Flash Note

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MIRBUD (MRB PW; UNDER REVIEW)

2Q26 Conference call highlights [neutral]

#Construction

- In 1H26, a total of 196mn PLN of true-ups on long-term contracts was settled, largely indexation-related. At Kobylarnia, claims on Gostyń and the S6 Tri-City Bypass were settled (>130mn PLN in total), while at Mirbud approx. 30mn PLN on the S1 Węgierska Górka and approx. 30mn PLN on the remaining contracts.
- The y/y increase in the gross margin in the construction segment resulted mainly from higher profitability in the warehouse segment (by almost 2pp y/y).
- In the Management Board's view, KPO (National Recovery Plan) funds have already started to be genuinely spent in the construction industry, which is currently supporting the Group's revenues.
- The situation on the warehouse market has improved recently.
- On the Tri-City Bypass (OMT), approx. 120mn PLN of true-ups was settled in 1H26, with approx. 100mn PLN remaining (additional works and indexation) – all of which should be settled by the end of FY26E. At Kobylarnia, approx. 150-200mn PLN of claims still remain to be settled.
- The indexation annexes signed with GDDKiA will not translate directly into results, as part of the indexation is already recognized in capitalized claims. The Management Board estimates indexation revenue at 180-200mn PLN (partly already recognized), of which approx. half was received in cash in 2Q26, with the remainder expected in 3-4Q26E. The Group will pass on approx. half of these payments to subcontractors.
- The amounts quoted represent the maximum achievable values; part of them relates to the ongoing S74 contract, which has not yet exceeded its indexation caps, so settlement there will only take place at the end of the contract, i.e. in FY27E.
- S1 Węgierska Górka: a claim of 412mn PLN was filed, of which approx. 1/3 (approx. 130mn PLN) was capitalized, including 30mn PLN paid in June for site overheads. Approx. 100mn PLN remains to be settled – the second tranche of site overheads (probably approx. 30mn PLN) is to be closed still in FY26E, while the part relating to differing geological conditions in 1Q27E.
- S1 Suchy Potok / Dankowice: the claim is valued at over 100mn PLN; indexation can only be charged once a time-extension annex is signed, which the Group expects in 3Q26E.
- The Group is currently executing 26 active general building contracts, with a steadily growing share of public-use facilities (construction cycle of approx. 3 years), viewed by the Management Board as favorable. Industrial facilities remain scarce versus previous years, although the market is reviving slightly (execution cycle of approx. 10-12 months). Residential projects are carried out almost exclusively for JHM Development – the exception being one contract for an external developer (apartment buildings in central Wrocław).

#Order backlog

- The order backlog stood at 8.9bn PLN, of which 7.2bn PLN is infrastructure contracts and 1.3bn PLN general building construction. The net backlog is spread out to 2030 – infrastructure contracts run for as long as 5-6 years, while building contracts are much shorter, which is why, with infrastructure accounting for over 80% of the backlog, roads generate approx. 50-60% of revenues.
- In 1H26 the Group signed contracts worth 1.98bn PLN. In July and August the Group signed contracts worth >300mn PLN.
- In the pipeline (selected bids and most advantageous bids) the Group currently has 3.1bn PLN (vs. 2.5bn PLN a quarter ago).
- 11 contracts were signed in 1H26: 5 building contracts worth 550mn PLN (736mn PLN including two contracts signed after the reporting period) and 6 infrastructure contracts, worth 1,244mn PLN including two further ones.
- The pipeline comprises 832mn PLN of pending bids and 2.2bn PLN of most advantageous bids; 8 of the most advantageous bids are not subject to proceedings before the KIO (National Appeal Chamber).
- Rail Baltica has not been included in the value of bids in the pipeline. Should the ruling be favorable, the Group would like to execute the contract on the terms of the bid submitted, despite the low pricing (approx. 5% gross margin) and the increase in material and subcontracting costs, treating it as an entry into developing the segment.
- The sale of Torpol shares does not rule out further bidding in consortium with that entity in PKP PLK tenders.
- The hit ratio stood at 12% in 1H26 (1.6bn PLN of contracts signed against 14bn PLN of bids submitted) vs. 7% in FY25, 31% in FY24 and 4% in FY23. The Management Board expects the hit ratio to improve further by the end of the year.
- The ruling of the Regional Court in Warsaw (concerning the environmental penalty) is expected on Friday. A favorable outcome opens the way for the Group to win the Rail Baltica tender and to an order backlog above 11bn PLN.
- The only new geographic market under consideration is Ukraine – the Group is awaiting the outcome of a tender for an engineering structure worth approx. 30mn EUR on the Kyiv-Lviv route, treated as a first step. The new business areas are to be power engineering and rail.

#JHM / Other

- At the end of June, JHM had 706 units under construction (33k sqm of usable residential floor area in total).
- The offering at the end of June comprised 563 apartments, of which 248 were completed units.
- The warehouse park in Bolesławiec is currently 72% commercialized.
- As of today, Marywilska has still not reached an agreement with the City of Warsaw on extending the land lease.
- In 1H26 JHM completed three projects and handed over 253 residential units under notarial deeds – more than in the whole of 2025 and clearly more than in 1H24 (although over 300 sales agreements were signed in 2025).
- In 1H26 JHM was carrying out five projects, and 94 preliminary and developer agreements remained on completed projects. 304 preliminary and developer agreements were signed in 1H26, and their number stood at 288 at the end of June.
- The land bank allows for the development of 8,300 units by 2045. In the case of the plot in Poznań, the schedule accounts for the ongoing land preparation phase, so there are no delays as of today – the Group hopes to complete the process in FY26E or in early FY27E.
- The occupancy rate in Ostróda was 95% and in the container village in Warsaw 100% (fully let); in Bolesławiec the Group sees a chance of reaching approx. 90% as early as next quarter. Ultimately, an exit from the rental segment and the sale of the properties in Ostróda and Bolesławiec are under consideration, with a focus on the core construction and assembly business.
- Marywilska continues to have no impact on the Group's financials – contractual terms are being agreed with the city and the expansion has not started.
- In 2H26E JHM plans to hand over 150-200 units.

#Outlook
- The order backlog at the end of FY26E should exceed 10bn PLN.
- The consolidated revenue target for FY26E is 3.3bn PLN and the Management Board sees no risk to its delivery; even approx. 3.5bn PLN is possible, depending on the pace of invoicing of contracts awaiting ZRiD permits.
- In FY26E the Group plans to build four more Kobylarnia asphalt plants – in Recz (for the S10 construction) and in Poznań and Opole (for the S11 construction).
- The gross margin on sales in the construction business in 2H26E is expected at around 7-7.5%, i.e. better than in 1H26 (1Q26: 7.9%, 2Q26: 6.6%). In the road business, the Management Board sees room for margin improvement towards 7.5-8%, but mainly from FY27E, when new contracts enter the intensive execution phase.
- The reconstruction of Marywilska requires administrative decisions and agreement on amendments to the lease agreement – until these are obtained, the Group is holding off on any decision on next steps; the ball is in the city's court. The Management Board expects a decision by the end of FY26E, without knowing which way it will go (the process is hampered by the approaching election year and the city's other priorities). If construction does not start in the autumn, it will not be possible to close it before winter, which would push the entire project back by a year.
- The Group expects positive operating cash flow in the coming quarters; on a cumulative basis, the end of FY26E should come in at around zero.
- Two acquisition processes are being run in parallel: in the rail segment and in power grid construction. In the Management Board's view, the sale of Torpol shares resulted from market conditions and the opportunity to exit at a profit and does not close the door to acquiring an entity from the rail industry – talks are ongoing with more than one large State Treasury-related company (which lengthens the decision-making process), and the Management Board assumes the process will be closed and the price agreed by the end of FY26E.
- In the power grid business, one entity has been selected; the Management Board assesses the chances of finalization as high and hopes to expand the group with this segment in FY27E.

Comment: *We view the message from the conference as neutral, although in truth our feelings are ambivalent. On the positive side, we note the start of settlement and invoicing of the Group's largest construction contracts, including the Tri-City Metropolitan Bypass, which from our point of view structurally reduces balance-sheet risk and could potentially translate into deleveraging of the Group. On the negative side, we note the more detailed guidance on the cash inflows related to the indexation annexes, which will indeed amount to the ca. 200mn PLN we had assumed, but will not be equivalent to the inflows attributable to the Group – Mirbud will have to pass approx. half of that amount on to the subcontractors it worked with on the contracts. Ultimately, OCF for the whole of FY26E may be close to zero vs. the 150-250mn PLN we had previously assumed – including the sale of Torpol shares, FCF may amount to 40-80mn PLN vs. -335mn PLN in total over the last 3 years. It therefore remains an open question how the Group plans to finance the announced acquisitions – especially as the clear declaration regarding two targets in the rail segment (i.e. State Treasury-owned companies) implies relatively large transactions with tickets >500mn PLN, and this amount does not even include a potential acquisition in the power grid segment.*

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In summary**, we are awaiting the ruling of the Regional Court in Warsaw, which will be announced on Friday, 4 September. The Group's new order intake should exceed 5bn PLN in FY26E, and the order backlog at the end of December may amount to approx. 10.2bn PLN, assuming that Rail Baltica ultimately „goes" to the TrackTec consortium. The margin guidance for the construction segment (7-7.5%) for 2H26E is also below our previous model assumptions (we had 7.5-8%), although in our view it is not the second-half results that are currently key for sentiment towards Mirbud, but rather the FCF trajectory and the outcome of the Rail Baltica contract.* ***(David Sharma)

PLNm	2023	2024	2025	2026E	2027E	2028E
Revenues	3,322	3,252	2,951	-	-	-
EBITDA	243	204	199	-	-	-
EBIT	224	182	168	-	-	-
Net profit	135	121	112	-	-	-
EPS (PLN)	1.5	1.1	1.0	-	-	-
P/E (x)	8.8	11.8	12.7	-	-	-
EV/EBITDA (x)	5.0	6.8	8.1	-	-	-
FCFF Yield (%)	-1.8%	-11.4%	-9.7%	-	-	-
DY (%)	2.2%	1.3%	0.8%	0.9%	-	-

Source: Company, Trigon

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