

Mirbud

Keeps surprising on the upside

We anticipate that after a 1.7% expected gross margin contraction in 2021, the company is expected to experience a 2.1% gross margin decrease in 2022. This is likely to be triggered by steel and concrete, asphalt and other raw material price increases. This, however, is largely buffered by new contracts being signed in the meantime, including new raw material prices. The company is also going to increase salaries for personnel in 2022 as taxes are rising across the board at the beginning of January 2022 (we assume even up to 20% salary increases for some of the personnel). Mirbud recorded a backlog of PLN 5.3bn as of the end of September. For the moment, the National Road Authority has put the brakes on tendering new contracts. Faith in EU funds remains unknown and the National Programme for Recovery seems to have been sidelined for now. On the other hand, we think that for the years 2022-2024 the company has secured a backlog. We expect leverage to decrease, and to reach 1.1x 2021E net debt/EBITDA and to increase to 1.8x in 2022E. We expect the DPS to reach PLN 0.13, 0.09 and 0.14 in 2022E-2024E respectively. We increase the EBITDA forecast by 28.3% for 2021E, and decrease it by 1.0% for 2022E and by 4.3% for the 2023E period to PLN 171.7m (up 74.4% y/y) in 2021E, PLN 137.7m (down 19.8% y/y) in 2022E and PLN 136.9m (down 0.6% y/y) in 2023E. We decrease our Fair Value by 28.8% to PLN 4.78 and maintain our BUY recommendation.

4Q21 results preview

We forecast EBITDA at PLN 35.7m, -20.0% y/y and -40.0% q/q. We expect the revenue level to arrive at PLN 602.0m, +26.1% y/y and -22.3% q/q. EBIT line is expected to come in at PLN 31.9m, -22.4% y/y and -43.1% q/q. The bottom line is likely to arrive at PLN 22.3m, -29.8% y/y and -47.8% q/q.

Judicial spats set to delay EU recovery funds to Poland

The EU is unlikely to approve Poland's application for tens of billions of euros in pandemic-recovery financing before the end of the year. Poland has applied for EUR 36bn in loans and grants from the EU's Covid-19 recovery fund but Warsaw and Brussels have been at loggerheads for years over PiS reform of the judiciary.

Smaller discount warranted

Mirbud trades at a 2021E EV/EBITDA of 4.3x, which constitutes a 28.8% discount to international peers and a 50.7% 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 420. Mirbud financial data, (PLN m)

	2019	2020	2021E	2022E	2023E
Revenue	949.1	1,242.9	2,249.1	2,378.5	2,437.6
EBIT	52.2	84.4	160.9	119.7	117.7
EBITDA	63.9	98.4	171.7	137.7	136.9
Net profit	28.1	58.2	114.7	84.8	84.6
EPS	0.3	0.6	1.3	0.9	0.9
DPS	0.00	0.02	0.08	0.13	0.09
P/E (x)	12.7	6.4	3.3	4.4	4.4
EV/EBITDA (x)	8.0	4.7	3.3	4.3	3.9

Source: Company, IPOPEMA Research

Other sectors | Construction

Mirbud

BUY

FV PLN 4.78 from PLN 6.60

17% upside

Price as of 09 December 2021 PLN 4.09

Recommendation published on 13 Dec 2021



Share data

Number of shares (m)	91.7
Market cap (EUR m)	81.1
12M avg daily volume (k)	358.7
12M avg daily turnover (EUR m)	0.2
12M high/low (PLN)	5.29/1.22
WIG weight	0.07
Reuters	MRB.WA
Bloomberg	MRB.PW

Total performance

1M	14.7%
3M	-9.1%
12M	33.6%

Shareholders

Jerzy Mirgos	44.98%
NN OFE	11.21%

Analyst

Robert Maj
 Robert.maj@ipopema.pl
 + 48 22 236 92 90

MIRBUD

BUY

FV PLN 4.78

Mkt Cap EUR 81.1m

Upside/downside +17.0%

Valuation multiples	2018	2019	2020	2021E	2022E
P/E (x)	13.7	12.7	6.4	3.3	4.4
EV/EBITDA (x)	9.1	8.0	4.7	3.3	4.3
EV/Sales (x)	0.50	0.54	0.37	0.25	0.25
P/BV (x)	0.88	0.88	0.81	0.66	0.58
FCF yield (%)	15%	-8%	18%	16%	21%
DY (%)	0%	0%	0%	2%	3%

Per share	2018	2019	2020	2021E	2022E
No. of shares (m units)	82.5	87.1	91.7	91.7	91.7
EPS (PLN)	0.30	0.32	0.63	1.25	0.92
BVPS (PLN)	4.64	4.65	5.03	6.20	7.00
FCFPS (PLN)	0.63	-0.34	0.74	0.65	0.87
DPS (PLN)	0.00	0.00	0.02	0.08	0.13

Change y/y (%)	2018	2019	2020	2021E	2022E
Revenues	32.9%	-17.0%	31.0%	81.0%	5.8%
EBITDA	7.0%	2.4%	54.0%	74.4%	-19.8%
EBIT	6.6%	2.3%	61.6%	90.6%	-25.6%
Pre-tax	6.4%	10.7%	90.0%	101.0%	-25.9%
Net profit	8.1%	14.1%	106.9%	97.1%	-26.0%

Leverage and return	2018	2019	2020	2021E	2022E
Gross margin (%)	8.2%	10.6%	11.0%	9.3%	7.3%
EBITDA margin (%)	5.5%	6.7%	7.9%	7.6%	5.8%
EBIT margin (%)	4.5%	5.5%	6.8%	7.2%	5.0%
Net margin (%)	2.2%	3.0%	4.7%	5.1%	3.6%
Net debt / EBITDA (x)	2.77	2.42	0.85	1.11	1.56
Net debt / Equity (x)	0.45	0.38	0.18	0.33	0.34
Leverage Ratio (x)	1.38	1.35	1.19	1.08	1.00
ROE (%)	6.7%	7.1%	13.4%	22.3%	14.0%
ROA (%)	4.8%	5.3%	11.3%	20.5%	14.1%
ROCE (%)	7.8%	6.9%	7.9%	13.3%	9.1%

Assumptions	2018	2019	2020	2021E	2022E
Sales (PLN m)	1,143.1	949.1	1,242.9	2,249.1	2,378.5
General constr.(PLN m)	1,074.7	908.4	1,153.2	2,121.4	2,301.7
Engineering (PLN m)	493.2	397.5	640.4	1,060.7	1,150.9
Trade show (PLN m)	5.9	8.0	4.7	0.0	0.0
Long term lease (PLN m)	45.3	46.6	32.9	38.4	40.7
Consolidation corr(PLN)	-82.7	-108.5	-73.2	-90.6	-161.1
Other sales (PLN m)	2.0	1.8	10.8	48.0	49.7
Real estate rev.(PLN m)	97.8	92.7	114.6	132.0	147.6
Poland GDP (%)	5.2%	4.1%	-2.8%	5.3%	4.5%
Poland CPI (%)	2.1%	2.2%	3.0%	5.0%	5.8%
Constr. activity(%)	9.2%	2.6%	-2.2%	3.4%	3.6%
USD PLN (avg)	3.61	3.84	3.89	3.95	3.93
EURPLN (avg)	4.26	4.30	4.44	4.44	4.44

P&L (PLN m)	2018	2019	2020	2021E	2022E	2023E
Revenues	1,143.1	949.1	1,242.9	2,249.1	2,378.5	2,437.6
COGS	-1,049.9	-848.5	-1,105.6	-2,038.9	-2,205.2	-2,264.9
Gross profit	93.2	100.6	137.3	210.2	173.3	172.7
general construction	52.6	58.6	88.1	169.8	115.1	139.5
real estate	18.8	18.6	27.7	31.3	36.7	42.6
long term lease of investment p	18.5	19.0	5.6	17.8	8.1	8.4
trade show activity	0.0	2.4	2.5	0.0	0.0	0.0
other	-0.5	-0.7	-1.3	3.7	1.0	1.0
consolidation corrections	3.8	2.7	14.7	-12.4	12.4	-18.8
EBITDA	62.4	63.9	98.4	171.7	137.7	136.9
EBIT	51.0	52.2	84.4	160.9	119.7	117.7
Financial income (cost) net	-17.6	-15.2	-14.1	-19.6	-14.9	-13.3
Pre-tax	33.4	37.0	70.3	141.3	104.8	104.5
Tax	-6.4	-8.9	-12.1	-26.6	-19.9	-19.9
Net profit	24.6	28.1	58.2	114.7	84.8	84.6

BALANCE SHEET (PLN m)	2018	2019	2020	2021E	2022E	2023E
Non-current assets	515.4	518.6	677.9	713.5	730.3	745.4
Investment properties	254.1	249.6	422.3	422.3	422.3	422.3
PP&E	207.0	217.5	217.0	227.5	241.5	255.4
Receivables	14.5	12.3	9.6	17.4	18.4	18.8
Current assets	564.1	627.8	861.2	1,208.7	1,283.6	1,341.1
Inventories	216.9	261.0	282.8	419.0	543.7	558.5
Trade receivables	279.3	256.8	287.5	585.4	619.1	634.4
Cash and equivalents	64.1	108.2	289.0	202.4	118.9	146.3
Other current assets	3.7	1.9	1.9	1.9	1.9	1.9
Total assets	1,079.6	1,146.4	1,539.1	1,922.1	2,014.0	2,086.5
Equity	382.6	405.3	461.6	569.0	642.4	718.5
Minorities	56.7	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	274.6	347.2	605.8	642.4	670.6	680.8
Loans and leasing	170.2	164.3	293.6	293.6	293.6	293.6
Other non-current liabilities	104.4	182.9	312.3	348.8	377.1	387.3
Current liabilities	422.3	394.0	471.7	710.8	701.0	687.1
Trade payables	322.8	263.4	359.1	558.6	604.2	620.5
Loans and leasing	66.9	98.2	79.2	99.2	40.6	9.2
Other current liabilities	32.6	32.4	33.4	53.0	56.2	57.4
Equity & liabilities	1,079.6	1,146.4	1,539.1	1,922.1	2,014.0	2,086.5
Inventories turnover (days)	75.4	112.3	93.4	75.0	90.0	90.0
Receivable turnover (days)	89.2	98.8	84.4	95.0	95.0	95.0
Net debt (PLN m)	172.9	154.4	83.8	190.3	215.3	156.5

CASH FLOW (PLN m)	2018	2019	2020	2021E	2022E	2023E
Operating cash flow	48.9	28.2	247.9	-75.6	18.1	100.0
Net income	24.6	28.1	58.2	114.7	84.8	84.6
D&A	11.4	11.7	14.0	13.7	18.0	19.2
Change in WC	-28.3	-1.8	166.8	-234.5	-112.9	-13.7
Other	-4.9	13.1	-55.4	30.5	28.1	9.9
Investment cash flow	3.0	-19.8	0.0	-23.8	-31.6	-32.7
CAPEX	-0.8	-18.2	-4.8	-23.8	-31.6	-32.7
Investment properties	2.2	3.6	4.8	0.0	0.0	0.0
Other	1.6	-5.2	0.0	0.0	0.0	0.0
Financial cash flow	-34.3	35.6	-67.1	12.6	-70.0	-39.9
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	-19.9	34.3	-54.3	19.9	-58.5	-31.4
Dividend	-0.3	0.0	-1.8	-7.3	-11.5	-8.5
Other	-14.2	1.3	-10.9	0.0	0.0	0.0
Change in cash	17.6	44.0	180.8	-86.8	-83.5	27.3
Cash as of eop	64.1	108.2	289.0	202.4	118.9	146.3

Figure 421. Changes in forecasts

PLN m	2021E			2022E			2023E		
	OLD	NEW	Diff. %	OLD	NEW	Diff. %	OLD	NEW	Diff. %
Sales	1,707.0	2,249.1	31.8%	1,864.9	2,378.5	27.5%	2,031.0	2,437.6	20.0%
Gross profit	173.6	210.2	21.1%	238.3	173.3	-27.3%	251.4	172.7	-31.3%
EBIT	118.6	160.9	35.7%	121.0	119.7	-1.1%	123.7	117.7	-4.8%
Net income	82.1	114.7	39.8%	81.3	84.9	4.4%	83.6	84.7	1.3%
EBITDA	133.80	171.66	28.3%	139.18	137.73	-1.0%	142.98	136.90	-4.3%

Source: Company, IPOPEMA Research

Figure 422. DCF Valuation (PLN m)

PLN m	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal Year
Revenues	2,249.1	2,378.5	2,437.6	2,547.2	2,571.1	2,539.0	2,571.4	2,595.6	2,622.3	2,649.4	2,649.4
EBIT	160.9	119.7	117.7	119.9	117.8	118.3	120.0	121.6	118.9	113.4	113.4
Tax on EBIT	27.7	22.5	22.4	22.8	22.4	22.5	22.8	23.1	22.6	21.5	21.5
NOPLAT	130.7	97.0	95.4	97.1	95.4	95.8	97.2	98.5	96.3	91.9	91.9
Depreciation	13.7	18.0	19.2	20.5	22.1	23.7	25.3	27.0	28.6	30.1	30.1
Capital expenditures	-23.8	-31.6	-32.7	-32.0	-32.4	-32.5	-32.5	-32.1	-30.0	-31.6	-31.6
Change in working capital	-234.5	-112.9	-13.7	-25.6	-5.5	7.5	-7.6	-5.7	-6.2	-6.2	-6.2
Free cash flow	-113.9	-29.5	68.1	60.0	79.6	94.5	82.5	87.7	88.8	84.2	84.2
Risk-free rate	3.30%	3.36%	3.33%	3.35%	3.30%	3.27%	3.46%	3.46%	3.46%	3.46%	3.46%
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	8.30%	8.36%	8.33%	8.35%	8.30%	8.27%	8.46%	8.46%	8.46%	8.46%	8.46%
Cost of debt (pre-tax)	5.8%	5.9%	5.8%	5.8%	5.8%	5.8%	6.0%	6.0%	6.0%	6.0%	6.0%
Effective tax rate	17.2%	18.8%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	4.8%	4.8%	4.7%	4.7%	4.7%	4.7%	4.8%	4.8%	4.8%	4.8%	4.8%
Weight of debt	32.5%	27.2%	23.8%	22.5%	21.2%	23.9%	20.2%	20.4%	19.5%	18.8%	18.8%
Weight of equity	67.5%	72.8%	76.2%	77.5%	78.8%	76.1%	79.8%	79.6%	80.5%	81.2%	81.2%
WACC	7.2%	7.4%	7.5%	7.5%	7.5%	7.4%	7.7%	7.7%	7.8%	7.8%	7.8%
Discount fact	0.93	0.87	0.81	0.75	0.70	0.65	0.60	0.56	0.52	0.48	0.45
PV of FCF	-106.3	-25.7	55.0	45.1	55.6	61.5	49.8	49.2	46.2	40.7	37.7
Sum of FCF PV's	271.2										
FCF terminal growth rate	1.0%										
Terminal value	1,255.4										
PV of terminal value	562.7										
Unwind of discount	56.7										
Enterprise value	890.6										
Net debt 2020E	83.8										
Employees liabilities	-283.6										
Dividend paid out in 2021 (ytd terms)	-7.3										
Equity value	515.9										
Per share value (PLN)	5.62										

Source: Company, IPOPEMA Research

Figure 423. DDM Valuation (PLN m)

PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal Year
Dividends	11.5	8.5	12.7	17.5	21.7	21.9	22.4	27.7	41.0	39.3	39.3
Discount rate	8.3%	8.4%	8.3%	8.3%	8.3%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%
Discount factor	0.92	0.85	0.79	0.73	0.67	0.62	0.57	0.53	0.49	0.45	0.41
Discounted dividend	10.6	7.2	10.0	12.7	14.6	13.5	12.8	14.6	19.9	17.6	16.2
Sum of DD PV's	133.5										
DIV terminal growth rate	1.0%										
Terminal value	531.8										
PV of terminal value	219.4										
Discount unwind	8.3										
Equity value	361.1										
Per share value (PLN)	3.94										

Source: Company, IPOPEMA Research

Figure 424. Valuation Summary (PLN)

PLN m	
DCF	5.62
DDM	3.94
Average	4.78

Source: Company, IPOPEMA Research

Figure 425. Mirbud vs peers

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
			2021	2022	2023	2021	2022	2023	2021	2022	2023
12.9	ABGV.VI	PORR	12.9	8.9	7.8	2.5	2.3	2.2	2.9	4.8	5.3
36.4	STRV.VI	STRABAG	10.8	10.0	9.8	2.7	2.6	2.6	4.5	5.0	5.0
33.5	WBSV.VI	WIENERBERGER	12.3	10.2	9.3	6.6	5.8	5.5	2.7	2.9	3.4
23.7	TKFEN.IS	TEKFEN HOLDING	4.5	5.3	NaN	3.1	2.6	NaN	4.3	5.2	6.1
16.6	ENKAI.IS	ENKA INSAAT	9.5	NaN	NaN	5.3	6.0	6.6	4.4	3.6	4.2
38.7	CIMSA.IS	CIMSA CIMENTO	NaN	NaN	NaN	13.1	NaN	NaN	NaN	NaN	NaN
252.8	BALF.L	BALFOUR BEATTY PLC	12.5	10.5	9.4	6.4	5.7	5.4	2.9	3.4	3.7
10.0	B5AG.DE	BAUER AG	12.5	9.0	NaN	4.6	4.0	NaN	0.9	1.3	1.0
10.7	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	12.3	12.8	11.5	7.0	6.8	6.6	3.8	4.2	4.2
68.9	HOTG.DE	HOCHTIEF AG	11.5	10.2	9.1	5.0	4.5	4.2	5.6	6.3	7.0
2.1	SCYR.MC	SACYR SA	7.4	7.1	7.0	9.4	8.9	8.5	4.3	4.5	4.5
225.6	SKAb.ST	SKANSKA AB	12.7	14.0	13.0	6.8	7.6	6.6	4.2	4.3	4.6
30.3	BOUY.PA	BOUYGUES SA	12.1	12.4	10.8	5.4	5.0	4.6	4.7	4.7	4.7
1.2	MOTA.LS	MOTA ENGIL SGPS SA	20.6	13.6	10.3	6.3	5.7	4.6	0.0	5.0	6.1
21.4	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	10.8	12.0	10.3	7.2	6.6	6.1	7.5	7.5	8.1
159.8	ANA.MC	ACCIONA SA	22.5	18.0	16.4	10.5	9.4	8.5	2.6	2.7	2.8
25.7	FER.MC	FERROVIAL SA	NaN	68.7	48.3	41.6	35.0	30.1	2.1	2.4	2.8
84.7	FOUG.PA	EIFFAGE SA	12.1	10.1	9.1	6.9	6.3	6.0	3.2	3.7	3.9
29.8	GBFG.DE	BILFINGER SE	19.1	12.0	10.0	6.0	4.8	4.3	5.2	3.6	3.9
4.4	YIT.HE	YIT OYJ	12.2	10.1	8.1	7.8	7.4	6.3	4.1	5.2	6.2
2.1	WBD.MI	SALINI IMPREGILO SPA	23.9	16.2	12.1	7.2	6.4	6.0	1.9	2.5	2.9
86.3	SGEF.PA	VINCI SA	22.0	14.7	13.0	10.2	8.5	7.9	2.6	3.7	4.3
		MEDIAN	12.3	11.2	10.1	6.7	6.0	6.0	3.8	4.2	4.3
4.1	MRB.WA	MIRBUD	3.3	4.4	4.4	3.3	4.3	3.9	2.0	3.1	2.3
		Premium/discount to median Mirbud	-73.4%	-60.6%	-56.3%	-51.0%	-28.6%	-35.8%	-47.9%	-27.0%	-47.6%

Source: Reuters, IPOPEMA Research