



budimex

Investor Presentation
1Q'19



1. Market snapshot

- 1.1 Market environment – top facts
- 1.2 Macroeconomic forecasts for Poland
- 1.3 Overview of construction segment
- 1.4 Labour market
- 1.5 Prices of main materials

2. Budimex Group in 1Q'19

- 2.1 Budimex Group – top facts
- 2.2 P&L
- 2.3 Evolution of Net Treasury Position
- 2.4 Results by segment
 - 2.4.1 Construction segment
 - 2.4.2 Developer segment
 - 2.4.3 Other activities
- 2.5 Employment

3. Budimex S.A. on WSE



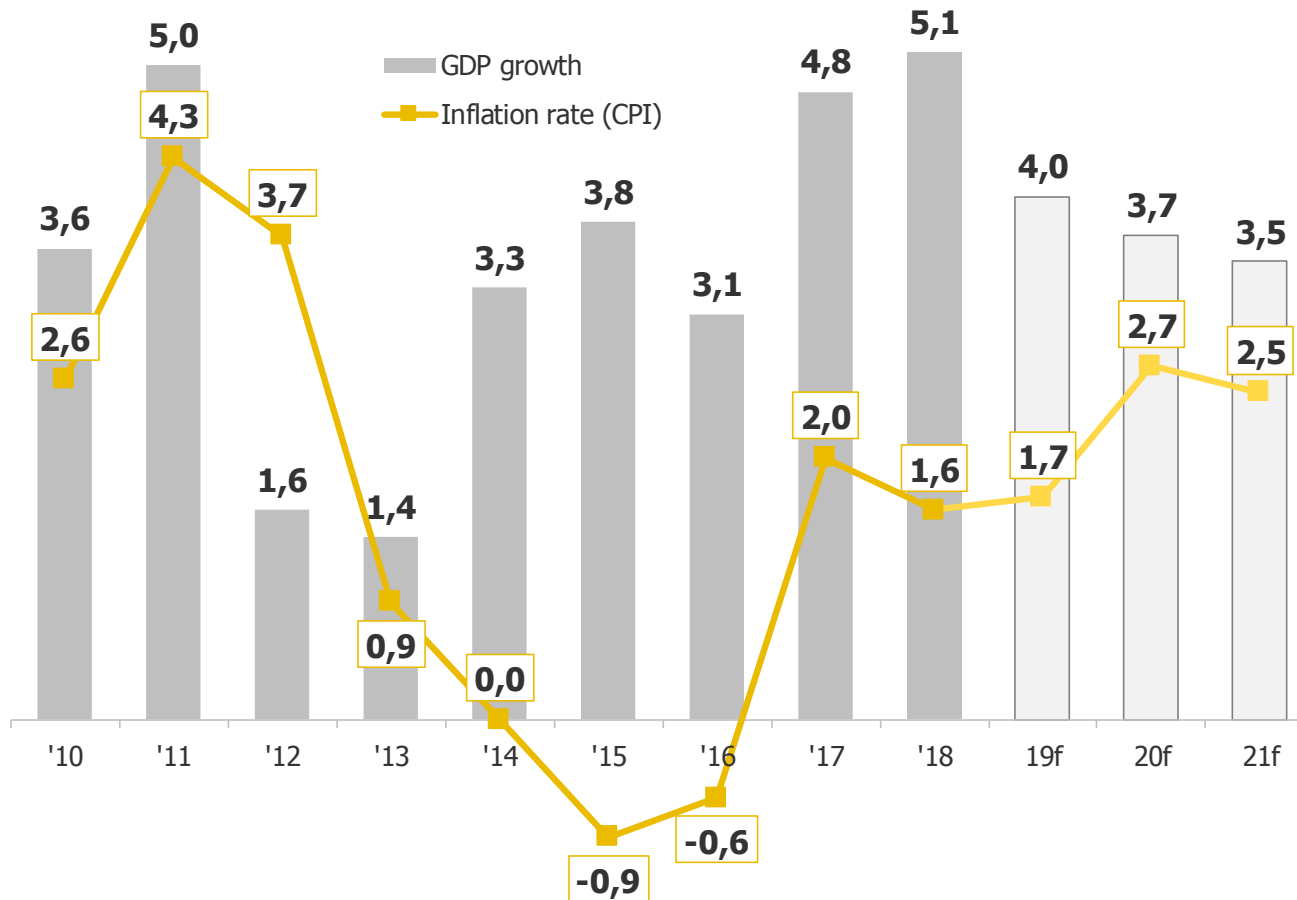
- Drop of GDP growth in '19 forecasted for Poland by NBP → '19f: **4,0%** y-o-y
- Inflation rate (CPI) in '19 should be kept under 2,0% → '19f: **1,7%** y-o-y
- Good situation of public finances → budget deficit in '18: **0,4%** of GDP; public debt in '18: **48,9%** of GDP
- Further inflation of materials prices and labour costs, however '19 may bring first signs of relief
- Smaller y-o-y dynamics of construction production vs. '18 → 1Q'19: **+13,4%**
- Improvement of margins of construction companies in '18, probably driven by small and medium enterprises
- Ongoing fall of presales (on average) of top residential developers

1.2 GDP growth and inflation rate

Comment

- According to National Bank of Poland, in '19-'21 GDP growth will constantly decrease and y-o-y inflation rate will exceed 2,5%

GDP growth and inflation rate (% , y-o-y)



Forecasted decrease of GDP growth mainly due to **insufficient level of investments and external factors**

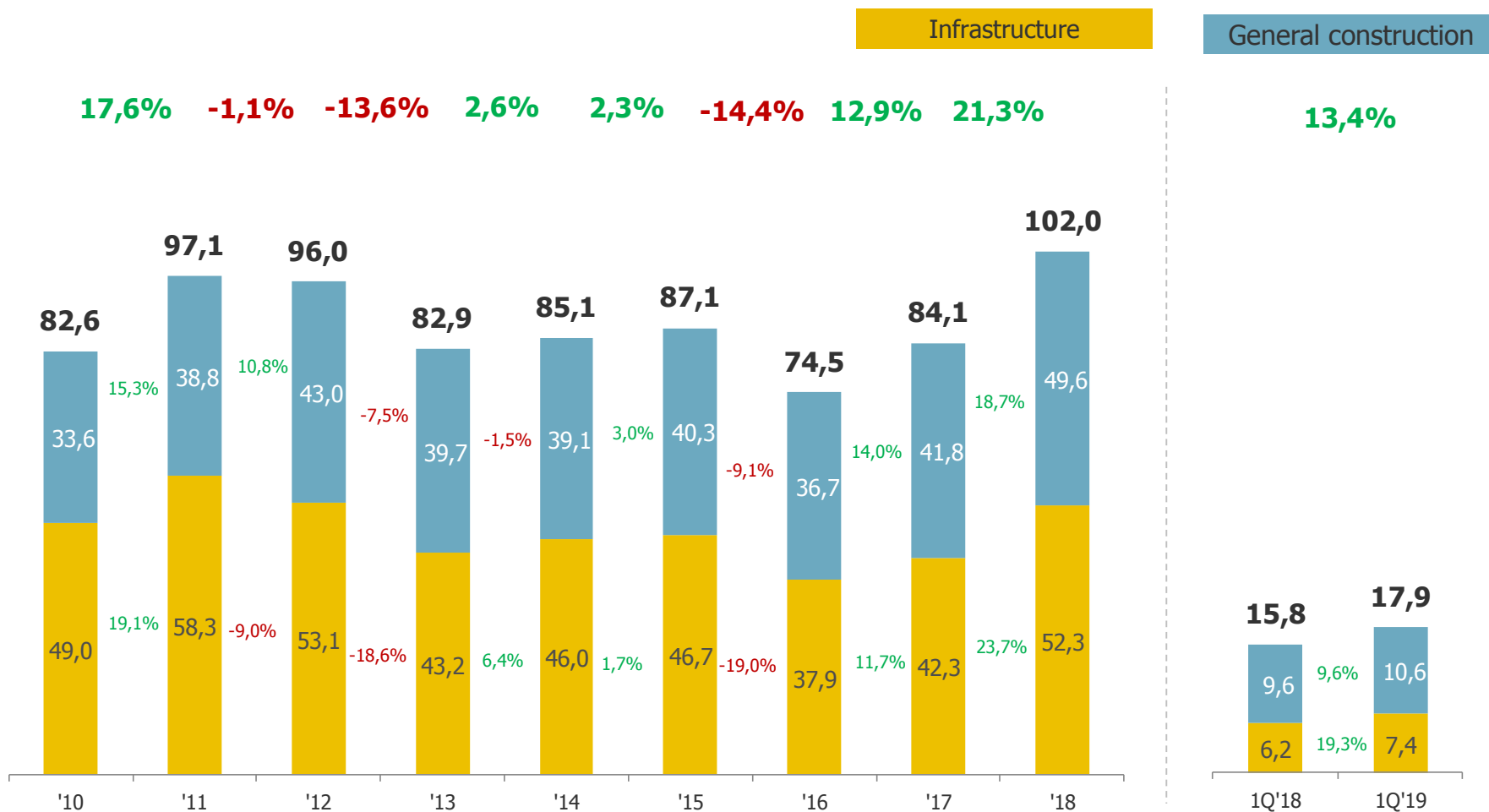
Inflation rate should be kept **within Central Bank's fluctuation band**

1.3 Construction production by segment

Comment

- Construction production in 1Q'19 grew by 13,4% y-o-y
- It is expected that construction production in '19 will not grow as fast as in '18

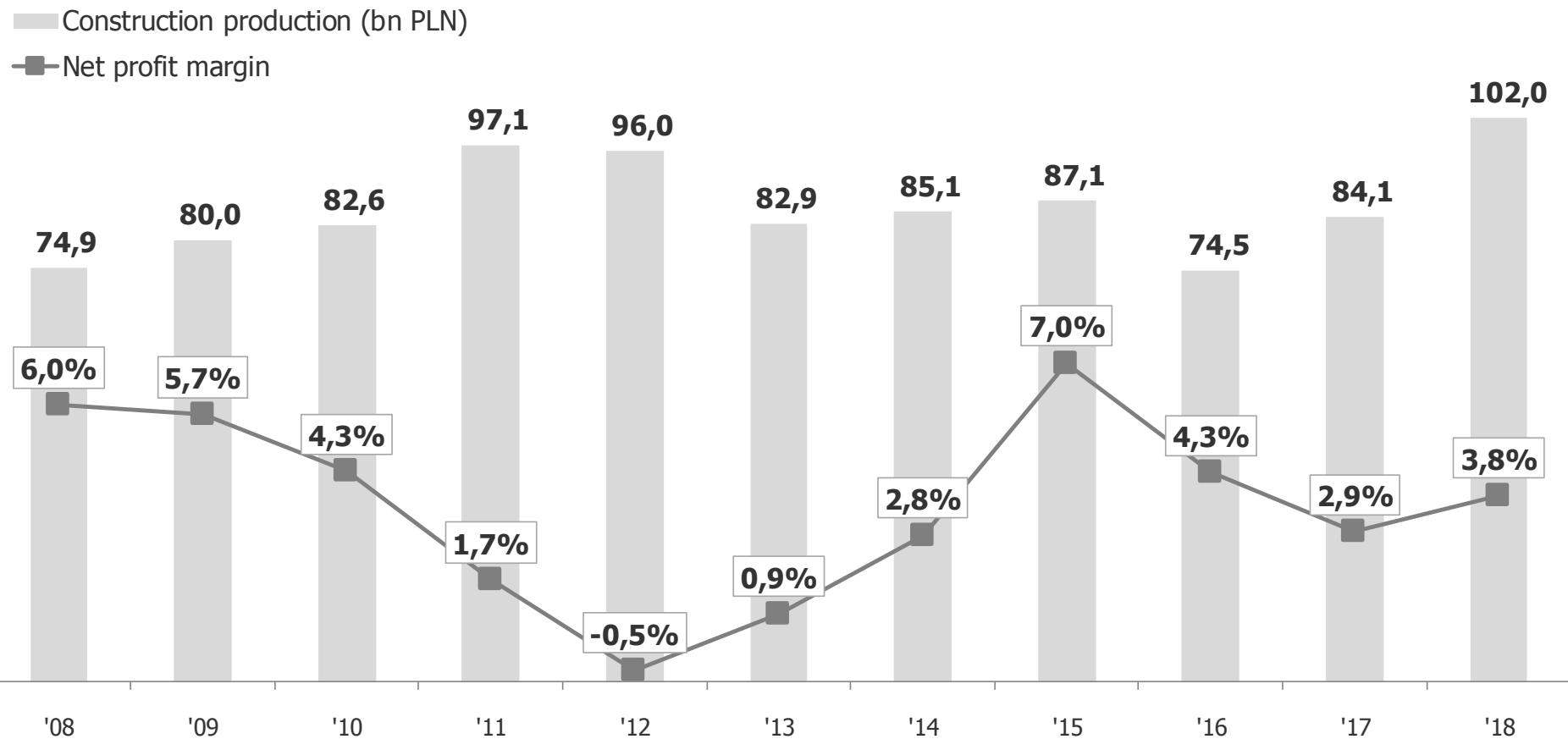
Construction and assembly production '10 – 1Q'19 (bn PLN, enterprises with > 9 employees, current prices)



Comment

- Net margin in construction increased in '18, however the improvement was probably generated by small and medium companies
- Poor FY'18 financial results of some top construction companies show that difficult market conditions deteriorate margin of general contractors

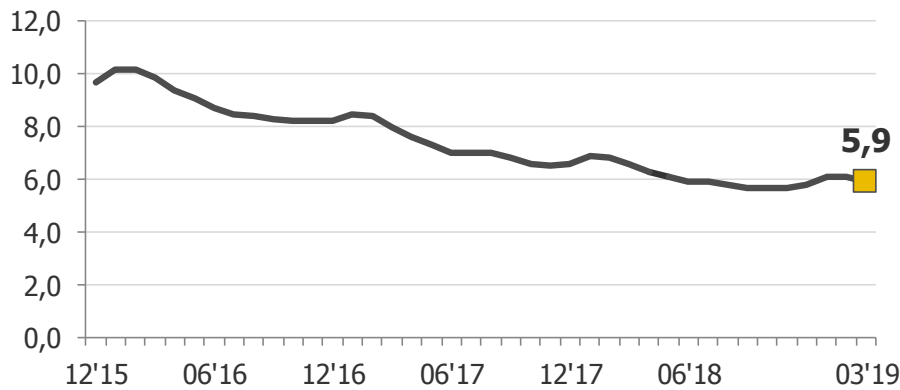
Construction production (companies > 9 employees) **vs. net profit margin in construction** (companies > 49 employees)



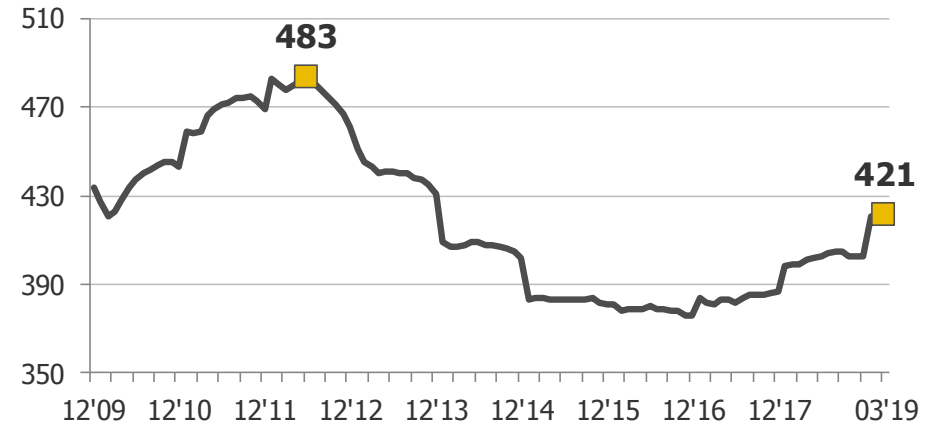
Comment

- Construction companies have to deal with labour shortage and increase of labour costs

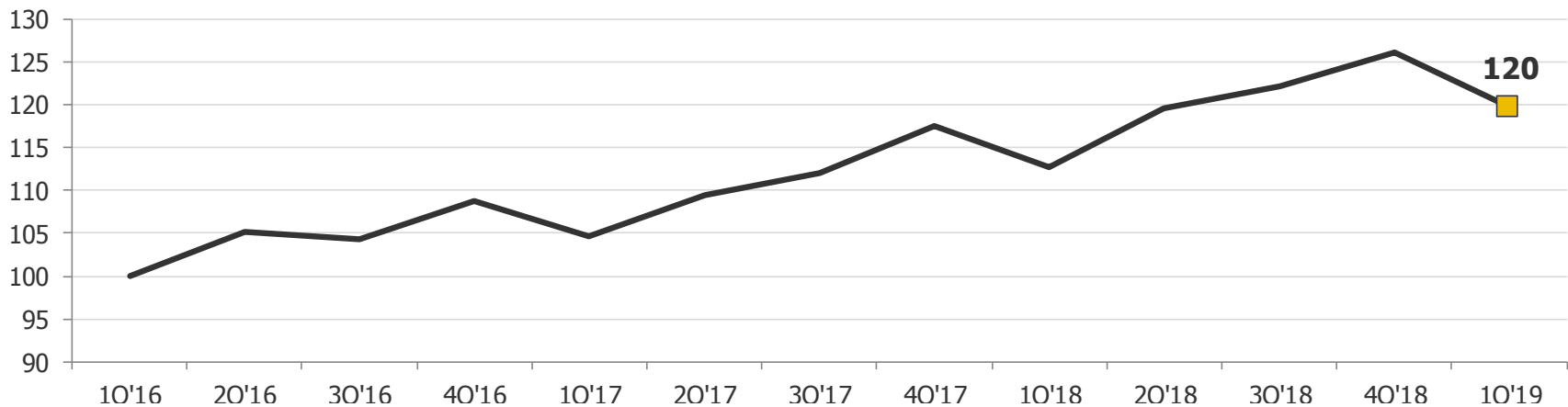
Unemployment rate (%)



Employment in construction (thous. employees)



Average wage in construction (1Q'16 = 100)

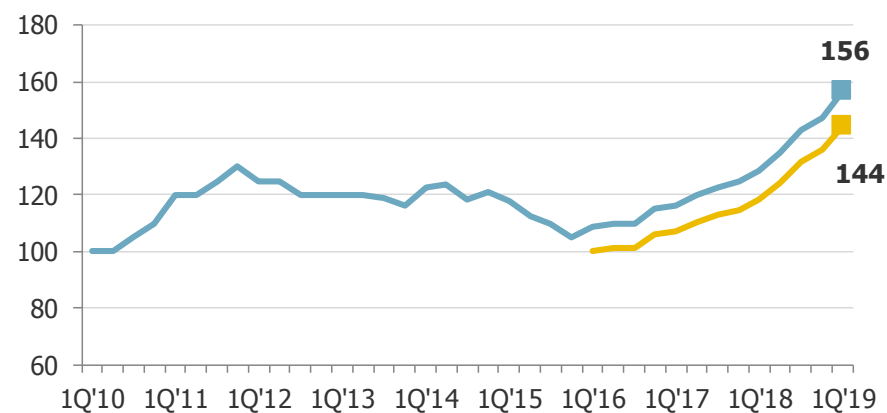


1.5 Prices of main materials

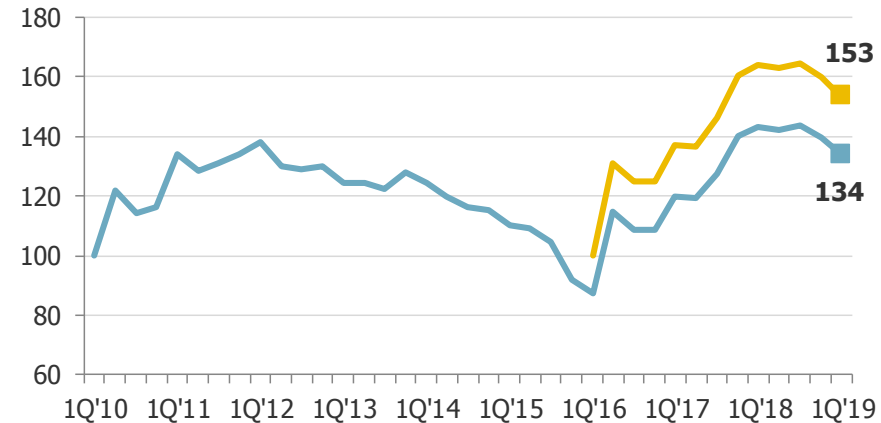
Comment

- Prices of main materials have risen significantly since 1Q'16
- New indexation rules proposed by the government, do not solve the problem of unprofitable contracts signed in '16-'17

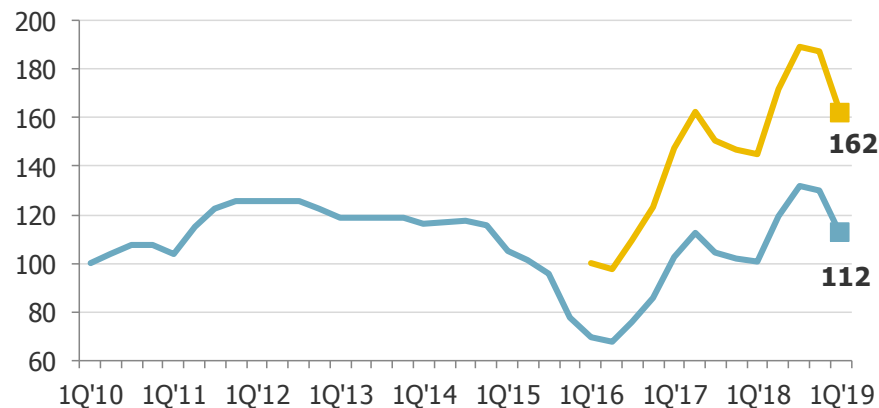
Concrete



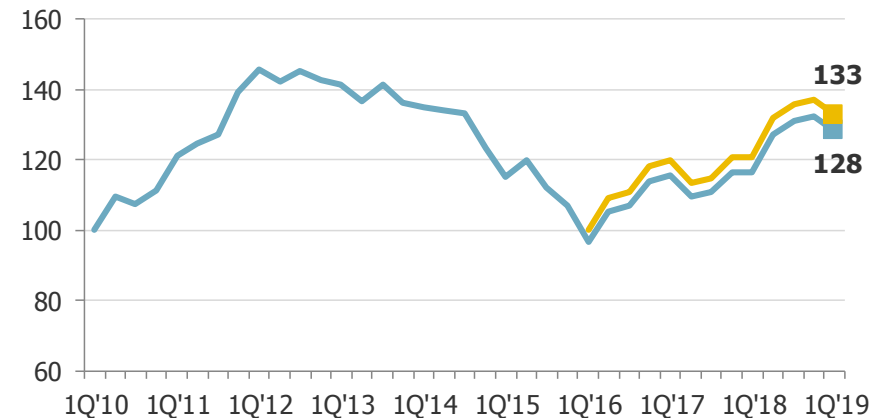
Reinforcement steel



Asphalt



Diesel oil



- Record level of 1Q sales → 1Q'19: **1,4 bn PLN** *(+3,1% y-o-y)*
- Decrease of % EBIT in construction segment → 1Q'19: **1,8%** *(-2,7 p.p. y-o-y)*
- Rising share of railway in construction sales → 1Q'19: **12,4%** *(+5,1 p.p. y-o-y)*
- Seasonal drop of net cash → 03'19: **0,6 bn PLN** *(-0,5 bn PLN vs. 12'18)*
- Increase in value of contracts signed → 1Q'19: **1,5 bn PLN** *(+42,8% y-o-y)*
- Slight increase of backlog → 03'19: **10,5 bn PLN** *(+0,4 bn PLN vs. 12'18)*
- High improvement of market offer → 03'19: **3 972 flats** *(+616 flats vs. 12'18)*
- First developer project in Wroclaw to be launched soon

Comment

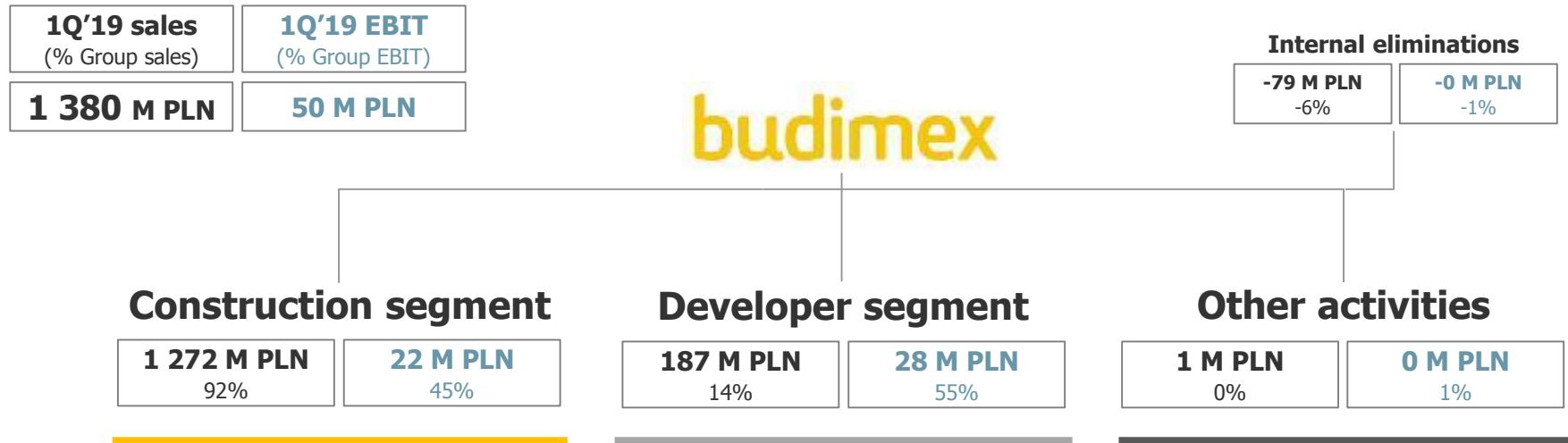
- Slight increase of sales in 1Q'19 vs. 1Q'18 (+3,1%)
- Deterioration of Group's margin due to decrease of profitability in construction segment (high cost pressure)

	1Q'19	1Q'18	Δ		FY'18	FY'17
Sales	1 380	1 339	41	↑	7 387	6 369
<i>y-o-y dynamics</i>	<i>3,1%</i>	<i>27,2%</i>	<i>-24,1 pp.</i>	↓	<i>16,0%</i>	<i>14,3%</i>
Gross margin	106	140	-34	↓	629	810
<i>% sales</i>	<i>7,7%</i>	<i>10,5%</i>	<i>-2,8 pp.</i>	↓	<i>8,5%</i>	<i>12,7%</i>
SG&A	-59	-61	1		-260	-251
<i>% sales</i>	<i>4,3%</i>	<i>4,6%</i>	<i>-0,2 pp.</i>		<i>-3,5%</i>	<i>-3,9%</i>
Other operating	3	5	-1		48	29
EBIT	50	84	-34	↓	417	588
<i>% sales</i>	<i>3,6%</i>	<i>6,3%</i>	<i>-2,6 pp.</i>	↓	<i>5,6%</i>	<i>9,2%</i>
PBT	45	81	-36	↓	403	580
<i>% sales</i>	<i>3,3%</i>	<i>6,0%</i>	<i>-2,8 pp.</i>	↓	<i>5,5%</i>	<i>9,1%</i>
Net profit	29	63	-35	↓	305	464
<i>% sales</i>	<i>2,1%</i>	<i>4,7%</i>	<i>-2,7 pp.</i>	↓	<i>4,1%</i>	<i>7,3%</i>

2.2 P&L - results by segment

Comment

- Contribution of developer segment on EBIT level was higher than in construction segment
- After disposal of Elektromontaz Poznan in 09'18, other activities segment presents results of FBSerwis and Budimex Parking Wroclaw



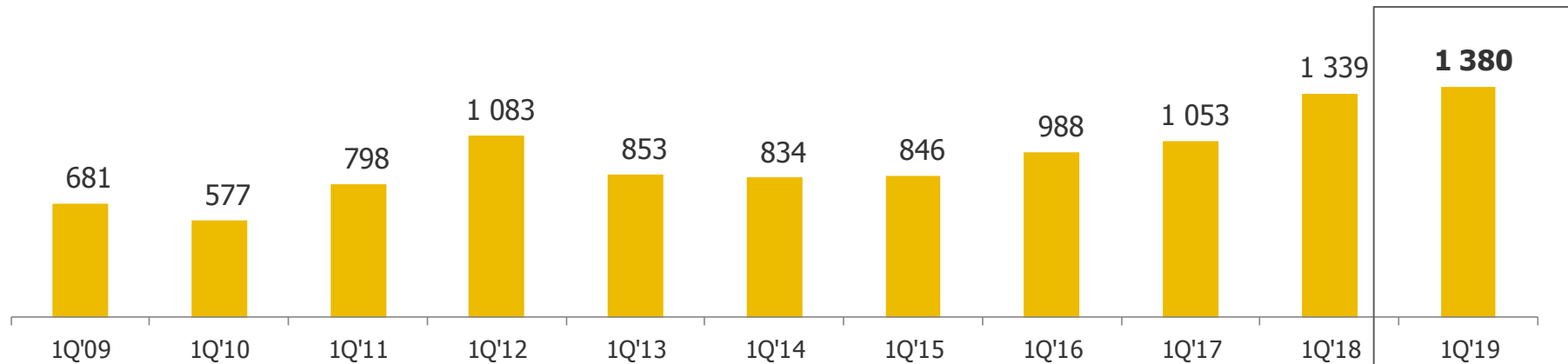
Share as at 12'18: **49%**
(accounted with equity method below EBIT)

Share as at 12'18: **51%**

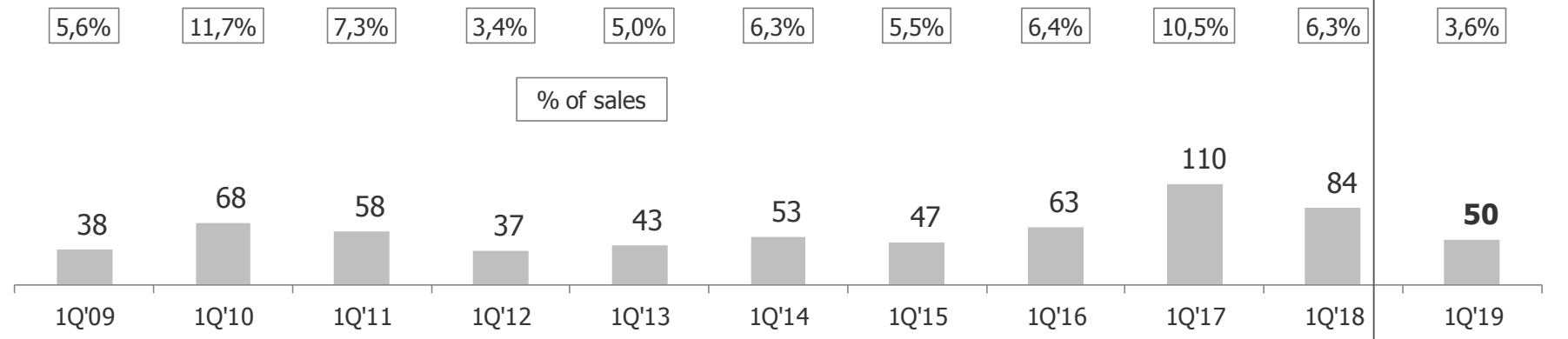
Comment

- Rising prices of materials, wages and subcontracting costs weakened EBIT profitability in 1Q'19

Sales in Budimex Group (M PLN)



EBIT in Budimex Group (M PLN)

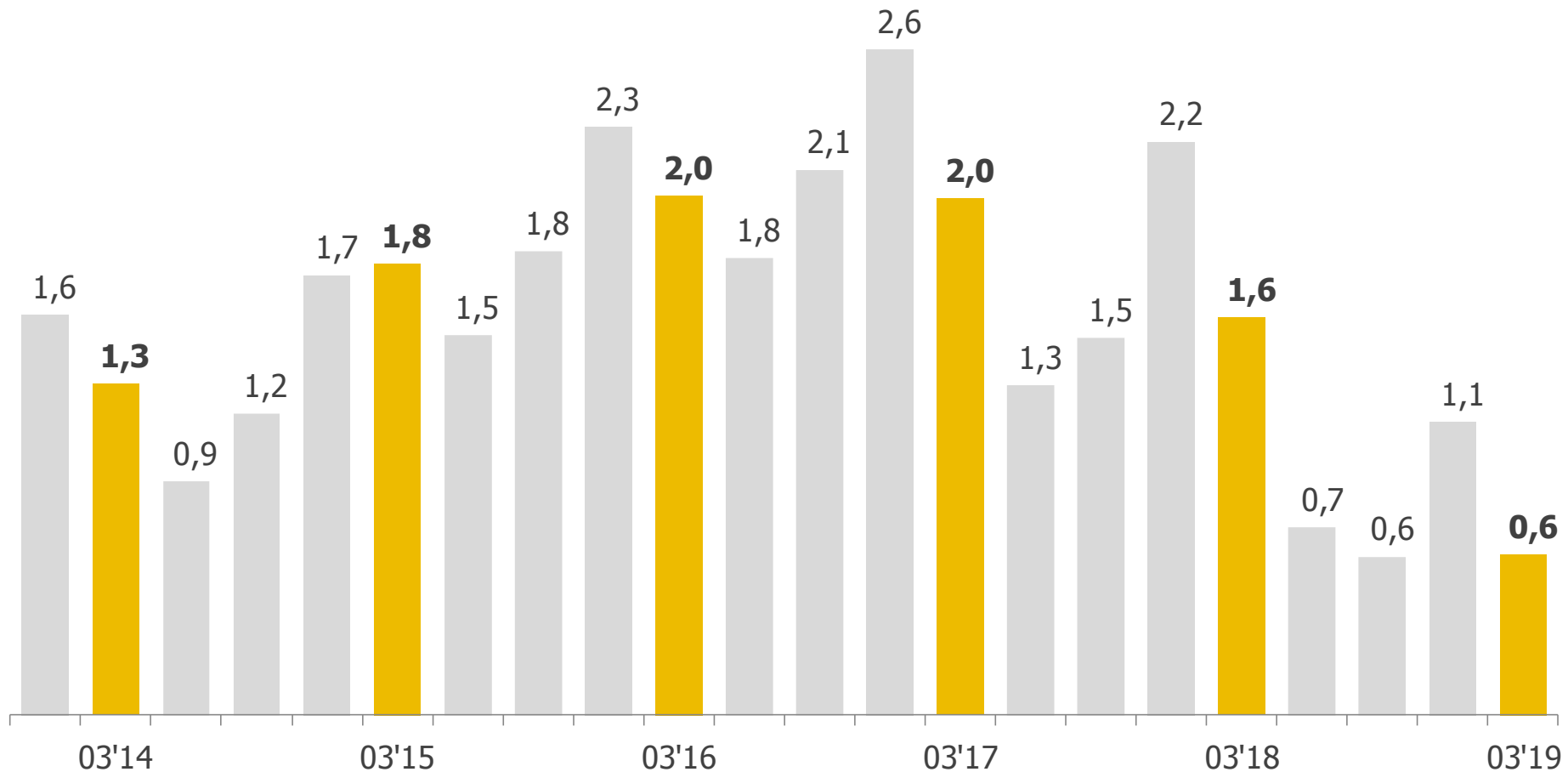


2.3 Evolution of Net Treasury Position

Comment

- Net cash position in 1Q'19 noted typical seasonal drop (-0,5 bn PLN vs. 12'18)
- Budimex continues the policy of financing subcontractors by offering earlier payments and frequent invoicing of works

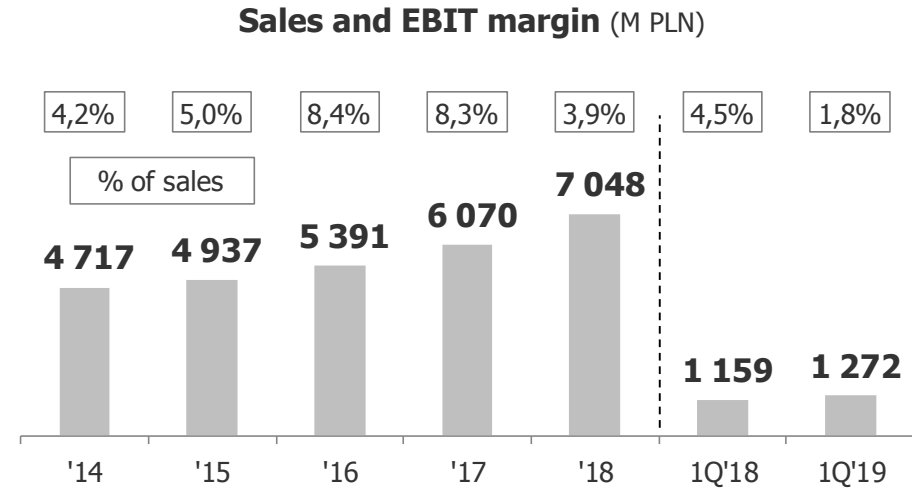
Net Treasury Position in Budimex Group (bn PLN)



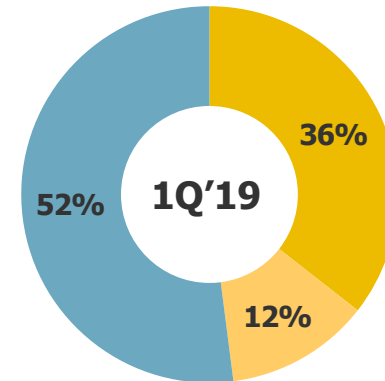
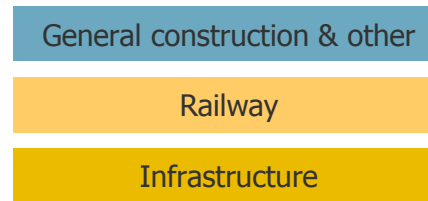
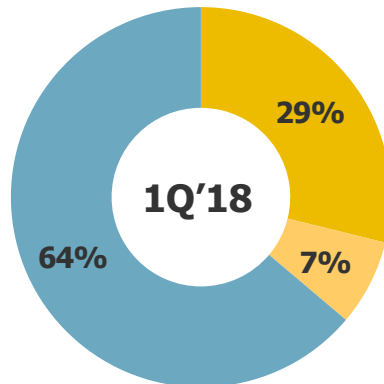
Comment

- EBIT margin in 1Q'19 amounted to 1,8%
- The share of sales generated in railway segment increased due to further execution of record railway backlog

	1Q'19	y-o-y dynamics
Sales	1 272	10%
Gross margin	72	-28%
% sales	5,6%	-2,9 pp.
Operating profit	22	-57%
% sales	1,8%	-2,7 pp.
Net profit	6	-85%
% sales	0,4%	-2,9 pp.



Sales structure

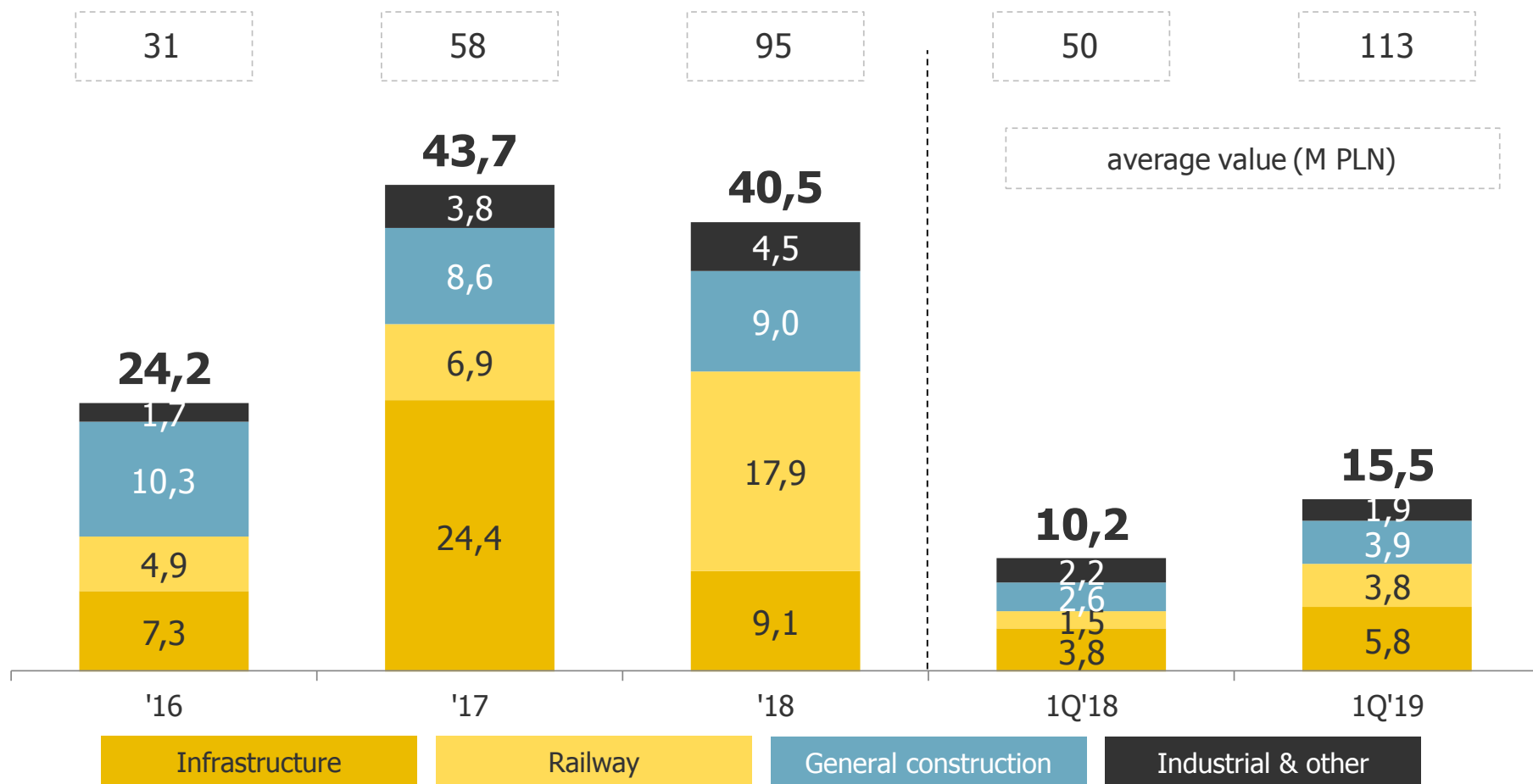


2.4.1 Construction segment

Comment

- +52% increase of value of offers placed in 1Q'19 vs. 1Q'18 due to increased activity in railway and road segments
- Current offers seem to reflect new cost environment, as a result of which investor budgets are regularly exceeded

Offers placed in Budimex Group (bn PLN)

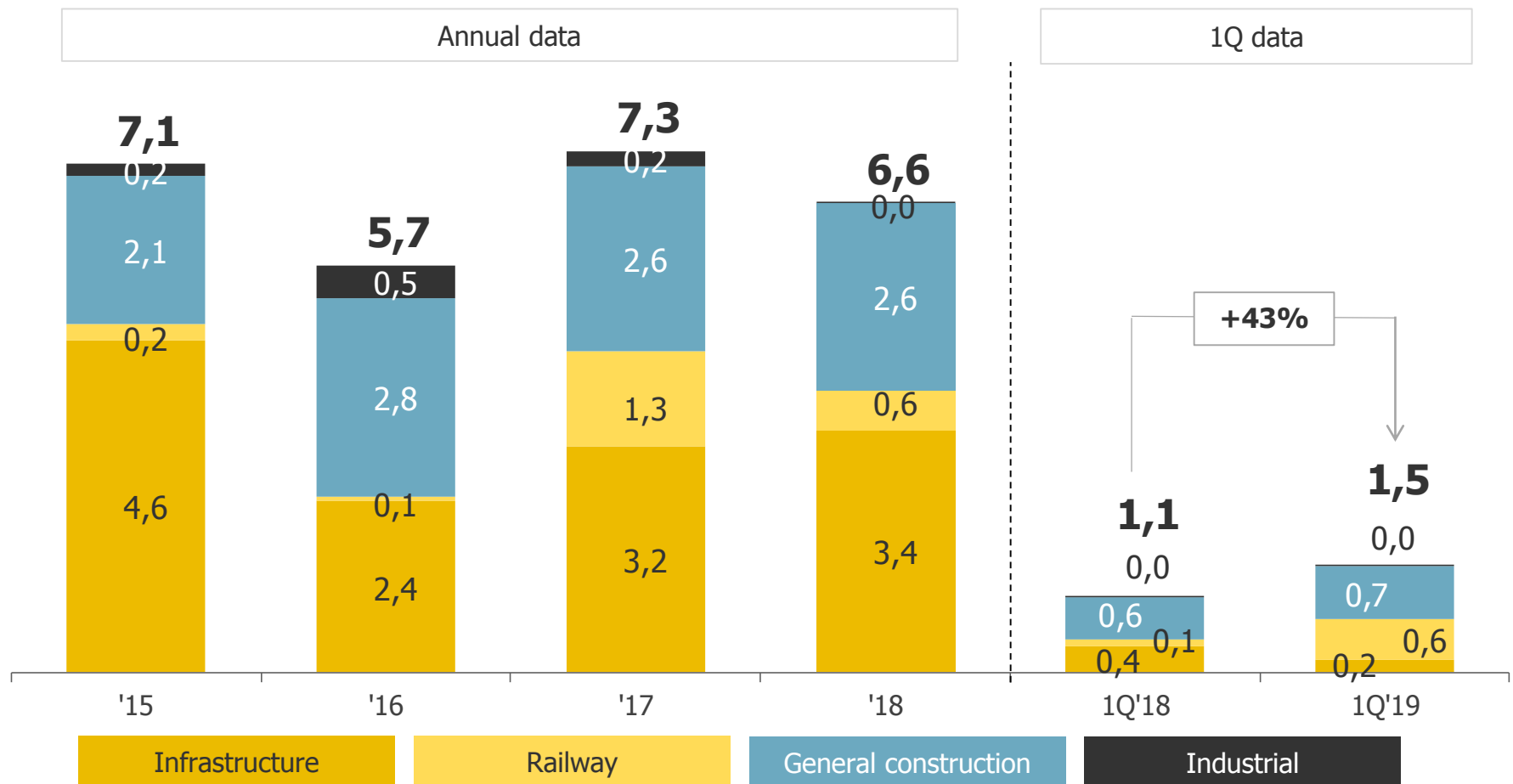


2.4.1 Construction segment

Comment

- High y-o-y increase of contracts signed in 1Q'19 due to one big contracts signed in railway segment (continuation of railway No. 7: Deblin – Naleczow)

Contracts signed in Budimex Group (bn PLN)

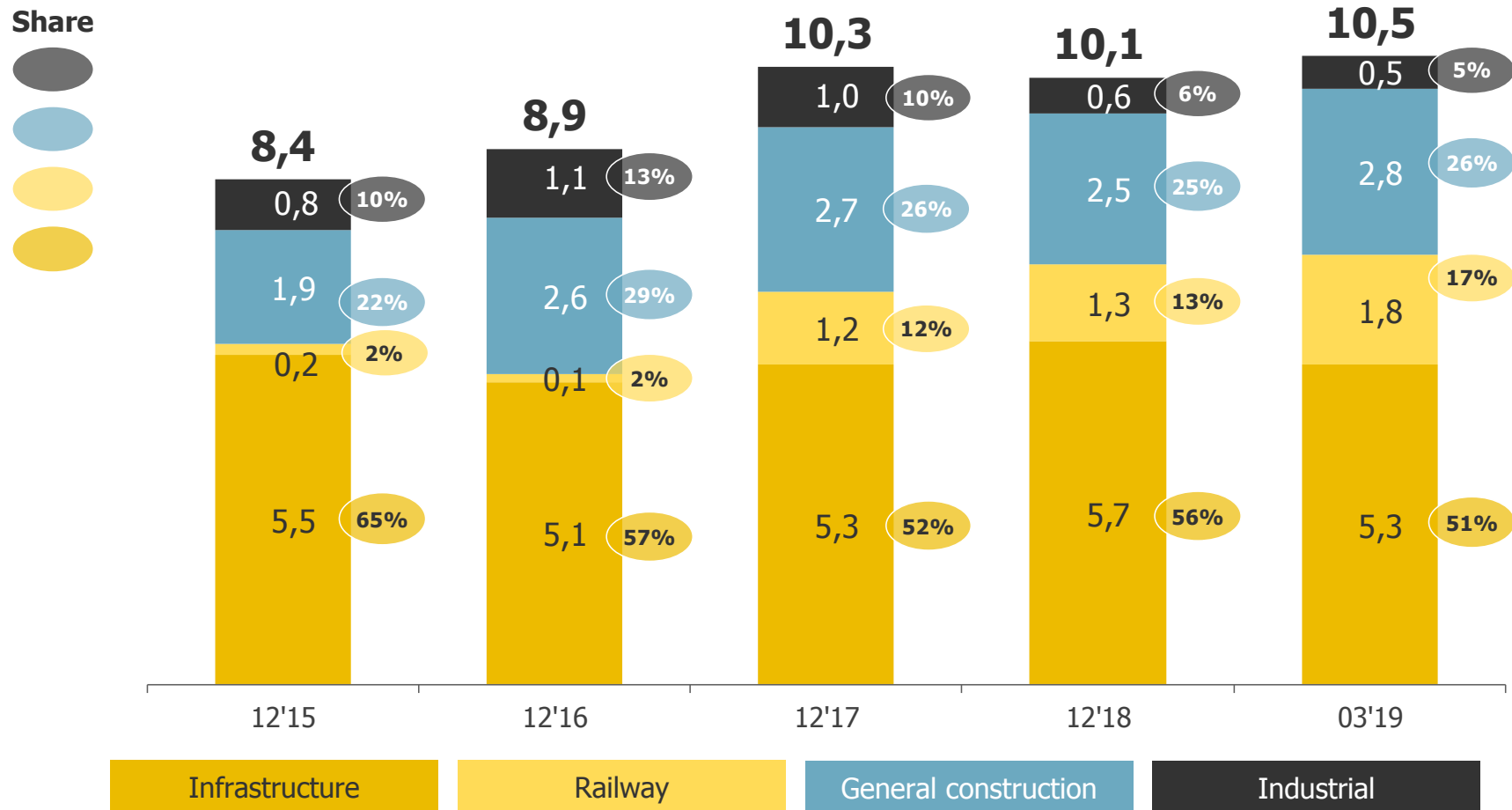


2.4.1 Construction segment

Comment

- At the end of 1Q'19 Budimex had a backlog of 10,5 bn PLN
- Backlog increased slightly vs. 12'18 due to one big contract signed in railway and few contracts signed with Budimex Nieruchomosci

Backlog in Budimex Group (bn PLN)

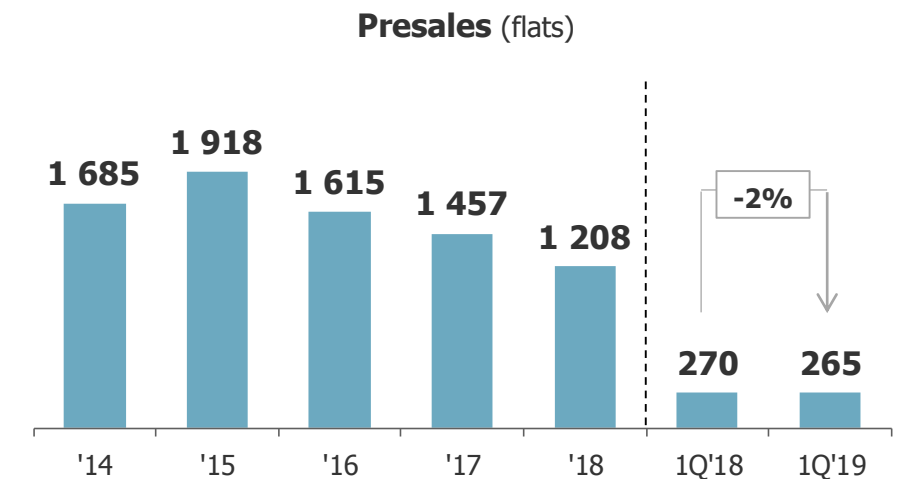
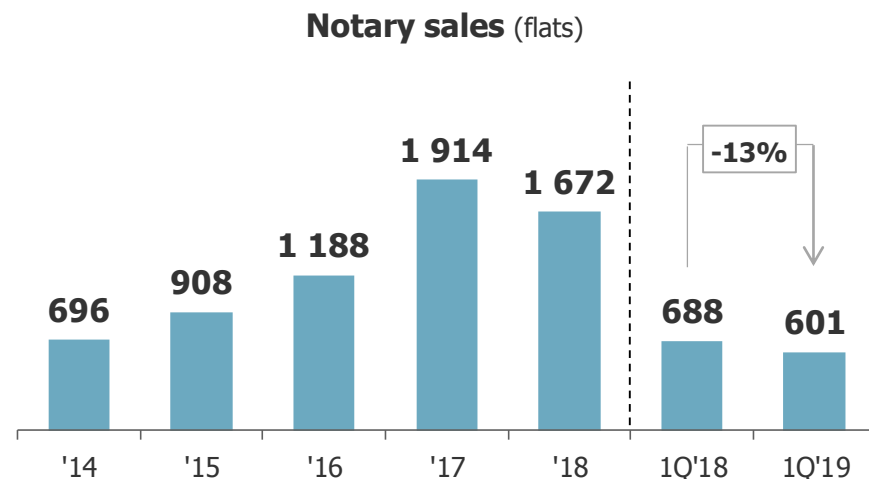
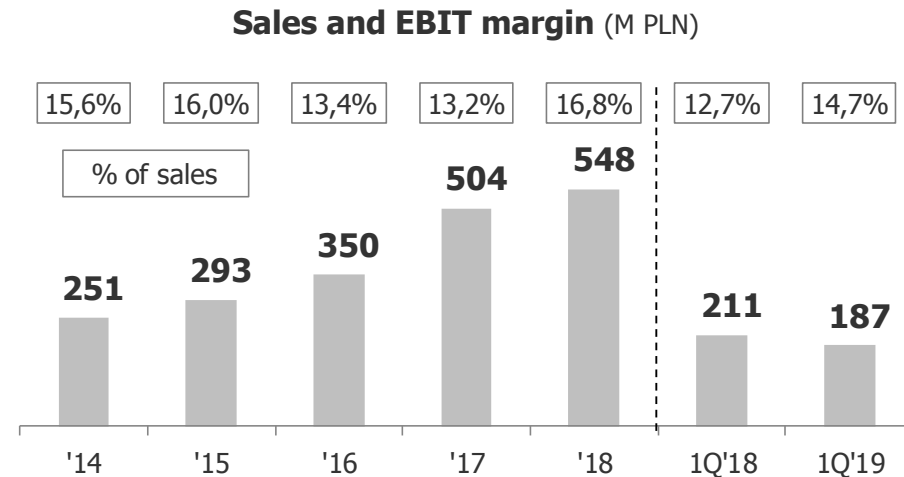


2.4.2 Developer segment

Comment

- High level of notary sales in 1Q'19 (601 flats)
- Comparable presales reached in 1Q'19 (265 flats) vs. 1Q'18
- Developer segment generated gross margin at 20,6% level

	1Q'19	y-o-y dynamics
Sales	187	-11%
Gross margin	39	3%
% sales	20,6%	2,9 pp.
Operating profit	28	3%
% sales	14,7%	2,0 pp.
Net profit	22	1%
% sales	12,0%	1,4 pp.

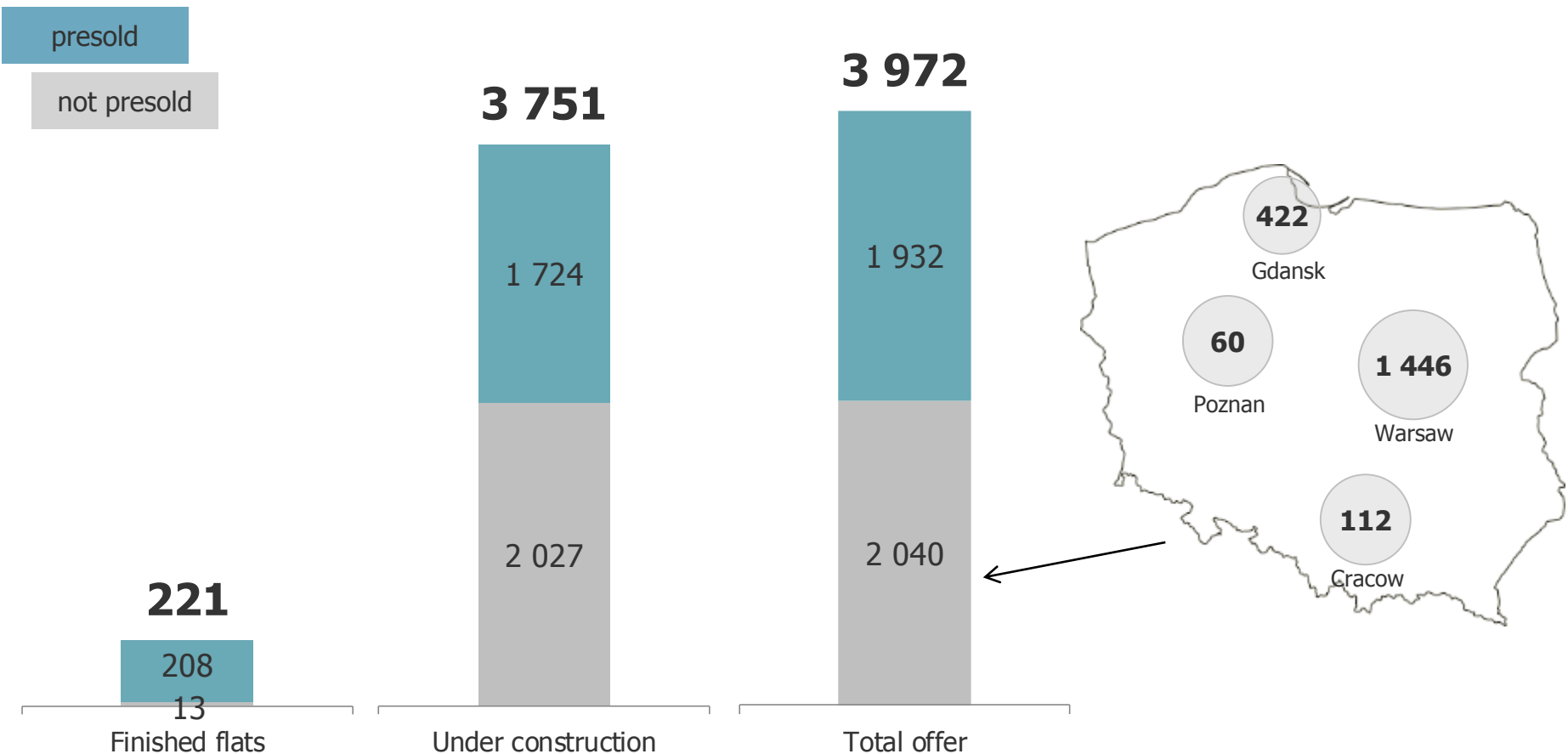


2.4.2 Developer segment

Comment

- Market offer noted serious increase vs. 12'18 due to few projects launched in Warsaw and Tricity
- In 03'19 land bank amounted to 9 014 flats

Market offer as at 03'19 (flats)

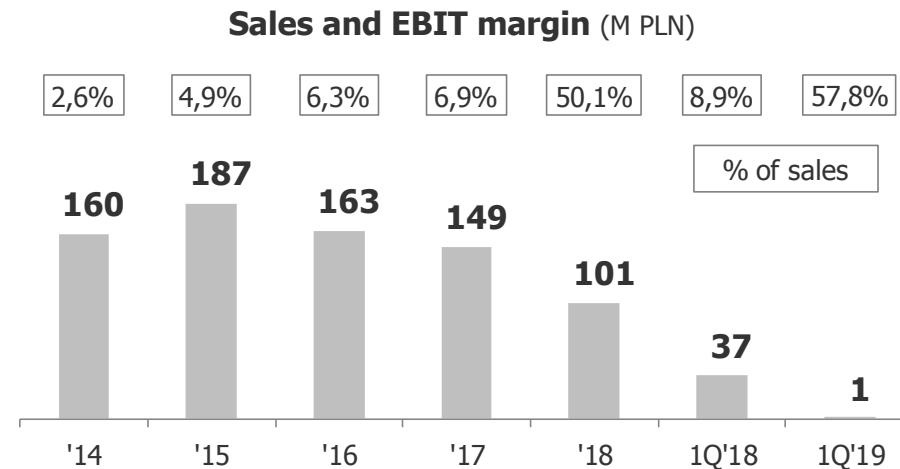


2.4.3 Other activities

Comment

- Other activities results in 1Q'18 encompassed Elektromontaz Poznan and BIG that were disposed in 3Q'18
- Current results are generated by two companies: FBSerwis and Budimex Parking Wroclaw

	1Q'19	y-o-y dynamics
Sales	1	-98%
Gross margin	0	-93%
% sales	60,9%	44,1 pp.
Operating profit	0	-88%
% sales	57,8%	48,9 pp.
Net profit	1	252%
% sales	104,8%	104,2 pp.



Group's other activities segment composition



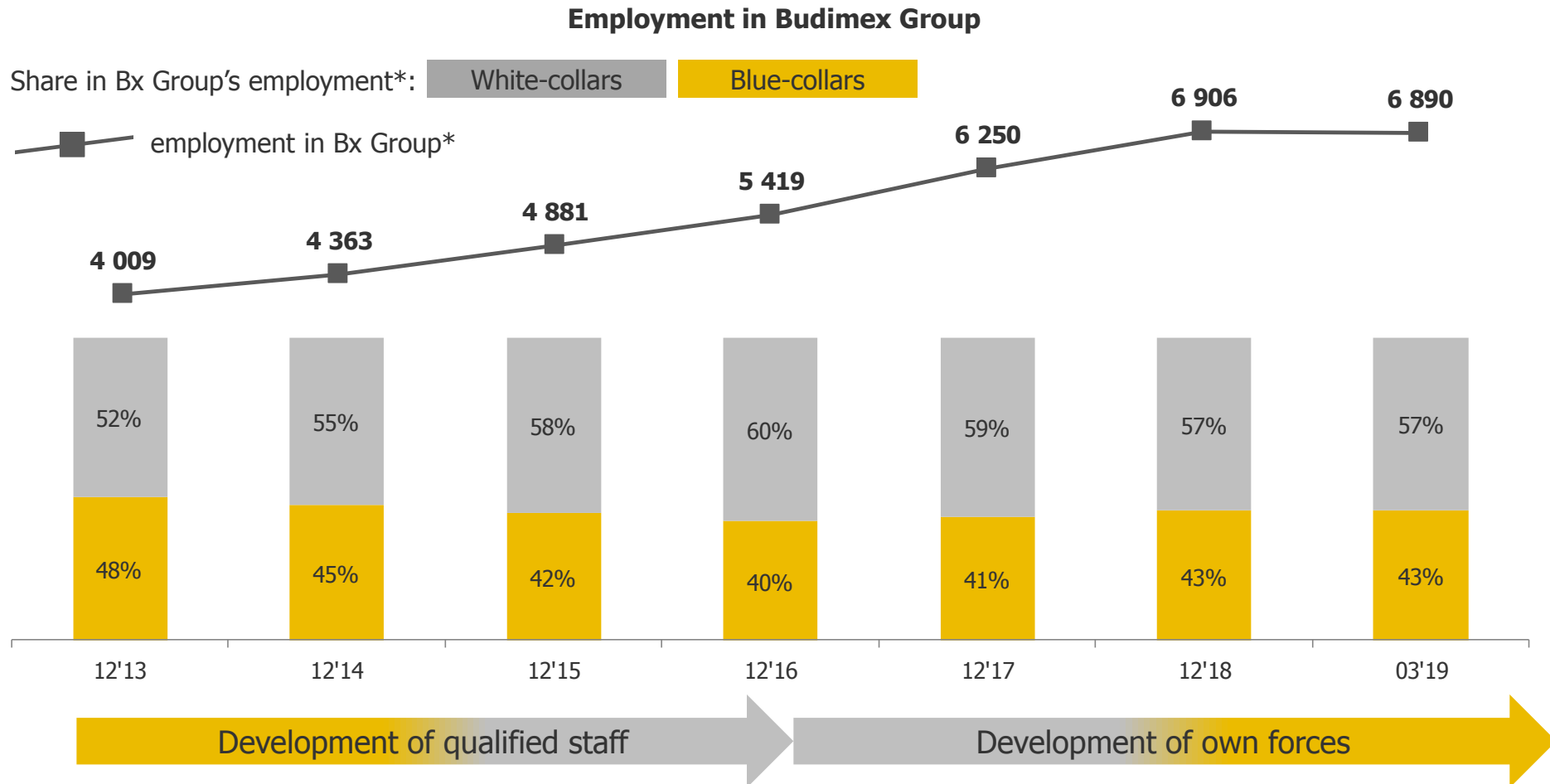
- construction & administration of underground car park in Wroclaw (concession)
- 51% share
- full consolidation



- environmental services, infrastructure maintenance, facility management, energy efficiency services
- 49% share
- equity method of consolidation (below EBIT)

Comment

- The level of employment did not change significantly vs. 12'18

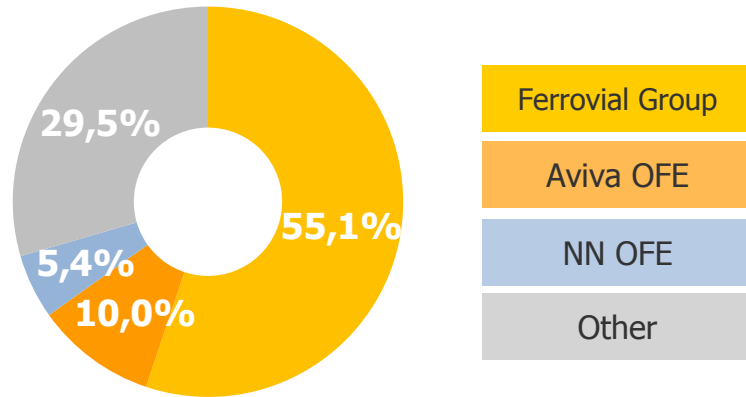


* w/o Fbserwis and Elektromontaz Poznan

Comment

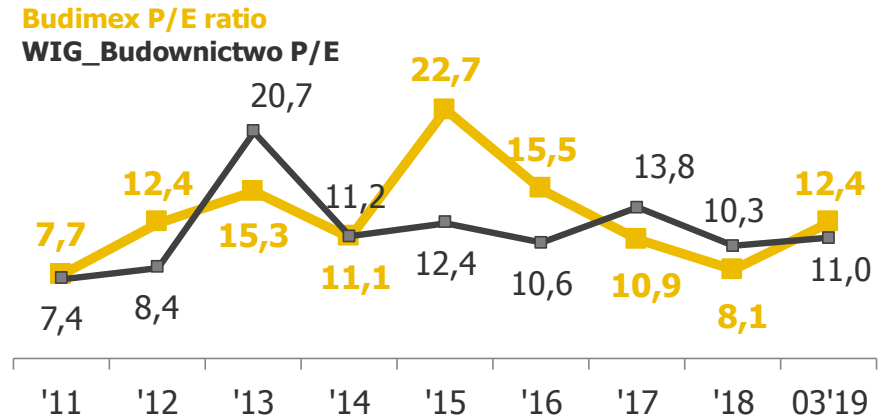
- In 1Q'19 Budimex market capitalization faced 30% increase vs year-end
- Total pension funds' share in BDX amounts to 30-35%

Shareholders structure (12'18)

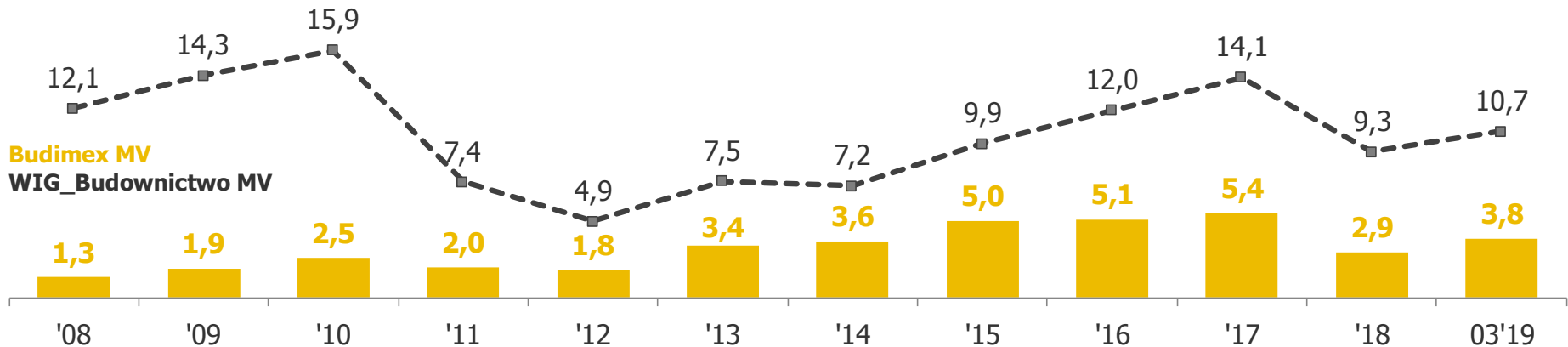


Source: stooq.pl

P/E ratio



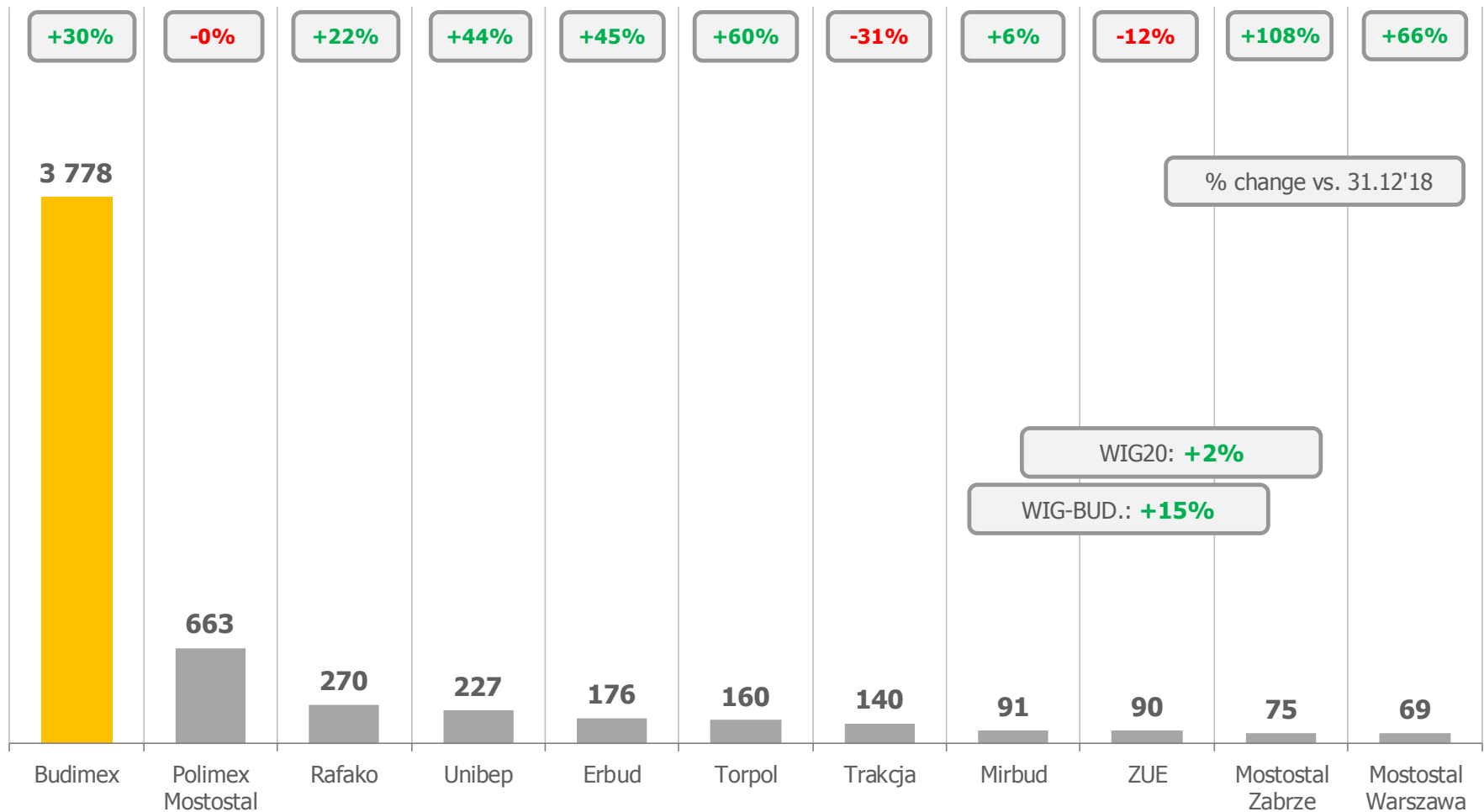
Budimex market value vs. WIG-Budownictwo aggregated market value (bn PLN)



Comment

- Generally, investors' sentiment to construction companies quoted on WSE has improved recently

Market value as at 03'19 (M PLN)



Comment

- As a result of decreasing margin in construction sector and planned investment outlays, in 04'19 Management Board recommended a dividend payment of 50% of FY'18 net profit

Dividends paid (M PLN)

