

Mirbud

Road contract revaluations pave the way

We anticipate that after a 1.8% gross margin contraction in 2021, the company is likely to experience a 2.2% 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 likely to be buffered to some extent by road contracts with the general directorate (GDDKiA) being revaluated. At the moment, Mirbud has utilized around PLN 80m of the PLN 320m eligible for revaluation of road contracts. At the moment construction companies may try to get reimbursement of up to 5% of the contracts' value in case they can demonstrate cost increases. This mechanism was implemented in the past in order to prevent construction companies from bankruptcies which swept the construction landscape a decade ago, leaving many road contracts unfinished. Now, we hear that GDDKiA is likely to increase this limit from 5% to 10% for new contracts but is also considering allowing higher cost revaluations for already signed contracts. This would prove incredibly supportive for companies involved in the infrastructure construction segment. We increase the EBITDA forecast by 7.3% for 2022E, by 6.4% for 2023E and by 4.2% for the 2024E period to PLN 147.8m (down 21.3% y/y) in 2022E, PLN 145.7m (down 1.4% y/y) in 2023E and PLN 146.3m (up 0.4% y/y) in 2024E. As we update our risk free rate assumptions we decrease our Fair Value by 26.2% to PLN 3.53 and downgrade our recommendation from BUY to HOLD.

1Q22 results preview

The company is expected to publish its 1Q22 results on 27 May 2022. We forecast EBITDA at PLN 30.7m, -23.8% y/y and -40.3% q/q. We expect the revenue level to arrive at PLN 490.0m, +64.2% y/y and -42.9% q/q. The EBIT line is expected to come in at PLN 27.1m, -27.0% y/y and -43.3% q/q. The bottom line is likely to arrive at PLN 17.9m, -34.9% y/y and -48.9% q/q. We expect lower results of the developer arm in the period with higher sales to be recorded in 2H22.

Higher multiple warranted

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.

EU recovery funds to Poland still not approved

The EU is unlikely to approve Poland's application for tens of billions of euros in pandemic-recovery financing unless the government adopts required changes to the Polish judicial system. Work on the presidential draft bill which was a gesture towards the EU Commission requirements has stalled as there is no green light among the Polish government to proceed with it.

Figure 1. Mirbud financial data, (PLN m)

	2019	2020	2021	2022E	2023E
Revenue	949.1	1,242.9	2,505.6	2,815.0	2,906.2
EBIT	52.2	84.3	174.5	133.4	130.7
EBITDA	63.9	98.3	187.9	147.8	145.7
Net profit	28.1	58.2	128.0	95.9	90.0
EPS	0.3	0.6	1.4	1.0	1.0
DPS	0.00	0.02	0.08	0.14	0.10
P/E (x)	10.3	5.2	2.4	3.2	3.4
EV/EBITDA (x)	7.0	4.0	1.6	3.1	2.7

Source: Company, IPOPEMA Research

Construction

Mirbud

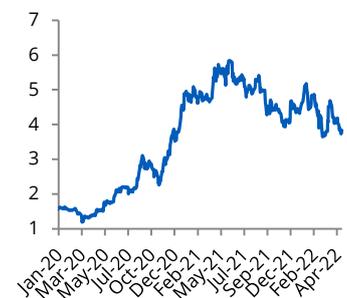
HOLD

FV PLN 3.53

5.9% upside

Price as of 05 May 2022 PLN 3.33

Recommendation downgraded



Share data

Number of shares (m)	91.7
Market cap (EUR m)	61.8
12M avg daily volume (k)	242.3
12M avg daily turnover (EUR m)	0.2
12M high/low (PLN)	5.45/3.06
WIG weight (%)	0.06
Reuters	MRB.WA
Bloomberg	MRB.PW

Total performance

1M	-14.72%
3M	-22.56%
12M	-32.13%

Shareholders

Jerzy Mirgos	45.09%
NN OFE	10.00%

Analyst

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

MIRBUD**HOLD****FV PLN 3.53**

Mkt Cap EUR 61.8m

Upside/downside +5.9%

Valuation multiples	2019	2020	2021	2022E	2023E
P/E (x)	10.3	5.2	2.4	3.2	3.4
EV/EBITDA (x)	7.0	4.0	1.6	3.1	2.7
EV/Sales (x)	0.47	0.31	0.12	0.16	0.13
P/BV (x)	0.72	0.66	0.52	0.46	0.41
FCF yield (%)	27%	26%	28%	31%	30%
DY (%)	0%	1%	2%	4%	3%

Per share	2019	2020	2021	2022E	2023E
No. of shares (m units)	87.1	91.7	91.7	91.7	91.7
EPS (PLN)	0.32	0.63	1.40	1.05	0.98
BVPS (PLN)	4.65	5.03	6.35	7.25	8.13
FCFPS (PLN)	0.92	0.86	0.95	1.02	1.01
DPS (PLN)	0.00	0.02	0.08	0.14	0.10

Change y/y (%)	2019	2020	2021	2022E	2023E
Revenues	-17.0%	31.0%	101.6%	12.3%	3.2%
EBITDA	2.4%	53.9%	91.1%	-21.3%	-1.4%
EBIT	2.3%	61.5%	106.9%	-23.5%	-2.0%
Pre-tax	10.7%	90.0%	122.1%	-25.5%	-4.4%
Net profit	14.1%	106.9%	120.0%	-25.1%	-6.1%

Leverage and return	2019	2020	2021	2022E	2023E
Gross margin (%)	10.6%	11.0%	9.2%	7.0%	7.0%
EBITDA margin (%)	6.7%	7.9%	7.5%	5.3%	5.0%
EBIT margin (%)	5.5%	6.8%	7.0%	4.7%	4.5%
Net margin (%)	3.0%	4.7%	5.1%	3.4%	3.1%
Net debt / EBITDA (x)	2.42	0.85	-0.06	1.02	0.57
Net debt / Equity (x)	0.38	0.18	-0.02	0.23	0.11
Leverage Ratio (x)	1.33	1.16	1.04	0.95	0.88
ROE (%)	7.1%	13.4%	24.5%	15.4%	12.8%
ROA (%)	5.4%	11.6%	23.5%	16.2%	14.6%
ROCE (%)	6.9%	7.9%	14.0%	9.2%	8.5%

Assumptions	2019	2020	2021	2022E	2023E
Sales (PLN m)	949.1	1,242.9	2,505.6	2,815.0	2,906.2
General constr.(PLN m)	908.4	1,153.2	2,344.0	2,565.0	2,693.3
Engineering (PLN m)	397.5	640.4	1,341.8	1,282.5	1,346.6
Trade show (PLN m)	8.0	4.7	0.0	0.0	0.0
Long term lease (PLN m)	46.6	32.9	42.1	50.0	53.3
Consolidation corr(PLN m)	-108.5	-73.2	-98.9	-60.0	-188.5
Other sales (PLN m)	1.8	10.8	72.0	95.0	97.8
Real estate rev.(PLN m)	92.7	114.6	146.4	165.0	250.4
Poland GDP (%)	4.1%	-2.8%	5.7%	3.8%	3.5%
Poland CPI (%)	2.2%	3.0%	5.1%	9.9%	6.5%
Constr. activity(%)	4.8%	-1.3%	3.7%	3.0%	3.0%
USD PLN (avg)	3.84	3.89	3.86	3.93	3.75
EURPLN (avg)	4.30	4.44	4.56	4.56	4.56

P&L (PLN m)	2019	2020	2021	2022E	2023E	2024E
Revenues	949.1	1,242.9	2,505.6	2,815.0	2,906.2	3,013.9
COGS	-848.5	-1,105.6	-2,274.0	-2,617.6	-2,701.7	-2,807.1
Gross profit	100.6	137.3	231.6	197.4	204.5	206.8
general construction	58.6	88.1	173.6	151.2	161.6	166.4
real estate	18.6	27.7	33.6	38.8	55.2	59.4
long term lease of investment p	19.0	5.6	22.9	20.0	10.7	11.0
trade show activity	2.4	2.5	0.0	0.0	0.0	0.0
other	-0.7	-1.3	3.1	4.7	2.0	2.0
consolidation corrections	2.7	14.7	-1.6	-17.3	-24.9	-32.0
EBITDA	63.9	98.3	187.9	147.8	145.7	146.3
EBIT	52.2	84.3	174.5	133.4	130.7	130.3
Financial income (cost) net	-15.2	-14.0	-18.4	-17.1	-19.6	-18.8
Pre-tax	37.0	70.3	156.1	116.3	111.2	111.5
Tax	-8.9	-12.1	-28.0	-20.4	-21.1	-21.2
Net profit	28.1	58.2	128.0	95.9	90.0	90.3

BALANCE SHEET (PLN m)	2019	2020	2021E	2022E	2023E	2024E
Non-current assets	518.6	677.9	714.7	730.3	742.1	752.6
Investment properties	249.6	422.3	506.3	506.3	506.3	506.3
PP&E	217.5	217.0	153.0	164.3	175.1	184.3
Receivables	12.3	9.6	6.0	6.7	6.9	7.2
Current assets	627.8	861.2	1,325.9	1,667.7	1,778.3	1,933.9
Inventories	261.0	282.8	316.2	430.3	444.1	461.4
Trade receivables	256.8	287.5	498.0	771.2	796.2	825.7
Cash and equivalents	108.2	289.0	467.8	422.3	494.1	602.8
Other current assets	1.9	1.9	43.9	43.9	43.9	43.9
Total assets	1,146.4	1,539.1	2,040.6	2,398.0	2,520.4	2,686.4
Equity	405.3	461.6	582.3	665.4	745.8	827.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	347.2	605.8	668.4	780.0	793.3	809.9
Loans and leasing	164.3	293.6	366.7	366.7	366.7	366.7
Other non-current liabilities	182.9	312.3	301.6	413.3	426.5	443.2
Current liabilities	394.0	471.7	790.0	952.6	981.3	1,049.4
Trade payables	263.4	359.1	673.3	717.2	740.2	769.1
Loans and leasing	98.2	79.2	90.4	205.5	210.3	248.3
Other current liabilities	32.4	33.4	26.3	29.9	30.9	32.0
Equity & liabilities	1,146.4	1,539.1	2,040.6	2,398.0	2,520.4	2,686.4
Inventories turnover (days)	112.3	93.4	50.7	60.0	60.0	60.0
Receivable turnover (days)	98.8	84.4	72.5	100.0	100.0	100.0
Net debt (PLN m)	154.4	83.8	-10.7	150.0	82.9	12.3

CASH FLOW (PLN m)	2019	2020	2021E	2022E	2023E	2024E
Operating cash flow	28.2	247.9	205.4	-122.8	102.0	104.4
Net income	28.1	58.2	128.0	95.9	90.0	90.3
D&A	11.7	14.0	13.4	14.4	14.9	15.9
Change in WC	-1.8	166.8	52.7	-343.5	-15.8	-18.0
Other	13.1	-55.4	-208.9	110.4	12.8	16.1
Investment cash flow	-19.8	0.0	-54.5	-24.4	-25.3	-24.7
CAPEX	-18.2	-4.8	-1.1	-24.4	-25.3	-24.7
Investment properties	3.6	4.8	-40.1	0.0	0.0	0.0
Other	-5.2	0.0	-13.4	0.0	0.0	0.0
Financial cash flow	35.6	-67.1	27.9	102.4	-4.9	29.1
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	34.3	-54.3	22.0	115.2	4.7	38.1
Dividend	0.0	-1.8	-7.3	-12.8	-9.6	-9.0
Other	1.3	-10.9	13.2	0.0	0.0	0.0
Change in cash	44.0	180.8	178.8	-44.9	71.8	108.7
Cash as of eop	108.2	289.0	467.8	422.2	494.1	602.8

Source: Company data, IPOPEMA Research

1Q22 results preview

The company is expected to publish its 1Q22 results on 27 May 2022. We forecast EBITDA at PLN 30.7m, -23.8% y/y and -40.3% q/q. We expect the revenue level to arrive at PLN 490.0m, +64.2% y/y and -42.9% q/q. The EBIT line is expected to come in at PLN 27.1m, -27.0% y/y and -43.3% q/q. The bottom line is likely to arrive at PLN 17.9m, -34.9% y/y and -48.9% q/q. We expect lower results of the developer arm in the period with higher sales to be recorded in 2H22.

Figure 2. Mirbud 1Q22 results preview

	1Q21	2Q21	3Q21	4Q21	1Q22E	y/y	q/q
Sales	298.3	574.2	774.6	858.4	490.0	64.2%	-42.9%
General construction	264.9	545.1	741.3	792.6	460.0	73.6%	-42.0%
Real estate projects	30.9	33.2	32.9	49.4	13.0	-57.9%	-73.7%
Long term lease	8.0	9.0	12.4	12.6	12.0	49.6%	-5.1%
Trade show activity	0.0	0.0	0.0	0.0	0.0	na	na
Others	6.5	12.1	14.6	38.7	20.0	205.8%	-48.3%
Corrections	-12.0	-25.2	-26.7	-35.0	-15.0	25.0%	-57.1%
Cost of goods & products sold	-260.0	-523.3	-703.5	-787.1	-446.9	71.9%	-43.2%
Gross profit	38.4	50.9	71.1	71.2	43.1	12.4%	-39.5%
General construction	25.7	43.5	55.0	49.4	32.2	25.1%	-34.9%
Real estate projects	7.8	7.6	7.6	10.6	2.9	-63.4%	-73.1%
Long term lease	3.4	3.9	7.8	7.8	4.8	40.1%	-38.5%
Trade show activity	0.0	0.0	0.0	0.0	0.0	na	na
Others	-0.3	0.5	1.8	1.2	1.2	na	0.0%
Corrections	1.7	-4.5	-1.0	2.2	2.1	21.2%	-5.0%
SG&A	-13.3	-17.1	-17.0	-18.0	-18.0	35.1%	-0.2%
Other operating activity net	12.1	2.2	1.8	-3.3	2.0	na	na
EBIT	37.1	33.0	56.5	47.8	27.1	-27.0%	-43.3%
Net financial activity	-4.6	-4.6	-3.5	-5.7	-5.0	9.3%	-12.4%
Pre-tax profit	32.6	28.4	52.9	42.1	22.1	-32.1%	-47.5%
Tax	-5.1	-6.2	-9.7	-7.1	-4.2	-17.1%	-40.6%
Net income	27.5	22.2	43.2	35.1	17.9	-34.9%	-48.9%
EBITDA	40.3	36.3	59.9	51.4	30.7	-23.8%	-40.3%

Source: Company, IPOPEMA Research

Changes in forecast

Figure 3.

PLN m	2022E			2023E			2024E		
	OLD	NEW	Diff. %	OLD	NEW	Diff. %	OLD	NEW	Diff. %
Sales	2,378.5	2,815.0	18.4%	2,437.6	2,906.2	19.2%	2,547.2	3,161.1	24.1%
Gross profit	173.3	197.4	13.9%	172.7	204.5	18.4%	177.4	217.7	22.8%
EBIT	119.7	133.4	11.4%	117.7	130.7	11.0%	119.9	137.5	14.7%
Net income	84.8	95.9	13.0%	84.6	90.0	6.4%	87.7	97.3	11.0%
EBITDA	137.73	147.80	7.3%	136.90	145.67	6.4%	140.37	146.28	4.2%

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 2022-2031 period. 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	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal Year
Revenues	2,815.0	2,906.2	3,013.9	3,095.8	3,161.1	3,245.8	3,332.9	3,427.2	3,524.3	3,624.5	3,624.5
EBIT	133.4	130.7	130.3	134.2	137.5	138.3	139.8	144.2	146.3	149.3	149.3
Tax on EBIT	22.9	23.5	24.8	25.5	26.1	26.3	26.6	27.4	27.8	28.4	28.4
NOPLAT	108.1	105.9	105.6	108.7	111.4	112.0	113.2	116.8	118.5	121.0	121.0
Depreciation	14.4	14.9	15.9	17.2	18.4	19.7	21.0	22.2	23.4	24.7	24.7
Capital expenditures	-24.4	-25.3	-24.7	-25.1	-25.2	-25.1	-24.9	-23.3	-24.6	-25.9	-25.9
Change in working capital	-343.5	-15.8	-18.0	-14.1	-11.3	-14.3	-14.7	-16.2	-16.5	-17.1	-17.1
Free cash flow	-245.5	79.8	78.8	86.7	93.4	92.3	94.6	99.5	100.9	102.7	102.7
Risk-free rate	6.41%	6.44%	6.46%	6.47%	6.48%	6.46%	6.90%	6.90%	6.90%	6.90%	6.90%
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	11.91%	11.94%	11.96%	11.97%	11.98%	11.96%	12.40%	12.40%	12.40%	12.40%	12.40%
Cost of debt (pre-tax)	8.9%	8.9%	9.0%	9.0%	9.0%	9.0%	9.4%	9.4%	9.4%	9.4%	9.4%
Effective tax rate	17.2%	18.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	7.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.6%	7.6%	7.6%	7.6%	7.6%
Weight of debt	33.2%	42.6%	40.4%	39.8%	37.4%	38.7%	35.7%	35.8%	37.1%	33.8%	33.8%
Weight of equity	66.8%	57.4%	59.6%	60.2%	62.6%	61.3%	64.3%	64.2%	62.9%	66.2%	66.2%
WACC	10.4%	10.0%	10.1%	10.1%	10.2%	10.1%	10.7%	10.7%	10.6%	10.8%	10.8%
Discount fact	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.41	0.37	0.34
PV of FCF	-222.4	65.7	59.0	59.0	57.6	51.7	47.9	45.5	41.7	38.3	34.6
Sum of FCF PV's	243.8										
FCF terminal growth rate	1.0%										
Terminal value	1,060.2										
PV of terminal value	356.9										
Unwind of discount	20.7										
Enterprise value	621.4										
Net debt 2021	-10.7										
Employees liabilities	-272.7										
Dividend paid out in 2022 (ytd terms)	0.0										
Equity value	359.4										
Per share value (PLN)	3.92										

Source: Company, IPOPEMA Research

Figure 5. DDM Valuation

PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal Year
Dividends	12.8	9.6	9.0	18.1	23.6	29.2	39.4	45.4	46.8	53.0	53.0
Discount rate	11.9%	11.9%	12.0%	12.0%	12.0%	12.0%	12.4%	12.4%	12.4%	12.4%	12.4%
Discount factor	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36	0.32	0.28
Discounted dividend	11.4	7.7	6.4	11.5	13.4	14.8	17.8	18.3	16.7	16.9	15.0
Sum of DD PV's	135.0										
DIV terminal growth rate	1.0%										
Terminal value	469.8										
PV of terminal value	133.0										
Discount unwind	20.0										
Equity value	287.9										
Per share value (PLN)	3.14										

Source: Company, IPOPEMA Research

Figure 6. Valuation Summary

PLN m	
DCF	3.92
DDM	3.14
Average	3.53

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 7. Relative Valuation

PRICE (LCU)	TICKER	NAME	P/E			EV/EBITDA			Dividend yield		
			2022	2023	2024	2022	2023	2024	2022	2023	2024
12.1	ABGV.VI	PORR	9.9	7.5	NaN	1.1	1.0	1.0	5.0	6.0	7.4
37.0	STRV.VI	STRABAG	9.0	9.2	8.9	1.6	1.6	1.6	4.8	4.8	4.6
24.5	WBSV.VI	WIENERBERGER	8.1	7.7	7.4	5.2	5.0	4.8	3.2	3.8	4.2
20.6	TKFEN.IS	TEKFEN HOLDING	5.1	4.4	4.0	3.1	2.9	2.6	2.5	2.8	0.0
15.9	ENKAI.IS	ENKA INSAAT	9.8	12.0	NaN	3.2	4.1	4.3	5.3	5.1	NaN
33.8	CIMSA.IS	CIMSA CIMENTO	8.9	5.7	NaN	7.7	5.4	4.1	4.4	2.1	NaN
243.8	BALF.L	BALFOUR BEATTY PLC	8.8	8.0	7.4	3.8	3.8	3.5	4.1	4.4	4.7
9.0	B5AG.DE	BAUER AG	25.7	8.4	6.1	4.2	3.4	3.1	0.0	2.1	2.9
11.0	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	11.9	11.9	7.8	7.9	7.6	7.4	4.1	4.4	3.6
57.8	HOTG.DE	HOCHTIEF AG	8.3	7.5	7.1	3.7	3.4	3.3	7.4	8.4	9.1
2.6	SCYR.MC	SACYR SA	9.7	9.6	23.2	9.5	8.8	8.5	4.1	4.1	4.1
172.1	SKAb.ST	SKANSKA AB	10.5	10.0	9.7	5.1	4.9	4.8	5.9	6.0	6.2
31.0	BOUY.PA	BOUYGUES SA	11.3	9.0	8.3	4.2	3.6	3.4	5.8	5.9	6.0
1.3	MOTA.LS	MOTA ENGIL SGPS SA	14.0	11.5	NaN	5.4	4.9	NaN	2.5	3.0	NaN
24.4	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	13.9	12.5	11.4	3.9	3.7	3.4	7.9	8.2	8.2
186.0	ANA.MC	ACCIONA SA	23.2	20.2	18.3	9.9	9.1	8.6	2.2	2.4	2.4
24.5	FER.MC	FERROVIAL SA	87.7	53.5	34.9	34.3	28.6	24.0	2.9	3.0	3.2
93.5	FOUG.PA	EIFFAGE SA	10.4	9.8	9.4	6.3	6.0	5.8	3.7	4.0	4.2
38.8	GBFG.DE	BILFINGER SE	16.6	13.7	11.9	4.8	4.4	4.1	2.8	3.5	2.6
3.9	YIT.HE	YIT OYJ	13.1	11.2	8.7	8.7	7.7	6.9	4.4	4.8	5.6
1.6	WBD.MI	SALINI IMPREGILO SPA	14.5	10.0	9.1	3.7	3.3	3.0	3.8	4.2	3.8
91.3	SGEF.PA	VINCI SA	13.7	12.1	11.0	8.0	7.4	7.0	4.0	4.5	5.1
		MEDIAN	10.9	9.9	9.0	4.9	4.6	4.1	4.1	4.3	4.2
3.3	MRB.WA	MIRBUD	3.2	3.4	3.4	3.1	2.7	2.2	4.2	3.1	2.9
		Premium/discount to median									
		Mirbud	-70.8%	-65.7%	-62.4%	-37.5%	-42.2%	-47.4%	2.6%	-26.7%	-29.8%

Source: Reuters, IPOPEMA Research

Figure 8. Relative valuation to Polish peers

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
			2022	2023	2024	2022	2023	2024	2022	2023	2024
216.00	BDXP.WA	BUDIMEX	17.5	16.2	13.6	5.0	4.9	4.6	6.4	6.1	7.0
3.33	MRB.WA	MIRBUD	3.2	3.4	3.4	3.1	2.7	2.2	4.19	3.14	2.95
		MEDIAN	10.3	9.8	8.5	4.0	3.8	3.4	5.3	4.6	5.0
15.00	PBX.WA	PEKABEX	13.2	11.7	12.7	8.0	7.3	7.7	3.2	2.3	2.6
		Premium/discount to median									
		PEKABEX	27.6%	19.4%	49.4%	99.1%	93.9%	129.7%	-40.3%	-50.8%	-48.3%

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 9. INCOME STATEMENT (PLN m)

	2018	2019	2020	2021E	2022E	2023E	2024E
Sales	1,143.1	949.1	1,242.9	2,505.6	2,815.0	2,906.2	3,013.9
Cost of goods & products sold	-1,049.9	-848.5	-1,105.6	-2,274.0	-2,617.6	-2,701.7	-2,807.1
Gross profit	93.2	100.6	137.3	231.6	197.4	204.5	206.8
SG&A	-51.9	-54.1	-59.2	-65.5	-72.0	-83.5	-86.6
EBIT	51.0	52.2	84.3	174.5	133.4	130.7	130.3
Net financial activity	-17.6	-15.2	-14.0	-18.4	-17.1	-19.6	-18.8
Shares in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	33.4	37.0	70.3	156.1	116.3	111.2	111.5
Tax	-6.4	-8.9	-12.1	-28.0	-20.4	-21.1	-21.2
Minorities	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Net income	24.6	28.1	58.2	128.0	95.9	90.0	90.3
EBITDA	62.4	63.9	98.3	187.9	147.8	145.7	146.3

Source: Company, IPOPEMA Research

Figure 10. BALANCE SHEET (PLN m)

	2018	2019	2020	2021E	2022E	2023E	2024E
Long-term assets	515.4	518.6	677.9	714.7	730.3	742.1	752.6
Tangible assets	207.0	217.5	217.0	153.0	164.3	175.1	184.3
Investment properties	254.1	249.6	422.3	506.3	506.3	506.3	506.3
Receivables and loans	14.5	12.3	9.6	6.0	6.7	6.9	7.2
Deferred assets	22.3	23.1	21.8	33.2	37.3	38.5	40.0
Others	17.6	16.1	7.1	16.3	15.7	15.3	14.9
Current assets	564.1	627.8	861.2	1,325.9	1,667.7	1,778.3	1,933.9
Inventories	216.9	261.0	282.8	316.2	430.3	444.1	461.4
Trade receivables and other	279.3	256.8	287.5	498.0	771.2	796.2	825.7
Cash	64.1	108.2	289.0	467.8	422.3	494.1	602.8
Other	3.7	1.9	1.9	43.9	43.9	43.9	43.9
Total assets	1,079.6	1,146.4	1,539.1	2,040.6	2,398.0	2,520.4	2,686.4
Equity	382.6	405.3	461.6	582.3	665.4	745.8	827.2
Long-term liabilities	274.6	347.2	605.8	668.4	780.0	793.3	809.9
Interest bearing	170.2	164.3	293.6	366.7	366.7	366.7	366.7
Deferred tax	30.9	34.2	24.3	22.8	26.3	27.1	28.2
Provisions	2.5	3.2	4.4	6.1	6.9	7.1	7.4
Other liabilities	71.1	145.5	283.6	272.7	380.1	392.3	407.6
Short-term liabilities	422.3	394.0	471.7	790.0	952.6	981.3	1,049.4
Interest bearing	66.9	98.2	79.2	90.4	205.5	210.3	248.3
tax/financial liabilities	2.7	2.4	16.1	19.7	22.6	23.4	24.3
Provisions	3.3	3.1	7.4	5.5	6.2	6.4	6.6
Other ST liabilities	26.6	26.9	9.9	1.1	1.1	1.1	1.1
Trade liabilities	322.8	263.4	359.1	673.3	717.2	740.2	769.1
Total liabilities & equity	1,079.6	1,146.4	1,539.1	2,040.6	2,398.0	2,520.4	2,686.4

Source: Company, IPOPEMA Research

Figure 11. CASH FLOW STATEMENT (PLN m)

	2018	2019	2020	2021E	2022E	2023E	2024E
Net profit	24.6	28.1	58.2	128.0	95.9	90.0	90.3
Depreciation	11.4	11.7	14.0	13.4	14.4	14.9	15.9
Change in net working capital	-28.3	-1.8	166.8	52.7	-343.5	-15.8	-18.0
Other items	41.2	-9.7	8.9	11.3	110.4	12.8	16.1
Operating cash flow	48.9	28.2	247.9	205.4	-122.8	102.0	104.4
Purchases of tangibles & intangibles	-0.8	-18.2	-4.8	-1.1	-24.4	-25.3	-24.7
Others	1.6	-5.2	0.0	-9.6	0.0	0.0	0.0
Investing cash flow	0.8	-23.4	-4.7	-10.7	-24.4	-25.3	-24.7
Change in interest-bearing debt	-19.9	34.3	-54.3	22.0	115.2	4.7	38.1
Dividends	-0.3	0.0	-1.8	-7.3	-12.8	-9.6	-9.0
Other	-5.3	11.3	0.0	0.0	0.0	0.0	0.0
Financing cash flow	-25.4	45.6	-56.1	14.6	102.4	-4.9	29.1
Total cash flow	24.3	50.4	187.0	209.4	-44.9	71.8	108.7
Cash at beginning of period	46.5	64.1	108.2	289.0	467.8	422.3	494.1
Cash at end of period	64.1	108.2	289.0	467.8	422.2	494.1	602.8

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.

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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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