TRIGON

16 October 2025

Research

CEE | Equity Research

Budimex

Good things come to those who wait

Buy

(Previous: Buy; PLN 715)

Target Price: PLN 700

Upside: +31%

Despite the fact that once-in-a-lifetime prospects are just around the corner, the sentiment surrounding PL construction stocks has been rather lukewarm recently, with the BDX price plummeting by over 20% since its mid-July peak. While we acknowledge that news flow (such as tender delays, negative earnings trajectories and Polish budget issues) has warranted, to some extent, the market reaction, we believe that the last quarter of the year can bring a few different catalysts into the play. Firstly, we expect Budimex to finally turn around its earnings, with both EBITDA and EPS poised for positive growth in 4Q25E. Secondly, we anticipate a record-high number of tenders, totalling over PLN 50bn, hitting the market in the 1H26 alone.

Furthermore, we predict that the recently awarded tenders could result in margins that are higher than expected over the next two years. The last two rail tenders that Budimex won were priced above budget. With an average difference of just 3–5% between Budimex's winning bids and investors' budgets in recent quarters, we can see that competition between the leading general contractors is slowly dying down. With 47 CPK-backed tenders set to launch next year and competitive dialogue becoming the norm for the biggest infrastructure contracts, we see BDX being set to regain its historical market share (over 30% in roads and over 20% in railways).

We are reiterating our BUY rating, though we cut our TP by 2% to PLN 700. This is due to FY25E earnings falling short of our expectations (impact of PLN -41), our TP rolling over 12 months to FY26 (impact of PLN +6) and finally margins in our FY26-27E estimates rising (impact of PLN +20). Based on our model assumptions, Budimex is trading at a 10% discount to its 10-year P/E 2Y FWD average.

3Q25 Results Preview. We expect Budimex to post an uninspiring set of results. However, we would like to point out that sentiment towards the stock has generally been negative ahead of the publication of the results. That being said, high single digit EBITDA compression yoy points towards negative market reaction to the print. See p. 7 for detailed description.

Forecast revision. Following disappointing 1H25 earnings, we have cut our FY25E EPS estimate by 6%. We believe that Budimex will struggle to grow its revenues until major 'design & build' projects enter the construction stage. At the same time, however, we are increasingly optimistic about FY26-27E earnings, as BDX and other leading GCs are set to exceed market expectations. The cost environment remains favourable and the influx of contracts, which are set to impact P&Ls over the next 24 months, have been priced more conservatively, we think. As a result, our cumulative FY25-27E EBITDA estimates have gone up by 3%.

Valuation. We base our valuation of BDX 100% on the DCF model - we assume an RFR of 5.5% and a market premium of 5.0%. Our assumptions imply a 12-month target price of PLN 700. In addition, we present a scenario analysis - in the bull case scenario we value the Company at PLN 930 per share, while in the bear case scenario we value the Company at PLN 485 per share. The DDM valuation returns PLN 701, while the comparative valuation returns PLN 531.

Risk factors. Specific risk factors include: 1) the EUR/PLN exchange rate, 2) raw material prices on the Polish market, 3) foreign competition in the Polish construction industry and 4) delays in the tenders launched by GDDKiA, PKP PLK, CPK. For a more extensive description, see page 18.

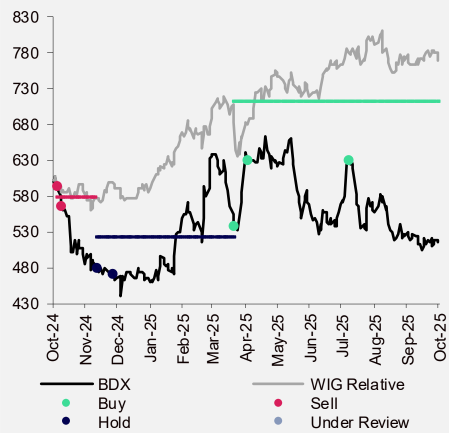
PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	8,619	9,802	9,118	9,073	10,766	12,871
EBITDA	715	938	903	897	1,060	1,257
EBIT	562	781	744	727	884	1,077
Net profit	534	738	616	625	746	925
EPS (PLN)	20.9	28.9	24.1	24.5	29.2	36.2
P/E (x)	25.5	18.5	22.1	21.8	18.3	14.7
EV/EBITDA (x)	14.8	10.6	11.8	12.6	10.4	8.1
FCFF Yield (%)	11.1%	10.9%	1.8%	1.9%	7.0%	13.9%
DY (%)	4.5%	3.5%	6.7%	4.8%	4.4%	5.2%

Source: Company, Trigon

FACT SHEET

Ticker			**BDX**
Sector			**Construction**
Price (PLN)			**534**
52W range (PLN)			**438.8 / 677.6**
Shares outstanding (m)			**25.5**
Market Cap (PLNm)			**13,633**
Free-float			**50%**
3M Avg. Vol. (PLNm)			**28.4**
Price performance	1M	3M	1Y
	0%	**-8%**	**-11%**

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS	DATE	TP
Buy	21.07.2025	715
Buy	17.04.2025	715
Buy	03.04.2025	715
Hold	10.12.2024	525
Hold	25.11.2024	525
Sell	22.10.2024	580
Sell	18.10.2024	580

SHAREHOLDERS	Share %
Ferrovial Agroman International	50.1%
OFE Allianz Polska	9.2%
OFE Nationale-Nederlanden	8.0%

INVESTOR CALENDAR	
3Q25 Earnings	27.10.2025

ANALYST

David Sharma, CFA

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares

free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company

min/max 52 wks – lowest/highest share price over the previous 52 weeks

average turnover – average volume of share trading over the previous month

EBIT – operating profit

EBITDA – operating profit before depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

CAPEX – sum of investment expenditures on fixed assets

OCF – cash generated through a company's operating activities

FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets

FCFF - free cash flow, cash generated through the operational activities of the company minus capital expenditures and lease payments

ROA – rate of return on assets

ROE – rate of return on equity

ROIC – rate of return on invested capital

NWC – net working capital

cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services

gross profit margin – ratio of gross profit to net revenue

EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – ratio of operating profit to net revenue

net margin – ratio of net profit to net revenue

EPS – earnings per share

DPS – dividend per share

BVPS – book value per share

P/E – ratio of market price to earnings per share

P/BV – ratio of market price to book value per share

EV/EBITDA – ratio of a company's EV to EBITDA

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, ratio of dividends paid to share price

FCFF yield – free cash flow yield, FCFF divided by EV and adjustments

RFR – risk free rate

WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – Budimex S.A.

BUY – we expect the total return on an investment to reach at least 15%

HOLD we expect the price of an investment to be largely stable, with potential upside of up to 15%

SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: David Sharma

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn’t consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company’s intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: DCF model.

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Date and time when the production of the recommendation was completed: 16.10.2025, 6:59.

Date and time when it was first disseminated: 16.10.2025, 7:35.

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