

**Key data**

Target price [PLN]	10,0
DCF Valuation [PLN]	9,9
Comparative Valuation [PLN]	9,7
Market price [PLN]	8,8
Growth/decrease potential [%]	13,1%
Market cap [mln PLN]	302,0
Free float [%]	17,7%
Sector	building
WSE code	UNI
Bloomberg code	UNI PW

**Analysts**
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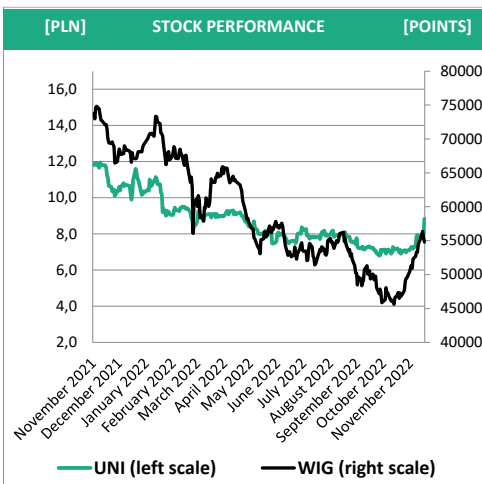
**Company profile**

The Group is a general contractor in Poland and abroad (operates on the Belarusian and Ukrainian markets), has a factory of modular houses (sells them mainly to Scandinavian countries), operates in road construction (builds roads mainly in the Podlaskie Voivodeship), and through its company Budrex builds and repairs bridges throughout the country and also conducts development activities in Warsaw, Poznań, Radom and Bielsk Podlaski.

Source: www.gpw.pl

**Shareholders: [%]**

Zofia Mikołuszczo	25,1
Beata Maria Skowrońska	15,7
OFE Aviva Santander	9,7
OFE PKO BP Bankowy	9,2
Unibep SA	8,3
Wojciech Jacek Stajkowski	7,1
Bożenna Anna Lachocka	7,1



# UNIBEP SA

**Analysis of the results for the 3Q 2022**

Key facts from published results:

- In Q3 22, Unibep recorded a higher than we expected increase in sales revenue, which amounted to PLN 576 million, an increase of 63% y/y, a decrease of 4.1% q/q.
- At the key level of the gross margin, there was a decrease compared to previous quarters (6.3% vs. 9.2% in Q2 22 and 8.2% in Q1 22).
- The Group generated an operating profit of PLN 17 million compared to PLN 11.1 million a year ago (increase by 52.6% y/y), and almost half as compared to Q2 22 (decrease by 47.5% q/q).
- On the net profit level, the result of PLN 11.2 million should be considered weak at this level of revenue (decrease by 7.1% y/y, decrease by 52.2% q/q).

We consider the results for Q3 22 to be a bit disappointing. In our opinion, the rich portfolio of contracts (PLN 3.4 billion) does not pose a risk to the achievement of forecasts in terms of revenue, but the threats to maintaining profitability (including inflation, prices and availability of materials), which we pointed out, have started to materialize. We hope that the recently concluded contracts (including in the infrastructure and energy and industrial construction segments) will contribute to rebuilding margins in the coming quarters, so we leave the valuation unchanged at PLN 10.

**Growth factors**

1. Solid contracts portfolio
2. Increase in public procurement
3. Energy and industrial segment
4. Revival of construction after pandemic

**Risk factors**

1. The war in Ukraine and its consequences
2. Exchange rate fluctuations
3. Economic downturn
4. Rising commodity prices and rising wages

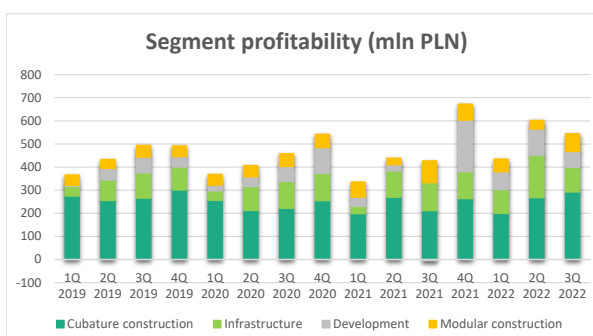
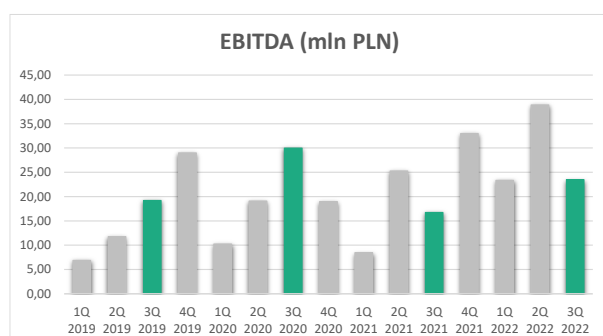
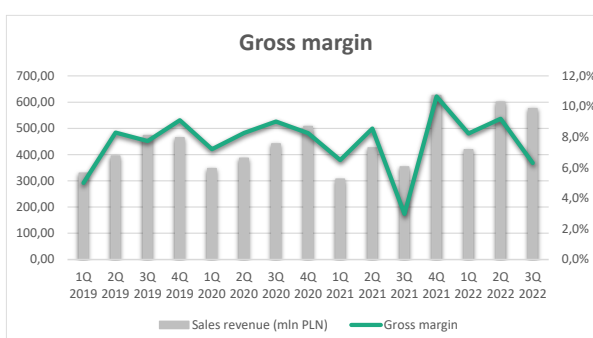
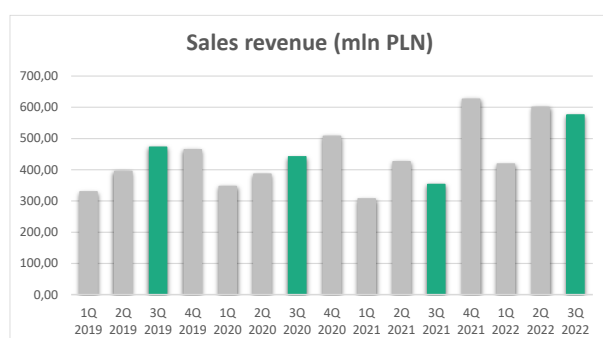
PLN thd	2021	2022P	2023P	2024P	2025P	2026P
Sales	1 712 390,4	2 046 153,7	2 017 289,8	2 045 312,9	2 071 049,3	2 095 243,1
EBITDA	83 437,7	80 833,9	68 844,7	72 716,8	75 926,5	81 946,0
EBITDA margin	4,9%	4,0%	3,4%	3,6%	3,7%	3,9%
EBIT	61 479,7	59 287,7	45 574,8	47 818,0	49 284,8	53 705,8
Net income	47 132,7	42 251,9	31 976,2	34 382,8	36 168,0	40 278,9
Equity	308 545,8	340 122,5	353 323,4	375 494,0	398 531,0	425 164,8
Debt	239 072,0	363 765,8	281 226,6	232 347,5	163 377,0	94 344,7
P/E	5,4	6,0	7,9	7,4	7,0	6,3
P/BV	0,8	0,7	0,7	0,7	0,6	0,6
EV/EBITDA	3,4	3,2	3,5	3,0	3,4	2,8
EPS	1,34	1,20	0,91	0,98	1,03	1,15

Source: DM Banku BPS SA, E - estimates

## Financial results for 3Q against the DM Banku BPS forecasts

PLN thd	Q publ.	DM BPS forecasts	Comparison to the DM BPS forecasts	Q-1 hist	Q-2 hist	Change q/q
<b>Revenue</b>	575 882	511 538	12,6%	600 298	419 067	-4,1%
Profit on sales	36 360	35 626	2,1%	55 221	34 511	-34,2%
<i>Sales margin</i>	6,3%	7,0%	-0,7 pp	9,2%	8,2%	-2,9 pp
<b>EBITDA</b>	23 469	20 208	16,1%	38 840	23 321	-39,6%
<i>EBITDA margin</i>	4,1%	4,0%	0,1 pp	6,5%	5,6%	-2,4 pp
<b>EBIT</b>	16989	14 822	14,6%	32 373	17 326	-47,5%
<i>EBIT margin</i>	3,0%	2,9%	0,1 pp	5,4%	4,1%	-2,4 pp
<b>Gross profit</b>	14 013	13 371	4,8%	29 946	18 012	-53,2%
<i>Gross profit margin</i>	2,4%	2,6%	-0,2 pp	5,0%	4,3%	-2,6 pp
<b>Net income</b>	11160	10 563	5,7%	23 346	15 027	-52,2%
<i>Net income margin</i>	1,9%	2,1%	-0,2 pp	3,9%	3,6%	-2 pp

Source: DM Banku BPS SA, Company



**Expected impact:** We consider the results for Q3 22 to be a bit disappointing, although looking at the three quarters of 2022 in total, they should still be considered good compared to other companies from the construction sector and taking into account a number of problems faced by the industry this year - significant higher costs of materials, energy, transport, pressure to increase wages and lower availability of employees. In our opinion, the segments of cubature construction and infrastructure, which implement large and most extended contracts, are under the greatest pressure of these factors. In Q3 22, the profitability of the building construction sector dropped the most (to 2.3% from 4.2% in Q2 22), which accounted for more than half of the Group's revenues. In second place in Q3 22 in the structure of revenues was the infrastructure segment (share of 21.1%), which in turn recorded an increase in profitability from 1.9% to 5.6%. The good result of the segment was influenced by the completion of the construction of the third and fourth sections of the dam on the border with Belarus and the completion of the construction of the S61 road on the section between Szczuczyn and Etk. In the modular construction segment, persistent difficulties in the form of high prices of raw materials and materials as well as transport costs, including freight, negatively affecting the profitability of contracts on the

Norwegian market, resulted in another quarter of loss (PLN 6.2 million in Q3 22 against PLN 77 PLN 6 million of revenue). We see an opportunity for this area in extending the offer to the hotel and development industries, as well as expansion to the German market. The biggest positive surprise for us in Q3 is the result of the energy and industrial construction segment, which achieved PLN 8.9 million in profit with PLN 75 million in revenue. We forecasted that only the disbursement of funds from the National Reconstruction Plan (KPO) would contribute to the dynamic development of this area. Although the prospect of obtaining EU funds from the reconstruction fund has recently receded, Unibep has acquired contracts with a total net value of approx. PLN 710 million in this area, which allows us to look with optimism at the development of this segment and expect further positive contribution to the Group's result in subsequent quarters. As in previous quarters, despite a small share in the Group's revenue, the development segment had the greatest impact on the result, which generated PLN 22.8 million of profit with PLN 68.8 million of revenue. In Q3 22, Unidevelopment handed over 116 premises, of which 107 as part of joint development projects with external entities. By the end of the year, the Company plans to hand over approx. 160 premises, e.g. in the investments Latte Residential in Warsaw and Idea Leo in Radom, which may have a significant positive impact on the result of the fourth quarter. Sales in Q3 22 amounted to 110 units, of which 78 as part of joint development projects. This gives a total of 318 units sold in 2022 (a decrease of 59.6% y/y) and raises concerns about the decrease in the segment's positive contribution to the Group's results in the coming years. In our opinion, the situation on the development market will have a significant impact on the Unibep stock performance.

## Basic definitions

**CAPEX** (capital expenditures) - investment expenditures on product development, system implementation (including intangible assets) or tangibles assets in the part in which the capital is intended to maintain the company's current ability to generate income.

**DCF** (discounted cash flows) - discounted cash flows; all future cash flows are estimated and discounted in order to determine their present value. The value of the discount rate used corresponds to the cost of capital and includes an assessment of the risk related to future cash flows.

**DFCF** - Discounted FCF (Free Cash Flows to Firm).

**EBIT** (earnings before interest and taxes) - operating income i.e. the income before deduction of taxes and interest.

**EBITDA** (earnings before interest, taxes, depreciation and amortization) - the company's operating profit before deducting interest on interest-bearing liabilities (loans, bonds), taxes, amortization and depreciation of tangible and intangible assets; here EBITDA = operating income + amortization of tangible fixed assets + depreciation of intangible assets.

**EV** (Enterprise Value) - total enterprise value; here EV = current stock market capitalization + net debt.

**EV / EBITDA** - the ratio is calculated by dividing the present value of the enterprise (EV) by the value of EBITDA.

**FCFF** (Free Cash Flow to Firm) - free cash flows for owners of equity capital and creditors, which can be defined as flows resulting from the company's operating and investment activities, after all financial expectations of capital donors, i.e. all parties financing the company, have been settled .

**WSE** - Warsaw Stock Exchange.

**NOPLAT** - net operating result less adjusted taxes; here NOPLAT = EBIT \* (1 - tax rate).

**P / BV** (price / book value) - the ratio is calculated by dividing the current capitalization of a listed company by the book value of its equity, which is provided in the company's balance sheet.

**P / E** (price earnings ratio) - stock exchange ratio. It is calculated by dividing the market price of one share by the net profit per share.

**PV TV** - Present Value, ie the residual value (TV) discounted at the present moment.

**CR** - current report.

**SB** - Supervisory Board.

**TV** (Terminal Value) - residual value; enterprise value after the forecast period; here estimated with the help of the Gordon model.

**WACC** - weighted average cost of capital; financial indicator informing about the average relative cost of capital engaged in financing the enterprise.

## Information and legal disclaimer

This analytical report was prepared by Dom Maklerski Banku BPS S.A. at the request of the Warsaw Stock Exchange on the basis of an agreement concluded between Dom Maklerski Banku BPS S.A. and WSE under the "Analytical Coverage Support Program 3.0.". Dom Maklerski Banku BPS S.A. will receive remuneration for the report.

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This report is published on the day of its completion on the publicly available website <https://dmbps.pl/wsparcie-analityczne/program-wsparcia-pokrycia-analitycznego-gpw/protektor-s-a>.

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List of recommendations issued within the last 12 months

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
VIVID GAMES	nd	1,23	1,37	Financial forecast	24.11.2021	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,04	Financial forecast	24.11.2021	Łukasz Bryl, Tomasz Czamecki
UNIBEP	nd	14	10,35	Analytical report	24.11.2021	Artur Wizner
VIVID GAMES	nd	1,23	1,34	Analysis of results	02.12.2021	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,16	Analysis of results	03.12.2021	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,3	2,57	Analysis of results	10.12.2021	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,17	Analytical report	10.12.2021	Artur Wizner
INTERFERIE	SELL	6,73	7,5	Initial report	30.12.2021	Łukasz Bryl
JSW	BUY	45	34,87	Analytical report	30.12.2021	Artur Wizner
JSW	BUY	46,4	35,4	Analytical report	04.01.2022	Artur Wizner
SNIEZKA	HOLD	84	79,8	Analytical report	24.03.2022	Artur Wizner
UNIBEP	nd	11	9	Analytical report	21.04.2022	Artur Wizner
NTT SYSTEM	nd	7,94	5	Analytical report	04.05.2022	Tomasz Czamecki, Łukasz Bryl
PROCHEM	nd	37	32,8	Analytical report	10.05.2022	Artur Wizner
VIVID GAMES	nd	1,25	1,17	Analysis of results	13.05.2022	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	3,6	2,8	Analytical report	13.05.2022	Artur Wizner
PROCHEM	nd	37	33,6	Analysis of results	17.05.2022	Artur Wizner
MONNARI TRADE	nd	5,5	3,5	Analytical report	18.05.2022	Łukasz Bryl
VIVID GAMES	nd	1,29	1,26	Analysis of results	26.05.2022	Łukasz Bryl
MONNARI TRADE	nd	6,21	3,87	Analysis of results	31.05.2022	Łukasz Bryl
NTT SYSTEM	nd	7,92	4,28	Analysis of results	31.05.2022	Łukasz Bryl
UNIBEP	nd	11	8,1	Analysis of results	31.05.2022	Artur Wizner
PROTEKTOR	nd	3,6	2,83	Analysis of results	01.06.2022	Artur Wizner
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	nd	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	nd	1,07	1,03	Analytical report	29.09.2022	Łukasz Bryl
SNIEZKA	HOLD	67	64,2	Analytical report	29.09.2022	Artur Wizner
NTT SYSTEM	nd	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	nd	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	nd	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	nd	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	nd	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	nd	10	8,84	Analysis of results	18.11.2022	Artur Wizner