



50 **budimex**

Investor Presentation
1-3Q'18



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

Budimex Group in 1-3Q'18

- 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



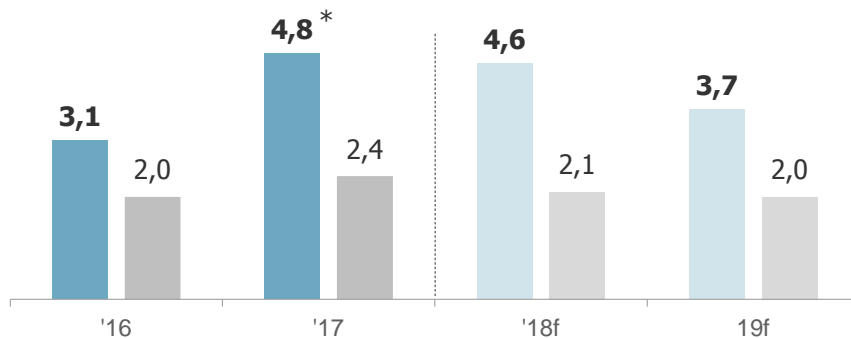
- Strong GDP growth in '18 forecasted for Poland by Eurostat → **4,6%**
- In 09'18 S&P agency decided to increase rating of Poland from BBB+ to A-
- Growth of inflation (HICP) expected → '19f: **2,6%** vs. **1,3%** in '18f
- Improving situation of public finances → budget deficit in '17: **1,4%*** of GDP
- Further inflation of materials prices and labour costs
- High y-o-y dynamics of construction production → 1-3Q'18: **+22,9%**
- High pressure on margins of construction companies → 1H'18: **1,6%** of avg. net profit margin

* data revised by CSO in Oct'18

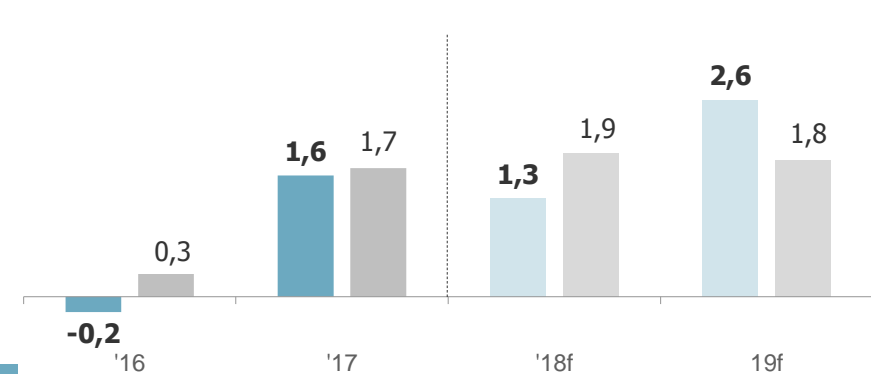
Comment

- In Oct'18 Central Statistical Office (CSO) revised GDP growth rate in '17 (previous value: 4,6%) and budget deficit in '17 and '16 (previous values: 1,7% in '17 and 2,3% in '16)

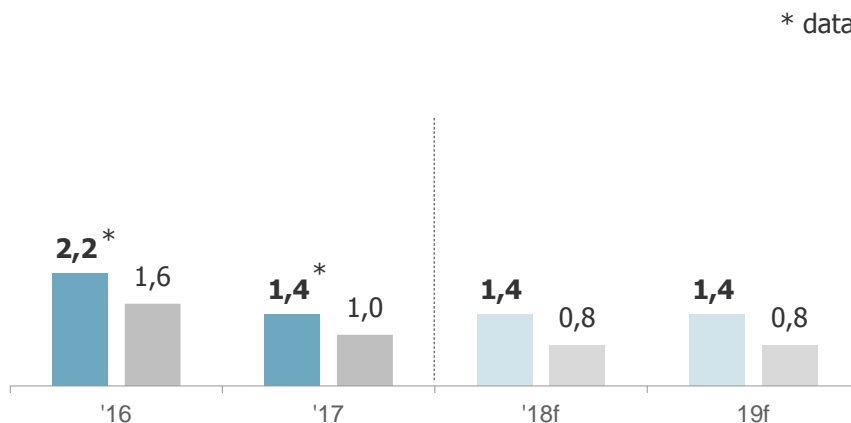
GDP growth (% , y-o-y)



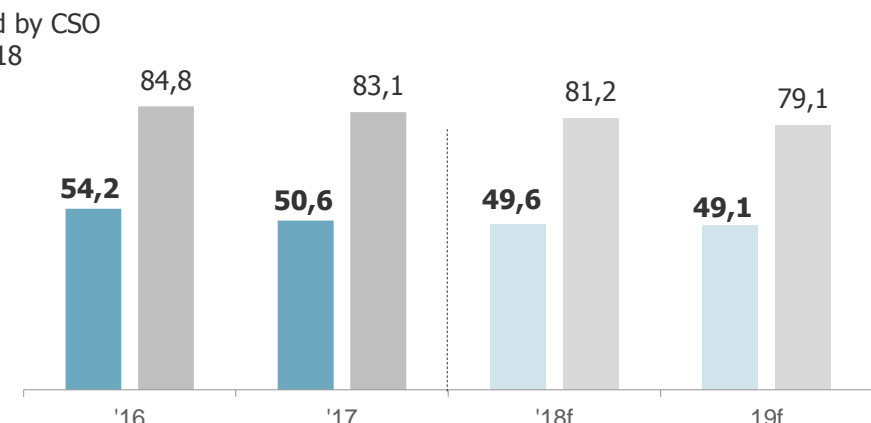
Inflation rate (HICP, %, y-o-y)



General government deficit (% of GDP)



Public debt (% of GDP)



* data revised by CSO in Oct'18

Poland
EU

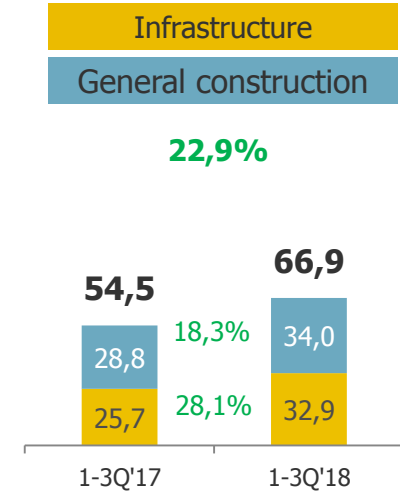
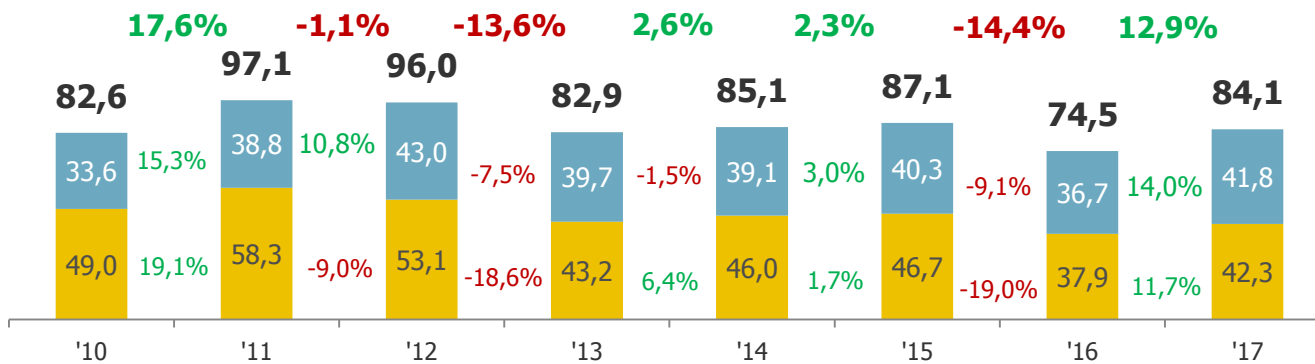
1.3 Overview of construction segment

Comment

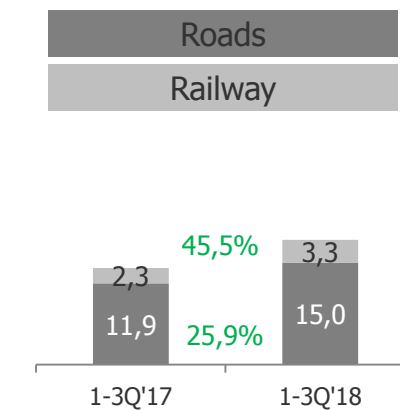
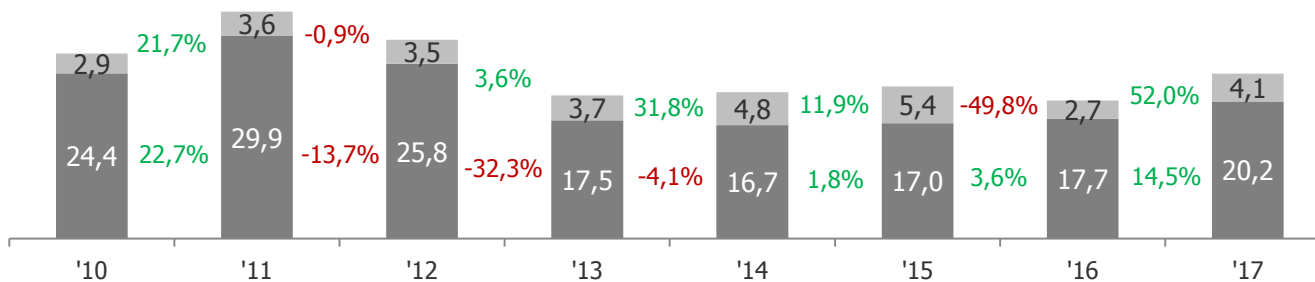
- Construction production noted 22,9% y-o-y increase in 1-3Q'18
- The growth is driven by all segments
- Production in road and railway segment noted high increase due to ongoing execution of investments plans in infrastructure

Construction production in Poland (bn PLN)

Total construction production



Construction production in roads and railway

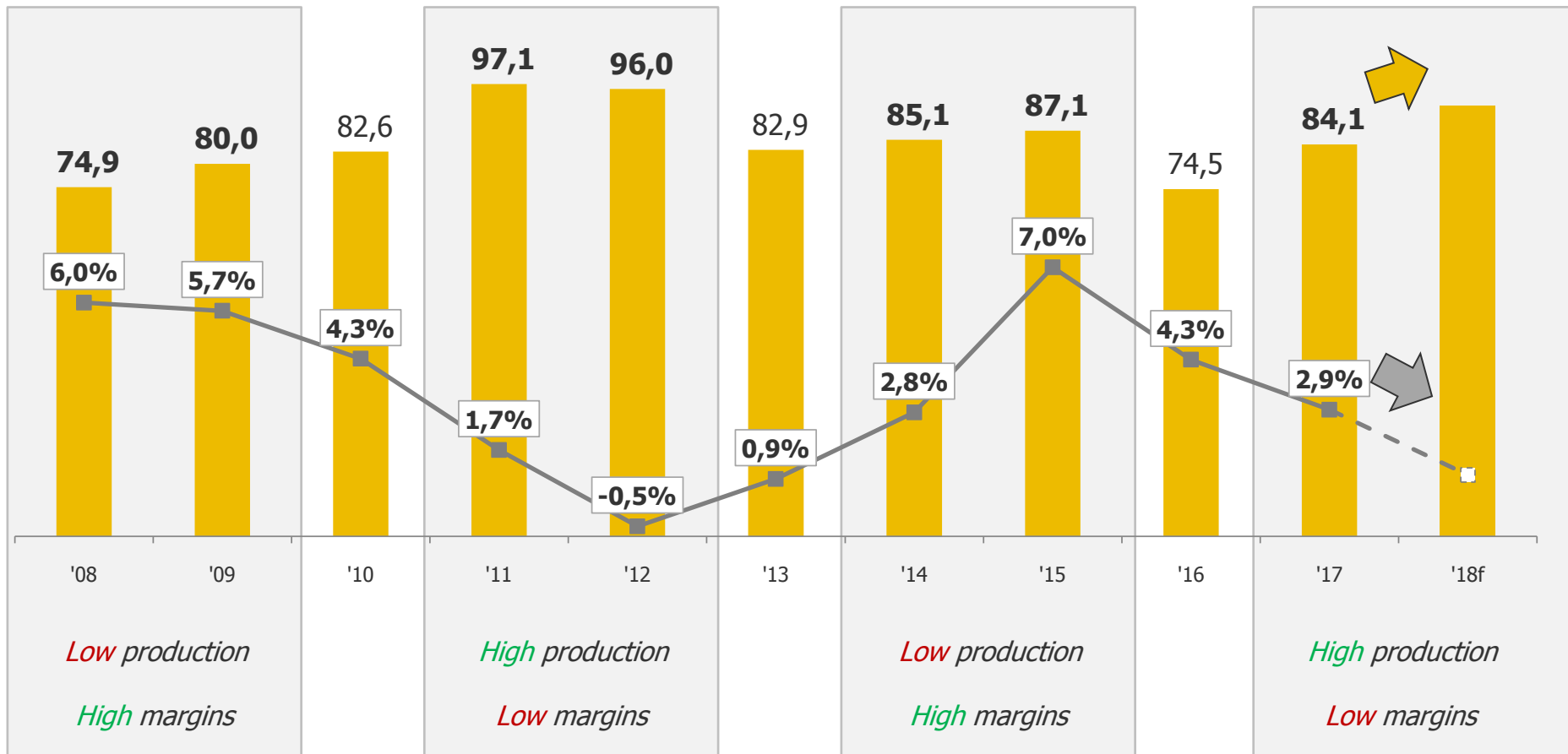


1.3 Overview of construction segment

Comment

- Construction companies entered into high production and low margins phase of the cycle
- Average net profit margin in 1H'18 amounted to only 1,6% (vs. 2,0% in 1H'17)

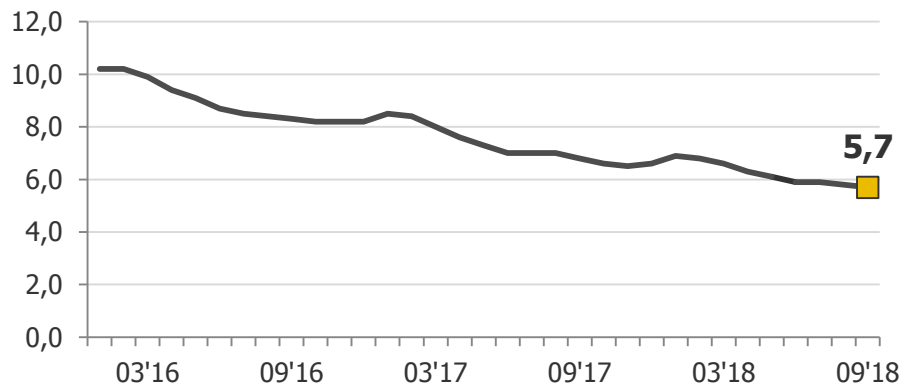
Construction production in Poland vs. net profit margin in construction companies (bn PLN)



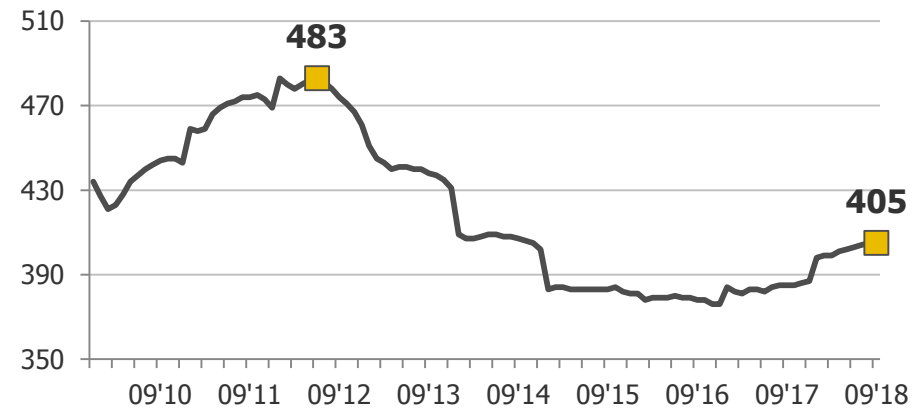
Comment

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

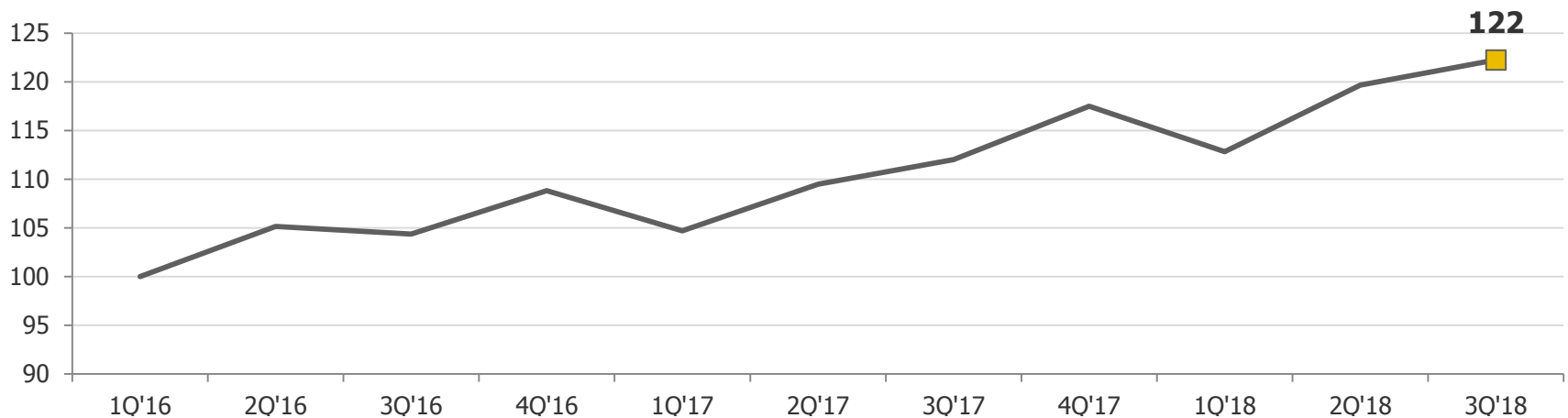
Unemployment rate (%)



Employment in construction (thous. employees)

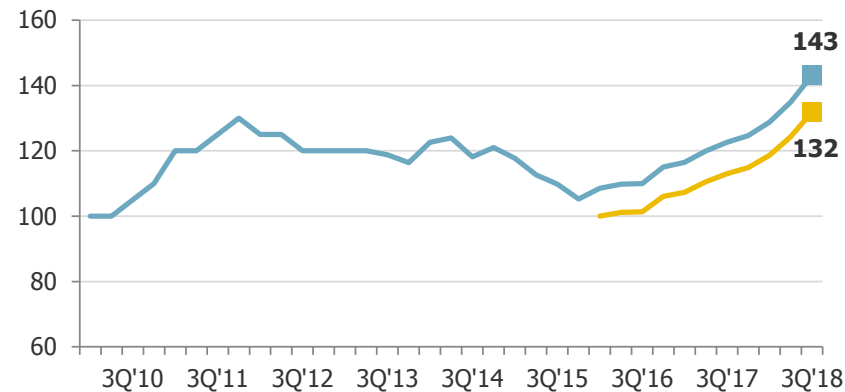


Average wage in construction (1Q'16 = 100)

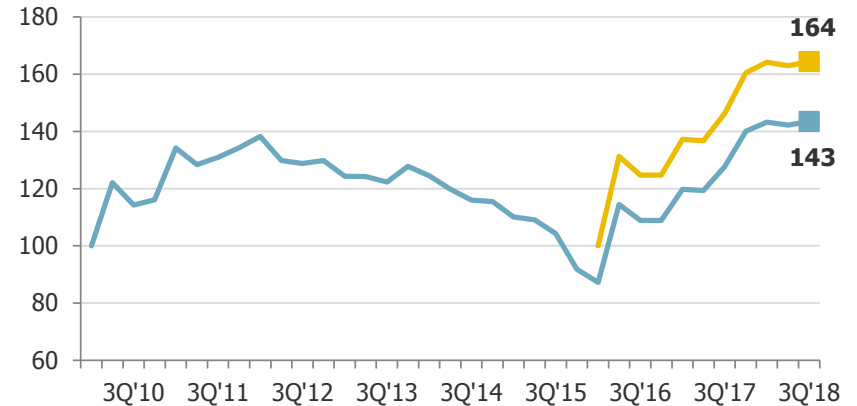


Comment ■ *The increase of materials prices was still observed in 3Q'18*

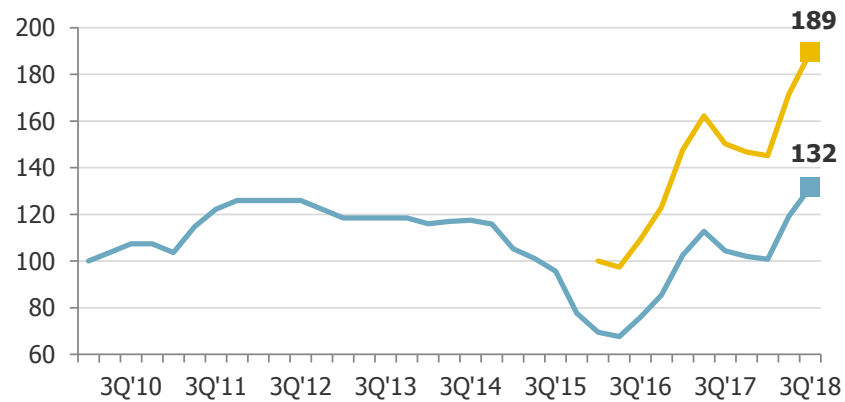
Concrete



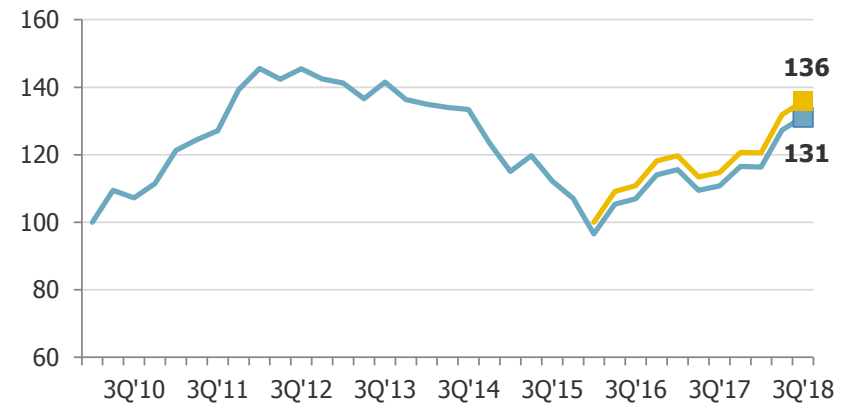
Reinforcement steel



Asphalt



Diesel oil



2.1 Budimex Group – top facts

- Record level of 1-3Q sales → 1-3Q'18: **5,4 bn PLN** *(+18,4% y-o-y)*
- Rising share of railway in construction sales → 1-3Q'18: **8,2%** *(+4,9 p.p. y-o-y)*
- Sell of Elektromontaz Poznan and BIG in 3Q'18 with +44 M PLN effect on consolidated EBIT
- Visible pressure on net cash → 09'18: **0,6 bn PLN** *(-0,1 bn PLN vs. 06'18)*
- Increase in value of contracts signed → 1-3Q'18: **5,6 bn PLN** *(+24,5% y-o-y)*
- Slight increase of backlog → 09'18: **11,0 bn PLN** *(+0,3 bn PLN vs. 06'18)*
- Improvement of market offer → 09'18: **3 399 flats** *(+176 flats vs. 06'18)*
- Continuation of land purchase in developer segment → 1-3Q'18: **145 M PLN**

Comment

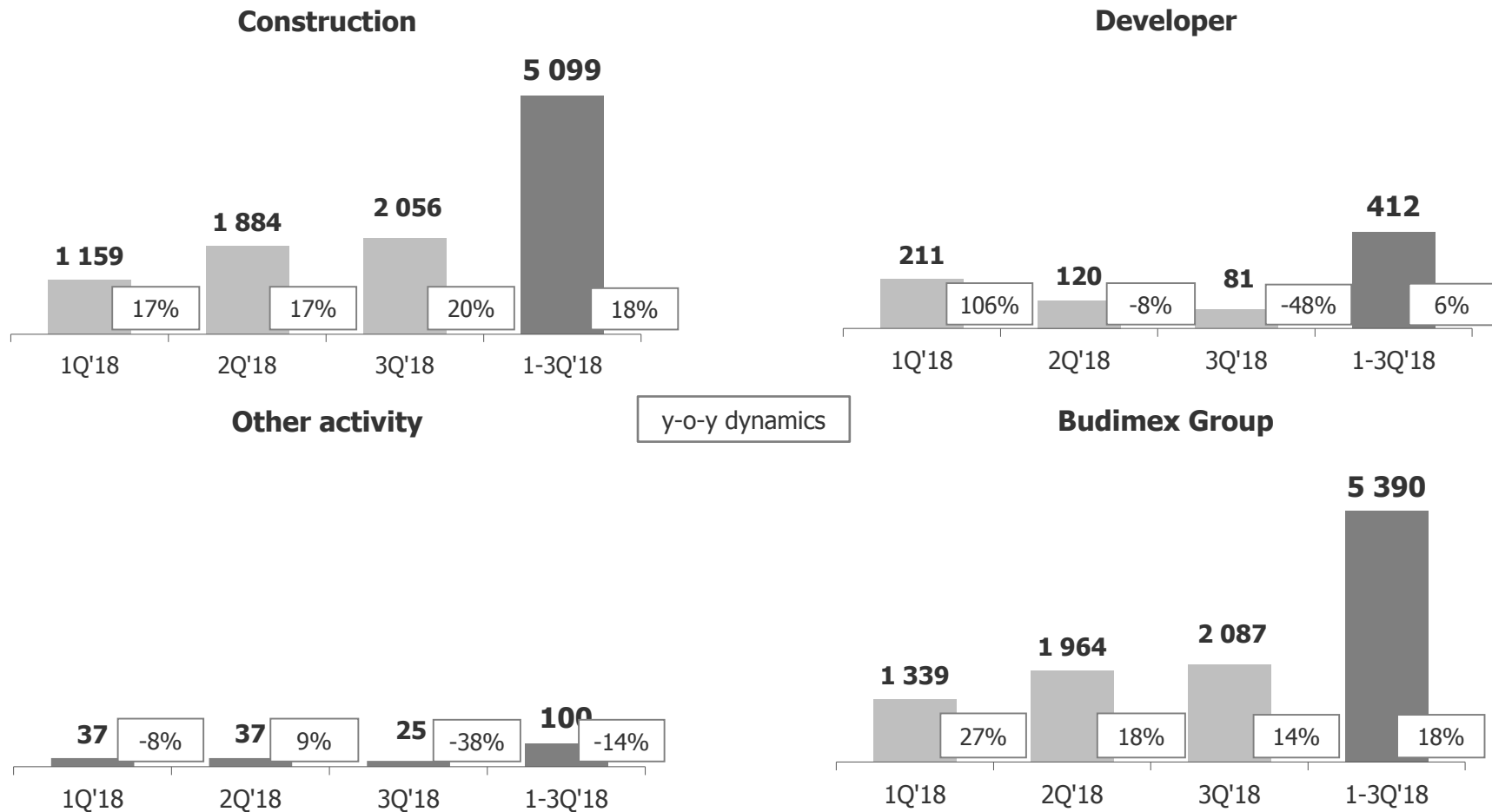
- Top line in 1-3Q'18 was in line with current market trends
- In 1-3Q'18 the company faced normalization of margin vs. years '16-'17

	1-3Q'18	1-3Q'17	Δ		FY'17	FY'16
Sales	5 390	4 553	836	↑	6 369	5 572
<i>y-o-y dynamics</i>	<i>18,4%</i>	<i>10,5%</i>	<i>7,8 pp.</i>	↑	<i>14,3%</i>	<i>8,5%</i>
Gross margin	446	582	-136	↓	810	751
<i>% sales</i>	<i>8,3%</i>	<i>12,8%</i>	<i>-4,5 pp.</i>	↓	<i>12,7%</i>	<i>13,5%</i>
SG&A	-187	-178	-9		-251	-231
<i>% sales</i>	<i>3,5%</i>	<i>3,9%</i>	<i>-0,4 pp.</i>		<i>-3,9%</i>	<i>-4,2%</i>
Other operating	53	22	30		29	-15
EBIT	312	426	-115	↓	588	505
<i>% sales</i>	<i>5,8%</i>	<i>9,4%</i>	<i>-3,6 pp.</i>	↓	<i>9,2%</i>	<i>9,1%</i>
PBT	304	421	-117	↓	580	511
<i>% sales</i>	<i>5,6%</i>	<i>9,2%</i>	<i>-3,6 pp.</i>	↓	<i>9,1%</i>	<i>9,2%</i>
Net profit	231	337	-106	↓	464	410
<i>% sales</i>	<i>4,3%</i>	<i>7,4%</i>	<i>-3,1 pp.</i>	↓	<i>7,3%</i>	<i>7,4%</i>

Comment

- Better y-o-y dynamics of sales in construction in 3Q'18 vs. 2Q'18
- Q-o-q drop of sales in developer segment (46% drop in notary sales)
- Smaller sales in other activity vs. 3Q'18 due to sell of Elektromontaz

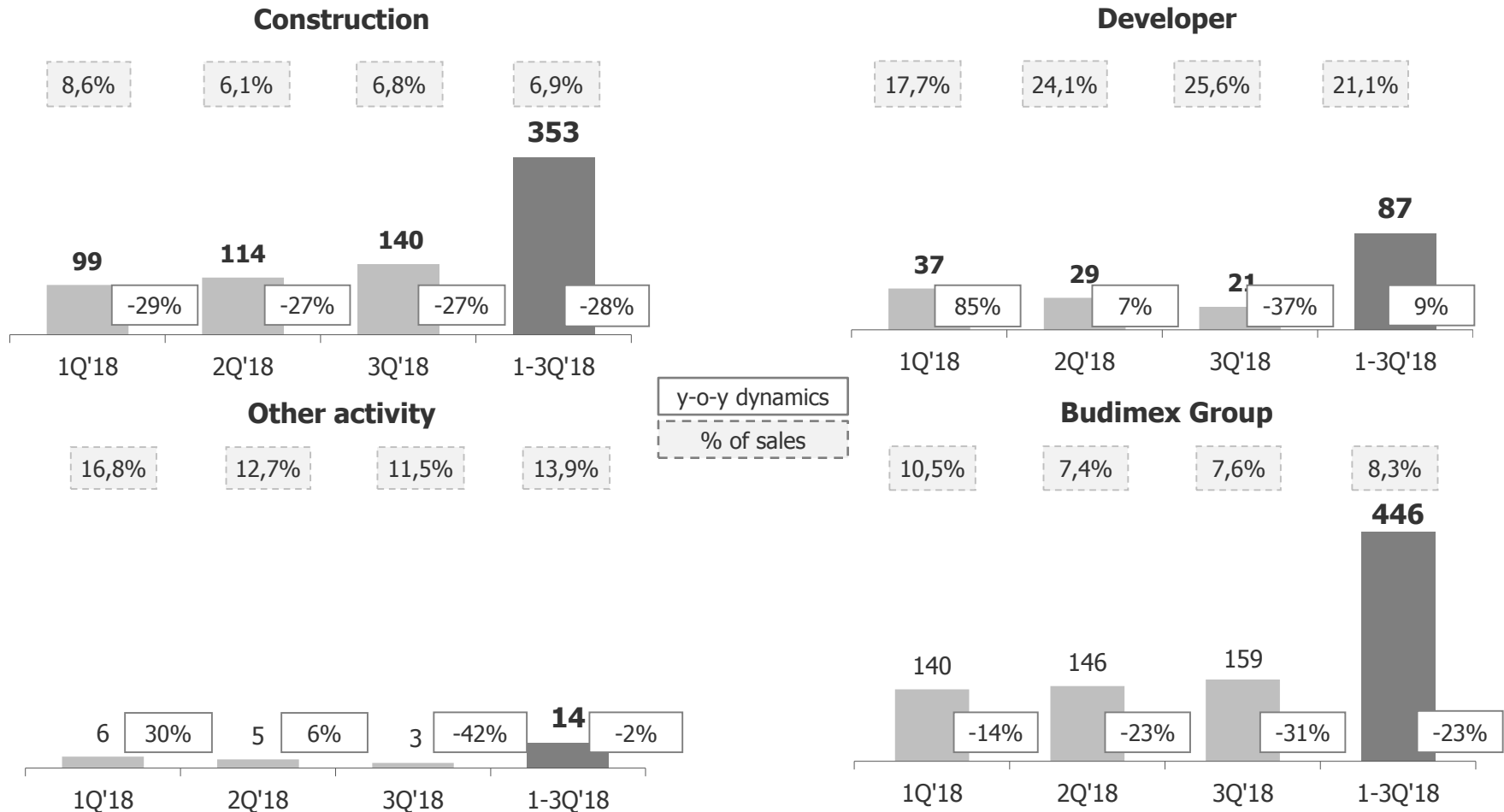
Quarterly sales in Budimex Group (M PLN)



Comment

- Further normalization of % GM in construction vs. above average margin achieved in years '16-'17

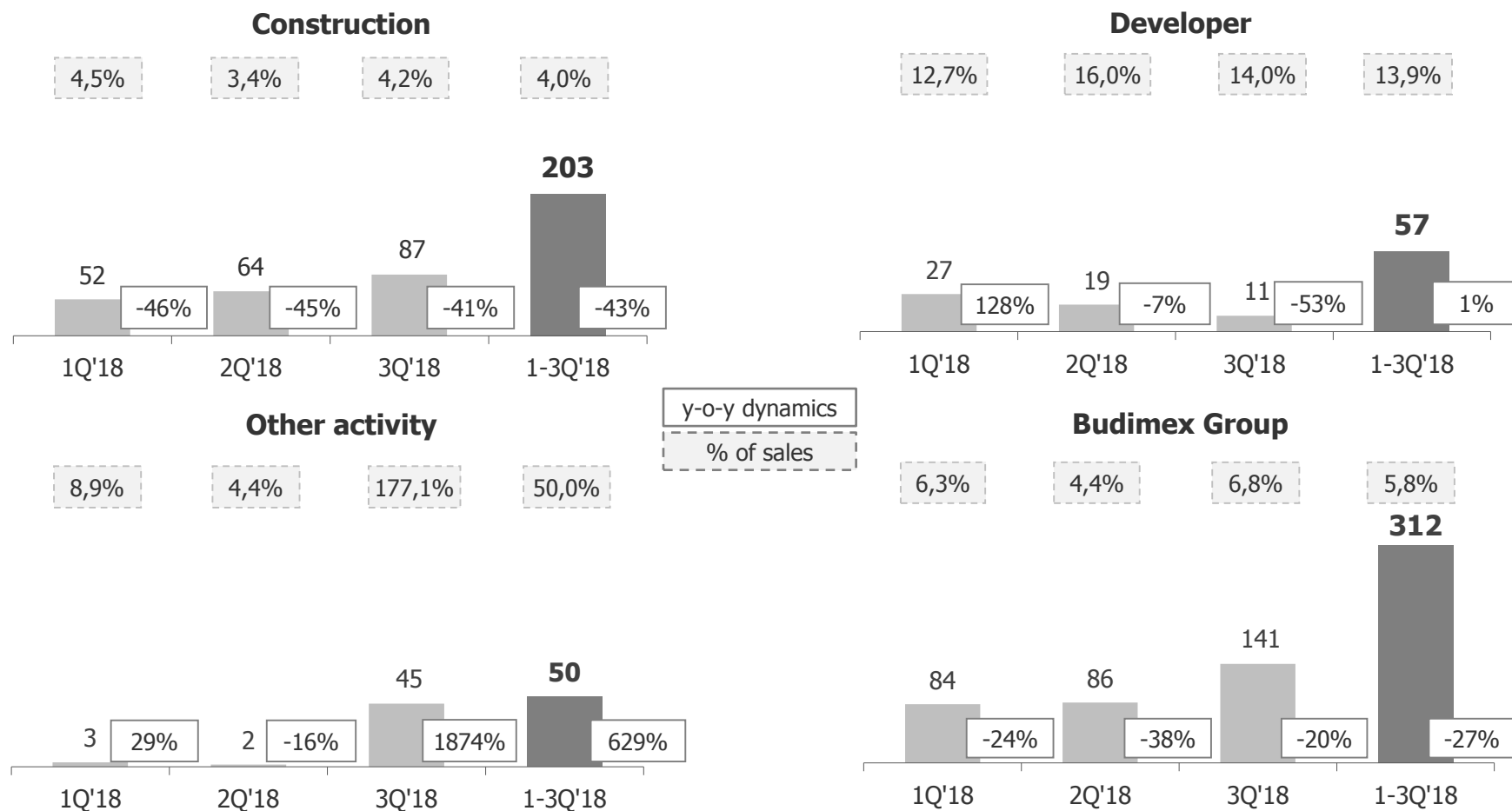
Quarterly gross margin in Budimex Group (M PLN)



Comment

- Maintaining good performance in developer segment
- Sell of Elektromontaz Poznan and BIG in 3Q'18 with +44 M PLN effect in other activity segment

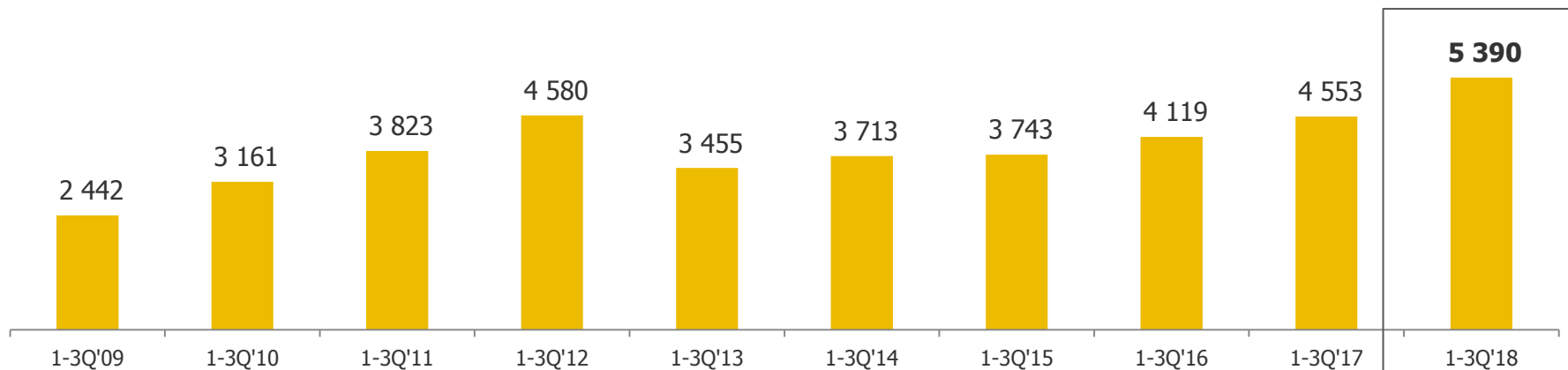
Quarterly EBIT in Budimex Group (M PLN)



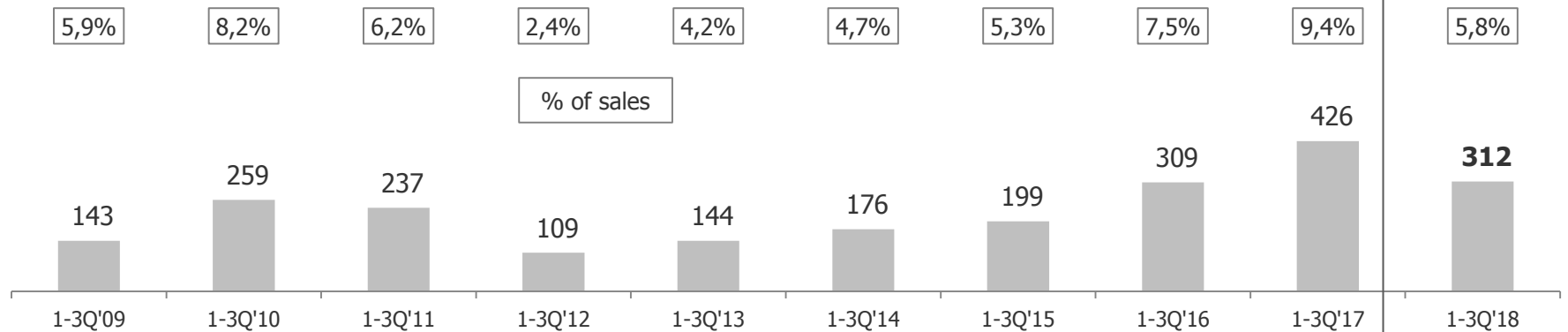
Comment

- *In 1-3Q'18 Bx achieved record sales at the level of 5,4 bn PLN*
- *EBIT margin returned to the level achieved in years'14-'15*

Sales in Budimex Group (M PLN)



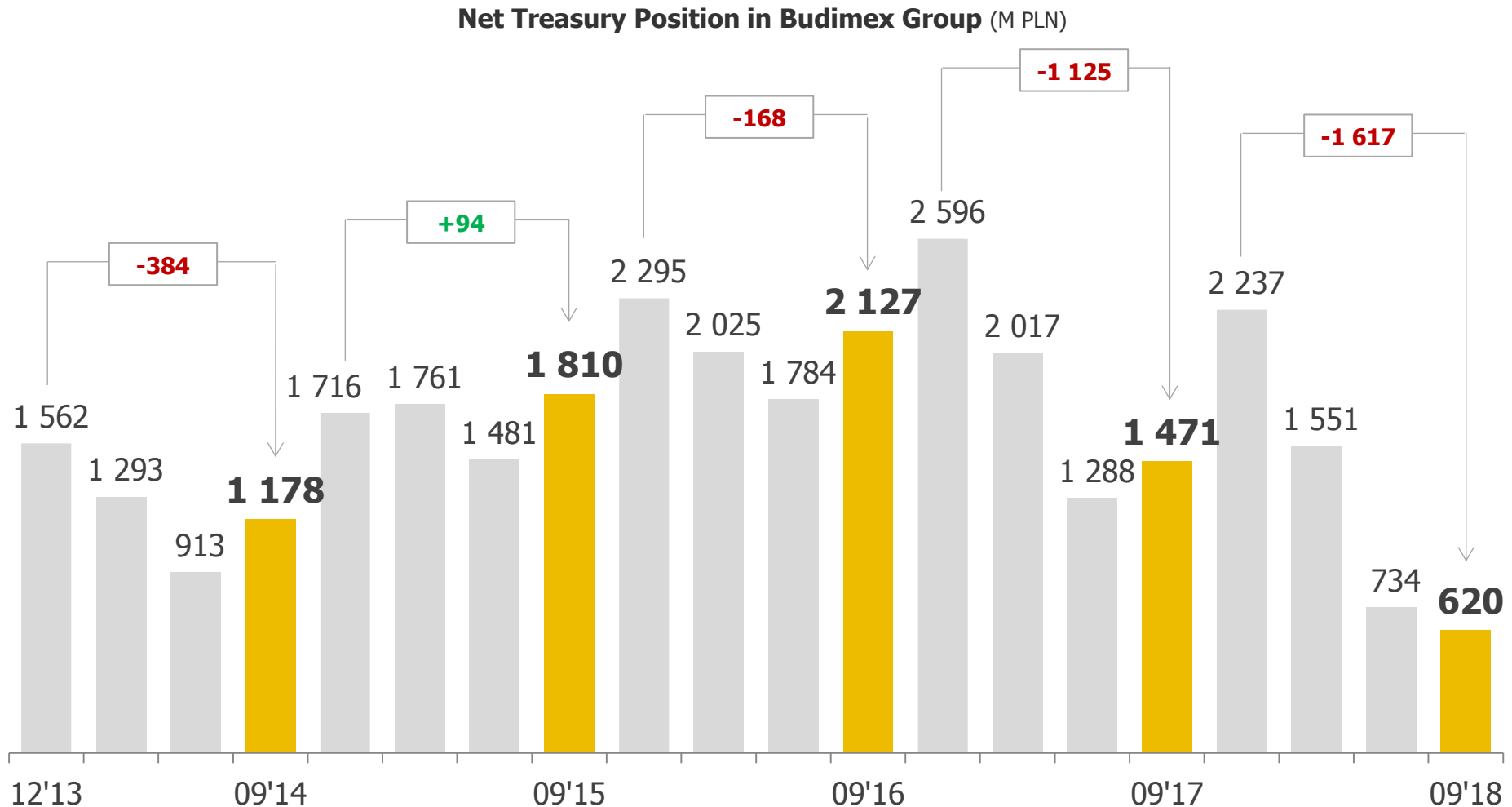
EBIT in Budimex Group (M PLN)



2.3 Evolution of Net Treasury Position

Comment

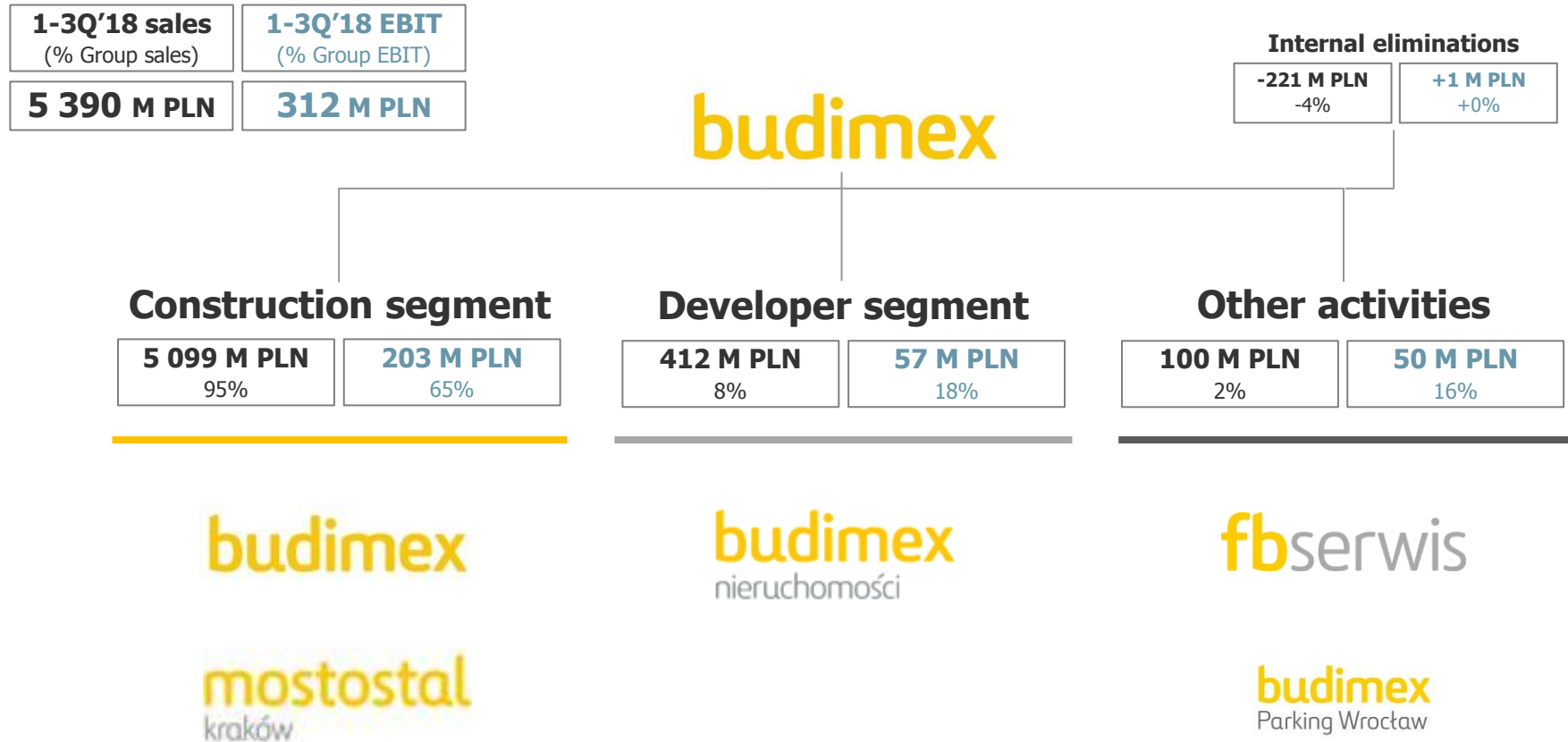
- Deterioration of net cash in 3Q'18 connected with i.a. falling balance of advances, higher CAPEX compared to respective period of '17 and problems with bureaucracy on construction sites (problems with invoicing)*



2.4 Results by segment

Comment

- EBIT structure in the Group was temporarily changed due to sell of Elektromontaz Poznan and BIG

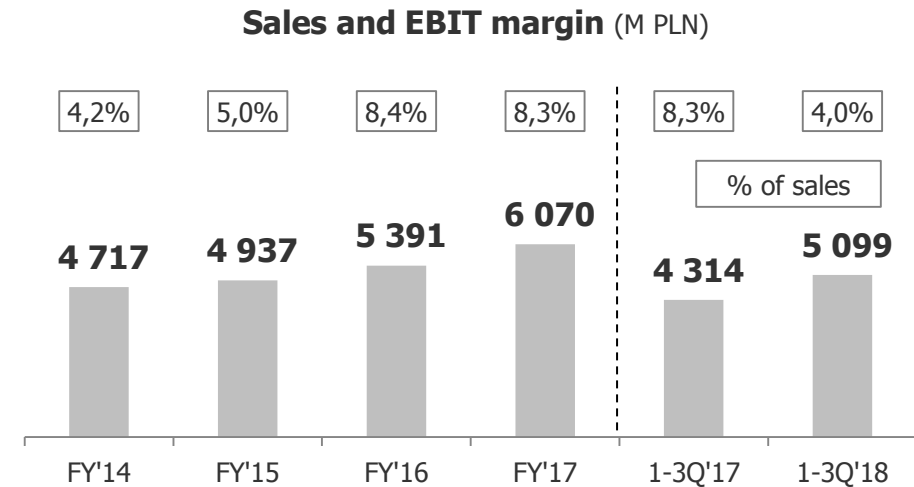


2.4.1 Construction segment

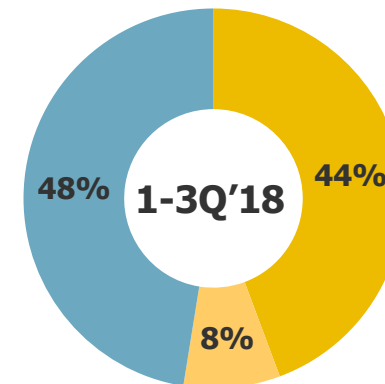
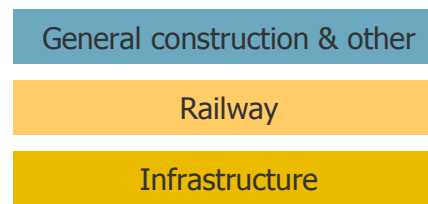
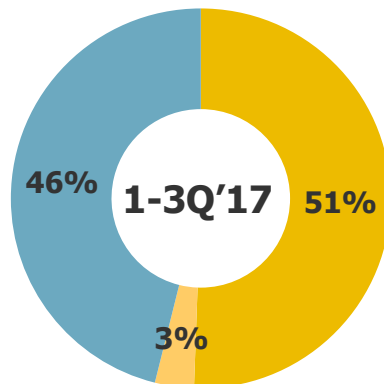
Comment

- EBIT margin in 1-3Q'18 amounted to 4,0%
- The share of sales generated in railway segment increased due to further execution of record railway backlog

	1-3Q'18	y-o-y dynamics
Sales	5 099	18%
Gross margin	353	-28%
% sales	6,9%	-4,4 pp.
Operating profit	203	-43%
% sales	4,0%	-4,3 pp.
Net profit	146	-48%
% sales	2,9%	-3,7 pp.



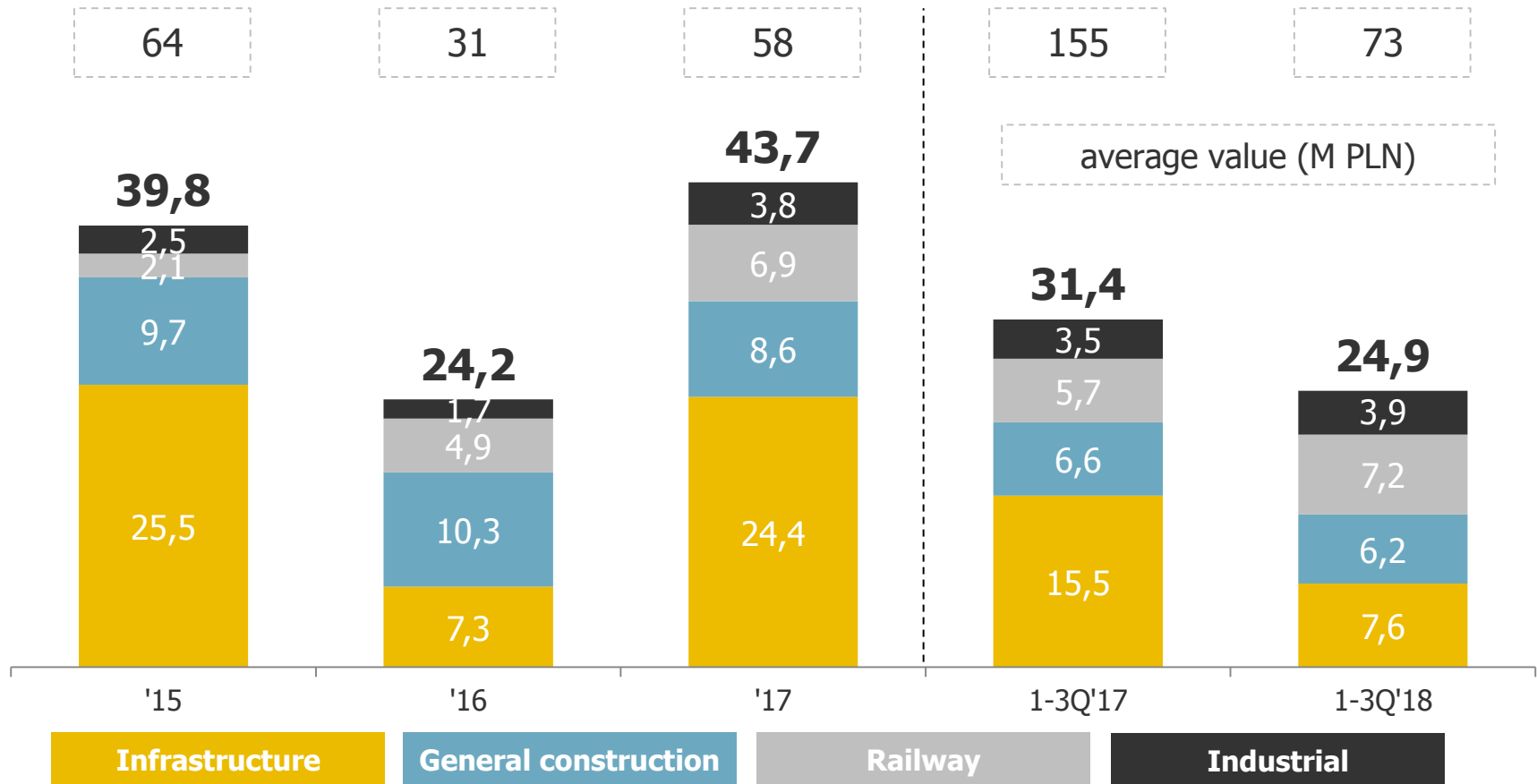
Sales structure



Comment

- Lower tender activity of GDDKiA and Bx's selective bidding in infrastructure generated 20,5% y-o-y decrease of value of offers placed in 1-3Q'18

Offers placed in Budimex Group (bn PLN)

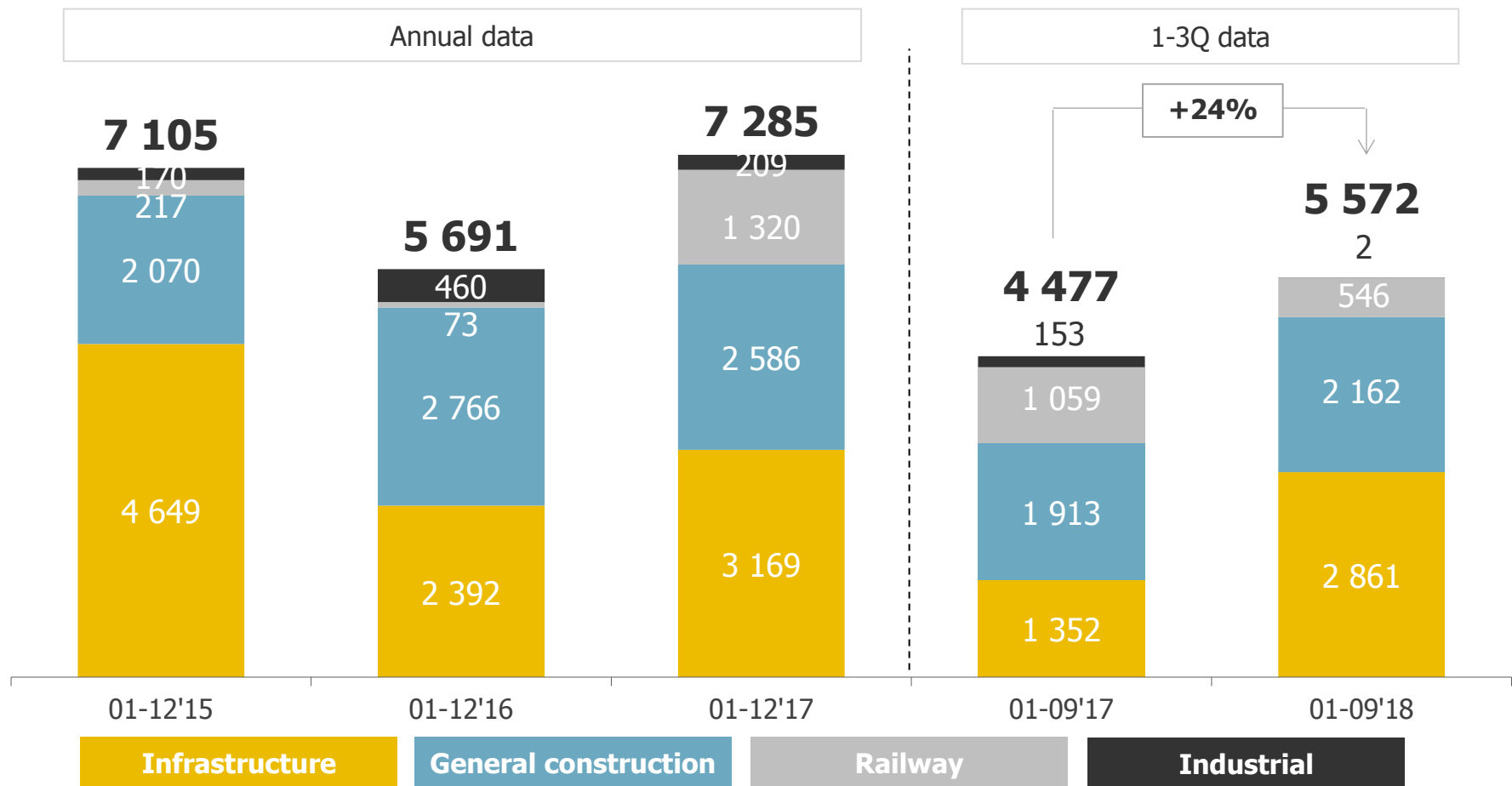


2.4.1 Construction segment

Comment

- Several big road contracts signed in 3Q'18 i.e. S61 Wysokie – Raczki and two parts of A1 highway
- One 0,5 bn PLN railway contract (Rokietnica – Wronki) acquired in railway segment in 3Q'18

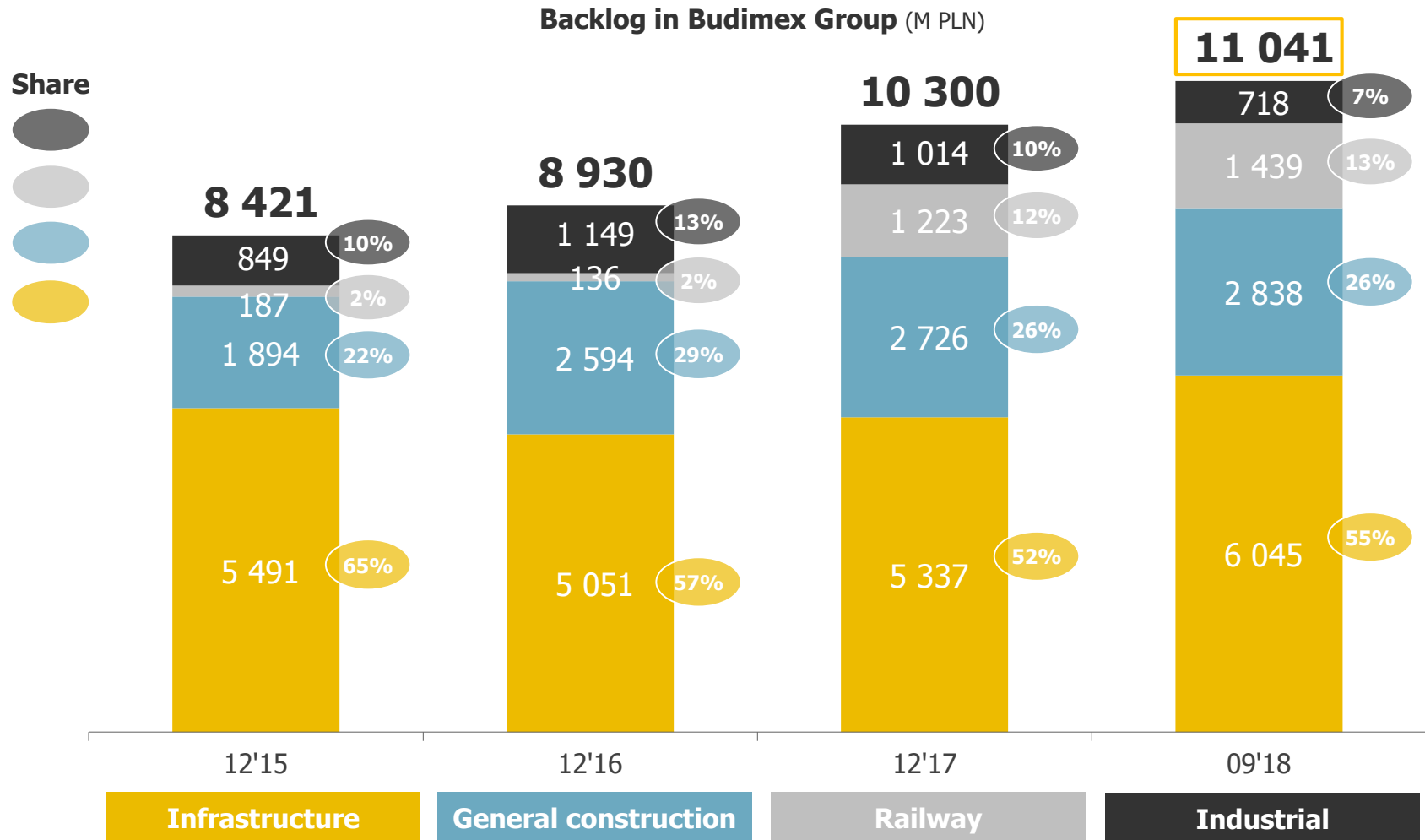
Contracts signed in Budimex Group (M PLN)



2.4.1 Construction segment

Comment

- At the end of 3Q'18 Budimex had a record backlog of 11,0 bn PLN
- Current backlog is well diversified



Comment ■ *Current backlog includes many high-value projects recently signed*

Top projects executed by Budimex Group

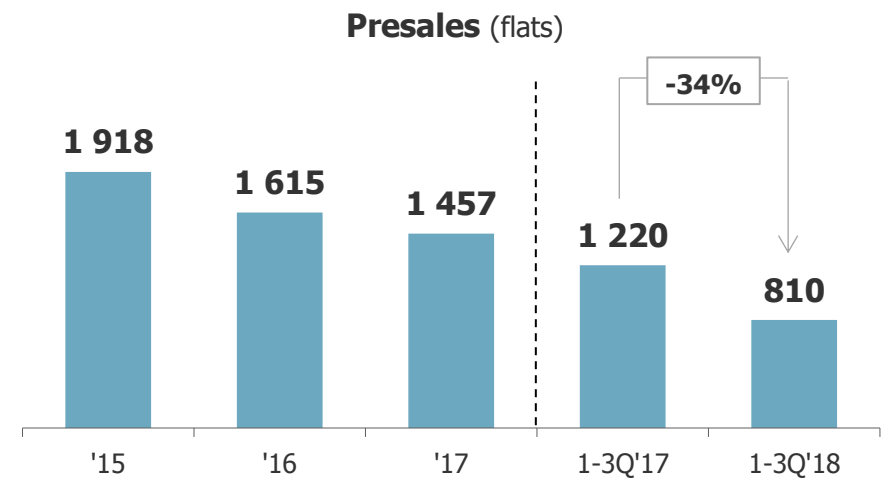
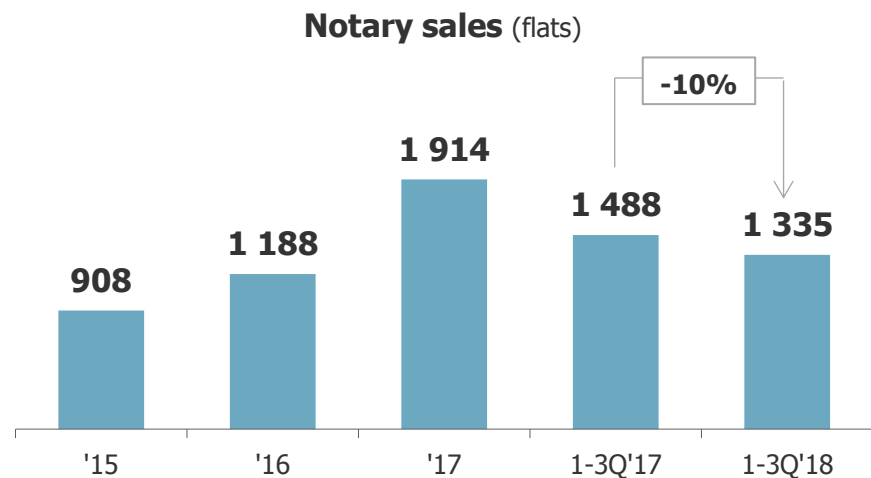
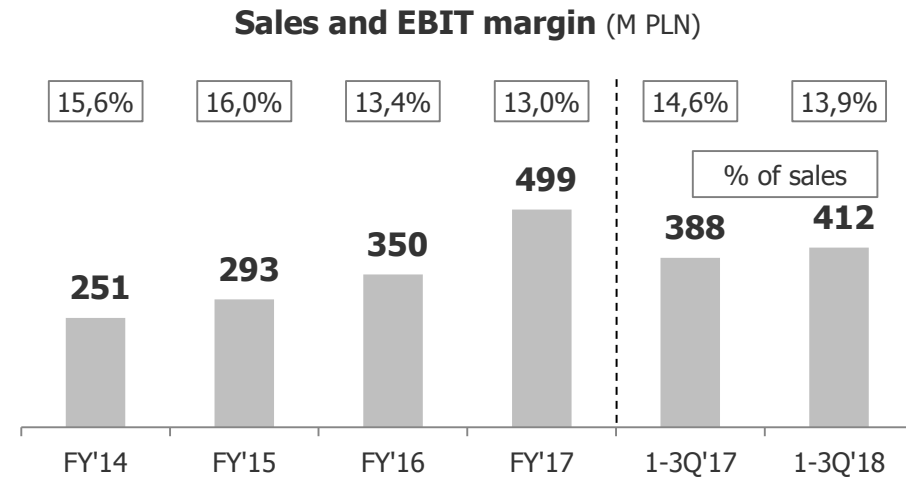
Contract	Signing month	Total value for Bx (bn PLN)	Sales progress
Waste treatment facility for KGHM	05-2018	0,6	
Łagiewnicka route in Kraków	03-2017	0,7	
Completion of reservoir in Racibórz	11-2017	0,7	
Museum of Polish History in Warsaw	05-2018	0,5	
Railway Rokietnica - Wronki	09-2018	0,5	
S61 Wysokie - Raczki	07-2018	0,4	
"Turn-key" CHP plant in Vilnius	09-2016	0,4	
S3 Miękowo - Brzozów (I)	12-2017	0,3	
S19 Podgórze - Kamień	08-2018	0,3	
S6 Luzino - Szemud	06-2018	0,3	
Railway No. 7 Otwock - Lublin (A)	06-2017	0,4	
S61 Stawiski - Szczuczyn	10-2017	0,3	
Turów power plant	07-2014	0,8	
Residential complex Marina 2	06-2017	0,2	
A1 Kamieńsk - Radomsko (part C)	09-2018	0,2	
Railway Trzebinia - Krzeszowice	10-2017	0,3	

2.4.2 Developer segment

Comment

- Developer segment kept gross margin at above 20,0% level
- Number of presales dropped due to no significant expansion of market stock

	1-3Q'18	y-o-y dynamics
Sales	412	6%
Gross margin	87	9%
% sales	21,1%	0,5 pp.
Operating profit	57	1%
% sales	13,9%	-0,6 pp.
Net profit	48	0%
% sales	11,6%	-0,6 pp.

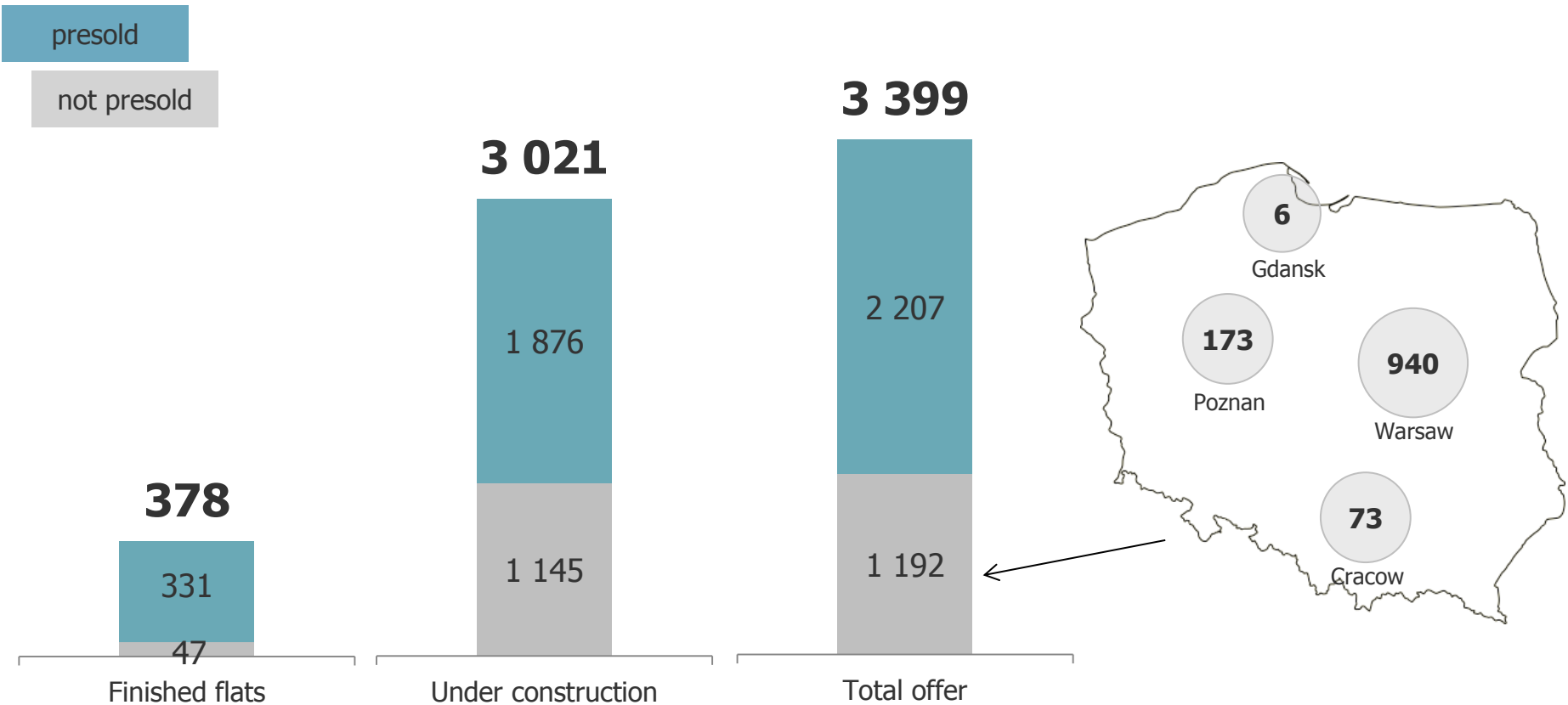


2.4.2 Developer segment

Comment

- Market offer noted slight increase vs. 06'18 due to projects launched in Warsaw
- In 09'18 land bank amounted to 9 616 flats

Market offer as at 09'18 (flats)

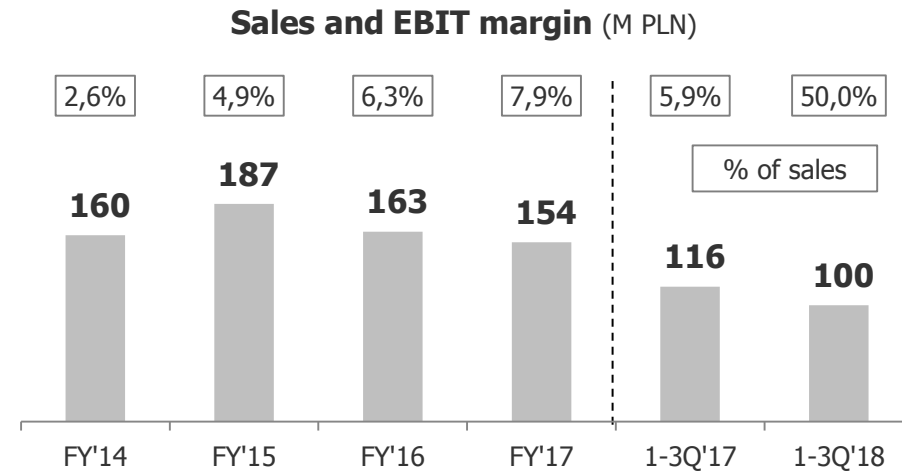


2.4.3 Other activities

Comment

- 3Q'18 results in other activities were improved by one-off (sell of Elektromontaz Poznan and BIG)
- The transaction generated additional 44 M PLN on operating profit level

	1-3Q'18	y-o-y dynamics
Sales	100	-14%
Gross margin	14	-2%
% sales	13,9%	1,6 pp.
Operating profit	50	629%
% sales	50,0%	44,0 pp.
Net profit	36	1077%
% sales	35,9%	33,3 pp.



Group's other activities segment composition

budimex
Parking Wrocław

- construction & administration of underground car park in Wrocław (concession)

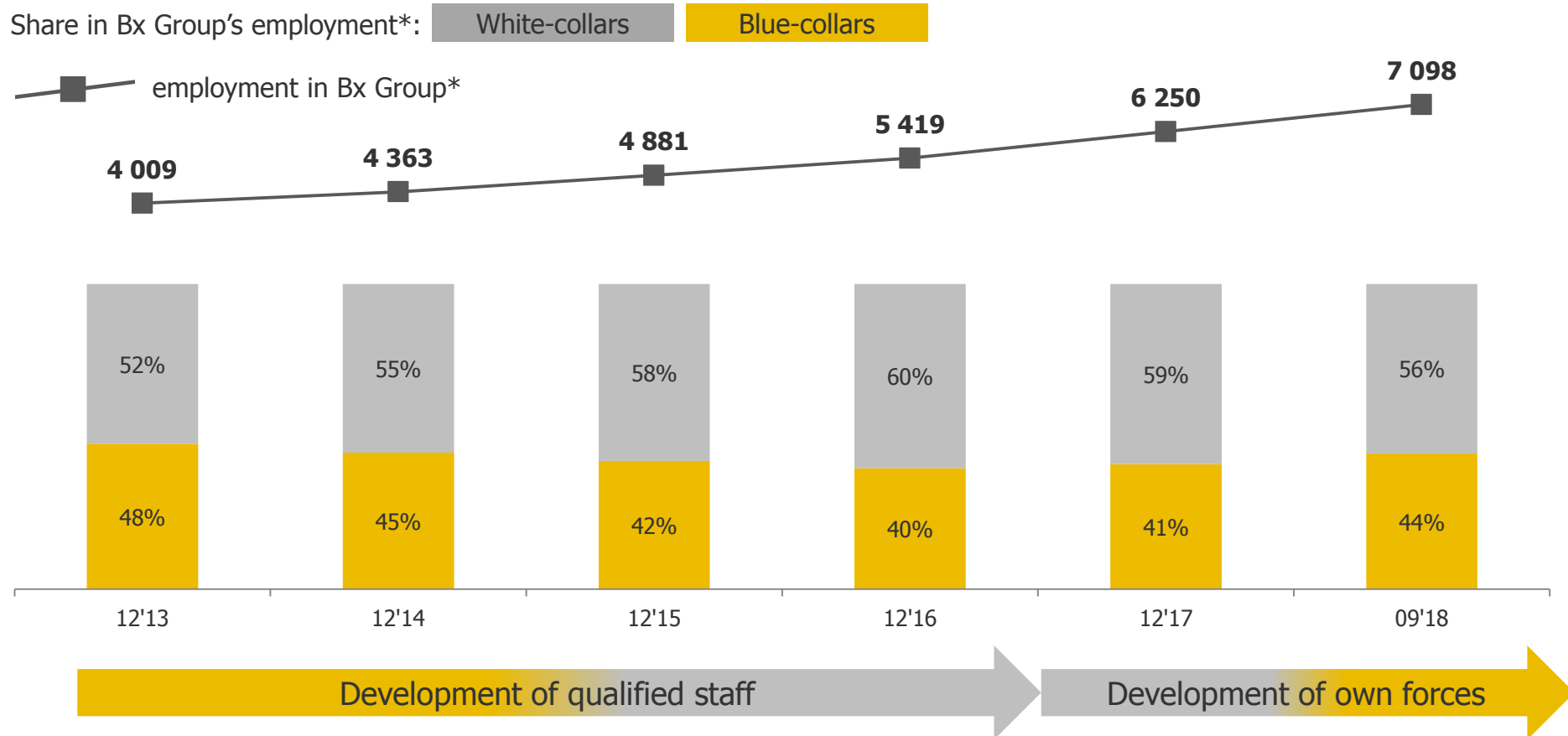
fbserwis

- environmental services
- infrastructure maintenance
- facility management
- energy efficiency services

Comment

- *In 1-3Q'18 Budimex increased employment by 848 people*
- *In response to current market situation Budimex develops own workforce*

Employment in Budimex Group



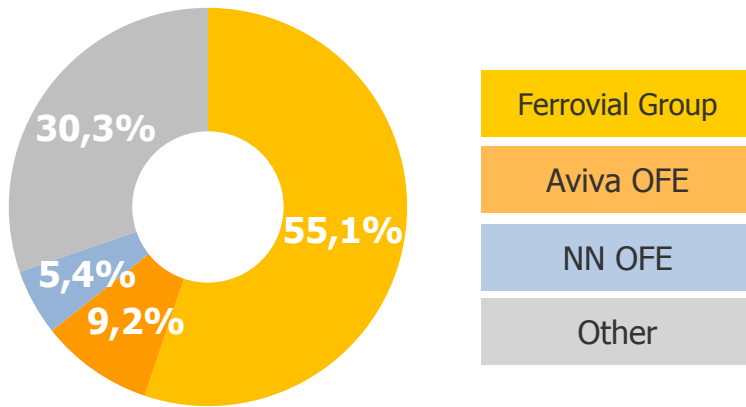
* w/o Fbserwis and Elektromontaz Poznan

3. Budimex S.A. on WSE

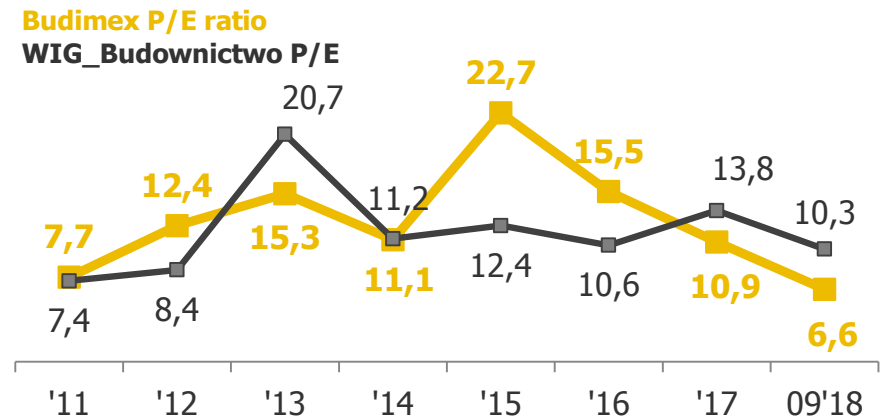
Comment

- Pressure on margin and bad sentiment to construction segment pushed Budimex's market capitalization to the level achieved in '13-'14

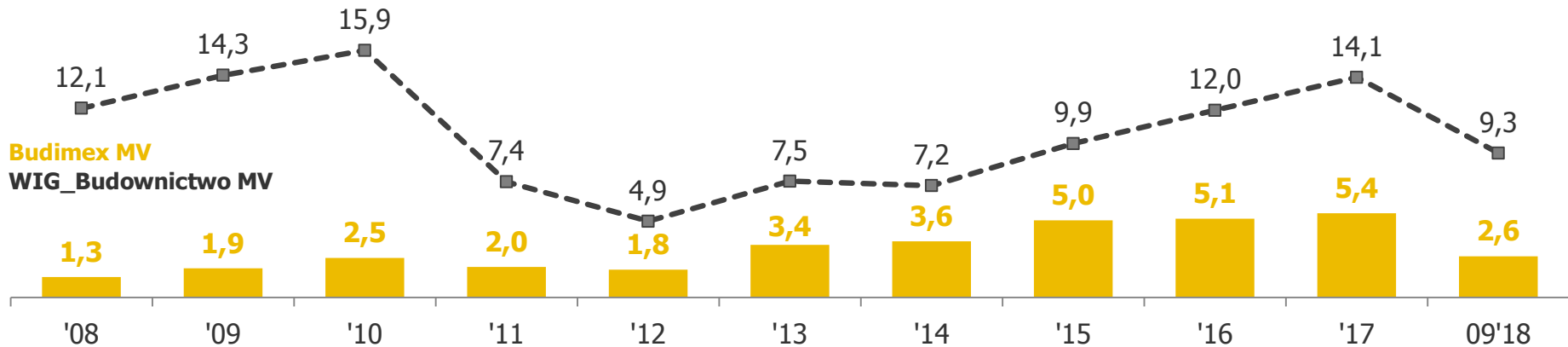
Shareholders structure



P/E ratio

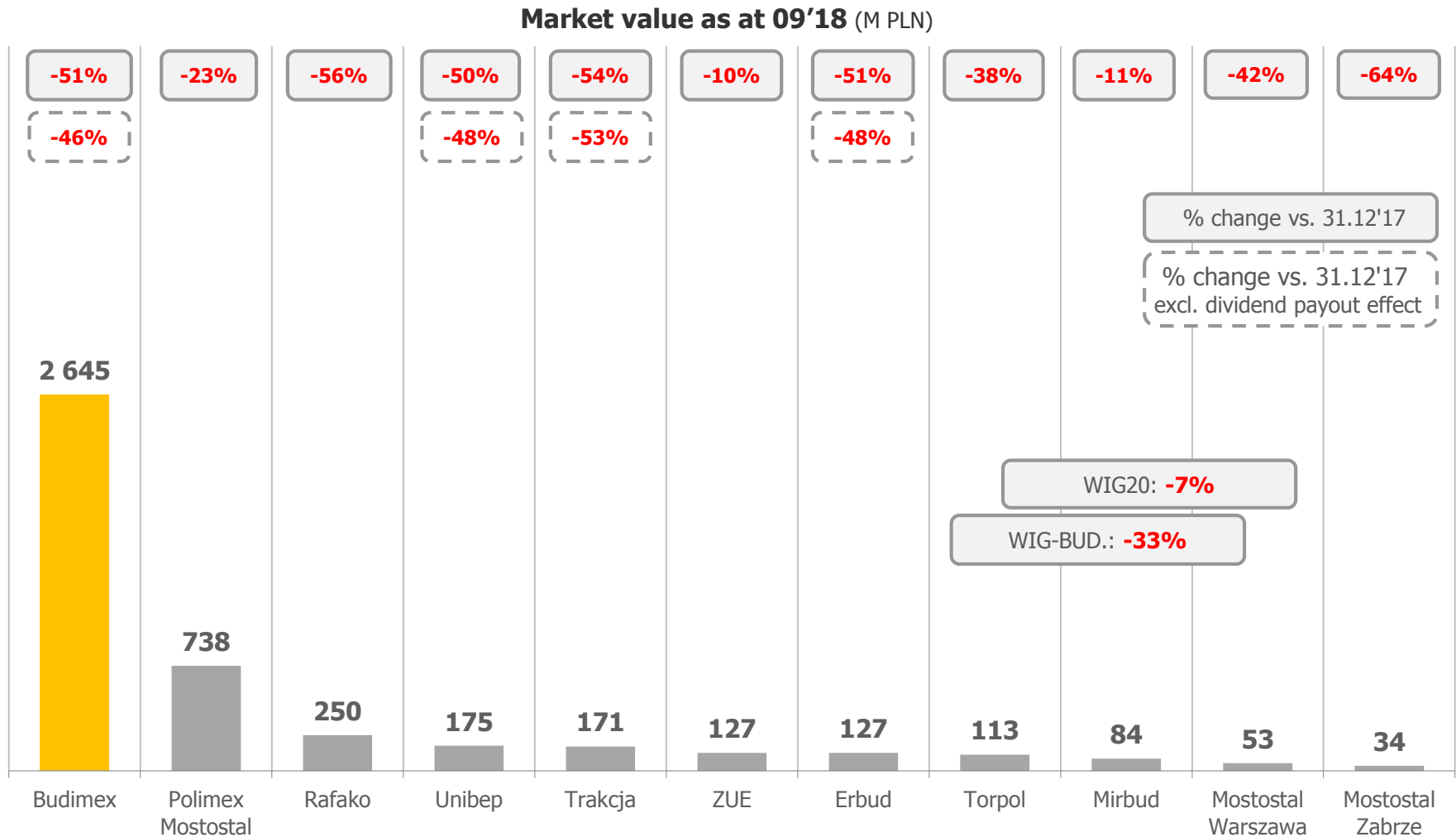


Budimex market value vs. WIG-Budownictwo aggregated market value (bn PLN)



Comment

- Budimex's market cap has recently noted significant decline, but it still stands out from other construction companies



Comment

- For last 10 years company have allocated 100% of net profit to dividend payment

Dividends paid (M PLN)

