

Company Update
Construction & Materials
Poland
24 September 2008
PBG
Exposure to EU funds at attractive price

We reiterate our BUY on PBG having revised our 12M TP upwards by 7% to PLN 268/share, which offers 18% upside. Why buy PBG? 1) PBG is positioned to benefit from an injection of EU money into environmental and infrastructure construction, as almost 70% of 2008E revenues is expected to be generated in these segments. 2) The company's current backlog of PLN 4.8bn already covers 65% of our revenue forecasts before the end of 2010, resulting in high earnings visibility. 3) Healthy margins of ca. 11-12% on the operating level ensure relatively high earnings stability. 4) PBG is trading at a 2009E P/E ratio of 14.8x vs. 35% EPS CAGR between 2009 and 2010.

- Following the recently signed sizable PLN 1.4bn LMG contract with PGNiG, we expect further positive newsflow in the oil & gas segment related to two other large contracts: the PLN 1.1bn contract for the Wierchowice gas storage facilities and ca. the PLN 300mn LNG installations for KRI (with total investment plans of KRI amounting to at least PLN 800mn in 3.5 years).
- **2008E-2010E EPS CAGR amounts to 38%**, implying premium growth to its Polish peers. We have increased our net profit forecasts by 2% to PLN 148mn for 2008 and by 8% to PLN 205mn for 2009. Gross margins are expected to improve from the 2008 level of 15.7% to 17.9% in 2010 due to the windup of the old loss-making contracts of Hydrobudowa 9 as well as the increasing share of revenues derived from the more profitable oil & gas segment.
- **PBG is trading at 2008E and 2009E P/E ratios of 20.5x and 14.8x**, in line with its Polish peers, whereas we believe the company deserves a premium. We reiterate our BUY recommendation on PBG, increasing our target price by 7% to PLN 268, which implies 18% upside.

	2006	2007	2008E	2009E	2010E
Revenues (PLNmn)	674.3	1,376.8	2,058.3	2,593.6	3,059.7
EBITDA (PLNmn)	88.5	138.2	275.6	361.2	450.3
EBIT (PLNmn)	72.0	109.4	234.4	308.3	388.2
Net profit (PLNmn)	52.2	102.1	148.3	205.2	270.5
EPS (PLN)	4.34	7.60	11.04	15.28	20.14
CEPS (PLN)	5.71	9.74	14.10	19.22	24.76
BVPS (PLN)	30.52	55.70	66.74	82.01	102.15
P/E (x)	52.2	29.8	20.5	14.8	11.2
P/CE (x)	39.6	23.2	16.1	11.8	9.1
P/BV (x)	7.4	4.1	3.4	2.8	2.2
EV/EBITDA (x)	38.1	24.3	11.7	8.9	6.9
EV/Sales (x)	5.0	2.4	1.6	1.2	1.0
ROIC (%)	10.6	10.3	16.8	17.0	18.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: PBG, UniCredit Global Research

Buy

Price on 23 September 2008	PLN 226.50
Target price (prev. PLN 250)	PLN 268.00
Upside to TP (%)	18.3
Cost of equity (%)	12.9
High/Low (12M) (PLN)	399.00/203.50

INVESTMENT HIGHLIGHTS

Construction company specializing in oil & gas engineering and environmental construction
 High exposure to expected EU transfers to Polish infrastructure projects

STOCK TRIGGERS

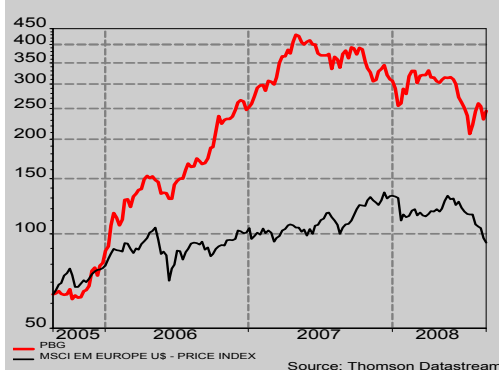
New significant contracts
 Acquisitions

STOCK DATA

Reuters/Bloomberg	PBGG.WA/PBG.PW
Average daily volumes ('000)	19.1
Free float (%)	66.5
Market capitalization (PLNbn)	3.0
No. of shares in issue (mn)	13.4
Shareholders	J. Wisniewski 33.47% ING Pension Fund 6.80% BZ WBK AIB TFI 6.70%

UPCOMING EVENTS

3Q 2008 results	13 November 2008
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STOCK PERFORMANCE (CH. %)

	1M	3M	6M
absolute	-7.0	-17.0	-25.0
rel. to MSCI EME	10.6	17.0	1.5
rel. to MSCI Poland	1.7	4.3	5.7

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