



budimex

Investor Presentation
FY'19



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budimex

Market snapshot



1.1 Market environment – top facts

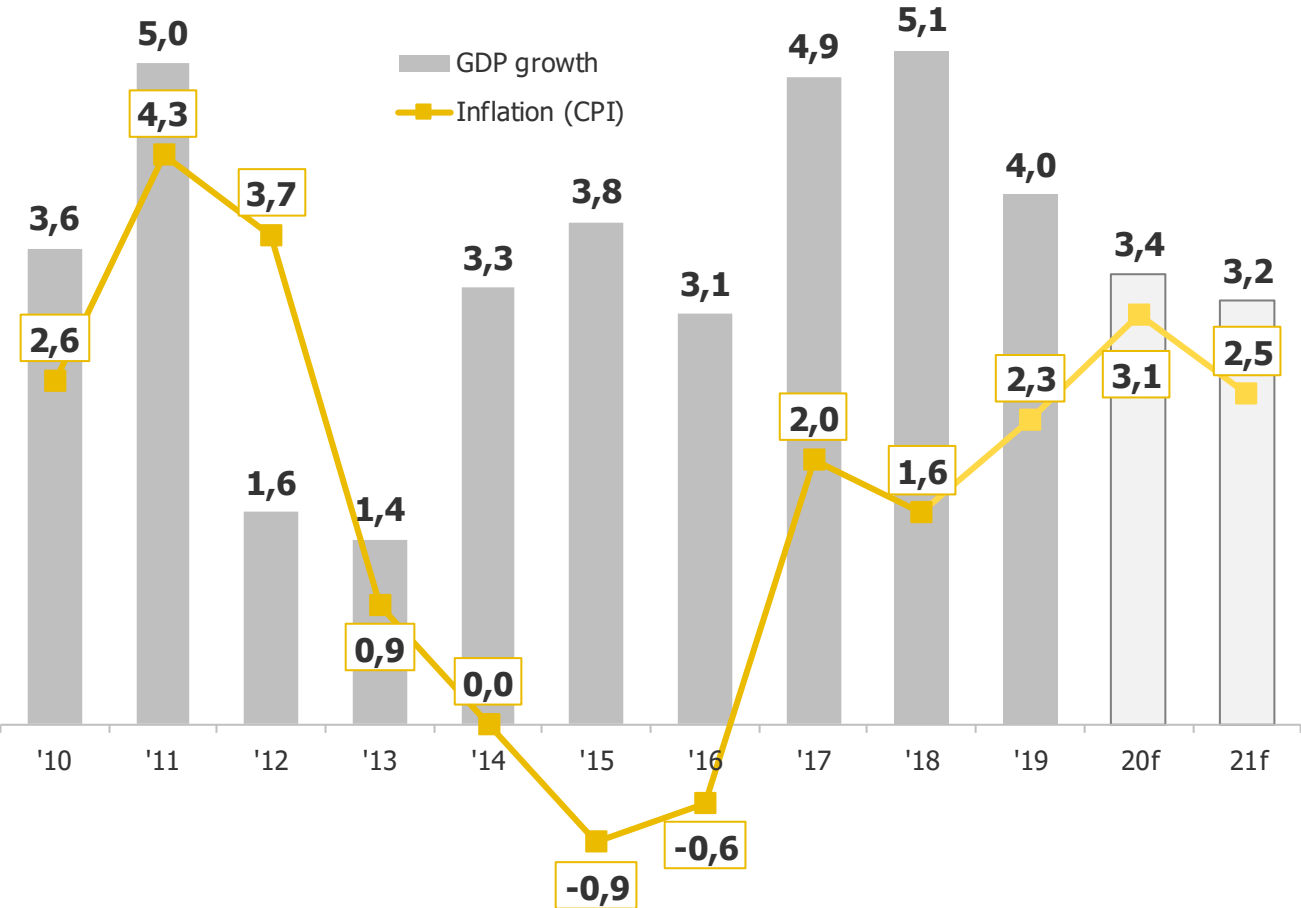
- In 02'20 IPAG* published the revised GDP growth forecast for Poland → '20f: **3,4%**; '21f: **3,2%**
- Average annual inflation rate should soon exceed 3,0% level → '20f: **3,1%** y-o-y
- Sejm approved State Budget Act for '20, which assumes **no budget deficit in '20**
- Construction market in Poland grew at a lower rate than in '18 → FY'19: **+6,0%**
- Main materials prices in '19 grew slower than in '18 (in some cases prices dropped)
- Huge problems of some general contractors forced GDDKiA to terminate several contracts in '19 and launch tenders for works completion,
- Generally, profitability remained under pressure, but some big companies slowly recover their margins
- Increase of budget of two big investment programs executed by GDDKiA and PKP PLK to **142 bn PLN and 76 bn PLN** respectively
- Strong demand on residential developers market, despite significant increase in flats prices observed in recent quarters (+9-10% y-o-y in 6 biggest agglomerations)

1.2 Macroeconomic forecasts for Poland

Comment

- Falling GDP growth is accompanied by rising inflation that will probably reach the peak in 2020

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



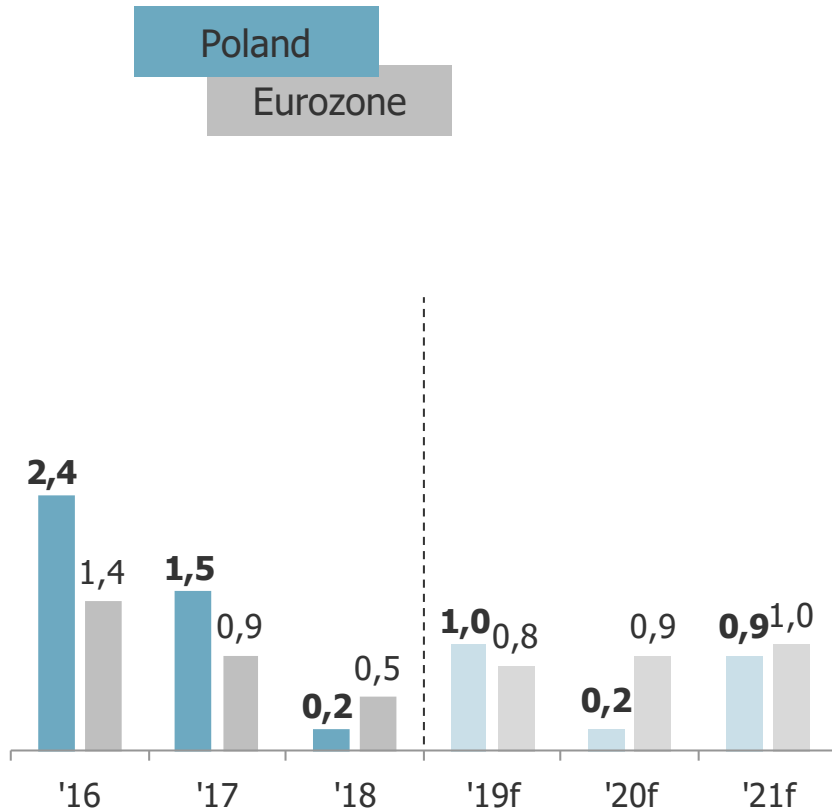
Forecasted decrease of GDP growth mainly due to **insufficient level of investments and external factors**

In '20, inflation rate could exceed **Central Bank's fluctuation band**

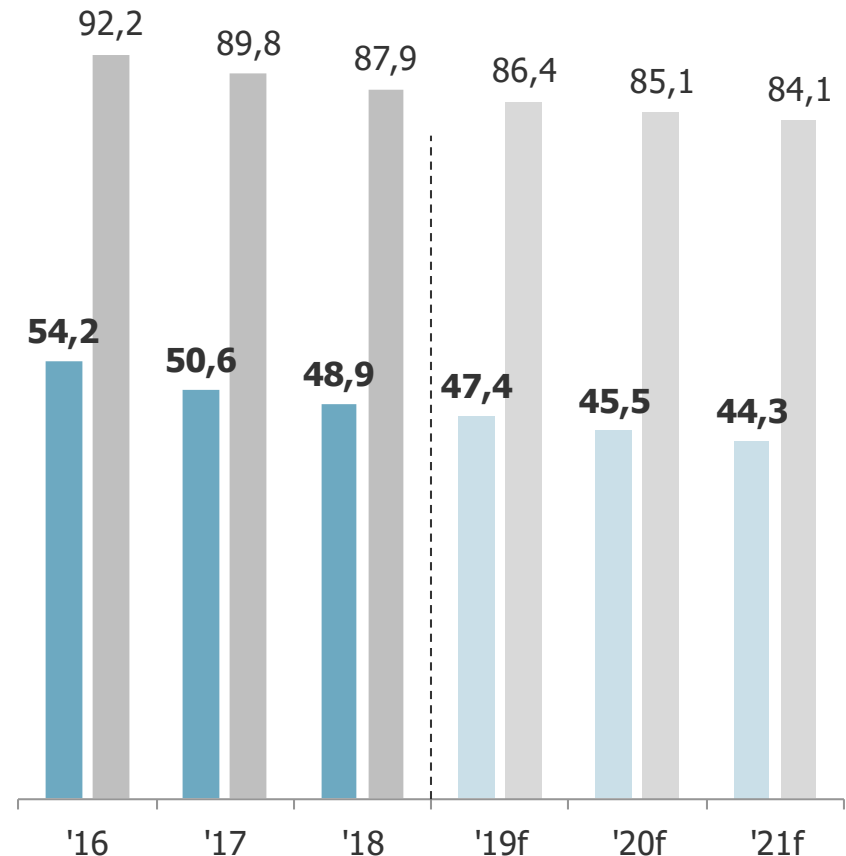
Comment

- Very low budget deficit achieved in '18 vs. '17 (much lower than planned in Budget Act)

General government deficit (% of GDP)



Public debt (% of GDP)

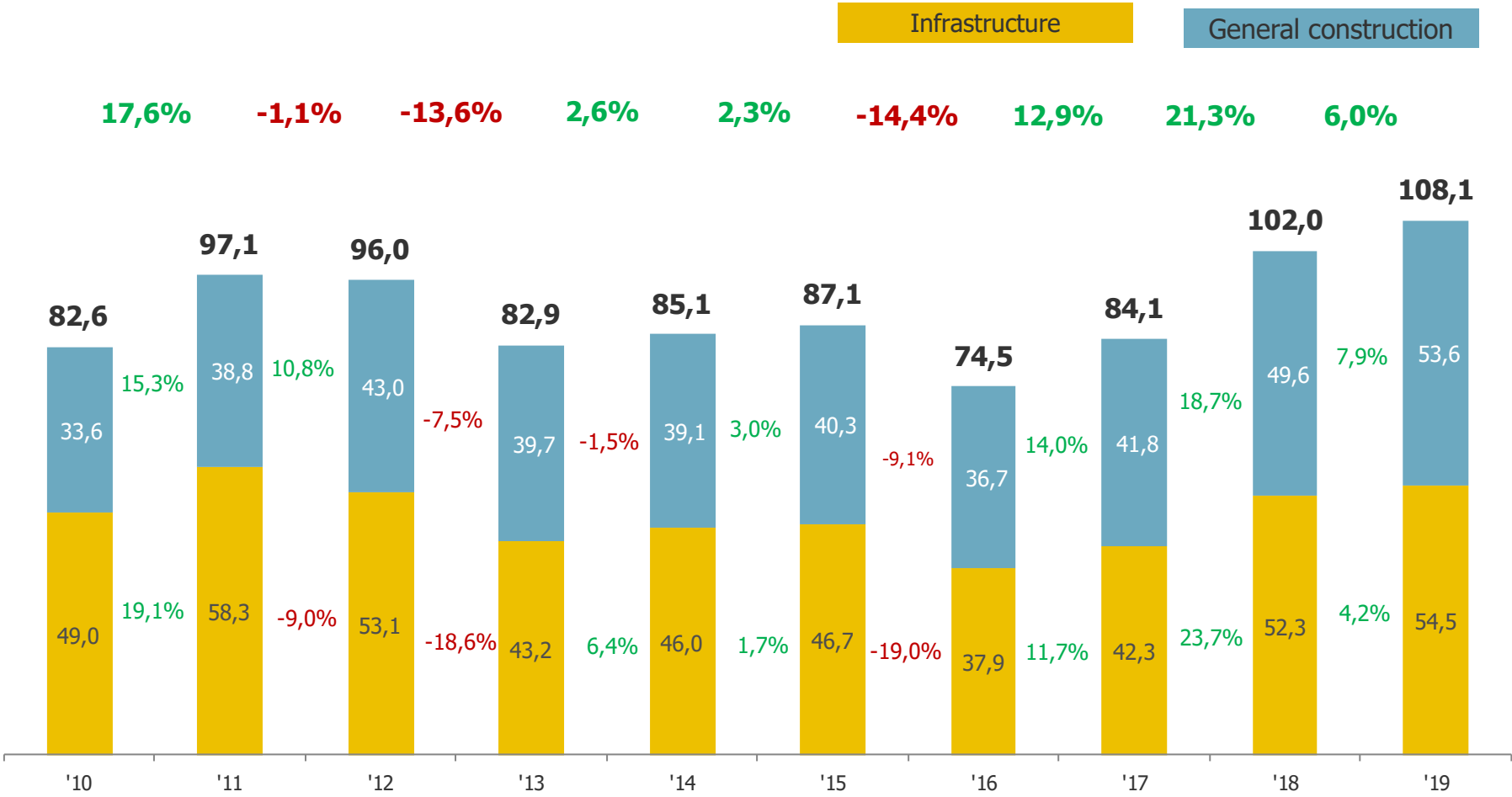


1.3 Construction production by segment

Comment

- Construction production in '19 grew by 6,0% y-o-y (current prices)
- In '20 construction production could increase slightly
- EU funds transitional period could result in fall of production in '22-'23

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

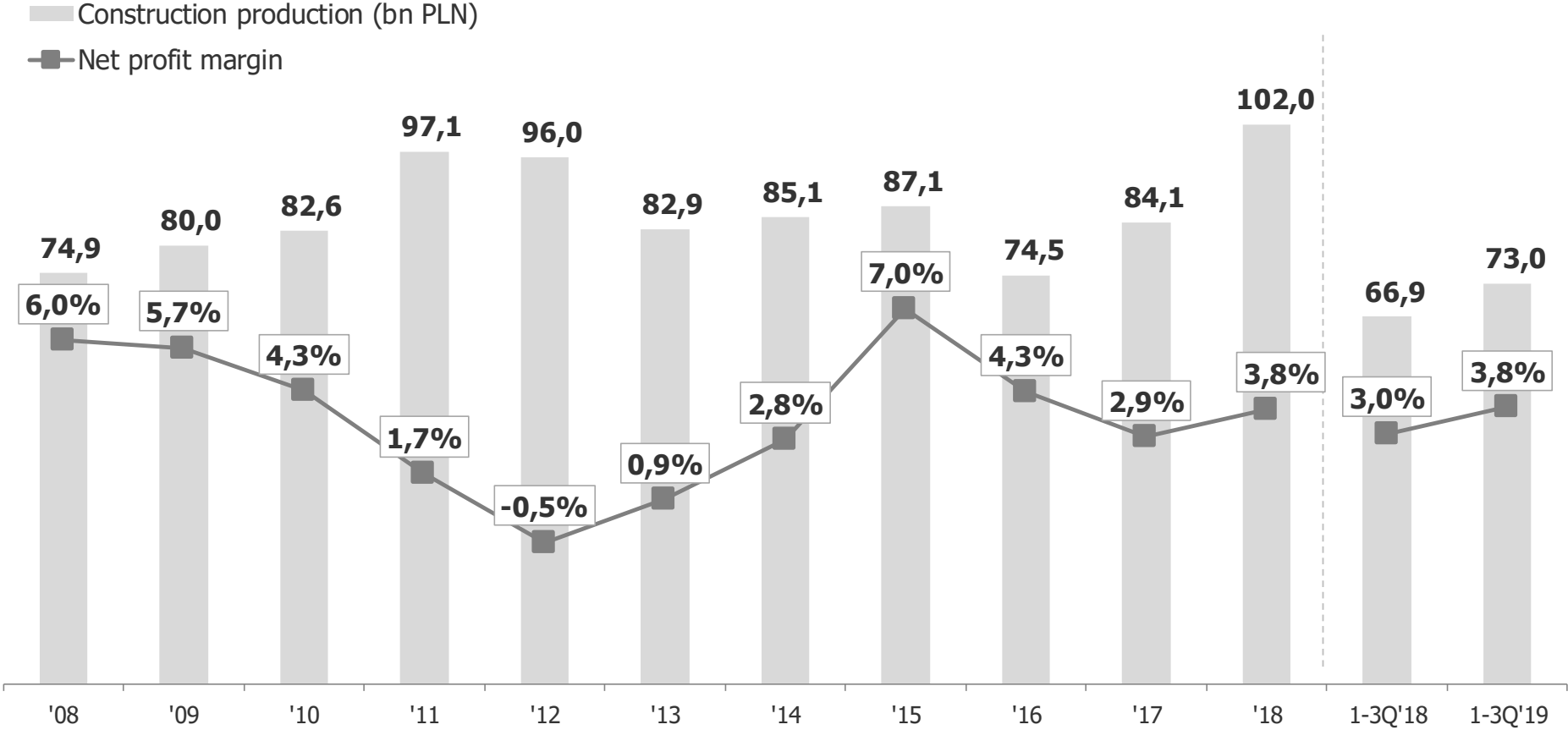


1.3 Production vs.net profit margin in construction

Comment

- High cost inflation combined with no real indexation impacted strongly margins of construction companies, but statistical data show that margins are currently improving

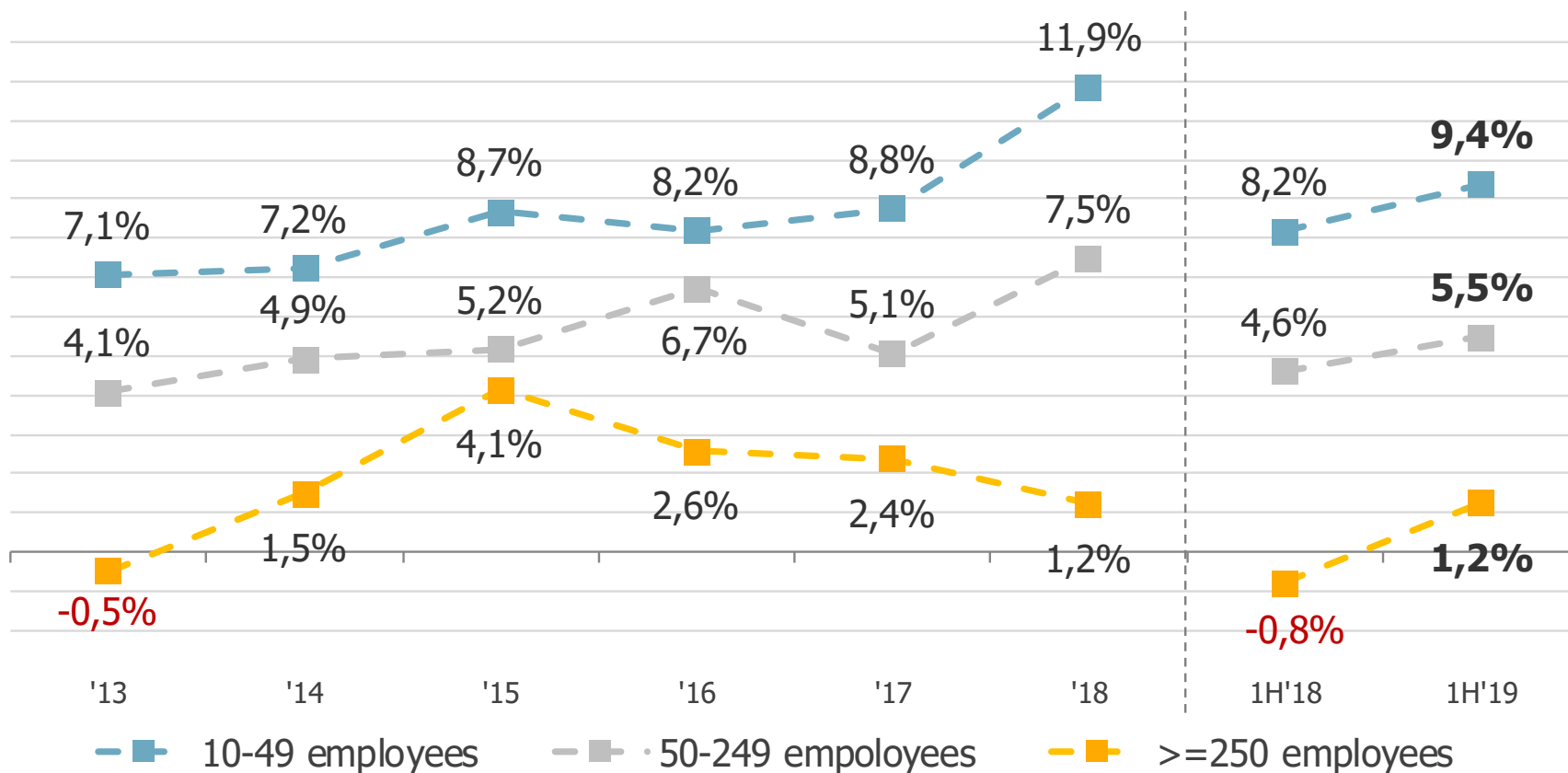
Construction production (companies > 9 employees) vs. net profit margin in construction (companies > 49 employees)



1.3 EBIT margin by size of construction company

Comment

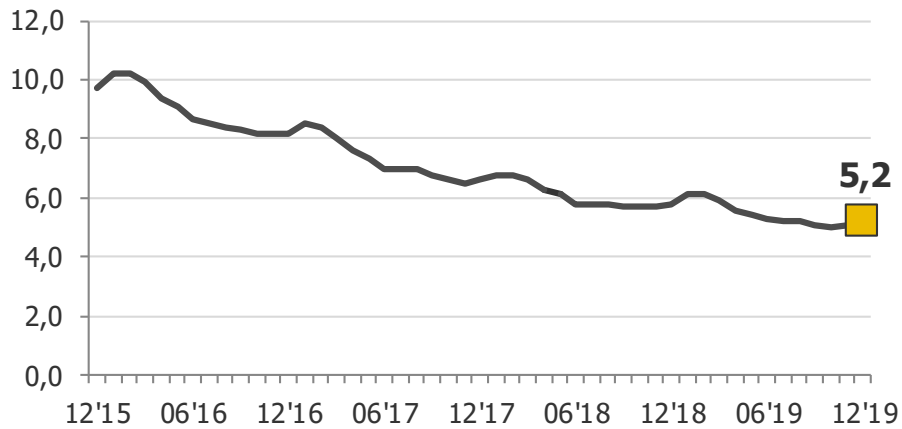
- Small construction companies were able to improve their margin in '18, while profitability of big companies felt to 1,2%
- In 1H'19 profitability of big companies faced a recovery



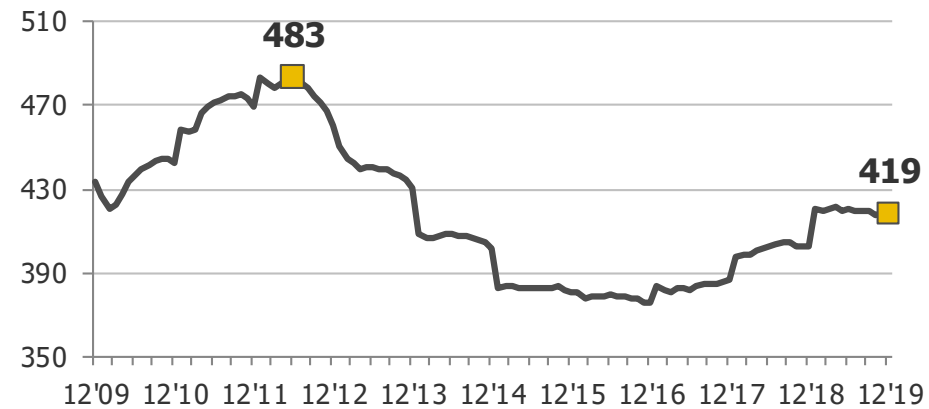
Comment

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

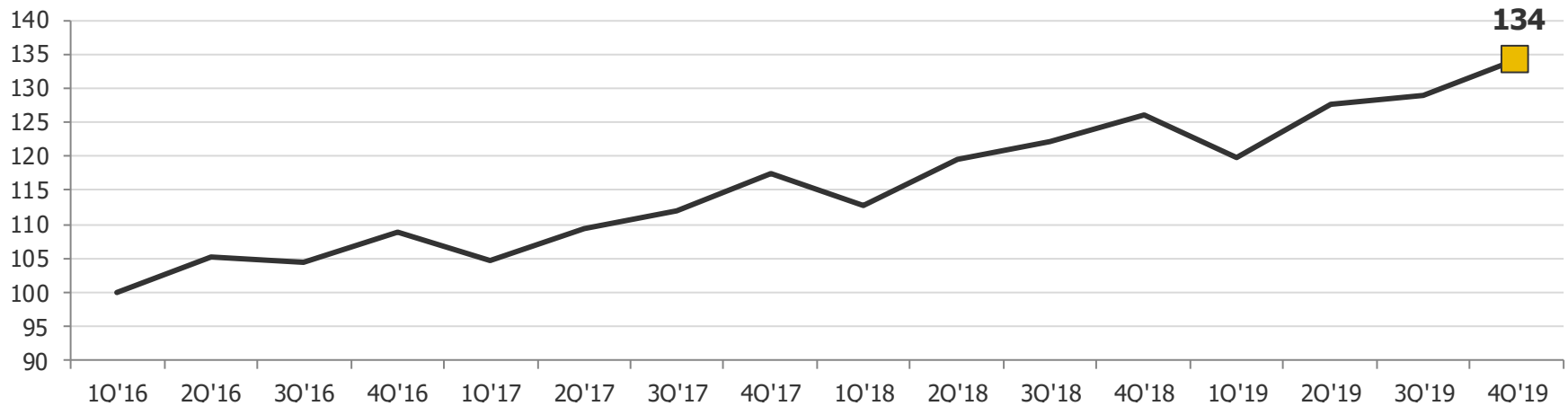
Unemployment rate (%)



Employment in construction (thous. employees)



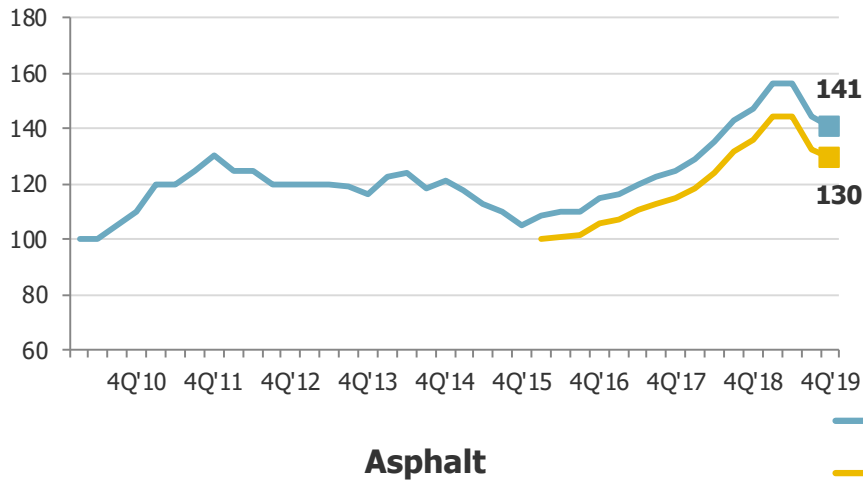
Average wage in construction (1Q'16 = 100)



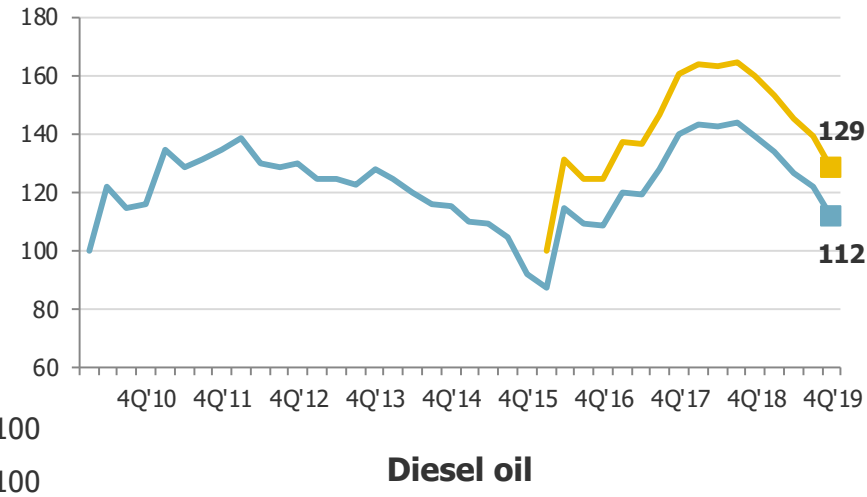
Comment

- Lower dynamics of construction production may normalize the situation on materials market

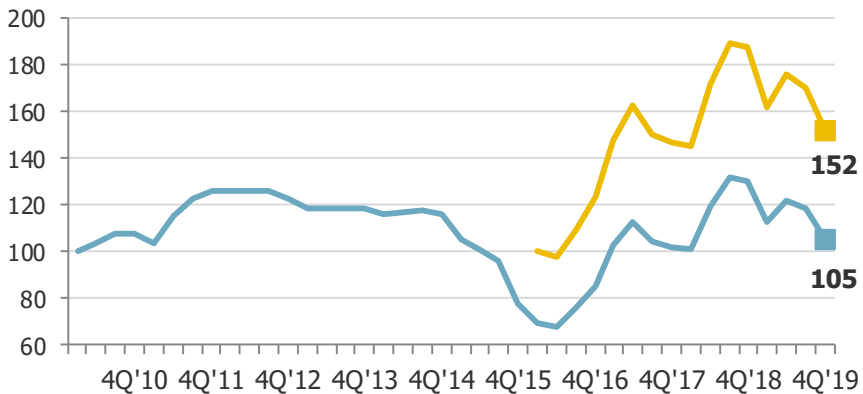
Concrete



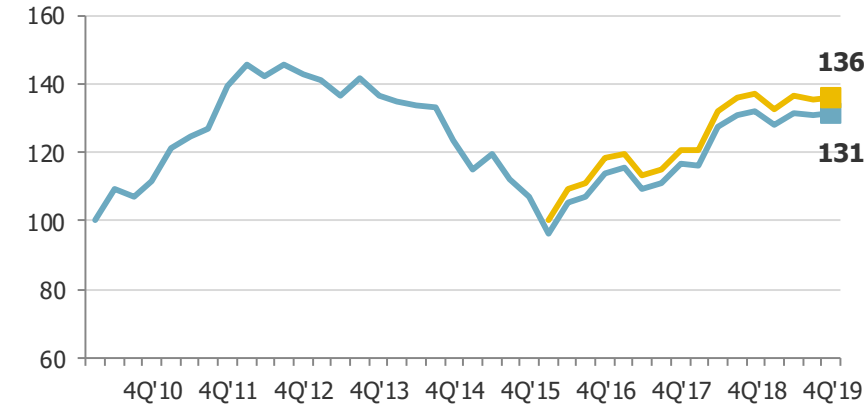
Reinforcement steel



Asphalt



Diesel oil





budimex

Budimex Group

FY'19 results

Lublin
↑ Bobrowniki
Wysokie M

2.1 Budimex Group – top facts in FY'19

- No significant change of sales in FY'19 → FY'19: **7,6 bn PLN** *(+2,5% y-o-y)*
- Decrease of % EBIT in construction segment → FY'19: **2,9%** *(-1,0 p.p. y-o-y)*
- Rising share of railway in construction sales → FY'19: **16,6%** *(+7,6 p.p. y-o-y)*
- Increase of net cash → 12'19: **1,4 bn PLN** *(+0,8 bn PLN vs. 09'19)*
- Higher value of contracts signed → FY'19: **7,5 bn PLN** *(+14,1% y-o-y)*
- Increase of backlog → 12'19: **10,8 bn PLN** *(+0,7 bn PLN vs. 12'18)*
- High improvement of market offer → 12'19: **3 904 flats** *(+547 flats vs. 12'18)*
- Purchase of remaining 51% stake in FBSerwis conducted at the begin of 07'19 (start of full consolidation of FBSerwis Group results in 3Q'19)
- Three significant positive one-off events booked in FY'19 (two on EBIT level and one below); total impact on Group's net profit = **90 M PLN** (1,2% of sales)

Comment

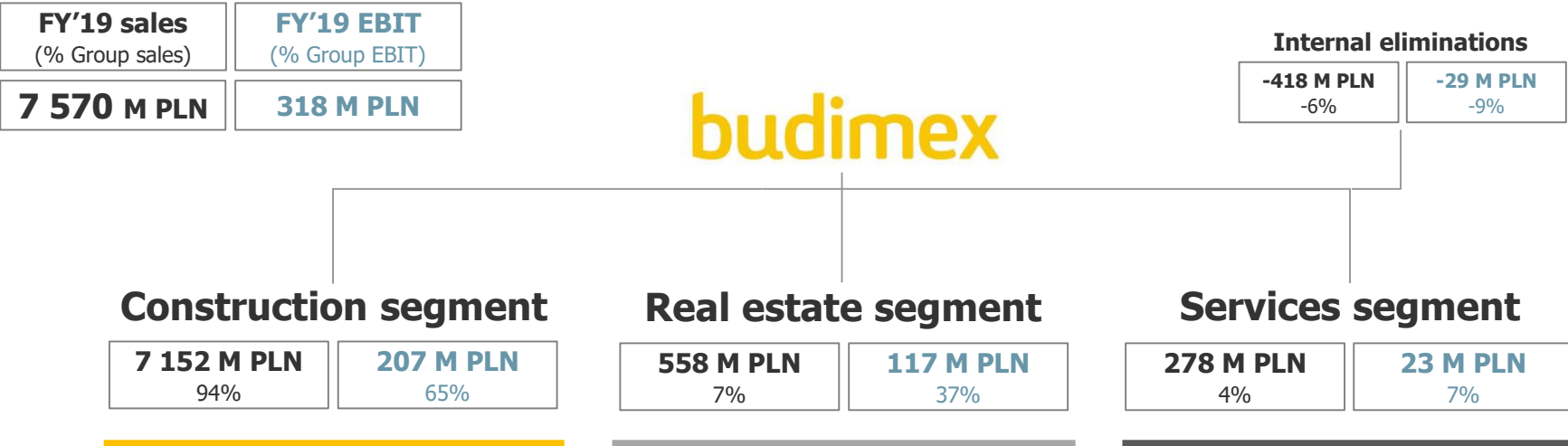
- In '19 Budimex Group achieved similar sales level as in '18
- Three one-off events had an significant impact on the net profit generated in '19

	4Q'19	4Q'18	Δ		FY'19	FY'18
Sales	2 187	1 997	190	↑	7 570	7 387
<i>y-o-y dynamics</i>	<i>9,5%</i>	<i>10,0%</i>	<i>-0,5 pp.</i>	↓	<i>2,5%</i>	<i>16,0%</i>
Gross margin	198	183	14	↑	552	629
<i>% sales</i>	<i>9,0%</i>	<i>9,2%</i>	<i>-0,1 pp.</i>	↓	<i>7,3%</i>	<i>8,5%</i>
SG&A	-79	-73	-6		-229	-260
<i>% sales</i>	<i>3,6%</i>	<i>3,7%</i>	<i>-0,1 pp.</i>		<i>3,0%</i>	<i>3,5%</i>
Other operating	-24	-5	-19		-4	48
EBIT	95	105	-11	↓	318	417
<i>% sales</i>	<i>4,3%</i>	<i>5,3%</i>	<i>-0,9 pp.</i>	↓	<i>4,2%</i>	<i>5,6%</i>
PBT	119	100	20	↑	332	403
<i>% sales</i>	<i>5,4%</i>	<i>5,0%</i>	<i>0,5 pp.</i>	↑	<i>4,4%</i>	<i>5,5%</i>
Net profit	89	75	14	↑	226	305
<i>% sales</i>	<i>4,1%</i>	<i>3,7%</i>	<i>0,3 pp.</i>	↑	<i>3,0%</i>	<i>4,1%</i>

2.2 P&L - results by segment

Comment

- In 07'19 Budimex SA finalized the purchase transaction of 51% stake in FBSerwis and gained a sole control over the company
- FBSerwis financial results are presented in services segment



budimex

budimex
nieruchomości

fbserwis
Share as at 12'19: **100%**

mostostal
kraków

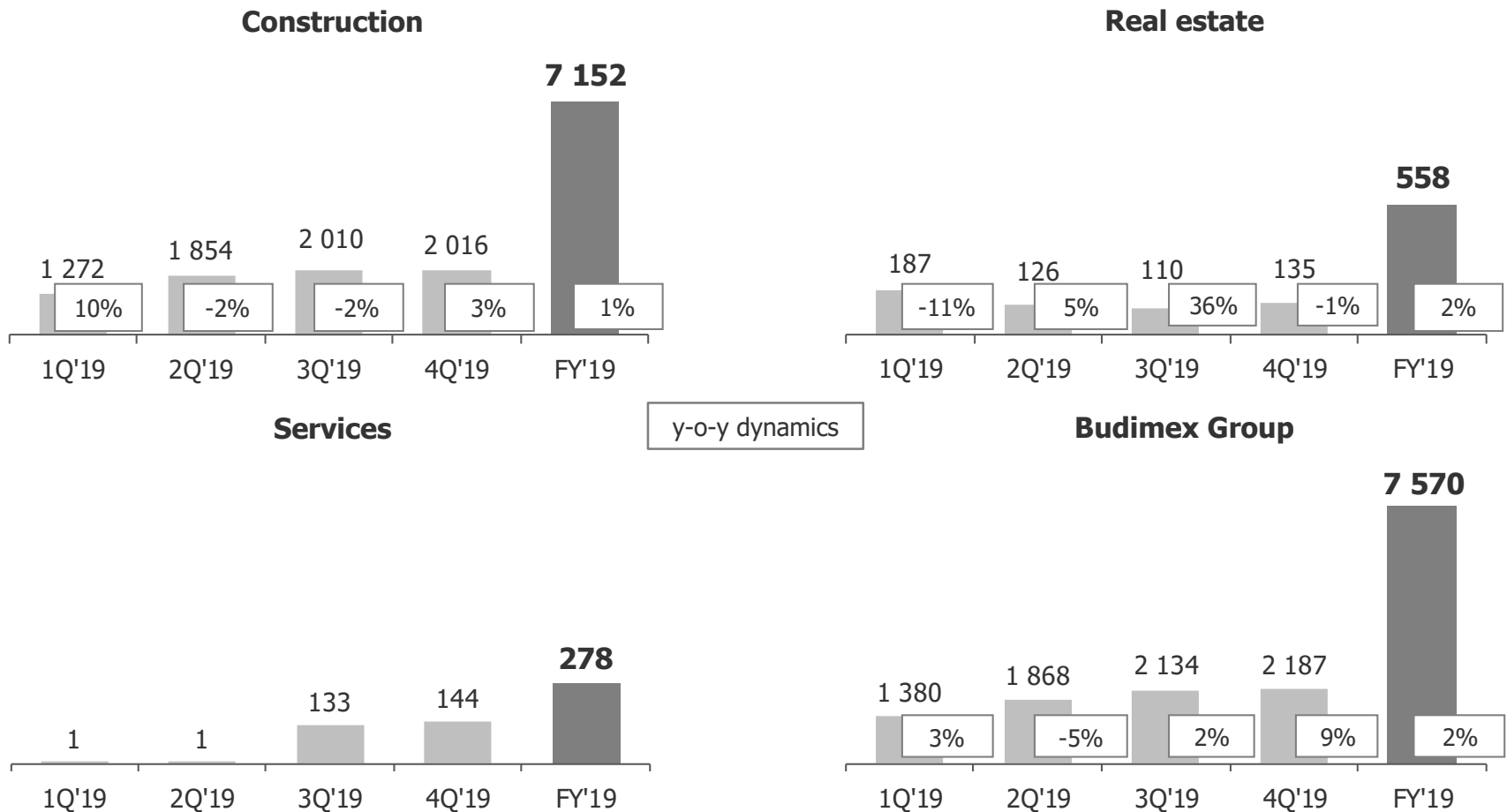
budimex
Parking Wrocław
Share as at 12'19: **51%**

2.2 P&L - results by segment

Comment

- Favorable weather conditions allowed to maintain high sales in the construction segment in 4Q'19
- In 07'19 Budimex began full consolidation of FBSerwis results

Quarterly sales in Budimex Group (M PLN)



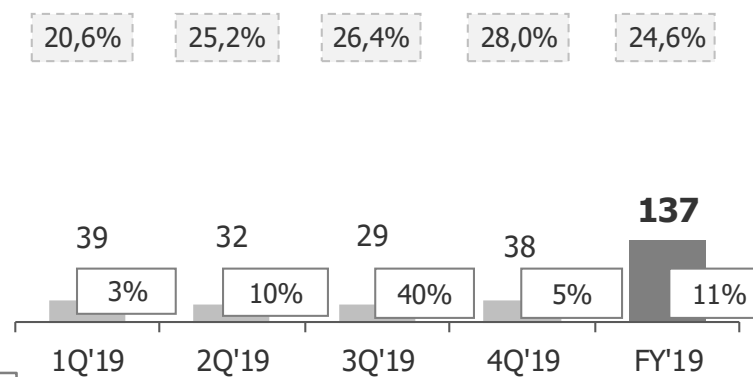
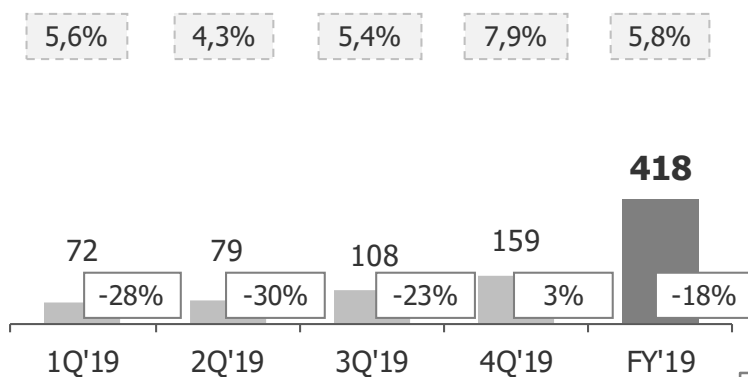
Comment

- *New contracts that have been signed over last quarters improved the profitability of backlog and contributed to the decent margin in 4Q'19*

Quarterly gross margin in Budimex Group (M PLN)

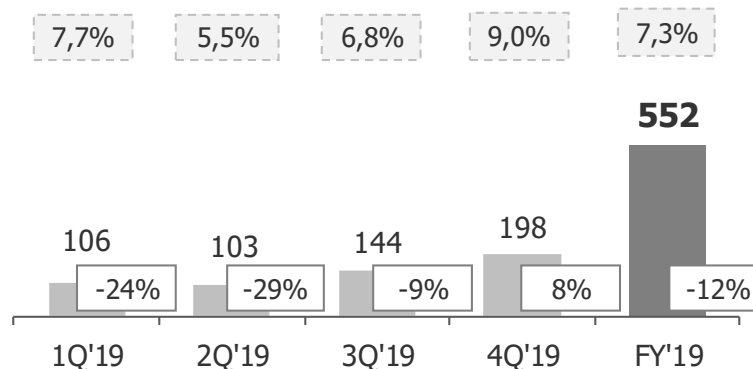
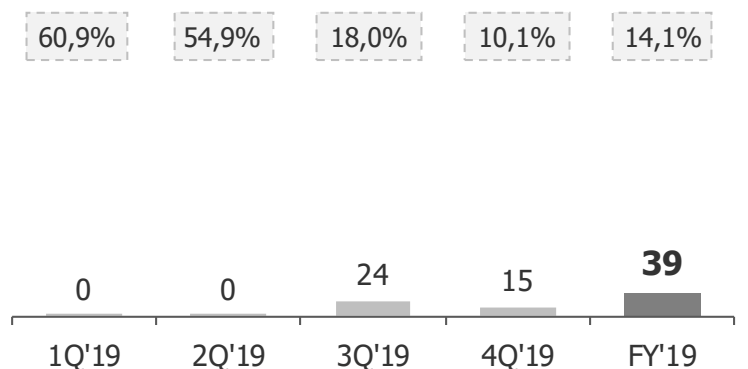
Construction

Real estate



Services

Budimex Group

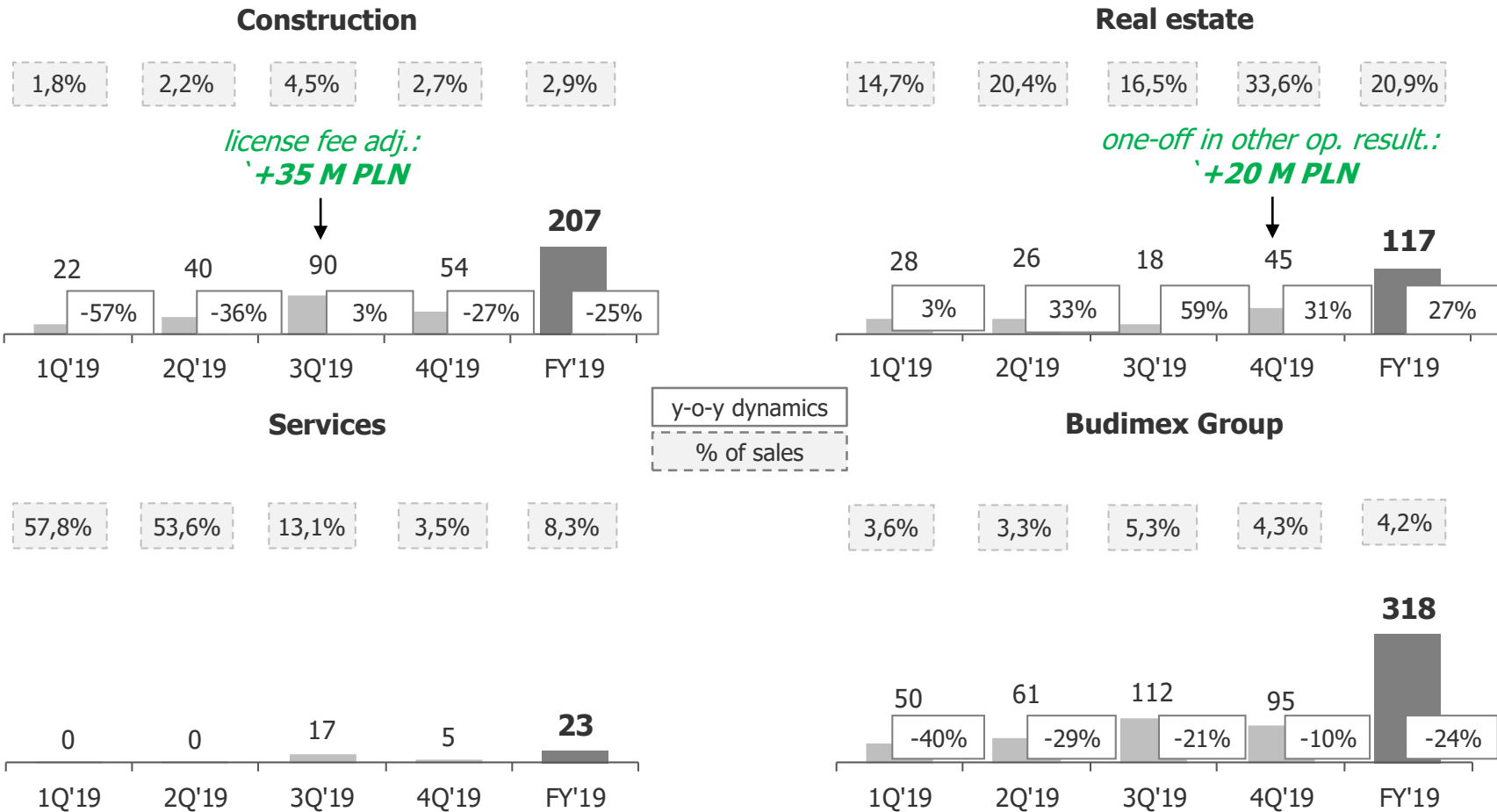


2.2 P&L - results by segment

Comment

- Two one-off events booked in 3Q'19 and 4Q'19 improved Group's EBIT by 55 M PLN
- Seasonal q-o-q deterioration of EBIT margin in services segment

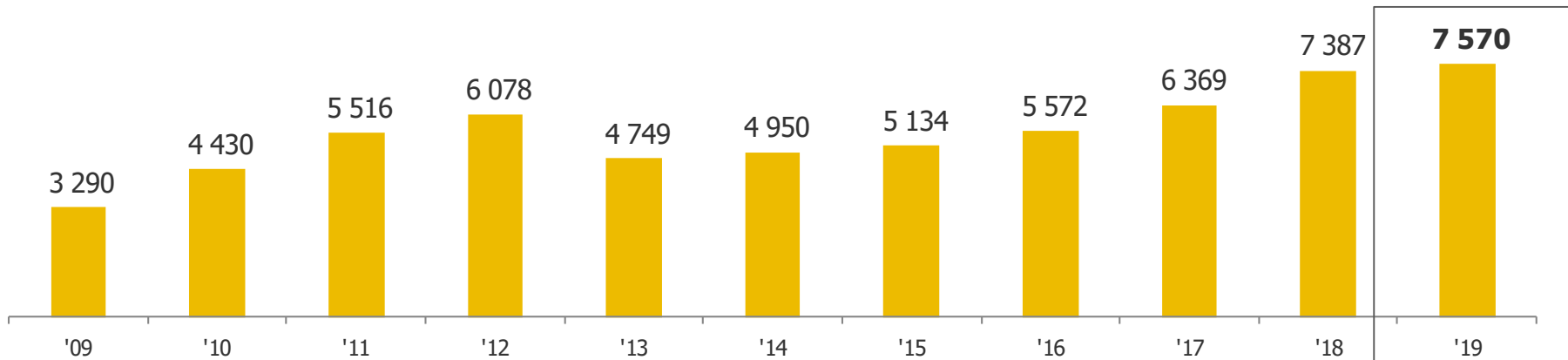
Quarterly EBIT in Budimex Group (M PLN)



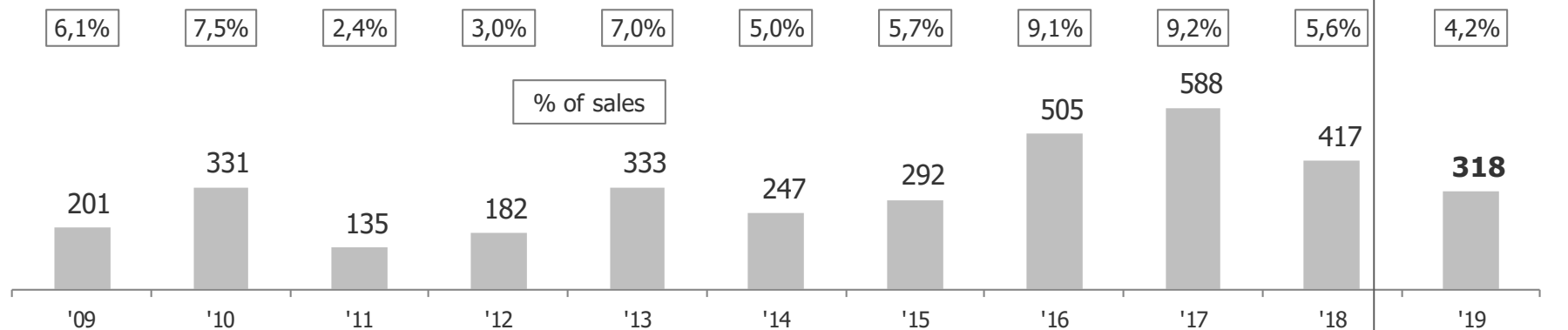
Comment

- *In FY'19 Budimex Group achieved record sales at the level of 7,6 bn PLN*
- *Due to deterioration of profitability in construction segment, Group's EBIT margin was under pressure*

Sales in Budimex Group (M PLN)



EBIT in Budimex Group (M PLN)

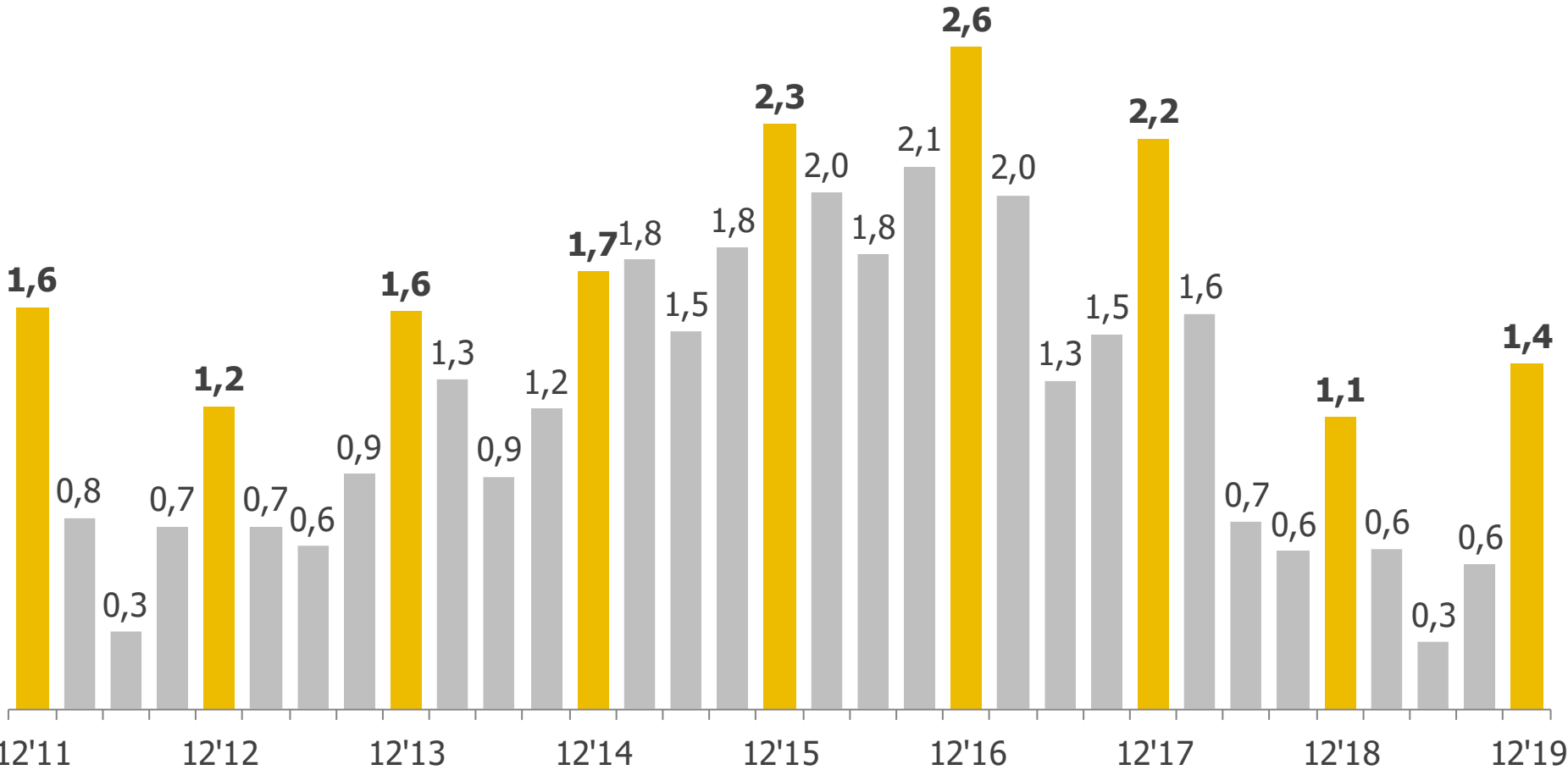


2.3 Evolution of Net Treasury Position

Comment

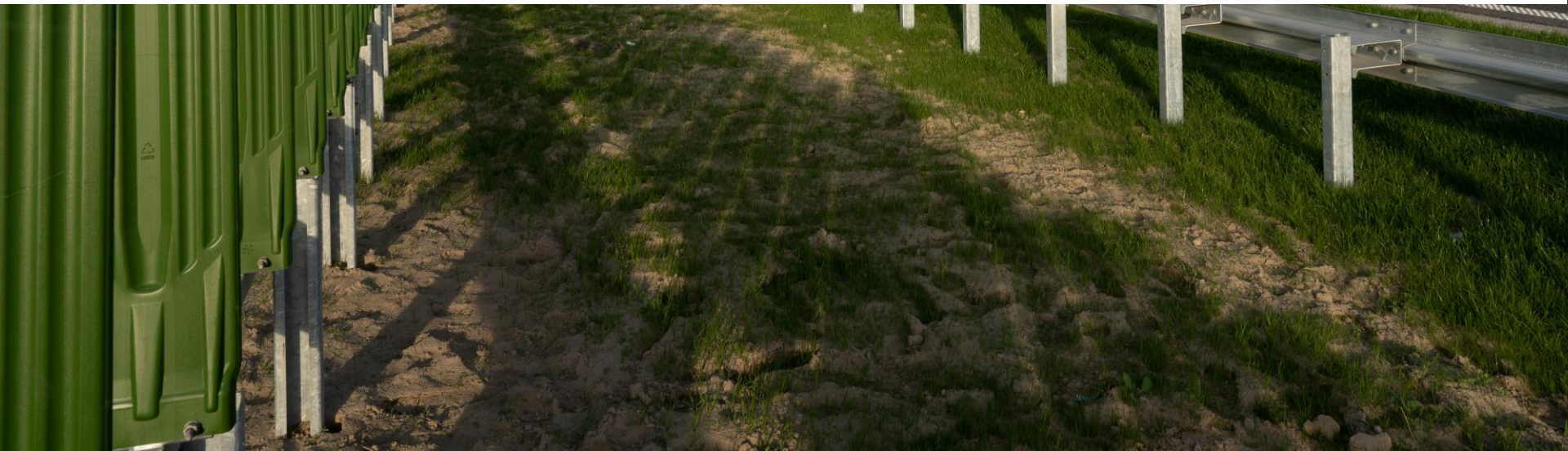
- Seasonal increase of net cash in 4Q'19
- Despite acquisition of 51% stake in FBSerwis and dividend payment, net cash increased vs. 12'18
- Positive impact of advances on cash balance in '19

Net Treasury Position in Budimex Group (M PLN)





Construction segment – FY'19 results

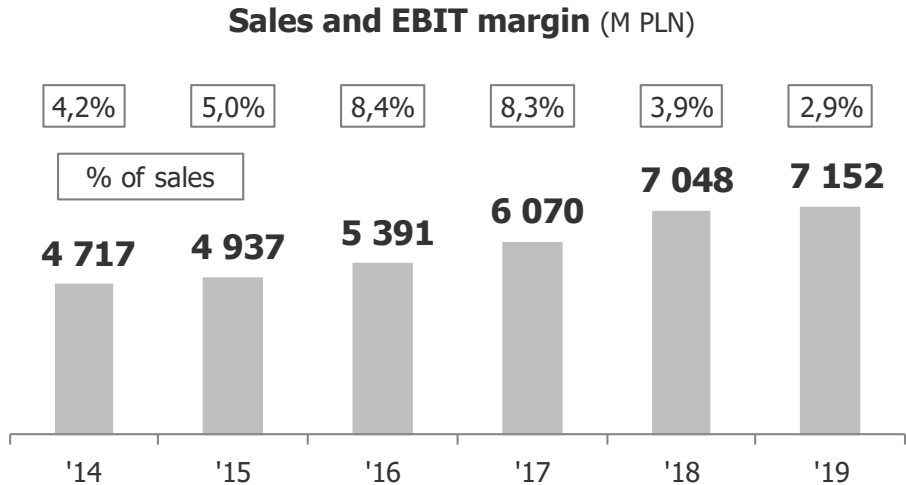


2.4.1 Construction segment

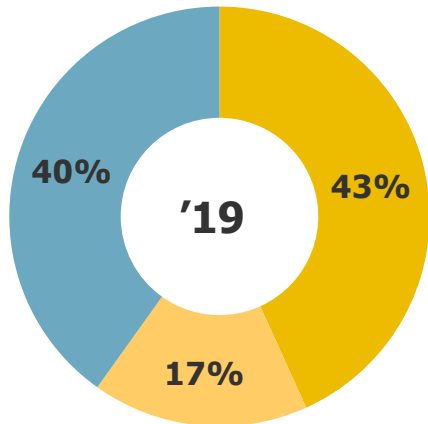
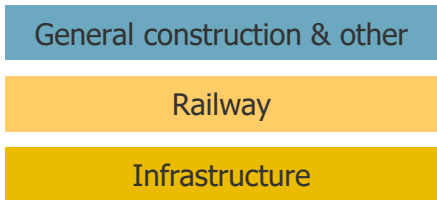
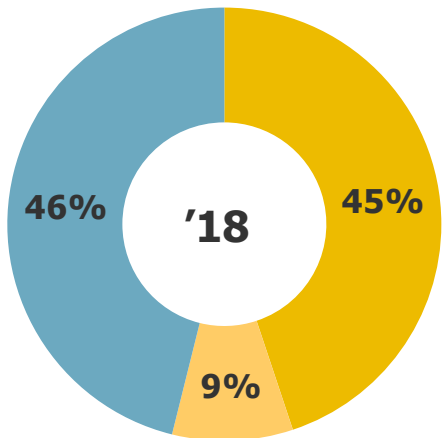
Comment

- *Deterioration of EBIT margin in FY'19*
- *The share of sales generated in railway segment increased due to further execution of record railway backlog*

	FY'19	y-o-y dynamics
Sales	7 152	1%
Gross margin	418	-18%
% sales	5,8%	-1,4 pp.
EBIT	207	-25%
% sales	2,9%	-1,0 pp.
Net profit	107	-46%
% sales	1,5%	-1,3 pp.



Sales structure

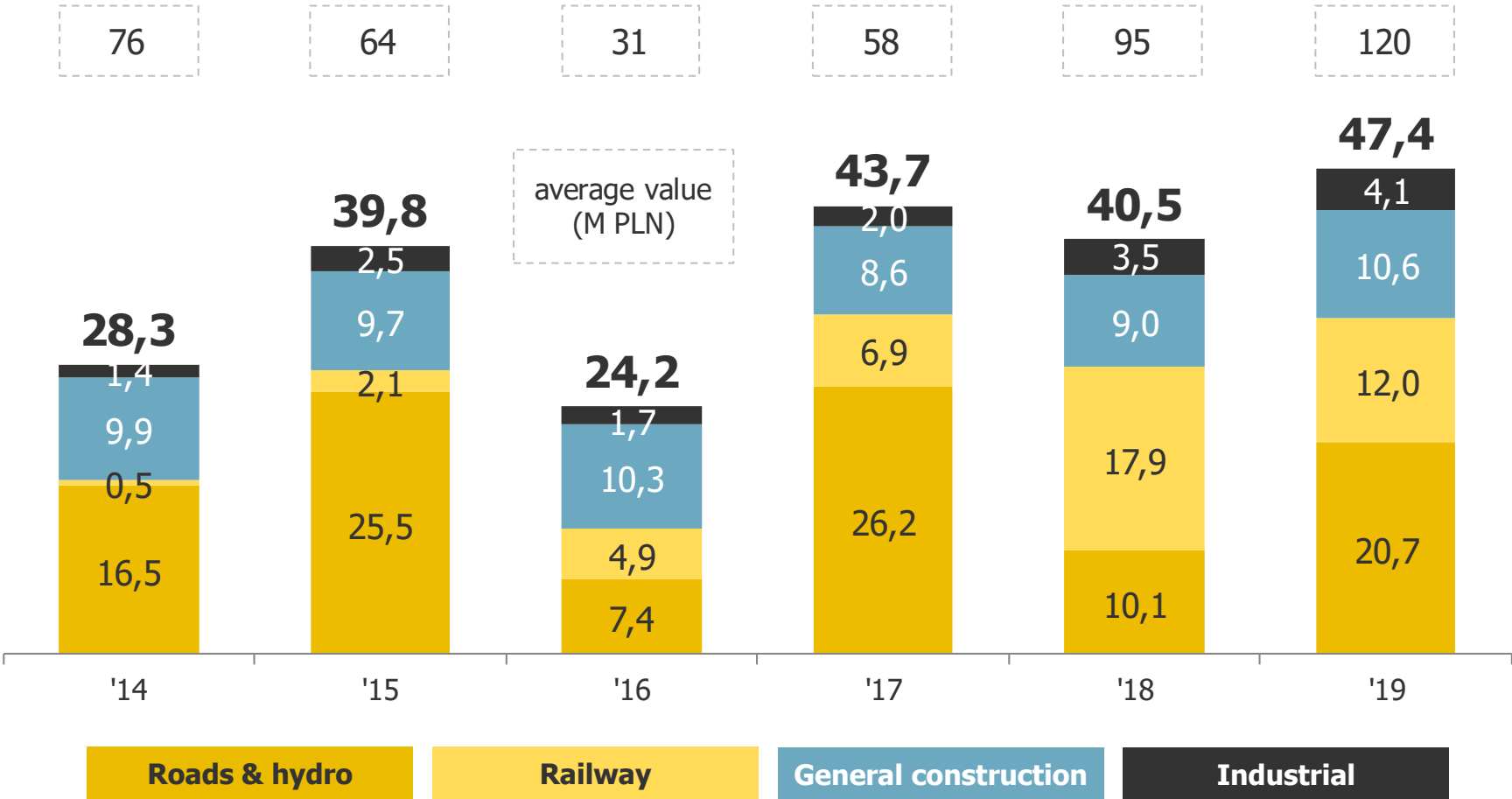


2.4.1 Construction segment

Comment

- Record value of offers placed reached in '19
- Increase of activity on GDDKiA's market in '19 due to i.a. several second-hand projects launched

Offers placed in Budimex Group (bn PLN)

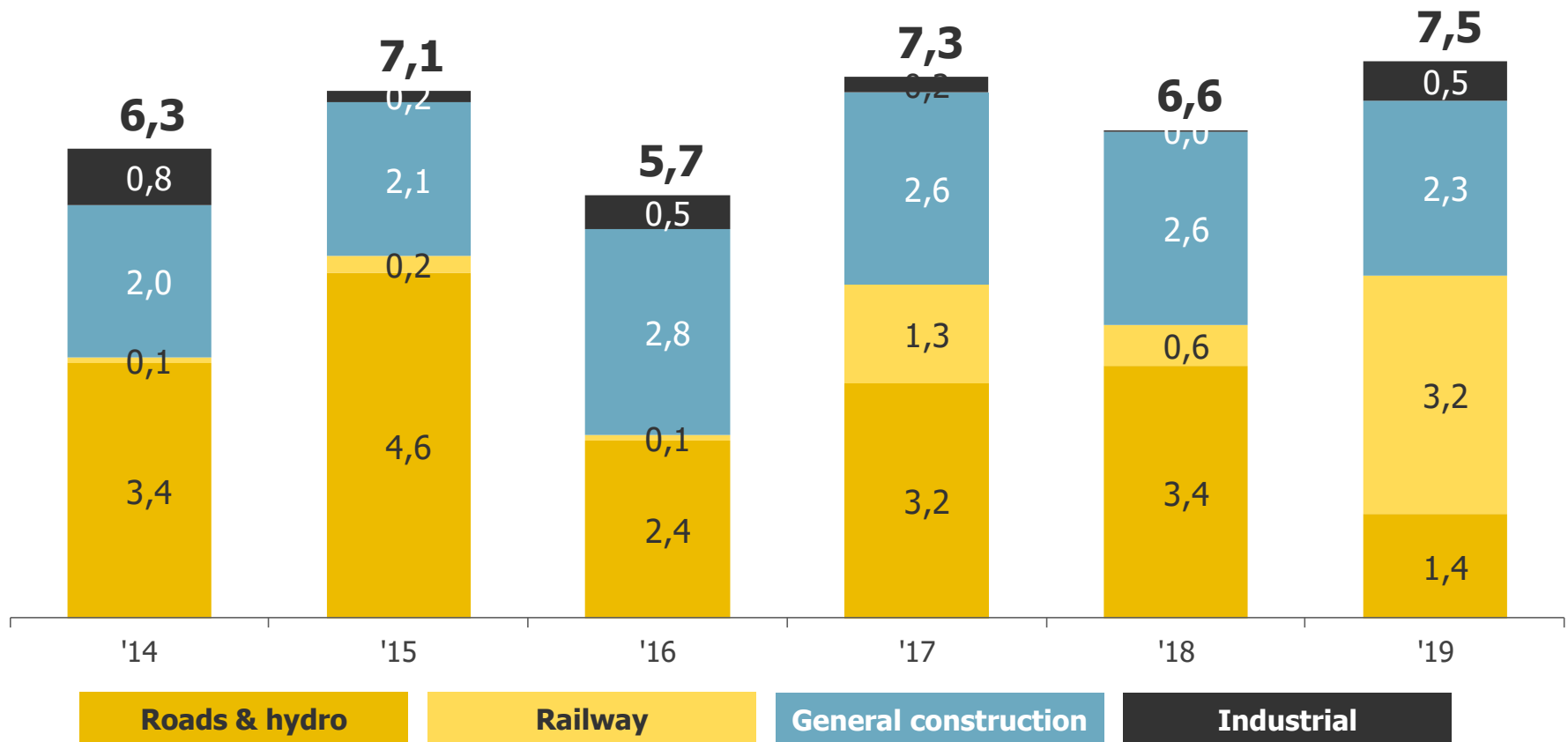


2.4.1 Construction segment

Comment

- Record high value of contracts signed in railway, mainly due to winning two big projects: railway No. 139: Most Wisła – Zabrze & railway in Gdynia seaport
- Value of contracts signed in road segment shrank, but few GDDKiA projects are waiting to be signed in 1H'20

Contracts signed in Budimex Group (bn PLN)

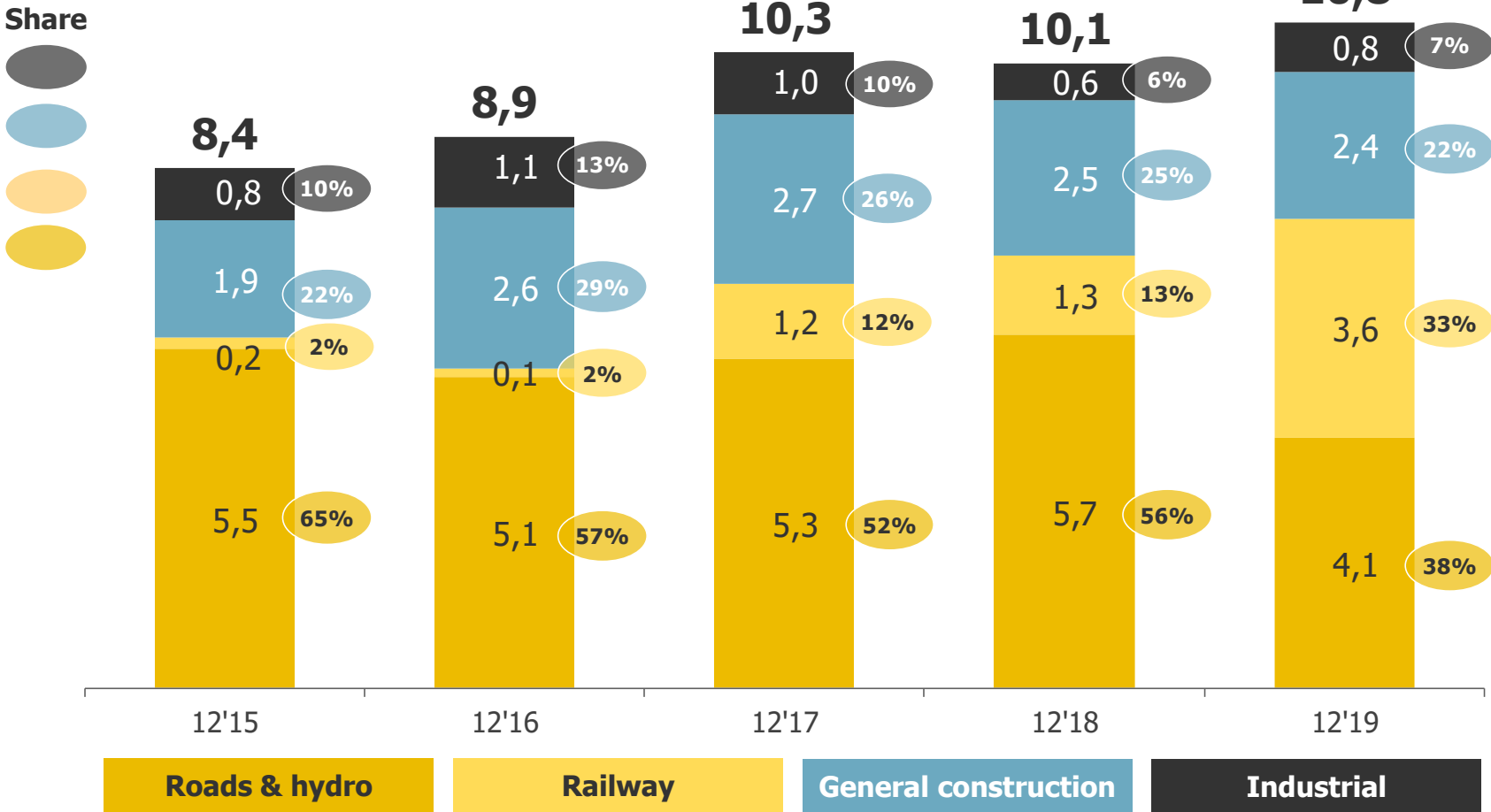


2.4.1 Construction segment

Comment

- Backlog structure has changed significantly during recent quarters in favor of railway
- High focus on improving backlog's profitability

Backlog in Budimex Group (bn PLN)





Real estate segment – FY'19 results

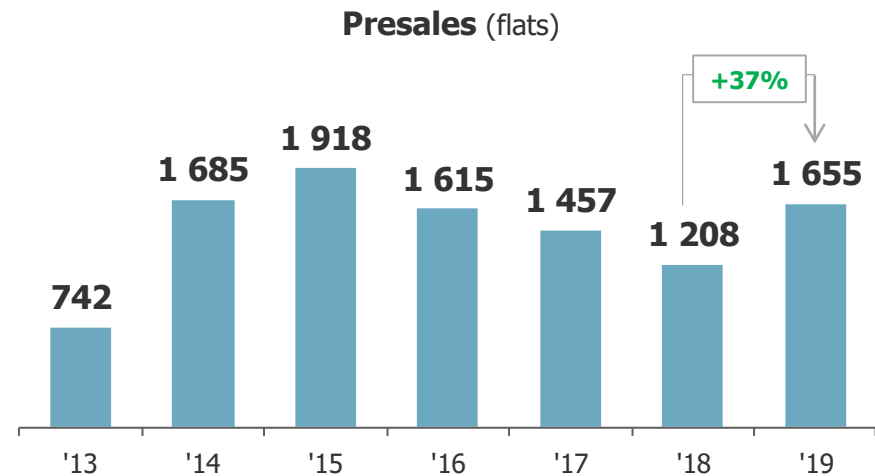
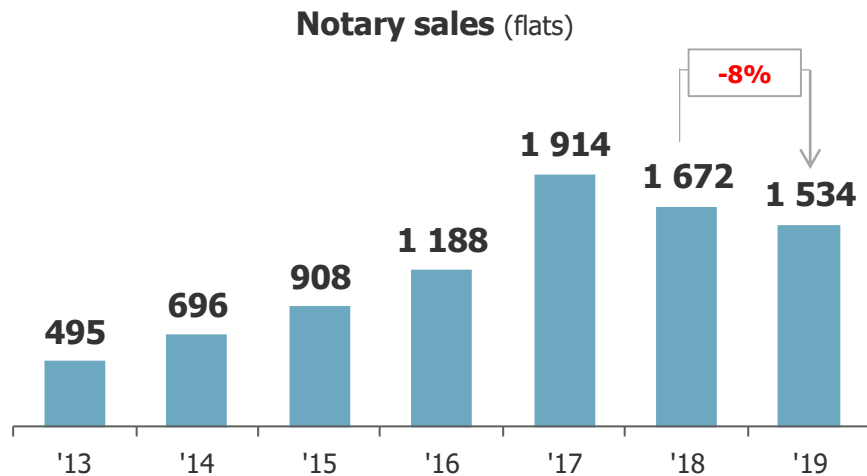
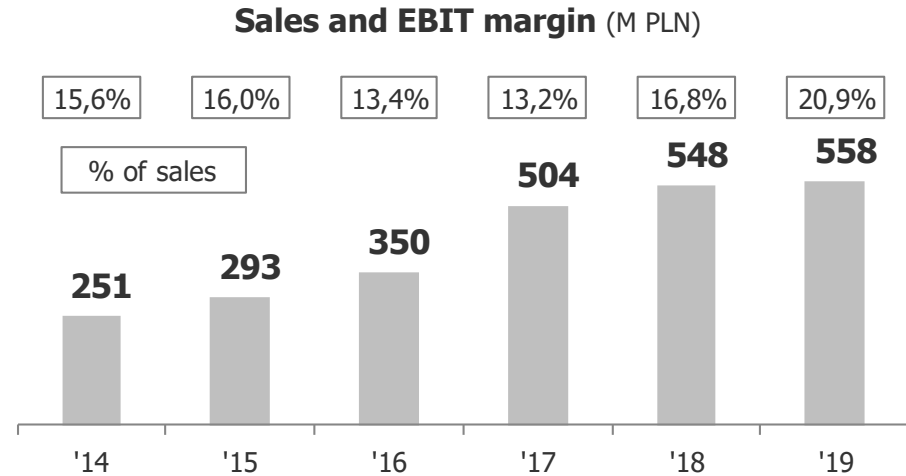


2.4.2 Real estate segment

Comment

- Real estate segment improved gross margin by 2,1 p.p.
- Presales level was increased, mainly due to high sale of flats in Warsaw (+391 flats y-o-y) and launching new projects in Gdańsk and Wrocław

	FY'19	y-o-y dynamics
Sales	558	2%
Gross margin	137	11%
% sales	24,6%	2,1 pp.
EBIT	117	27%
% sales	20,9%	4,1 pp.
Net profit	97	27%
% sales	17,4%	3,5 pp.

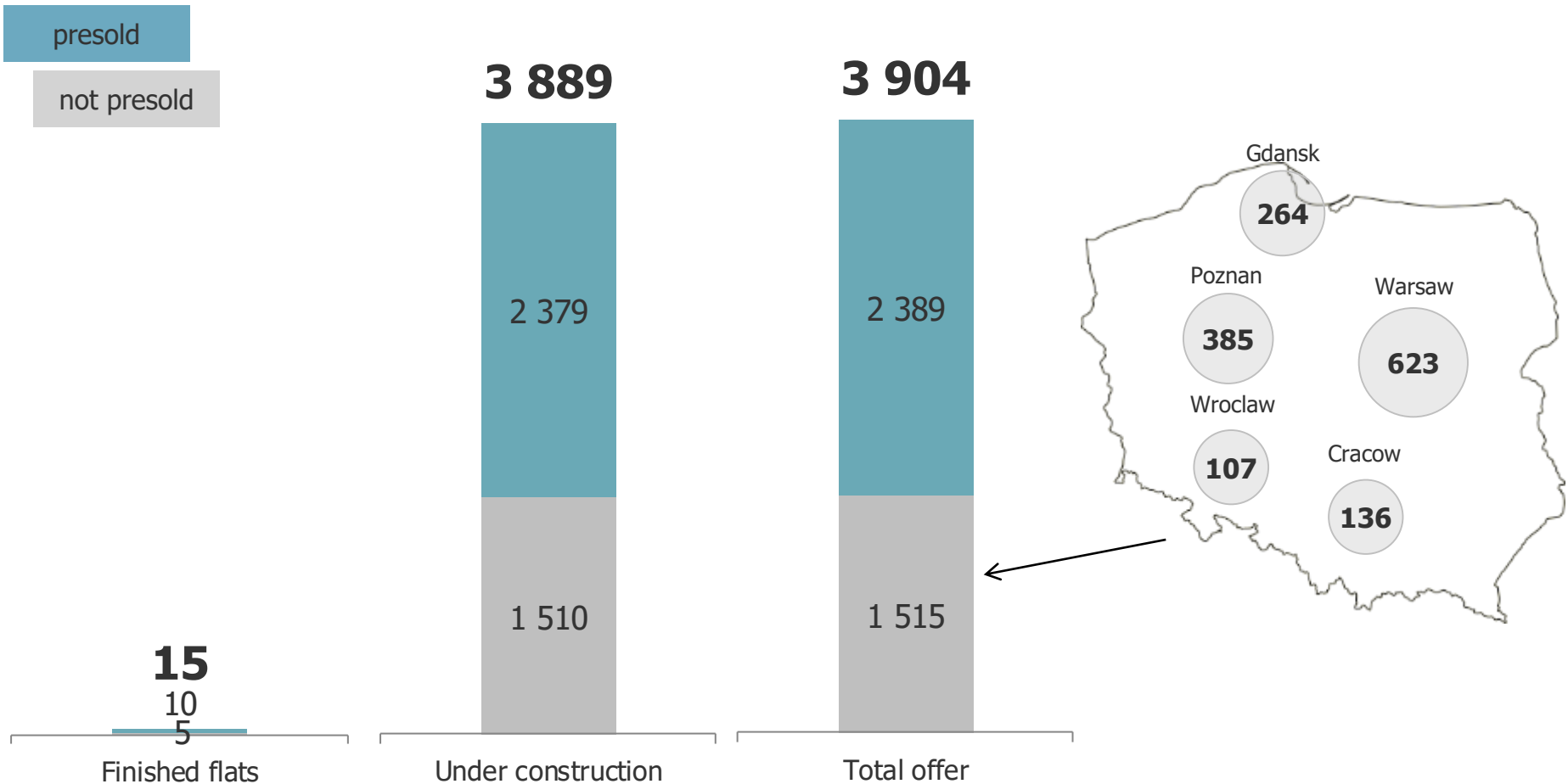


2.4.2 Real estate segment

Comment

- Market offer in 12'19 was slightly lower than in 09'19
- In 12'18 land bank amounted to 8 346 flats

Market offer as at 12'19 (flats)





Services segment – FY'19 results



2.4.3 Services

Comment

- Services results in FY'18 encompassed Elektromontaz Poznan and BIG that were disposed in 3Q'18 (+44 M PLN impact in 3Q'18)
- Since 07'19 Budimex began full consolidation of FBSerwis Group's results
- +35 M PLN one-off effect on the financial activity result level due to revaluation of 49% stake in FBSerwis to fair value

	FY'19	y-o-y dynamics
Sales	278	176%
Gross margin	39	177%
% sales	14,1%	0,0 pp.
EBIT	23	-54%
% sales	8,3%	-41,7 pp.
Net profit	45	28%
% sales	16,2%	-18,9 pp.

Group's services segment composition

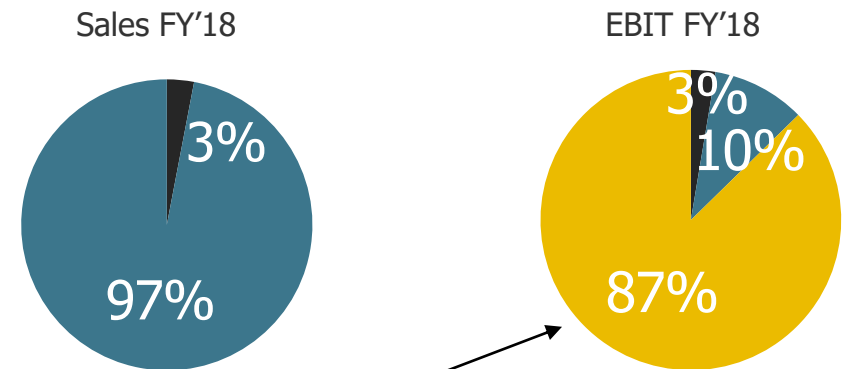
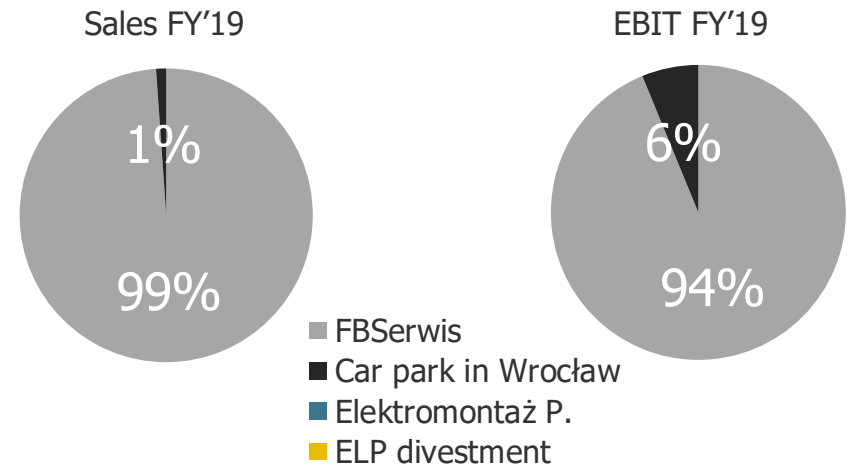
fbserwis

- environmental services, infrastructure maintenance, facility management, energy efficiency services
- 100% share (as at 31.12.2019)
- full consolidation since 07'19

budimex
Parking Wrocław

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

Sales & EBIT structure



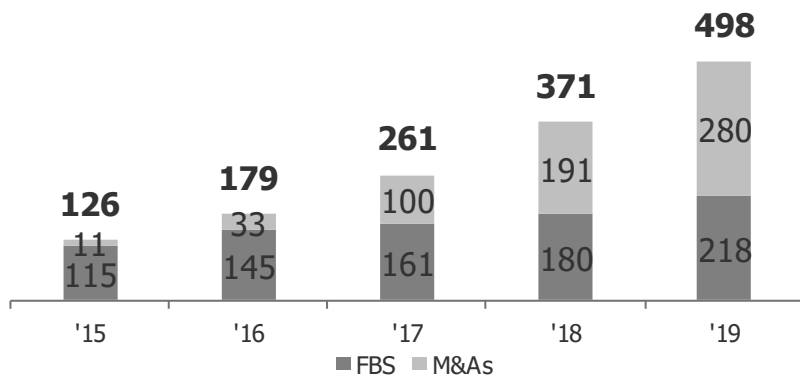
Sell of Elektromontaz P. in 3Q'18 (+44 M PLN effect)

2.4.3 FBSerwis – key financial data

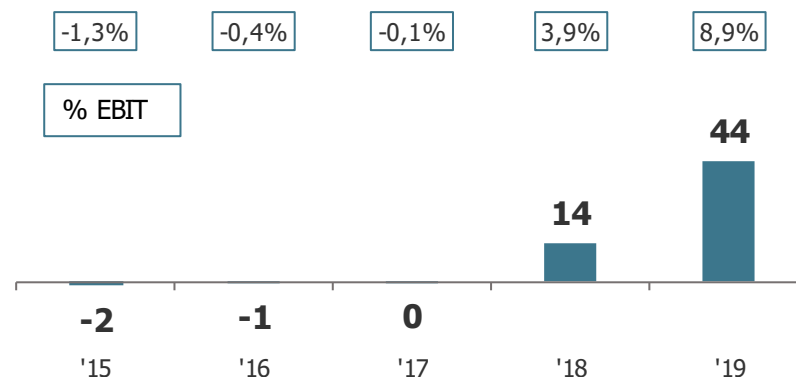
Comment

- **Sales structure in '19:** Waste Management – 63%, Infrastructure Maintenance – 27%, Facility Management & Street Lightening – 10%
- Intangible depreciation has a significant share in total depreciation (financial asset from PPA of M&As)

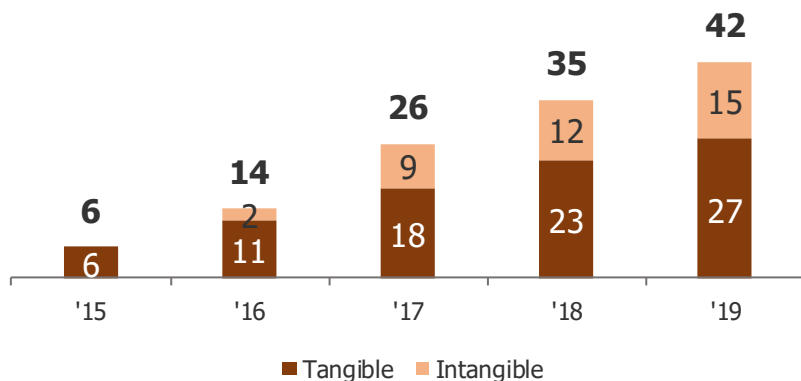
Sales (M PLN)



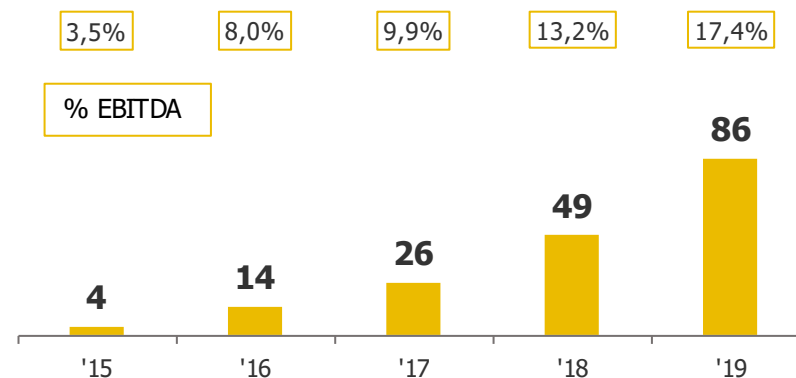
EBIT (M PLN)



Depreciation (M PLN)



EBITDA (M PLN)

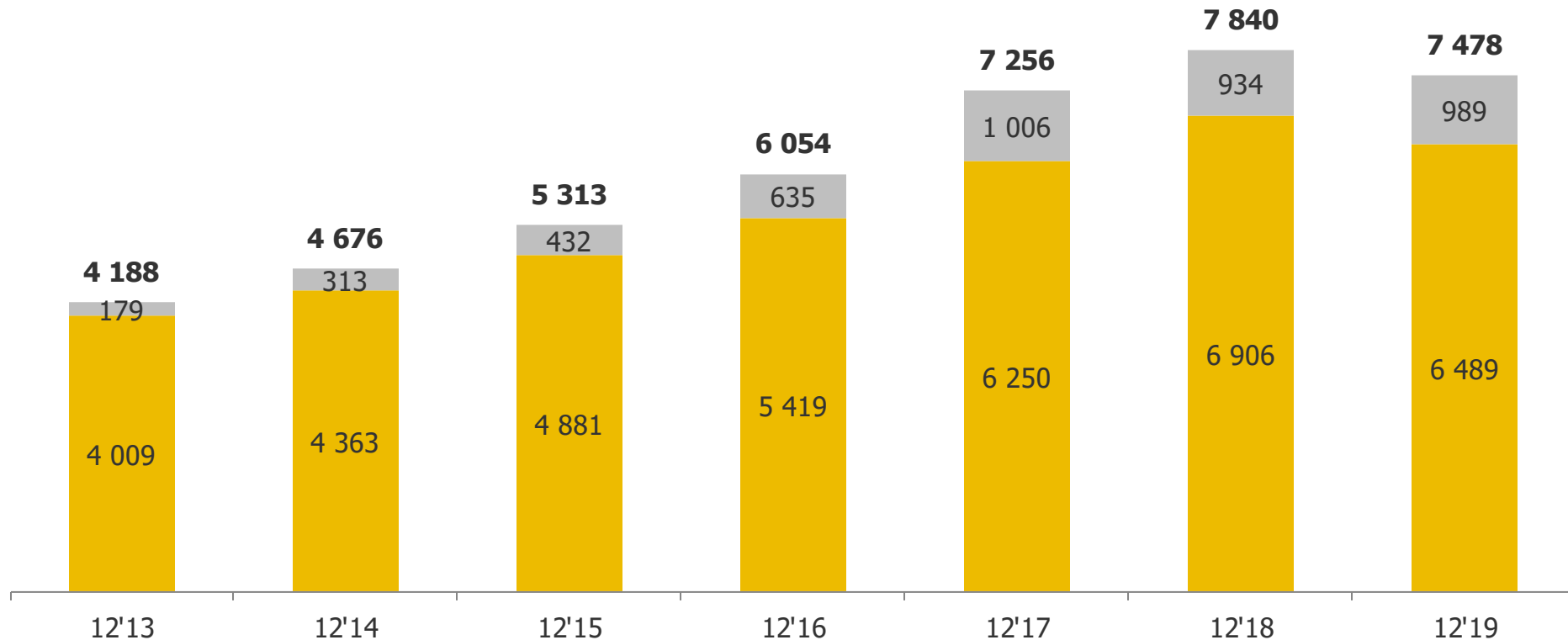


Comment

- *The employment felt slightly in '19, mainly due to limitation of exposure to the general construction market*
- *Taking control over FBSerwis Group in 07'19 increased employment of Budimex Group by ca. 1 000 people*

Employment in Budimex Group*

■ Bx Group w/o FBS ■ FBS



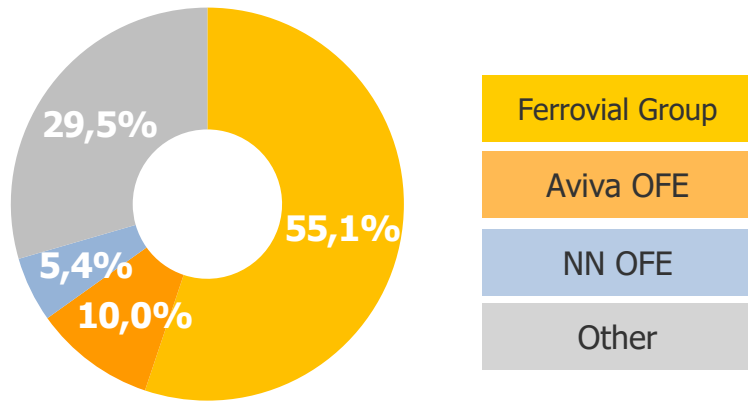
* w/o Elektromontaz Poznan

3. Budimex S.A. on WSE

Comment

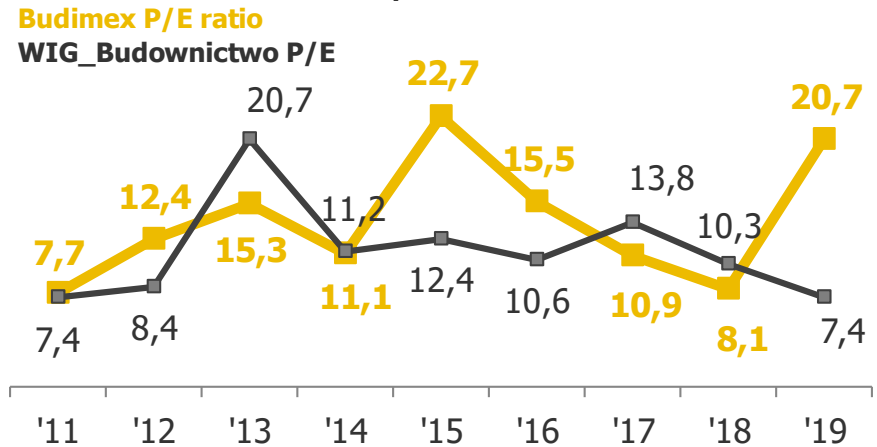
- Total pension funds' share in BDX amounts to 30-35%
- At the end of '19 Budimex's share prices faced a rebound

Shareholders structure

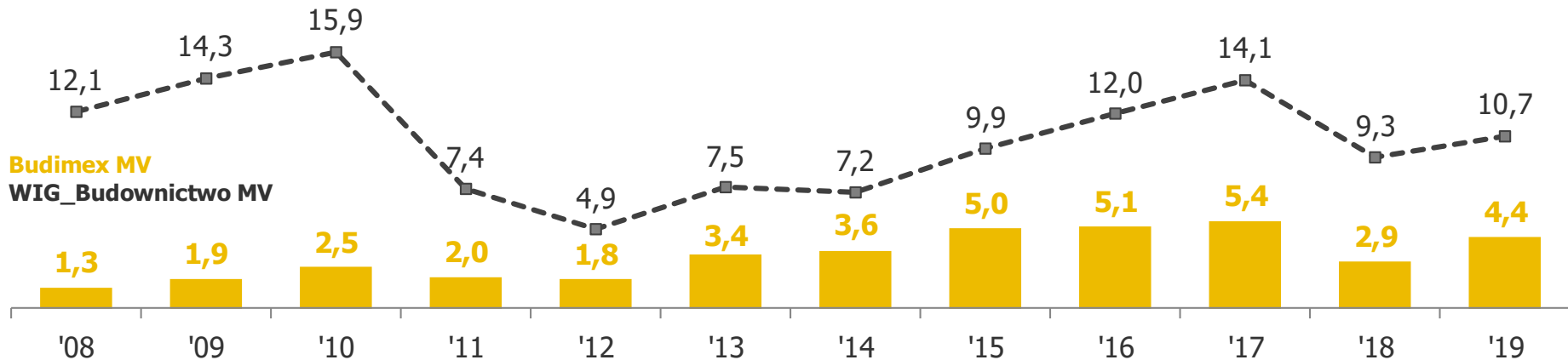


Source: stooq.pl

P/E ratio



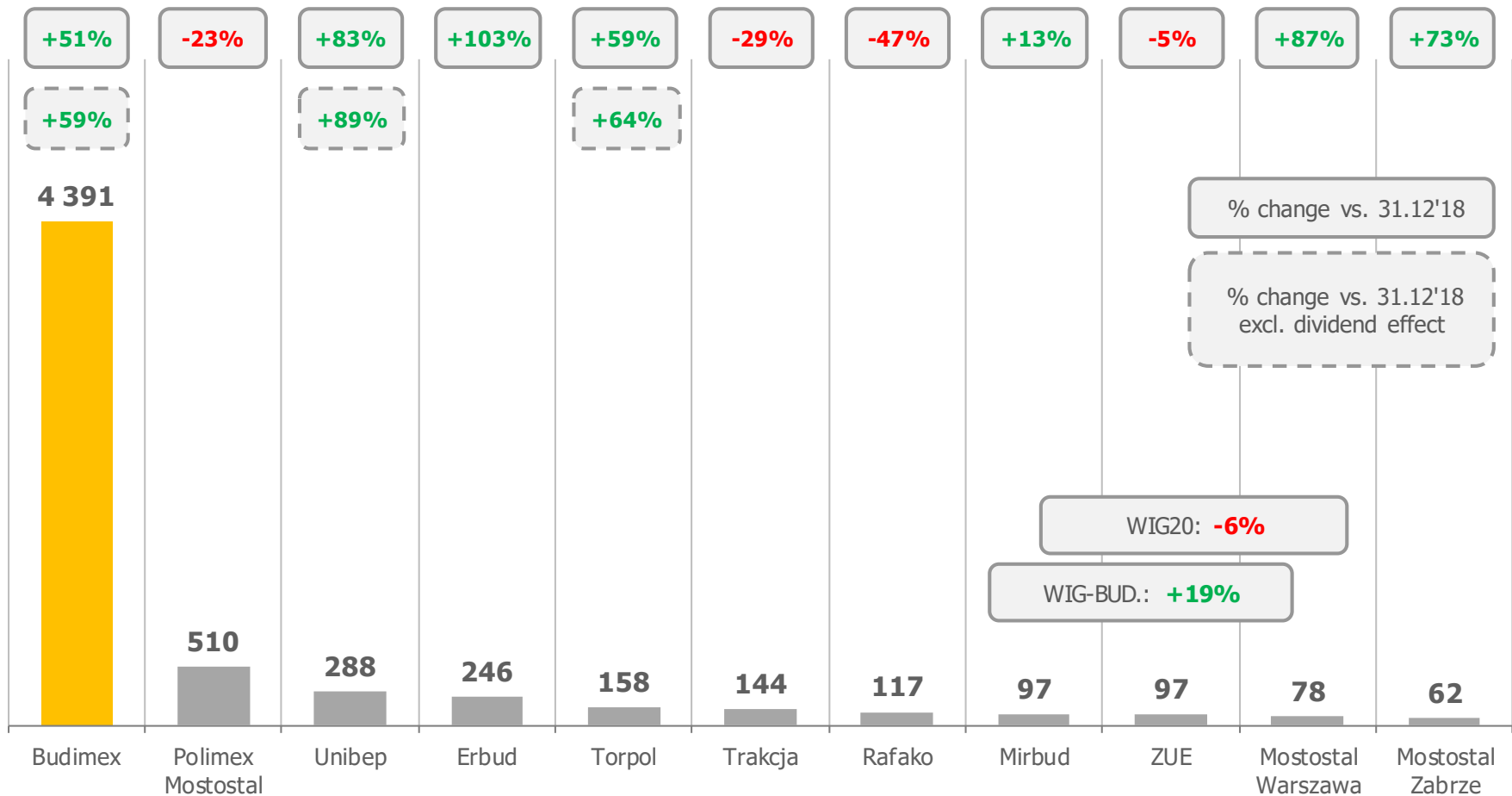
Budimex market value vs. WIG-Budownictwo aggregated market value (bn PLN)



Comment

- After declines in share prices in '18, in '19 market value of some construction companies, including Budimex S.A., faced a rebound

Market value as at 12'19 (M PLN)



Comment

- *Budimex has been paying dividends for over 10 years and belongs to WIGdiv index*

Dividends paid (M PLN)

