Flash Note

CEE | Equity Research

Mirbud (Buy; PLN 18.5)

3Q25 conf call highlights [neutral]

#Construction

- The model gross profitability of residential space is currently approx. 5%, production/warehouse space approx. 11%, public use approx. 10%, and road construction approx. 6%.

- In Q4 2025E, it is possible that some of the claims/additional works related to contracts nearing completion will be settled, which could potentially improve margins.

- The Group, as well as the industry, is currently in talks with GDDKiA (General Directorate for National Roads and Motorways) regarding raising the indexation limits for contracts signed before the outbreak of the war in Ukraine.

- During the week, the Group should receive a ZRiD (decision on the commencement of road construction) for the construction of the S10 road, while permits for other “S” roads should be received in Q1 2026E.

- The settlement of claims related to the Węgierska Górka Bypass contract should take place in FY26E at the earliest.

- Currently, the Group has approximately PLN 70 million in ‘frozen’ working capital in contracts executed under the Polish Deal.

- Upon closer inspection, Mirbud does not currently plan to make any acquisitions in the power engineering construction market segment.

#Order book

- Since the beginning of the year, the Group has signed 18 contracts worth PLN 2.4bn.

- At the end of November, the Group had a total of 10 bids in the pipeline (3 after bid selection and 7 with the most advantageous bids) with a total value of PLN 5.4bn, of which PLN 4.2bn are railway contracts.

- The value of the portfolio should exceed PLN 10 billion in December or in Q1 2026E.

- The Group plans to file appeals related to the selection of the Gulermak consortium's bid for the construction of the Tymbark-Limanowa section.

#JHM / Other

- The group is still waiting to receive a building permit for Marywilska 44 and to complete negotiations with the City of Warsaw on extending the land lease.

- It should deliver approximately 300 flats in FY25E.

- The management board sees an opportunity to accelerate flat sales in the near future.

- The increase in rental income is due to a decrease in discounts/rent-free periods.

- The repurchase of shares in the park in Bolesławiec from Panattoni was due to Panattoni's inadequate responsibility for the commercialisation of the facility, in MRB's opinion.

#Outlook

- Both revenues and margins in FY26E ‘will not be lower y/y’.

- ND/EBITDA leverage at the end of FY25E should be <2.0x.

Comment: *We have mixed feelings about the message coming out of the conference – on the one hand, we are impressed by the pace at which Mirbud is winning new contracts, but on the other hand, increased net debt may put more pressure on EPS, especially during a period of rapid revenue growth. However, we view the announcement of improved profitability in the construction segment as a clear positive – until now, we had assumed that the gross margin for the entire FY25E would be only 6.0% and would increase by only a few dozen bps next year.*

In summary, we maintain our positive outlook on Mirbud, although the coming quarters will be crucial in terms of FCF generation. We currently expect FCF in FY25E to amount to PLN -320 million (a total of PLN -500 million for the last three years), and we do not expect a significant recovery in the cash position until H2 2026E, i.e. after most of the advance payments and ZRiDs have been received. We also expect MRB's contracting to exceed PLN 7bn in FY26E vs. PLN 3.2-3.3bn this year. ***(David Sharma, +48 603 173 749)***

PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	3,319	3,322	3,252	2,959	3,171	3,829
EBITDA	194	243	204	189	220	261
EBIT	178	224	182	159	186	221
adj. Net profit	132	140	126	88	131	162
EPS (PLN)	1.4	1.5	1.1	0.8	1.2	1.5
adj. P/E (x)	10.1	9.5	12.7	18.3	12.2	9.9
EV/EBITDA (x)	6.6	5.6	7.7	8.7	7.4	5.7
FCFF Yield (%)	8.4%	-1.6%	-10.1%	-2.3%	2.0%	12.1%
DY (%)	1.4%	1.9%	1.2%	0.6%	0.7%	0.8%

Source: Company, Trigon

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