Flash Note

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MIRBUD (MRB PW; BUY; TP PLN 13.5)

3Q26 Conference Call Summary [neutral]

#Construction

- The Management Board treats the market cooling as an opportunity given the Group's participation in key investment programs.
- The Group continues to expand its asphalt mix production capacity for the contracts under execution – it currently has six plants, with a target of 10.
- The Group is still awaiting 14 ZRiD decisions for road contracts with a total value of almost 4bn PLN. Approx. 3/4 of them are to be obtained by the end of 1H27, which will allow construction works to start and accelerate the execution of the backlog.
- Contract assets increased by 106mn PLN in 3Q26 despite a stable backlog and a decrease in receivables. The item is supported by a contract executed without ongoing invoicing (approx. 150mn PLN of receivables) and the MRB1 PPP project, which will be sold to the city in a single transaction upon completion of construction and settled over 20 years through an availability payment. The same will apply to the roads in Marki once works start.
- The Management Board does not want contract valuation receivables (approx. 600mn PLN after 3Q26) to increase by the end of FY26E and plans to settle part of the capitalized claims. The main items are S1 Węgierska Górka, S1 Suchy Potok and the Tri-City Metropolitan Bypass executed by Kobylarnia. Contracts executed under the Polski Ład program have a total contract value of approx. 1bn PLN.
- Contract valuation receivables will not decline materially by the end of FY26E, as GDDKiA has not yet established a uniform procedure for reviewing claims related to overhead costs. Settlements are shifting to 1-2Q27E, but the Management Board does not see an increased risk of them not being recognized. The three main items (S1 Węgierska Górka, S1 Suchy Potok, OMT) account for approx. 300mn PLN out of approx. 600mn PLN.
- Polski Ład: the agreements provide for an invoice for 50% of the value once half of the works have been completed and for the remaining 50% upon their completion. Most contracts have not yet reached the first large invoice, and some projects had to wait for building permits.
- The entire indexation has already been received by the Group in cash.

#Order backlog

- The order backlog at the end of 3Q26 stood at 8.8bn PLN net.
- The backlog value has remained at around 9bn PLN for several quarters, as new contracts continuously replenish those under execution, while road infrastructure accounts for approx. 80%. The Group is bidding intensively on the rail market, and rail contracts are starting to appear in the backlog – the Management Board expects the first effects in FY27E, and possibly as early as 4Q26E.
- In 1-3Q26 the Group signed 19 contracts with a total value of 2.8bn PLN net, including its first large rail contract for the construction of LK 8 worth approx. 0.5bn PLN (a subsidiary in a consortium). In the same period, 19 of the Group's bids worth almost 5bn PLN net were selected.
- The pipeline comprises 2 selected bids worth 412mn PLN and 5 most advantageous bids worth 1,571mn PLN, all in road infrastructure construction.
- The Group is currently bidding in 43 tenders with a total estimated value of approx. 12bn PLN.
- The Management Board believes that the number of road and rail tenders in FY27E will not be lower than in FY26E, as the election year will force them to be announced and resolved. Limited budget funds may, however, affect the execution of the programs.
- The Group expects to submit a bid in the CPK terminal tender in 1Q27E (the deadline is currently set for February 2027).
- The Group's bid for the ElectroMobility Poland contract in Jaworzno remains valid. Financing for the project has been secured, and the Group is in talks with the investor on the scope and method of execution.
- PPMT is currently the main consortium partner on the rail market. The Group will soon submit a bid with a new partner, while in larger contracts it will continue to bid together with Torpol.

#JHM / Other
- At the end of September, JHM had 511 units under construction in four projects (23.9k m2 of usable residential floor area in total).
- The offering at the end of September comprised 499 apartments.
- In 1-3Q26 JHM handed over 370 residential units under notarial deeds – more than in the whole of 2025 (243 units).
- At the end of 3Q26 JHM was carrying out four projects, and 17 preliminary and developer agreements remained on completed projects. In 1-3Q26, 367 preliminary and developer agreements were signed (vs. 352 in the whole of 2025), and their number stood at 235 at the end of September. JHM is also currently carrying out two new projects at an early stage, just after signing agreements with the general contractor.
- The land bank allows for the development of 8,300 units (approx. 400k m2 of usable residential floor area) by 2045, mainly in large cities (Katowice, Łódź, Bydgoszcz, Poznań).
- The land purchase transaction in Poznań is proceeding unchanged, and the Group has paid approx. 100mn PLN so far. The payment schedule extends to 2031, and subsequent installments depend on milestones falling from the turn of 2028/2029. The realistic construction start date (10 phases) is 1Q30E, subject to a change in the zoning plan and obtaining a building permit.
- The Group intends to exit the rental segment and sell the properties in Ostróda and Bolesławiec within the next two years. Each of them is worth approx. 130-150mn PLN, which will give the Group approx. 300mn PLN to allocate to investments, acquisitions or current operations.

#Outlook
- The Management Board does not expect an accumulation of infrastructure contract execution in FY27E.
- The revenue target for FY27E is 4.6-5.1bn PLN, of which 3.6-3.8bn PLN is secured by signed contracts. The forecast takes into account the current ZRiD schedules, and revenues in 2H27E are expected to be approx. 20% higher than in 1H27E.
- The FY27E forecast does not include acquisitions. The Group plans to secure the missing approx. 1-1.3bn PLN in 1H27E, mainly from general building contracts, which enter execution the fastest. The Management Board considers the forecast conservative, as the general building segment alone typically generates 0.3-0.5bn PLN of revenues per year for the Group, and approx. 1bn PLN in the best years.
- The FY27E forecast also does not include the ElectroMobility Poland contract in Jaworzno.
- The Group is still negotiating the content of the lease agreement with the city, including the rent level, and the decision on the reconstruction of Marywilska depends on these provisions. The Management Board would like to make a decision by the end of FY26E, while any execution would be pushed back to 2028.
- The Management Board expects cumulative OCF in FY26E to be slightly positive.
- The Group is running four acquisition processes in parallel in different segments and is ready to allocate over 500mn PLN to them.
- One of the four acquisition processes concerns Torpol. The Group is waiting for a decision by the owner of the stake and does not plan to buy shares on the stock exchange. The first acquisition will not be finalized earlier than in January 2027.
- JHM plans to hand over approx. 450 apartments under notarial deeds in FY26E and approx. 500 apartments in FY27E.

Comment: *The message from the conference has not changed our perception of the Group; however, we note that during the meeting the Management Board raised (or even clarified) several important issues.*

#M&A. *First and foremost, the Management Board clearly stated that Torpol is one of the entities with which acquisition talks are being held (when we asked whether PPMT is another of the targets, the Management Board invoked negotiation confidentiality) – in our view, in recent weeks, along with the decline in Torpol's share price, this scenario has been increasingly played by the market. At the same time, we find it hard to imagine a situation in which CPK sells a controlling stake at a price lower than PLN 62, at which Mirbud sold its stake. In addition, in our view, the privatization of a large state-owned company, whether Torpol or even the aforementioned PPMT, carries a high political risk, even if the buyer is another domestic general contractor.*

#Balance sheet. *The pace of conversion of contract assets into receivables is a negative disappointment for us, and the Management Board's guidance in this respect also clearly points to the Company's very aggressive approach to managing its P&L – net contract assets currently amount to approx. -16% of the Company's revenues vs. +4% for the other general contractors we cover. The three main items, i.e. Węgierska Górka, S1 Suchy Potok and the Tri-City Bypass, still contribute approx. 50% of contract assets (out of 600mn PLN at the end of September), and despite the receipt of further ZRiD permits, this value is not declining (in net terms it increased by 36% q/q in 3Q26, despite a flat order backlog and a 13% q/q increase in revenues). The item is all the more significant given that the entire indexation for this year has already been received by the Company (in cash), and despite higher work output, neither the Polski Ład contracts (executed under the "finance and build" formula) nor the fresh PPP contract in Marki should account for such a large delta. At this stage, it is difficult for us to assess whether any of the above contracts carries a risk of claims being uncollectible and whether the risk of write-downs is in any way material – in our view, the pace of conversion of assets into receivables and then into cash is disappointing.*

In summary*, as we wrote in our results note, the Group is currently valued at <6x EV/EBITDA on FY27E. However, we believe that the key factor for the current perception of the Mirbud Group will be news of another acquisition, which, as we understand, should take place in January.* ***(David Sharma)***

MIRBUD	1H21	FY21	1H22	FY22	1H23	FY23	1H24	FY24	1H25	FY25	1H26	3Q26
AKTYWA OBROTOWE	**570**	**498**	**912**	**1,518**	**741**	**1,437**	**669**	**1,583**	**1,035**	**1,867**	**2,291**	**2,501**
Należności handlowe	360	398	751	439	527	384	386	458	505	284	571	522
Naliczenie należności z tytułu rozliczenia kontraktów długoterminowych	**49**	**0**	**58**	**50**	**99**	**98**	**156**	**337**	**415**	**705**	**568**	**600**
Pozostałe	161	100	102	1,029	115	955	126	788	115	878	1,152	1,379
ZOBOWIĄZANIA KRÓTKOTERMINOWE	**534**	**673**	**942**	**847**	**856**	**892**	**664**	**657**	**681**	**812**	**700**	**998**
Zobowiązania handlowe	392	376	455	352	281	452	266	363	410	471	320	399
Zobowiązania z tytułu rozliczenia kontraktów długoterminowych	**0**	**90**	**179**	**136**	**162**	**69**	**60**	**4**	**28**	**48**	**107**	**27**
Zaliczki otrzymane króterminowe	73	108	196	188	227	190	145	87	90	126	67	113
Pozostałe	69	100	112	171	186	181	193	204	152	167	206	458
Rezerwy na naprawy gwarancyjne	1	1	1	2	2	2	2	2	2	5	5	5
Rezerwy na naprawy gwarnacyjne jako %LTM przychodów	*0.1%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.2%*	*0.2%*	*0.2%*
Rezerwy na naprawy gwarnacyjne jako % portfela zamówień	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*
Przychody segmentu budowlanego	**810**	**1,534**	**1,354**	**1,912**	**1,196**	**1,931**	**1,329**	**1,668**	**1,206**	**1,747**	**1,440**	**1,059**
Wycena kontraktów (AKTYWA) jako %LTM przychodów	*3%*	*0%*	*2%*	*2%*	*3%*	*3%*	*5%*	*11%*	*14%*	*24%*	*18%*	*17%*
Wycena kontraktów (PASYWA) jako %LTM przychodów	*0%*	*4%*	*6%*	*4%*	*5%*	*2%*	*2%*	*0%*	*1%*	*2%*	*3%*	*1%*
Różnica (na plus = konserwatywniejsze prowadzenie P&L)	*-3%*	*4%*	*4%*	*3%*	*2%*	*-1%*	*-3%*	*-11%*	*-13%*	*-22%*	*-14%*	*-16%*
Portfel zamówień	**4,815**	**4,815**	**5,755**	**5,564**	**4,817**	**4,622**	**6,092**	**7,992**	**8,115**	**8,465**	**8,879**	**8,833**
Wycena kontraktów (AKTYWA) jako % portfela zamówień	*1%*	*0%*	*1%*	*1%*	*2%*	*2%*	*3%*	*4%*	*5%*	*8%*	*6%*	*7%*
Wycena kontraktów (PASYWA) jako % portfela zamówień	*0%*	*2%*	*3%*	*2%*	*3%*	*1%*	*1%*	*0%*	*0%*	*1%*	*1%*	*0%*
Różnica (na plus = konserwatywniejsze prowadzenie P&L)	*-1%*	*2%*	*2%*	*2%*	*1%*	*-1%*	*-2%*	*-4%*	*-5%*	*-8%*	*-5%*	*-6%*

PLNm	2023	2024	2025	2026E	2027E	2028E
Revenues	3,322	3,252	2,951	3,541	4,115	5,065
adj. EBITDA	249	211	130	215	226	251
EBIT	224	182	168	183	182	203
adj. Net profit	140	126	58	120	127	147
EPS (PLN)	1.5	1.1	0.5	1.1	1.2	1.3
adj. P/E (x)	7.5	10.1	21.9	10.5	10.0	8.6
adj. EV/EBITDA (x)	4.3	5.8	11.2	6.7	6.7	5.4
FCFF Yield (%)	-2.0%	-12.9%	-10.7%	3.4%	-1.4%	14.1%
DY (%)	2.4%	1.5%	0.9%	1.7%	2.0%	2.0%

Source: Company, Trigon

TRIGON DOM MAKLERSKI S.A.

Plac Unii, Puławska 2 st.,
Building B,
02-566 Warszawa

+48 22 330 11 11

recepcja@trigon.pl

LinkedIn

www.trigon.pl

CEE EQUITY RESEARCH

Grzegorz Kujawski Consumer, E-commerce, Financials	*Head of Research*	**Łukasz Rudnik** Strategy, Foreign Markets, Industrials	*Senior Analyst*
Maciej Marcinowski Strategy, Banks, Financials	*Deputy Head of Research*	**David Sharma, CFA** Construction, Real Estate, Building Materials	*Senior Analyst*
Grzegorz Balcerski, CFA Gaming, TMT	*Senior Analyst*	**Piotr Chodyra** Aerospace & Defence, Deep tech, Consumer	*Analyst*
Katarzyna Kosiorek, PhD Biotechnology	*Analyst*	**Karol Szteler** CEE Banks	*Junior Analyst*
Michał Kozak Oil & Gas, Chemicals, Utilities, Mining	*Senior Analyst*	**Kacper Mazur**	*Assistant Analyst*
Dominik Niszcz, CFA TMT, E-commerce	*Senior Analyst*	**Marcin Biegański**	*Assistant Analyst*

EQUITY SALES

Grzegorz Skowroński	*Managing Director*

SALES TRADING

Paweł Szczepański	*Head of Sales*	**Paweł Czupryński**	*Senior Sales Trader*
Michał Sopiński, CFA	*Deputy Head of Sales*	**Hubert Kwiecień**	*Sales Trader*