

## PBG

### The strongest backlog/revenues ratio

We reiterate our BUY recommendation on PBG, having revised our target price downwards by 5% to PLN 246/share, which offers 21% upside. A strong backlog at PLN 5.9bn (2.2x of our 2009E revenues) and significant exposure to infrastructure construction (60% of our 2009E revenues) should be the major drivers in 2009. PBG is trading at double-digit premiums to peers for 2009, but given the expected significant 3-year EPS CAGR at 41%, we see the premium as justified. PBG remains one of our top picks in the sector.

- **Recent developments:** According to the company, its current backlog amounts to PLN 5.9bn, which translates into the strongest backlog/2009E revenues ratio (2.2x) within our construction coverage. We revise our earnings forecasts downwards, by 5% to PLN 207mn for 2009 and by 3% to PLN 285mn for 2010, which results mainly from: significantly higher financial costs expectations, resulting from increasing net debt (from PLN 328mn after 1H 2008 to PLN 523mn after 3Q 2008).
- **2009 Outlook:** The outlook for 2009 appears to be rather promising, given the company's significant exposure to infrastructure construction (60% of 2009E revenues), as well as possessing the strongest backlog within our construction coverage. We expect margins to improve YoY on the back of: 1) the increasing share in revenues of the highly profitable oil & gas construction segment and 2) expected completion of most of the old loss-making contracts of Hydrobudowa 9 already in 2008.
- **Valuation:** PBG is trading at 2009E and 2010E P/E ratios of 13.2x and 9.6x, respectively, a 25% premium to peers for 2009 but a 5% discount for 2010. Given significant expected 3-year EPS CAGR at 41%, we believe the stock deserves a premium. Our target price, reduced by 5% to PLN 246/share, offers 21% upside. BUY reiterated.

	2006	2007	2008E	2009E	2010E
Revenues (PLNmn)	674.3	1,376.8	2,099.8	2,718.5	3,489.3
EBITDA (PLNmn)	88.5	138.2	272.3	391.9	494.4
EBIT (PLNmn)	72.0	109.4	231.0	328.2	419.5
Net profit (PLNmn)	52.2	102.1	148.7	207.1	284.7
EPS (PLN)	4.34	7.60	11.07	15.42	21.20
CEPS (PLN)	5.71	9.74	14.14	20.17	26.78
BVPS (PLN)	30.52	55.70	66.77	82.19	103.39
P/E (x)	58.9	40.4	17.7	13.2	9.6
P/CE (x)	44.7	31.5	13.9	10.1	7.6
P/BV (x)	8.4	5.5	2.9	2.5	2.0
EV/EBITDA (x)	34.6	22.0	11.9	8.4	6.6
EV/Sales (x)	4.5	2.2	1.5	1.2	0.9
ROIC (%)	10.6	10.3	16.3	16.4	17.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: PBG, UniCredit Research

## Buy (prev. Buy)

Price on 12 January 2009	PLN 203.00
Target price (prev. PLN 259.00)	PLN 246.00
Upside to TP (%)	21.2
Cost of equity (%)	11.7
High/Low (12M) (PLN)	331.00/175.30

### 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)	29.1
Free float (%)	66.5
Market capitalization (PLNmn)	2,726.3
No. of shares in issue (mn)	13.4
Shareholders	J. Wisniewski 33.47%; ING Pension Fund 6.8%; BZ WBK AIB TFI 6.7%



### STOCK PERFORMANCE (CH. %)

	1M	3M	6M
absolute	-8.0	-14.0	-37.0
rel. to MSCI EME	-4.7	7.5	27.3
rel. to MSCI Poland	-5.4	15.2	43.9

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