

## Unibep – Waiting for improved results from 2024

Unibep is one of the largest construction groups in Poland, with a strong position in the residential construction segment. Over the last 15 years, the capital group's revenues have increased 5.5 times. In the second quarter of 2023, profitability in the construction business deteriorated, but high profitability in the development segment was maintained. Due to the difficult situation in the construction industry, we expect relatively poor results of the Unibep group in the second half of 2023. In the following years, we see the potential for significant improvement in financial results, primarily in the industrial, energy and road construction sectors. We set the target price per share at PLN 12.5.

### Poor environment in the construction industry affects results

Results in Q2'23 were relatively poor, especially in the volume and modular segments. The company is still affected by the increase in the prices of construction materials and the costs of external services in 2022. In the situation of worse economic conditions in the construction industry, customers are reluctant to valorize, hence the profitability of some of the executed contracts is very low. We are afraid that there will be no changes for the better in this respect in the second half of the year. At the same time, the Management Board signals the possibility of adopting a more conservative policy of recognizing all types of risks, indexation arrangements, service reserves, and creating write-offs for receivables, which may result in a reduction of the result for 2023.

### The new strategy assumes faster expansion

The management board is working on a strategy for the group for the coming years. A significant increase in the scale of operations in the area of infrastructure and energy and industrial construction is assumed. The second of these areas has been operating at Unibep only since December 2021, and this year it may achieve revenues of PLN 600 million. In the field of road construction, Unibep is to be more active in obtaining large orders from GDKiA not only in north-eastern Poland (as currently), but also in other regions of the country. The strategy will probably also assume an increase in the scale of development activities. In our opinion, the company's financial results will significantly improve already in 2024, and in 2025 there may be a sharp increase in profits.

### The potential reconstruction of Ukraine is an opportunity for the company

In previous years, Unibep completed several construction contracts in Ukraine. Due to its geographical proximity, it is one of the most interesting foreign markets. The potential end of the war and the reconstruction of the country may give the company the opportunity to obtain large contracts and become a source of significant revenues and profits for many years.

**We estimated the value of Unibep shares based on the DCF method at PLN 11.92 and the comparative value at PLN 10.07. We assigned 75% weight to the first method, and 25% to the second method. We set the target price in the 9-month horizon at PLN 12.5.**

PLN m	2020	2021	2022	2023F	2024F	2025F
Revenues	1 682.3	1 714.0	2 258.3	2 540.0	2 750.0	3 260.0
EBITDA	78.3	77.1	89.3	35.3	109.5	149.5
EBIT	59.8	55.1	63.8	7.5	80.5	118.5
Net profit	37.2	28.2	7.4	-31.8	31.2	64.8
EPS	1.06	0.80	0.21	-0.91	0.89	1.85
DPS	0,30	0,50	0,22	0,00	0,19	0,37
P/E (x)	9.8	12.9	48.8	-	11.6	5.6
EV/EBITDA (x)	2.9	3.8	5.2	13.2	4.1	3.1

Source: , F - Noble Securities' forecasts

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### Initiation report

Current price	10,35 zł
Valuation	12,5 zł
Upside/downside	21%
Market cap.	PLN 363 m
Free float	22%
Avg. Vol. 6M	14 182



Source: Bloomberg, Noble Securities

### COMPANY PROFILE

Unibep is one of the largest construction groups in Poland, operating in the construction, infrastructure, energy and industrial, modular and development industries.

### SHAREHOLDERS

Zofia Mikołuszko	25,1%
Beata Maria Skowrońska	15,7%
Allianz OFE	10,7%
Beata Lachocka	7,1%
Wojciech Stajkowski	7,1%
Treasury shares	6,6%
Bankowy OFE	6,0%
Others	21.5%

Source: Toya S.A.

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## VALUATION

We valued Unibep shares using two methods: DCF with a weight of 75% and comparative analysis with a weight of 25%. We assigned a lower share to the second method due to the relatively low number of domestic construction companies included in the analysis and slightly different operating profiles from Unibep.

In the 9-month horizon, we set the target price for Unibep shares at PLN 12.5.

In table below we present valuation summary:

Valuation summary	Weight (x)	Per share PLN)
DCF valuation	75%	11.92
Peers valuation	25%	10.07
Average weighted valuation		11.5
<b>Target price (9M)</b>		<b>12.5</b>
Current price		10.35
Upside		21%

Source: Noble Securities

## DCF VALUATION

Assumptions:

- Financial forecasts for 2023-2032
- FCF discounted at the beginning of September 2023.
- Net debt on 30.06.2023 calculated at PLN 178 m.
- Growth rate (g) 1%.
- Risk free rate 5.6%, market risk premium 6.3%, Beta 1.0.

DCF (PLN m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Revenues	2 540	2 750	3 260	3 423	3 594	3 774	3 963	4 161	4 369	4 587
NOPAT	6	64	95	82	86	88	92	97	101	106
Depreciation and amortization	28	29	31	32	32	33	34	34	35	36
Change in WC	57	-13	-61	-131	-33	-35	-36	-38	-40	-42
CAPEX	-15	-23	-25	-27	-28	-29	-31	-32	-34	-36
<b>FCFF</b>	76	58	40	-44	58	57	58	60	62	64
WACC	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>
Discount factor	0,97	0,88	0,80	0,72	0,66	0,60	0,54	0,49	0,45	0,40
DFCFF	73	51	32	-32	38	34	32	30	28	26
Sum of DFCFF to 2030	310									
Growth rate (g)	1%									
Residual value 2030	706									
Discounted Residual value	286									
Enterprise Value (EV)	596									
Net debt 31/12/2021	178									
Minorities	0									
Equity Value	418									
Shares (m.)	35,1									
Equity Value per share (PLN)	11,92									

  

Sensitivity analysis					
Growth rate (g)					
	-2%	-1%	0%	1%	2%
WACC - 1,0%	11,2	12,0	12,9	14,1	15,6
WACC - 0,5%	10,4	11,1	11,9	12,9	14,2
WACC	9,7	10,3	11,1	11,9	13,0
WACC + 0,5%	9,1	9,6	10,3	11,0	12,0
WACC + 1,0%	8,5	9,0	9,5	10,2	11,0

Source: Noble Securities

Below we present Cost of Equity and WACC calculation:

WACC	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Risk free rate	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%
Market risk premium	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%	6,3%
Beta	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
<b>Cost of equity</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>	<b>11,9%</b>
Effective tax rate	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%
Cost of debt	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%	7,7%
Cost of debt after tax bracket	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%
Net debt/EV	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
<b>WACC</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>	<b>10,2%</b>

Source: Noble Securities

## PEERS VALUATION

We based the comparative analysis on shares of 6 domestic construction companies. The profiles of individual companies are diverse, the common feature is that they operate mainly in Poland and often struggle with similar problems regarding the availability and prices of construction materials, or subcontracting costs.

The table includes the projected P/E and EV/EBITDA ratios for the years 2023 - 2025, but for the valuation we used only those for the years 2024 - 2025. We abandoned the 2023 ratios because this year, Unibep's results will be burdened with non-repeatable events in the following years .

Based on the comparative valuation, we received a valuation of **1 share at PLN 10.07**.

A summary of the comparative valuation is presented below:

Peers valuation	Market cap (mln PLN)	P/E (x)			EV/EBITDA (x)		
		2023F	2024P	2025P	2023P	2024P	2025P
Budimex	10 799	17,4	18,0	18,6	9,0	8,8	8,7
Mirbud	671	5,6	5,4	6,1	3,0	2,7	2,9
Mostostal Zabrze	306	6,8	9,4	9,8	2,7	3,7	3,7
Polimex	1 027	10,8	9,8	7,3	4,2	3,8	3,3
ZUE	137	11,4	10,1	8,8	3,6	3,6	3,2
Torpol	420	7,3	13,9	12,0	1,5	1,8	2,3
<b>Median</b>		<b>9,1</b>	<b>10,0</b>	<b>9,3</b>	<b>3,3</b>	<b>3,7</b>	<b>3,3</b>
Unibep	363	-	11,6	5,6	13,2	4,1	3,1
Premium/discount to Median			17%	-40%		12%	-6%
Implied fair value Toya			<b>8,86</b>	<b>17,16</b>		<b>5,96</b>	<b>8,31</b>
Indicator weight			25%	25%		25%	25%
The weighted average value of 1 Toya share			<b>10.07</b>				

Source: Noble Securities

**Financial results and forecasts**

Profit and loss account	2020	2021	2022	2023P	2024P	2025P
<b>Net revenues</b>	<b>1 682.3</b>	<b>1 714.0</b>	<b>2 258.3</b>	<b>2 540.0</b>	<b>2 750.0</b>	<b>3 260.0</b>
Gross profit from sales	138.7	127.3	148.3	89.5	173.5	231.5
Cost of sales	-8.5	-14.8	-14.2	-20.6	-12.0	-18.0
SG&A costs	-56.5	-61.1	-58.3	-60.0	-70.0	-80.0
Other operating revenues and expenses	-8.9	3.2	-5.6	-10.0	-5.0	-8.0
<b>EBIT</b>	<b>59.8</b>	<b>55.1</b>	<b>63.8</b>	<b>7.5</b>	<b>80.5</b>	<b>118.5</b>
Financial income and costs	-5.2	-2.2	-21.9	-30.0	-24.2	-22.0
Profit before tax	54.6	52.7	41.9	-22.8	56.3	96.5
Income tax	-17.5	-10.6	-10.0	0.0	-11.3	-22.2
<b>Net profit</b>	<b>37.2</b>	<b>28.2</b>	<b>7.4</b>	<b>-31.8</b>	<b>31.2</b>	<b>64.8</b>
Depreciation and amortization	18.5	22.0	25.6	27.8	29.0	31.0
<b>EBITDA</b>	<b>78.3</b>	<b>77.1</b>	<b>89.3</b>	<b>35.3</b>	<b>109.5</b>	<b>149.5</b>

Source: Unibep (2020-2022), Noble Securities (2023F-2025F)

Balance Sheet	2020	2021	2022	2023P	2024P	2025P
<b>Assets</b>	<b>1 227.3</b>	<b>1 535.5</b>	<b>1 813.2</b>	<b>1 747.2</b>	<b>1 734.1</b>	<b>1 934.5</b>
<b>Non-current Assets</b>	<b>294.4</b>	<b>331.8</b>	<b>401.1</b>	<b>397.0</b>	<b>385.0</b>	<b>402.0</b>
Tangible assets	128.4	141.2	152.3	149.0	145.0	142.0
Intangible assets	24.6	24.9	23.9	24.0	24.0	24.0
Other non-current assets	141.4	165.7	224.9	224.0	216.0	236.0
<b>Current Assets</b>	<b>932.9</b>	<b>1 203.7</b>	<b>1 412.1</b>	<b>1 350.2</b>	<b>1 349.1</b>	<b>1 532.5</b>
Inventories	306.6	406.6	543.5	483.4	501.2	580.8
Trade receivables	251.5	238.5	384.5	361.9	376.7	446.6
Cash and cash equivalents	264.1	271.5	137.9	135.0	143.2	164.2
Other current assets	110.8	287.1	346.1	370.0	328.0	341.0
<b>Liabilities</b>	<b>1 227.3</b>	<b>1 535.5</b>	<b>1 813.2</b>	<b>1 747.2</b>	<b>1 734.1</b>	<b>1 934.5</b>
<b>Equity</b>	<b>275.7</b>	<b>303.5</b>	<b>302.1</b>	<b>270.3</b>	<b>301.6</b>	<b>366.4</b>
<b>Non-current liabilities</b>	<b>204.0</b>	<b>269.3</b>	<b>298.0</b>	<b>300.7</b>	<b>297.7</b>	<b>286.7</b>
Loans, borrowings and other financial liabilities	95.5	139.9	169.7	162.7	154.7	137.7
Other	108.5	129.4	128.2	138.0	143.0	149.0
<b>Current liabilities</b>	<b>692.6</b>	<b>894.1</b>	<b>1 131.3</b>	<b>1 176.2</b>	<b>1 134.8</b>	<b>1 281.5</b>
Loans, borrowings and other financial liabilities	33.0	63.2	71.1	74.1	76.1	123.1
Accounts payable	220.3	269.5	415.3	389.4	409.4	497.8
Other	439.3	561.4	644.9	712.7	649.3	660.6

Source: Unibep (2020-2022), Noble Securities (2023F-2025F)

Cash flow statement	2020	2021	2022	2023P	2024P	2025P
Profit before tax	54.6	52.7	41.9	-22.8	56.3	96.5
Depreciation and amortization	18.5	22.0	25.6	27.8	29.0	31.0
Change in working capital	-22.7	-38.0	-137.1	56.9	-12.6	-61.1
Income tax paid	-11.9	-32.8	0.0	0.0	-11.3	-22.2
Others	82.8	-7.0	65.4	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>121.3</b>	<b>-3.0</b>	<b>-4.2</b>	<b>61.9</b>	<b>61.4</b>	<b>44.2</b>
CAPEX	-17.2	-4.0	-63.4	-15.0	-23.0	-25.0
Divestments and other	9.9	-7.1	6.1	0.0	0.0	0.0
<b>CF from investment activities</b>	<b>-7.3</b>	<b>-11.2</b>	<b>-57.3</b>	<b>-15.0</b>	<b>-23.0</b>	<b>-25.0</b>
Increase of share capital	0.0	0.0	0.0	0.0	0.0	0.0
Change of financial liabilities	0.3	38.3	7.4	-4.0	-6.0	30.0
Other	-7.2	-9.6	-16.3	-15.6	0.0	-6.2
Dividends and other proceeds to shareholders	-21.4	-7.0	-63.1	-30.3	-24.2	-22.0
<b>CF from financial activities</b>	<b>-28.4</b>	<b>21.7</b>	<b>-72.1</b>	<b>-49.9</b>	<b>-30.2</b>	<b>1.8</b>
<b>CF</b>	<b>85.5</b>	<b>7.5</b>	<b>-133.5</b>	<b>-3.0</b>	<b>8.2</b>	<b>21.0</b>
Cash at the beginning of the period	178.5	264.1	271.5	137.9	135.0	143.2
Cash at the end of the period	264.1	271.5	137.9	135.0	143.2	164.2

Source: Unibep (2020-2022), Noble Securities (2023F-2025F)

Selected indicators	2020	2021	2022	2023P	2024P	2025P
EPS, Adj+ (PLN)	1.08	0.82	0.22	-0.92	0.91	1.88
Revenue (mln PLN)	1682.3	1714.0	2258.3	2540.0	2750.0	3260.0
Gross Margin %	8.2%	7.4%	6.6%	3.5%	6.3%	7.1%
EBIT (mln PLN)	59.8	55.1	63.8	7.5	80.5	118.5
EBITDA (mln PLN)	78.3	77.1	89.3	35.3	109.5	149.5
Pre-Tax Profit	54.6	52.7	41.9	-22.8	56.3	96.5
Net Income Adj+ (mln PLN)	37.2	28.2	7.4	-31.8	31.2	64.8
Net debt (mln PLN)	-135.6	-68.3	102.8	101.8	87.6	96.6
BPS (PLN)	8.01	8.82	8.78	7.85	8.76	10.64
DPS (PLN)	0.29	0.00	0.00	0.00	0.18	0.94
Return on Equity (ROE)	14%	10%	2%	-11%	11%	19%
Return on Assets (ROA)	3%	2%	0%	-2%	2%	4%
Depreciation (mln PLN)	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (mln PLN)	18.5	22.0	25.6	27.8	29.0	31.0
Free Cash Flow (mln PLN)	104.1	-7.0	-67.6	46.9	38.4	19.2
CAPEX (mln PLN)	17.2	4.0	63.4	15.0	23.0	25.0

Source: Calculated by Noble Securities

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**FINAL REMARKS**

Analyst preparing the Report: Dariusz Nawrot

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## All recommendations distributed by NS in last 12 months:

Company	Directio	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Photon Energy	nd	13,9	10,8	10,28	36%	11.09.2023	9M	Michał Sztabler
Toya	nd	10,1	6,3	6,86	47%	07.09.2023	9M	Dariusz Nawrot
Mabion	nd	22,9	18,0	18,40	24%	07.09.2023	9M	Krzysztof Radojewski
Pepco Group	Buy	42,1	32,0	27,90	51%	30.08.2023	9M	Dariusz Dadej
LW Bogdanka	Accumulate	42,3	38,6	33,42	27%	31.07.2023	9M	Michał Sztabler
Torpol	Buy	22,6	18,0	18,36	23%	18.07.2023	9M	Dariusz Nawrot
Forte	Accumulate	31,0	28,0	25,70	21%	17.07.2023	9M	Dariusz Dadej
Tauron PE	Buy	4,2	2,8	3,84	8%	07.07.2023	9M	Michał Sztabler
STS Holding	Sell	16,3	24,3	24,60	-34%	04.07.2023	9M	Mateusz Chrzanowski
Answear.com	Buy	48,0	34,5	36,40	32%	04.07.2023	9M	Dariusz Dadej
Molecure	Accumulate	25,1	21,3	21,05	19%	30.06.2023	9M	Krzysztof Radojewski
Celon Pharma	Buy	32,6	15,9	15,54	110%	30.06.2023	9M	Krzysztof Radojewski
Captor Therapeutics	Buy	183,6	149,0	120,00	53%	30.06.2023	9M	Krzysztof Radojewski
Ryvü Therapeutics	Buy	81,3	60,0	60,70	34%	30.06.2023	9M	Krzysztof Radojewski
Aparator	Accumulate	19,2	16,2	15,40	25%	27.06.2023	9M	Michał Sztabler
Ailleron	na	30,0	23,4	19,50	54%	18.05.2023	24M	Dariusz Dadej
Sonel	na	12,9	10,6	12,00	8%	17.05.2023	24M	Michał Sztabler
TIM	na	41,6	49,2	47,35	-12%	16.05.2023	24M	Michał Sztabler
MO-BRUK	Accumulate	337,2	290,0	268,00	26%	09.05.2023	9M	Dariusz Dadej
Selvita	Accumulate	83,0	74,6	65,00	28%	08.05.2023	9M	Krzysztof Radojewski
XTB	Buy	78,9	35,3	32,16	145%	26.04.2023	9M	Mateusz Chrzanowski
Aplisens	na	20,3	17,3	21,80	-7%	21.04.2023	24M	Michał Sztabler
Bioton	na	5,3	3,5	3,85	39%	20.04.2023	24M	Krzysztof Radojewski
MCI Capital	na	36,1	19,5	20,80	74%	20.04.2023	24M	Krzysztof Radojewski
Amica	Accumulate	84,8	79,7	79,50	7%	24.03.2023	9M	Mateusz Chrzanowski
Dino Polska	Reduce	358,6	415,5	372,00	-4%	21.03.2023	9M	Dariusz Dadej
Eurocash	Buy	18,7	13,8	15,41	21%	21.03.2023	9M	Dariusz Dadej
Pepco Group	Accumulate	50,1	43,7			20.02.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	72,5	52,8			27.01.2023	9M	Michał Sztabler
Molecure	Buy	20,8	14,7			05.01.2023	9M	Krzysztof Radojewski
Celon Pharma	Buy	30,9	15,1			05.01.2023	9M	Krzysztof Radojewski
Captor Therapeutics	Buy	192,0	164,0			05.01.2023	9M	Krzysztof Radojewski
Ryvü Therapeutics	Buy	85,4	54,6			05.01.2023	9M	Krzysztof Radojewski
Forte	Hold	21,3	21,0			03.01.2023	9M	Dariusz Dadej
LW Bogdanka	Buy	51,5	38,2			28.12.2022	9M	Michał Sztabler
Wielton	Hold	6,6	6,7			28.12.2022	9M	Michał Sztabler
TIM	na	37,9	28,2			12.12.2022	24M	Michał Sztabler
Aplisens	na	18,3	14,4			06.12.2022	24M	Michał Sztabler
Aparator	Reduce	12,9	15,0			06.12.2022	9M	Michał Sztabler
Sonel	na	10,2	9,7			06.12.2022	24M	Michał Sztabler
MO-BRUK	Buy	371,7	293,0			26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30,5	30,6			20.10.2022	9M	Michał Sztabler
Selvita	Accumulate	97,5	86,0			20.10.2022	9M	Krzysztof Radojewski
Ailleron	na	17,5	12,0			17.10.2022	24M	Dariusz Dadej

(1) Date of publication is simultaneously date of first publication.

(2) recommendation is valid for a period of 9 months. unless it is previously updated.

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