

Mirbud

Now, awaiting the dividend cheque

We expect only a small gross margin contraction in 2021 on a y/y basis (10.2% vs 11.1% a year ago). This is likely to be triggered by steel and other raw materials increases (between 20-30% y/y price hikes on steel or concrete). This, however, is largely buffered by new contracts being signed in the meantime. Mirbud increased its backlog from PLN 5.1bn as of the end of March, to PLN 5.6bn as of the end of April. For the moment the National Road Authority keeps tendering new road deals while the new governmental economic plan encompasses PLN 220bn in expenditures on roads and highways with the goal to finalize the national road expressway and highway network by 2030. We expect the leverage to stay relatively high, and to reach 2.2x 2021E net debt/EBITDA and decrease to 1.8x in 2022E, and 1.5x in 2023. This in turn obviously limits any decent dividend payout which we think still differentiates Mirbud from the market leaders, i.e. Budimex. Nevertheless, we expect the DPS to reach PLN 0.06, 0.09 and 0.27 in 2021E-2023E respectively. We increase the EBITDA forecast by 49.5%, 36.6% and 28.2% for the 2021-2023E period to PLN 133.8m (up 35.9% y/y) in 2021E, PLN 139.2m (up 4.1% y/y) in 2022E and PLN 143.0m (up 2.7% y/y) in 2023E. We increase our Fair Value by 30.4% to PLN 6.60 and maintain our BUY recommendation.

1Q21 results preview

The company is expected to publish its 1Q21 results on 28 May 2021. We forecast EBITDA at PLN 34.7m, +129.8% y/y and +72.6% q/q. We expect the revenue level to arrive at PLN 359.0m, +86.3% y/y and +44.5% q/q. EBIT line is expected to come in at PLN 30.9m, +154.3% y/y and +89.5% q/q. The bottom line is likely to arrive at PLN 21.5m, +225.2% y/y and +101.4% q/q. We believe that the operating level might be slightly beefed up by one-offs related to the group's internal reorganization (inclusion of Expo Mazury to Marywilka).

Lower discount warranted

Mirbud trades at a 2021E EV/EBITDA of 5.1x, which constitutes a 23.0% discount to international peers and an 27.3% 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.

New governmental economic programme to support residential developers

We point out that solid demand on dwellings might be additionally supported by the Polish Deal, while increasing dwelling prices will compensate higher construction costs and will allow for sound margin generation. We forecast gross profit of the residential segment at PLN 27m and PLN 29m in 2021-22E, respectively (a notch better than 2020).

Figure 1. Mirbud financial data, (PLN m)

	2018	2019	2020	2021E	2022E	2023E
Revenue	1,143.1	949.1	1,242.9	1,707.0	1,864.9	2,031.0
EBIT	51.0	52.2	84.4	118.6	121.0	123.7
EBITDA	62.4	63.9	98.4	133.8	139.2	143.0
Net profit	24.6	28.1	58.2	82.1	81.3	83.6
EPS	0.3	0.3	0.6	0.9	0.9	0.9
DPS	0.00	0.00	0.02	0.06	0.09	0.27
P/E (x)	16.6	15.4	7.8	5.5	5.6	5.5
EV/EBITDA (x)	10.2	9.2	5.5	5.5	5.1	4.7

Source: Company, IPOPEMA Research

Construction

Mirbud

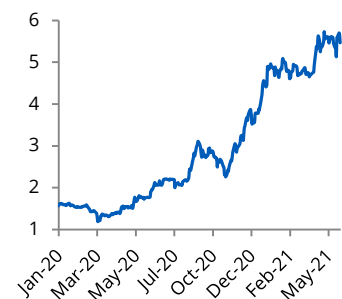
BUY

FV PLN 6.60

32.9% upside

Price as of 26 May 2021 PLN 4.97

Recommendation maintained



Share data

Number of shares (m)	91.7
Market cap (EUR m)	96.3
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	-0.70%
3M	16.82%
12M	283.87%

Shareholders

Jerzy Mirgos	44.98%
NN OFE	11.21%

Analyst

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MIRBUD**BUY****FV PLN 6.60**

Mkt Cap EUR 96.3m

Upside/downside +32.9%

Valuation multiples	2018	2019	2020	2021E	2022E
P/E (x)	16.6	15.4	7.8	5.5	5.6
EV/EBITDA (x)	10.2	9.2	5.5	5.5	5.1
EV/Sales (x)	0.56	0.62	0.43	0.43	0.38
P/BV (x)	1.07	1.07	0.99	0.85	0.75
FCF yield (%)	13%	10%	10%	17%	18%
DY (%)	0%	0%	0%	1%	2%

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	0.89	0.89
BVPS (PLN)	4.64	4.65	5.03	5.86	6.66
FCFPS (PLN)	0.63	0.51	0.49	0.84	0.89
DPS (PLN)	0.00	0.00	0.02	0.06	0.09

Change y/y (%)	2018	2019	2020	2021E	2022E
Revenues	32.9%	-17.0%	31.0%	37.3%	9.3%
EBITDA	7.0%	2.4%	54.0%	36.0%	4.0%
EBIT	6.6%	2.3%	61.6%	40.5%	2.0%
Pre-tax	6.4%	10.7%	90.0%	46.0%	-2.1%
Net profit	8.1%	14.1%	106.9%	41.0%	-0.9%

Leverage and return	2018	2019	2020	2021E	2022E
Gross margin (%)	8.2%	10.6%	11.0%	10.2%	12.8%
EBITDA margin (%)	5.5%	6.7%	7.9%	7.8%	7.5%
EBIT margin (%)	4.5%	5.5%	6.8%	6.9%	6.5%
Net margin (%)	2.2%	3.0%	4.7%	4.8%	4.4%
Net debt / EBITDA (x)	2.77	2.42	0.85	2.12	1.79
Net debt / Equity (x)	0.45	0.38	0.18	0.53	0.41
Leverage Ratio (x)	1.38	1.38	1.24	1.14	1.06
ROE (%)	6.7%	7.1%	13.4%	16.4%	14.2%
ROA (%)	4.8%	5.2%	10.9%	14.5%	13.4%
ROCE (%)	7.8%	6.9%	7.9%	10.8%	10.2%

Assumptions	2018	2019	2020	2021E	2022E
Sales (PLN m)	1,143.1	949.1	1,242.9	1,707.0	1,864.9
General constr.(PLN m)	1,074.7	908.4	1,153.2	1,568.0	1,818.9
Engineering (PLN m)	493.2	397.5	640.4	784.0	909.4
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	36.0	36.7
Consolidation corr(PLN)	-82.7	-108.5	-73.2	-20.0	-127.3
Other sales (PLN m)	2.0	1.8	10.8	8.0	8.2
Real estate rev.(PLN m)	97.8	92.7	114.6	115.0	128.5
Poland GDP (%)	5.2%	4.1%	-2.8%	4.3%	2.4%
Poland CPI (%)	2.1%	2.2%	3.0%	2.0%	2.0%
Constr. activity(%)	9.2%	2.6%	-2.2%	2.8%	1.9%
USD PLN (avg)	3.61	3.84	3.89	3.90	3.90
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	1,707.0	1,864.9	2,031.0
COGS	-1,049.9	-848.5	-1,105.6	-1,533.4	-1,626.6	-1,779.6
Gross profit	93.2	100.6	137.3	173.6	238.3	251.4
general construction	52.6	58.6	88.1	125.4	163.7	176.8
real estate	18.8	18.6	27.7	27.6	29.2	33.8
long term lease of investment p	18.5	19.0	5.6	10.8	7.3	7.5
trade show activity	0.0	2.4	2.5	0.0	0.0	0.0
other	-0.5	-0.7	-1.3	-2.8	-4.1	-4.2
consolidation corrections	3.8	2.7	14.7	12.5	42.1	37.4
EBITDA	62.4	63.9	98.4	133.8	139.2	143.0
EBIT	51.0	52.2	84.4	118.6	121.0	123.7
Financial income (cost) net	-17.6	-15.2	-14.1	-16.0	-20.6	-20.5
Pre-tax	33.4	37.0	70.3	102.6	100.4	103.2
Tax	-6.4	-8.9	-12.1	-20.5	-19.1	-19.6
Net profit	24.6	28.1	58.2	82.1	81.3	83.6

BALANCE SHEET (PLN m)	2018	2019	2020	2021E	2022E	2023E
Non-current assets	515.4	518.6	677.9	700.9	718.6	736.5
Investment properties	254.1	249.6	422.3	422.3	422.3	422.3
PP&E	207.0	217.5	217.0	228.7	242.8	256.9
Receivables	14.5	12.3	9.6	13.2	14.4	15.7
Current assets	564.1	627.8	861.2	1,050.1	1,190.4	1,298.4
Inventories	216.9	261.0	282.8	399.1	423.4	463.2
Trade receivables	279.3	256.8	287.5	444.3	485.4	528.6
Cash and equivalents	64.1	108.2	289.0	204.8	279.7	304.7
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	1,751.0	1,909.0	2,034.8
Equity	382.6	405.3	461.6	537.9	611.0	670.2
Minorities	56.7	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	274.6	347.2	605.8	555.9	572.1	598.3
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	262.4	278.5	304.7
Current liabilities	422.3	394.0	471.7	657.2	725.9	766.4
Trade payables	322.8	263.4	359.1	420.1	445.7	487.6
Loans and leasing	66.9	98.2	79.2	194.7	235.5	230.9
Other current liabilities	32.6	32.4	33.4	42.4	44.7	47.9
Equity & liabilities	1,079.6	1,146.4	1,539.1	1,751.0	1,909.0	2,034.8
Inventories turnover (days)	75.4	112.3	93.4	95.0	95.0	95.0
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	283.4	249.4	219.8

CASH FLOW (PLN m)	2018	2019	2020	2021E	2022E	2023E
Operating cash flow	48.9	28.2	247.9	-167.5	74.1	86.9
Net income	24.6	28.1	58.2	82.1	81.3	83.6
D&A	11.4	11.7	14.0	15.2	18.2	19.3
Change in WC	-28.3	-1.8	166.8	-212.0	-39.8	-41.1
Other	-4.9	13.1	-55.4	-52.7	14.4	25.1
Investment cash flow	3.0	-19.8	0.0	-26.5	-31.9	-33.0
CAPEX	-0.8	-18.2	-4.8	-26.5	-31.9	-33.0
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	109.6	32.7	-29.0
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	-19.9	34.3	-54.3	115.4	40.9	-4.6
Dividend	-0.3	0.0	-1.8	-5.8	-8.2	-24.4
Other	-14.2	1.3	-10.9	0.0	0.0	0.0
Change in cash	17.6	44.0	180.8	-84.4	74.9	24.9
Cash as of eop	64.1	108.2	289.0	204.8	279.7	304.7

Source: Company data, IPOPEMA Research

1Q21 results preview

The company is expected to publish its 1Q21 results on 28 May 2021. We forecast EBITDA at PLN 34.7m, +129.8% y/y and +72.6% q/q. We expect the revenue level to arrive at PLN 359.0m, +86.3% y/y and +44.5% q/q. EBIT line is expected to come in at PLN 30.9m, +154.3% y/y and +89.5% q/q. The bottom line is likely to arrive at PLN 21.5m, +225.2% y/y and +101.4% q/q. We believe that the operating level might be slightly beefed up by one-offs related to the group's internal reorganization (inclusion of Expo Mazury to Marywilka).

Figure 2. Mirbud 1Q21 results preview

	1Q20	4Q20	1Q21	y/y	q/q
Sales	192.7	477.5	359.0	86.3%	-24.8%
General construction	176.6	203.1	323.0	82.9%	59.0%
Real estate projects	23.6	50.0	30.0	27.1%	-40.0%
Long term lease	10.0	9.1	9.0	-9.6%	-1.4%
Trade show activity	1.7	1.0	0.0	na	na
Others	0.4	9.7	2.0	na	-79.3%
Corrections	-19.5	204.7	-5.0	-74.4%	na
Cost of goods & products sold	-172.1	-417.4	-322.1	87.2%	-22.8%
Gross profit	20.6	60.1	36.9	78.8%	-38.6%
General construction	11.8	-3.9	25.8	118.3%	na
Real estate projects	5.1	12.6	7.2	41.2%	-42.8%
Long term lease	3.1	1.9	2.7	-12.8%	45.1%
Trade show activity	0.7	0.6	0.0	na	na
Others	-0.2	-0.7	-0.7	182.4%	0.0%
Corrections	0.1	49.6	1.8	na	-96.3%
SG&A	-12.9	-16.9	-16.0	24.0%	-5.4%
Other operating activity net	4.4	-2.1	10.0	126.6%	na
EBIT	12.2	41.0	30.9	154.3%	-24.7%
Net financial activity	-3.6	-3.9	-4.0	11.1%	2.0%
Pre-tax profit	8.6	37.1	26.9	214.5%	-27.5%
Tax	-1.9	-5.4	-5.4	178.0%	0.1%
Net income	6.6	31.7	21.5	225.2%	-32.2%
EBITDA	15.1	44.5	34.7	129.8%	-22.1%

Source: Company, IPOPEMA Research

Changes in forecast

Figure 3. Changes in forecast

PLN m	2021E			2022E			2023E		
	OLD	NEW	Diff. %	OLD	NEW	Diff. %	OLD	NEW	Diff. %
Sales	1,649.9	1,707.0	3.5%	1,844.4	1,864.9	1.1%	2,026.8	2,031.0	0.2%
Gross profit	159.2	173.6	9.1%	171.0	238.3	39.3%	188.3	251.4	33.5%
EBIT	70.9	118.6	67.3%	81.6	121.0	48.3%	90.0	123.7	37.4%
Net income	48.5	82.1	69.2%	54.5	81.3	49.2%	60.6	83.6	37.8%
EBITDA	89.47	133.80	49.5%	101.88	139.18	36.6%	111.54	142.98	28.2%

Source: Company, 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 2021-2029 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 4. DCF Valuation (PLN m)

PLN m	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal Year
Revenues	1,707.0	1,864.9	2,031.0	2,086.0	2,136.4	2,199.9	2,251.6	2,308.5	2,357.1	2,416.3	2,416.3
EBIT	118.6	121.0	123.7	126.1	129.2	132.7	136.6	137.1	138.9	139.1	139.1
Tax on EBIT	20.4	24.2	23.5	24.0	24.5	25.2	26.0	26.0	26.4	26.4	26.4
NOPLAT	94.9	98.0	100.2	102.1	104.7	107.5	110.7	111.0	112.5	112.7	112.7
Depreciation	15.2	18.2	19.3	20.6	22.2	23.9	25.6	27.2	28.8	30.4	30.4
Capital expenditures	-26.5	-31.9	-33.0	-32.2	-32.7	-32.8	-32.7	-32.4	-30.2	-31.9	-31.9
Change in working capital	-212.0	-39.8	-41.1	-13.6	-12.5	-15.8	-12.8	-14.1	-12.1	-14.6	-14.6
Free cash flow	-128.5	44.5	45.4	76.9	81.7	82.8	90.6	91.8	99.1	96.5	96.5
Risk-free rate	1.85%	1.89%	1.95%	2.03%	2.17%	2.44%	2.62%	2.74%	2.77%	2.89%	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	6.85%	6.89%	6.95%	7.03%	7.17%	7.44%	7.62%	7.74%	7.77%	7.89%	9.50%
Cost of debt (pre-tax)	4.3%	4.4%	4.5%	4.5%	4.7%	4.9%	5.1%	5.2%	5.3%	5.4%	5.4%
Effective tax rate	17.2%	20.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	3.6%	3.5%	3.6%	3.7%	3.8%	4.0%	4.1%	4.2%	4.3%	4.4%	4.4%
Weight of debt	33.9%	34.4%	32.9%	30.5%	29.9%	29.2%	29.4%	28.6%	28.6%	25.5%	25.5%
Weight of equity	66.1%	65.6%	67.1%	69.5%	70.1%	70.8%	70.6%	71.4%	71.4%	74.5%	74.5%
WACC	5.7%	5.7%	5.9%	6.0%	6.2%	6.4%	6.6%	6.7%	6.8%	7.0%	8.2%
Discount fact	0.95	0.89	0.85	0.80	0.75	0.71	0.66	0.62	0.58	0.54	0.50
PV of FCF	-121.5	39.8	38.3	61.3	61.4	58.4	60.0	56.9	57.5	52.4	48.4
Sum of FCF PV's	364.5										
FCF terminal growth rate	1.0%										
Terminal value	1,356.2										
PV of terminal value	680.4										
Unwind of discount	23.6										
Enterprise value	1,068.6										
Net debt 2020E	83.8										
Long term liabilities	-283.6										
Dividend paid out in 2021 (ytd terms)	0.0										
Equity value	701.2										
Per share value (PLN)	7.64										

Source: Company, IPOPEMA Research

Figure 5. DDM Valuation (PLN m)

PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal Year
Dividends	5.8	8.2	24.4	25.1	43.3	45.1	46.8	48.6	49.0	50.1	50.1
Discount rate	6.8%	6.9%	7.0%	7.0%	7.2%	7.4%	7.6%	7.7%	7.8%	7.9%	9.5%
Discount factor	0.94	0.88	0.82	0.76	0.71	0.66	0.62	0.57	0.53	0.49	0.45
Discounted dividend	5.4	7.2	20.0	19.2	30.9	30.0	28.9	27.8	26.1	24.7	22.5
Sum of DD PV's	220.1										
DIV terminal growth rate	1.0%										
Terminal value	594.8										
PV of terminal value	267.7										
Discount unwind	21.8										
Equity value	509.6										
Per share value (PLN)	5.56										

Source: Company, IPOPEMA Research

Figure 6. Valuation summary

PLN m	
DCF	7.64
DDM	5.56
Average	6.60

Source: Company, IPOPEMA Research

Relative valuation

Mirbud trades at a 2021E EV/EBITDA of 5.1x, which constitutes a 23.0% discount to international peers and an 27.3% 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 7. Relative valuation – international peers

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA		
			2021	2022	2023	2021	2022	2023
16.6	ABGV.VI	PORR	15.4	9.7	7.8	1.9	1.7	1.6
35.7	STRV.VI	STRABAG	10.8	10.0	9.7	2.0	1.9	1.9
32.0	WBSV.VI	WIENERBERGER	14.1	12.0	10.8	7.3	6.6	6.2
15.5	TKFEN.IS	TEKFEN HOLDING	8.1	6.6	5.7	3.8	3.4	3.1
8.6	ENKAI.IS	ENKA INSAAT	11.6	11.0	12.8	6.1	6.1	6.0
22.8	CIMSA.IS	CIMSA CIMENTO	6.1	NaN	NaN	7.8	6.7	5.9
306.6	BALF.L	BALFOUR BEATTY PLC	15.1	12.6	11.1	8.0	7.1	6.7
12.3	B5AG.DE	BAUER AG	13.5	10.6	9.2	4.7	4.2	4.0
10.1	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	12.3	13.3	12.7	7.1	6.9	6.5
69.3	HOTG.DE	HOCHTIEF AG	11.1	9.7	8.6	4.2	3.9	3.6
0.6	OHL.MC	OBRASCON HUARTE LAIN SA	NaN	NaN	NaN	5.1	4.7	4.1
2.2	SCYR.MC	SACYR SA	8.3	8.9	8.1	9.2	9.0	8.4
235.9	SKAb.ST	SKANSKA AB	14.5	15.7	14.3	8.0	8.4	6.9
33.2	BOUY.PA	BOUYGUES SA	12.2	11.1	9.6	5.2	4.9	4.4
1.5	MOTA.LS	MOTA ENGIL SGPS SA	NaN	NaN	NaN	NaN	NaN	NaN
25.5	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	11.2	10.9	10.4	8.3	7.0	6.2
139.7	ANA.MC	ACCIONA SA	24.3	19.7	13.5	10.8	9.7	8.6
24.2	FER.MC	FERROVIAL SA	NaN	62.8	54.1	39.3	33.1	29.1
90.5	FOUG.PA	EIFFAGE SA	13.4	11.2	10.1	7.2	6.5	6.3
27.1	GBFG.DE	BILFINGER SE	20.1	12.3	9.8	4.2	3.1	3.0
5.1	YIT.HE	YIT OYJ	13.9	9.9	9.0	8.8	7.5	6.8
1.9	WBD.MI	SALINI IMPREGILO SPA	16.5	13.3	11.3	5.9	5.4	5.1
93.3	SGEF.PA	VINCI SA	21.9	16.0	13.4	10.6	9.0	8.3
5.0	MRB.WA	MIRBUD	5.5	5.6	5.5	5.5	5.1	4.7
		Premium/discount to median						
		Mirbud	-58.7%	-49.7%	-46.8%	-22.6%	-23.0%	-22.4%

Source: Company, IPOPEMA Research

Figure 8. Relative valuation – domestic peers

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA		
			2021	2022	2023	2020	2021	2022
315.00	BDXP.WA	BUDIMEX	19.2	18.9	21.6	9.7	7.0	8.1
25.00	PBX.WA	PEKABEX	7.9	5.9	5.9	6.8	4.9	4.4
		MEDIAN	13.5	12.4	13.7	8.3	5.9	6.2
4.97	MRB.WA	MIRBUD	5.5	5.6	5.5	5.5	5.1	4.7
		Premium/discount to median						
		Mirbud	-59.0%	-54.8%	-60.3%	-33.3%	-14.4%	-24.3%

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 9. INCOME STATEMENT (PLN m)

	2018	2019	2020	2021E	2022E	2023E
Sales	1,143.1	949.1	1,242.9	1,707.0	1,864.9	2,031.0
Cost of goods & products sold	-1,049.9	-848.5	-1,105.6	-1,533.4	-1,626.6	-1,779.6
Gross profit	93.2	100.6	137.3	173.6	238.3	251.4
SG&A	-51.9	-54.1	-59.2	-65.0	-128.2	-139.6
EBIT	51.0	52.2	84.4	118.6	121.0	123.7
Net financial activity	-17.6	-15.2	-14.1	-16.0	-20.6	-20.5
Shares in affiliates	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	33.4	37.0	70.3	102.6	100.4	103.2
Tax	-6.4	-8.9	-12.1	-20.5	-19.1	-19.6
Minorities	2.4	0.0	0.0	0.0	0.0	0.0
Net income	24.6	28.1	58.2	82.1	81.3	83.6
EBITDA	62.4	63.9	98.4	133.8	139.2	143.0

Source: Company, IPOPEMA Research

Figure 10. BALANCE SHEET (PLN m)

	2018	2019	2020	2021E	2022E	2023E
Long-term assets	515.4	518.6	677.9	700.9	718.6	736.5
Tangible assets	207.0	217.5	217.0	228.7	242.8	256.9
Investment properties	254.1	249.6	422.3	422.3	422.3	422.3
Receivables and loans	14.5	12.3	9.6	13.2	14.4	15.7
Deferred assets	22.3	23.1	21.8	30.0	32.8	35.7
Others	17.6	16.1	7.1	6.6	6.3	5.9
Current assets	564.1	627.8	861.2	1,050.1	1,190.4	1,298.4
Inventories	216.9	261.0	282.8	399.1	423.4	463.2
Trade receivables and other	279.3	256.8	287.5	444.3	485.4	528.6
Cash	64.1	108.2	289.0	204.8	279.7	304.7
Other	3.7	1.9	1.9	1.9	1.9	1.9
Total assets	1,079.6	1,146.4	1,539.1	1,751.0	1,909.0	2,034.8
Equity	382.6	405.3	461.6	537.9	611.0	670.2
Long-term liabilities	274.6	347.2	605.8	555.9	572.1	598.3
Interest bearing	170.2	164.3	293.6	293.6	293.6	293.6
Deferred tax	30.9	34.2	24.3	33.7	35.8	39.1
Provisions	2.5	3.2	4.4	6.0	6.6	7.2
Other liabilities	71.1	145.5	283.6	222.7	236.2	258.4
Short-term liabilities	422.3	394.0	471.7	657.2	725.9	766.4
Interest bearing	66.9	98.2	79.2	194.7	235.5	230.9
tax/financial liabilities	2.7	2.4	16.1	22.4	23.7	26.0
Provisions	3.3	3.1	7.4	10.1	11.1	12.1
Other ST liabilities	26.6	26.9	9.9	9.9	9.9	9.9
Trade liabilities	322.8	263.4	359.1	420.1	445.7	487.6
Total liabilities & equity	1,079.6	1,146.4	1,539.1	1,751.0	1,909.0	2,034.8

Source: Company, IPOPEMA Research

Figure 11. CASH FLOW STATEMENT (PLN m)

	2018	2019	2020	2021E	2022E	2023E
Net profit	24.6	28.1	58.2	82.1	81.3	83.6
Depreciation	11.4	11.7	14.0	15.2	18.2	19.3
Change in net working capital	-28.3	-1.8	166.8	-212.0	-39.8	-41.1
Other items	41.2	-9.7	8.9	-52.7	14.4	25.1
Operating cash flow	48.9	28.2	247.9	-167.5	74.1	86.9
Purchases of tangibles & intangibles	-0.8	-18.2	-4.8	-26.5	-31.9	-33.0
Others	1.6	-5.2	-0.1	0.0	0.0	0.0
Investing cash flow	0.8	-23.4	-4.8	-26.5	-31.9	-33.0
Change in interest-bearing debt	-19.9	34.3	-54.3	115.4	40.9	-4.6
Dividends	-0.3	0.0	-1.8	-5.8	-8.2	-24.4
Other	-5.3	11.3	0.0	0.0	0.0	0.0
Financing cash flow	-25.4	45.6	-56.1	109.6	32.7	-29.0
Total cash flow	24.3	50.4	186.9	-84.4	74.9	24.9
Cash at beginning of period	46.5	64.1	108.2	289.0	204.8	279.7
Cash at end of period	64.1	108.2	289.0	204.8	279.7	304.7

Source: Company, IPOPEMA Research

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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.

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Date	Recommendation	Fair Value	Price at recommendation	Author
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