

Flash Note

CEE | Equity Research

Mirbud (Buy; PLN 18.5)

The National Appeal Chamber ordered the rejection of the bid submitted by the Mirbud & Torpol consortium for the construction of the E 75 Białystok–Ełk (Rail Baltica) line [negative]

- According to the decision of the National Appeal Chamber (KIO), the bid submitted by the consortium of Mirbud and Torpol is to be rejected. The Chamber upheld the appeal lodged by the consortium of Budimex and PORR. This ruling may be appealed in court.

- The consortium's bid amounted to PLN 4.57 billion gross, while the second cheapest bid, from the Budimex & PORR consortium, was valued at 9% more, at PLN 4.98 billion gross.

- "The appeal lodged by the Budimex and Porr consortium proved to be crucial. It showed that the consortium member that submitted the most advantageous bid, Mirbud, did not disclose at the bidding stage the environmental penalty imposed on it in 2022. The National Appeal Chamber accepted this argument. The penalty was symbolic in comparison to the size of the contract – it amounted to PLN 15,000, and at the time the bids were selected, it was already time-barred – however, in accordance with the provisions of the Public Procurement Law, the mere fact of imposing a penalty is important, regardless of its amount," rynekinfrastruktury.pl

Comment: This is clearly negative news. Even before the ruling was announced, Mirbud announced that if its bid was rejected, it planned to appeal to a higher court. Regardless of the validity of the KIO's decision, in our opinion, this decision does not yet mean that the contract will be "handed over" to the Budimex & PORR consortium, although the chances of this scenario have increased significantly. In our August note on the contract (link above, in the last "bullet"), we indicated that we expect an aggressive battle between the bidders in the Public Procurement Office, especially since this contract is of great PR importance for both consortia. While in the case of Budimex, given the synergies associated with the construction of other sections of the project and its strong international partner, an aggressive bid seems to be in line with the company's policy, the cheapest bid (i.e., the MRB x TOR bid), taking into account the 3-year deadline for completion of the project, combined with the upcoming increase in prices of materials and raw materials, seems to price in a very optimistic scenario, in which the rebound in the domestic construction industry will be significantly lower than expected.

#Impact on valuation. The contract for the construction of the E75 line accounted for 26/54% of our MRB/TOR contracting assumptions in FY26E. We estimate that the loss of this revenue stream, ceteris paribus, would lower our MRB/TOR target prices by 5/3%, respectively (due to the above-mentioned factors, we assumed a very low margin on this contract) – the question is how much of last year's record supply of PKP PLK orders (totaling ~PLN 28 billion) will ultimately go to Mirbud and Torpol. (David Sharma, +48 603 173 749)

PLNm	2023	2024	2025E	2026E	2027E	2028E
Revenues	3,322	3,252	2,809	3,216	3,904	4,891
EBITDA	243	204	195	223	266	303
EBIT	224	182	165	189	226	259
adj. Net profit	140	126	89	124	157	191
EPS (PLN)	1.5	1.1	0.8	1.1	1.4	1.7
adj. P/E (x)	9.5	12.6	18.0	12.8	10.1	8.3
EV/EBITDA (x)	5.5	7.6	9.8	9.1	6.8	5.7
FCFF Yield (%)	-1.6%	-10.2%	-16.8%	-3.7%	15.0%	10.4%
DY (%)	1.9%	1.2%	0.6%	0.7%	0.8%	4.9%

Source: Company, Trigon

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