at a 2022E EV/EBITDA of 3.1x, which constitutes a 37.5% discount to international peers and a 38.2% discount to the most prominent Polish construction company, which is Budimex. Budimex is recognized due to its high dividend payout track record; however, we still feel the premium to Mirbud should be smaller due to Mirbud's continued inking of new contracts which we believe will allow the company to increase margins going forward.

Figure 9. Relative Valuation

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
14.0	ABGV.VI	PORR	6.9	5.9	5.4	1.1	1.0	1.0	5.4	5.7	7.1
40.7	STRV.VI	STRABAG	9.0	9.0	9.2	2.4	2.4	2.5	5.0	5.0	NaN
26.8	WBSV.VI	WIENERBERGER	8.1	7.5	7.7	5.1	4.8	4.8	3.8	4.1	4.4
32.0	TKFEN.IS	TEKFEN HOLDING	4.3	2.9	2.3	3.3	2.4	2.5	8.0	9.6	NaN
29.4	ENKAI.IS	ENKA INSAAT	14.6	12.9	11.2	8.9	8.0	7.3	2.8	1.9	1.4
87.7	CIMSA.IS	CIMSA CIMENTO	6.0	4.9	NaN	6.4	4.4	NaN	NaN	NaN	NaN
387.4	BALF.L	BALFOUR BEATTY PLC	11.8	11.4	12.7	5.6	5.4	5.0	2.9	3.1	3.1
6.5	B5AG.DE	BAUER AG	9.1	5.7	10.9	4.1	3.6	3.7	0.5	0.8	3.4
9.1	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	10.4	10.1	8.3	6.5	6.2	5.9	4.4	5.0	4.4
80.7	HOTG.DE	HOCHTIEF AG	11.7	11.1	10.5	5.7	5.6	5.3	5.3	5.6	5.7
3.0	SCYR.MC	SACYR SA	10.5	8.9	7.8	7.5	7.2	6.5	3.8	4.2	5.6
160.2	SKAb.ST	SKANSKA AB	10.9	10.8	9.7	7.7	7.0	6.1	4.8	5.1	5.5
32.7	BOUY.PA	BOUYGUES SA	10.6	9.0	8.1	5.3	4.8	4.5	5.3	5.4	6.9
1.9	MOTA.LS	MOTA ENGIL SGPS SA	8.4	7.9	NaN	3.8	3.4	3.3	4.7	4.4	NaN
31.3	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	14.2	13.3	11.5	5.5	5.3	4.9	6.4	6.5	6.4
172.7	ANA.MC	ACCIONA SA	17.8	18.6	19.7	8.2	8.2	7.7	2.8	2.9	2.9
28.2	FER.MC	FERROVIAL SA	65.4	49.9	39.3	31.5	26.3	22.7	2.7	2.8	2.9
106.5	FOUG.PA	EIFFAGE SA	10.1	9.3	8.9	6.3	6.1	5.8	3.8	4.1	4.3
36.5	GBFG.DE	BILFINGER SE	14.0	10.9	10.1	4.5	3.9	3.8	4.0	4.7	4.6
2.2	YIT.HE	YIT OYJ	18.5	9.2	7.4	13.9	9.0	7.5	4.7	5.9	7.3
1.9	WBD.MI	SALINI IMPREGILO SPA	10.9	10.3	8.3	3.6	3.2	2.8	3.1	3.1	3.1
111.4	SGEF.PA	VINCI SA	13.9	12.8	12.0	7.6	7.1	6.7	4.0	4.3	4.6
		MEDIAN	10.7	9.7	9.5	5.7	5.4	5.0	4.0	4.4	4.5
8.2	MRB.WA	MIRBUD	4.5	5.7	5.3	2.5	2.9	2.3	4.8	6.7	5.3
		Premium/discount to median Mirbud	-58.4%	-41.9%	-44.1%	-55.7%	-46.7%	-54.5%	18.5%	52.0%	17.7%

Source: Reuters, 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 10. INCOME STATEMENT (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Sales	949.1	1,242.9	2,505.6	3,319.3	3,348.9	3,427.0	3,575.8
Cost of goods & products sold	-848.5	-1,105.6	-2,274.0	-3,048.8	-3,042.6	-3,131.7	-3,269.1
Gross profit	100.6	137.3	231.6	270.5	306.3	295.3	306.6
SG&A	-54.1	-59.2	-65.5	-73.4	-72.0	-95.5	-99.7
EBIT	52.2	84.3	174.5	178.4	242.3	184.8	191.3
Net financial activity	-15.2	-14.0	-18.4	-27.2	-32.0	-20.7	-15.7
Shares in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	37.0	70.3	156.1	151.2	210.3	164.0	175.5
Tax	-8.9	-12.1	-28.0	-32.0	-42.1	-31.2	-33.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	28.1	58.2	128.0	119.2	168.2	132.9	142.2
EBITDA	63.9	98.3	187.9	194.4	259.9	200.9	208.6

Source: Company, IPOPEMA Research

Figure 11. BALANCE SHEET (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Long-term assets	518.6	677.9	714.7	729.7	736.4	746.6	757.0
Tangible assets	217.5	217.0	153.0	170.5	177.3	186.6	195.0
Investment properties	249.6	422.3	506.3	489.0	489.0	489.0	489.0
Receivables and loans	12.3	9.6	6.0	3.6	3.6	3.7	3.9
Deferred assets	23.1	21.8	33.2	50.0	50.5	51.6	53.9
Others	16.1	7.1	16.3	16.6	16.1	15.7	15.3
Current assets	627.8	861.2	1,325.9	1,518.3	1,751.2	1,793.8	1,870.1
Inventories	261.0	282.8	316.2	392.9	458.5	471.9	492.6
Trade receivables and other	256.8	287.5	498.0	575.5	580.6	594.1	619.9
Cash	108.2	289.0	467.8	507.6	669.8	685.4	715.2
Other	1.9	1.9	43.9	42.4	42.4	42.4	42.4
Total assets	1,146.4	1,539.1	2,040.6	2,248.0	2,487.7	2,540.4	2,627.1
Equity	405.3	461.6	582.3	682.0	814.5	896.9	999.2
Long-term liabilities	347.2	605.8	668.4	648.6	648.2	655.5	666.9
Interest bearing	164.3	293.6	366.7	395.3	395.3	395.3	395.3
Deferred tax	34.2	24.3	22.8	34.5	34.4	35.4	37.0
Provisions	3.2	4.4	6.1	7.4	7.5	7.7	8.0
Other liabilities	145.5	283.6	272.7	211.3	210.9	217.1	226.6
Short-term liabilities	394.0	471.7	790.0	917.5	1,025.0	988.0	960.9
Interest bearing	98.2	79.2	90.4	53.0	174.2	112.3	46.8
tax/financial liabilities	2.4	16.1	19.7	11.6	11.6	11.9	12.5
Provisions	3.1	7.4	5.5	4.6	4.6	4.7	5.0
Other ST liabilities	26.9	9.9	1.1	1.0	1.0	1.0	1.0
Trade liabilities	263.4	359.1	673.3	847.2	833.6	858.0	895.7
Total liabilities & equity	1,146.4	1,539.1	2,040.6	2,248.0	2,487.7	2,540.4	2,627.1

Source: Company, IPOPEMA Research

Figure 12. CASH FLOW STATEMENT (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Net profit	28.1	58.2	128.0	119.2	168.2	132.9	142.2
Depreciation	11.7	14.0	13.4	16.1	17.6	16.1	17.3
Change in net working capital	-1.8	166.8	52.7	-37.2	-84.3	-2.6	-8.8
Other items	-9.7	8.9	11.3	35.2	-0.9	6.5	9.7
Operating cash flow	28.2	247.9	205.4	133.3	100.6	152.9	160.4
Purchases of tangibles & intangibles	-18.2	-4.8	-1.1	-7.1	-22.2	-25.0	-25.3
Others	-5.2	0.0	-9.6	0.5	0.0	0.0	0.0
Investing cash flow	-23.4	-4.7	-10.7	-6.7	-22.2	-25.0	-25.3
Change in interest-bearing debt	34.3	-54.3	22.0	-17.7	121.2	-61.8	-65.5
Dividends	0.0	-1.8	-7.3	-18.3	-35.8	-50.5	-39.9
Other	11.3	0.0	0.0	-31.6	0.0	0.0	0.0
Financing cash flow	45.6	-56.1	14.6	-67.6	85.4	-112.3	-105.4
Total cash flow	50.4	187.0	209.4	59.0	163.8	15.6	29.7
Cash at beginning of period	64.1	108.2	289.0	467.8	507.6	669.8	685.4
Cash at end of period	108.2	289.0	467.8	507.6	669.8	685.4	715.2

Source: Company, IPOPEMA Research

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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.

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	Number	%
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Hold	1	10%
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Total	10	100%

Rating History – Mirbud

Date	Recommendation	Fair Value	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
13/12/2021	BUY	PLN 4.78	PLN 4.09	Robert Maj
06/05/2022	HOLD	PLN 3.53	PLN 3.33	Robert Maj
30/12/2022	BUY	PLN 5.06	PLN 4.47	Robert Maj
27/04/2023	BUY	PLN 9.93	PLN 8.19	Robert Maj