

PBG

21 January 2010

Fuelled by oil and gas

Construction

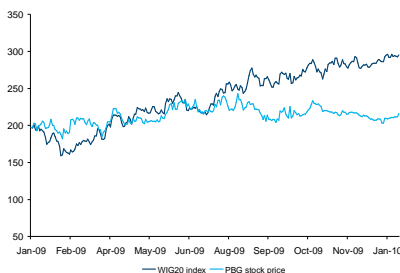
Poland

Current price PLN 219.0*

Fair value PLN 245.3

Buy

Initiating coverage



FY/e 31.12, PLN m	2008A	2009F	2010F	2011F
Sales	2,091.4	2,889.1	3,313.3	3,646.6
EBITDA	270.8	379.8	451.0	464.9
EBIT	225.6	330.8	396.1	403.9
Net profit	158.2	196.7	249.6	258.5
EPS (PLN)	11.8	13.8	17.5	18.1
P/E (x)	18.6	15.9	12.5	12.1
DPS (PLN)	0.0	0.9	2.8	4.9
Yield (%)	0.0%	0.4%	1.3%	2.3%
EV/EBITDA (x)	12.9	8.9	7.8	7.5

Source: PBG, KBC Securities estimates

*Priced at COB 19 January 2010

Reuters PBGG.WA
Bloomberg PBG PW
www.pbg-sa.pl

Market cap € 779.0m
Shares 14.3m
Volume € 2.2m
Free float 54.3%

Next corporate event

4Q09 results – 1 March 2010

Performance over	1M	3M	12M
Absolute	4%	-1%	11%
Relative to WIG20	-3%	-7%	-27%
12M Hi/Lo	PLN 242.9 / 182.0		
€/PLN	4.01		

Shareholders

Jerzy Wisniewski	45.7%
Aviva Pension Fund	5.0%
ING Pension Fund	5.1%
Pioneer Pekao IM	5.1%
Other	39.1%

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We initiate coverage of PBG with a Buy rating and a fair value estimate of PLN 245.3 per share, implying 12.0% upside.

- **New segments boost growth:** With a 2009-2012F revenue CAGR of 11.7%, PBG is the most dynamic company in the sector. An important contribution has been made from the starting of a power engineering business line (acquiring Energomontaz stake, bid for the Opole power plant contract) and planned expansion in the road construction segment.
- **Opole and LNG contracts potential catalysts:** PBG is bidding for the Opole power plant and LNG terminal contracts. We believe the chance of success has been underestimated by the market particularly for the Opole contract and that an eventual win could significantly (6%-13%) drive the stock price.
- **Highest margin in the sector:** Although a secular margin decline is expected due to increasing competition, niche segments such as oil and gas or power engineering should be less affected. By shifting sales mix in this direction, PBG is expected to be able to maintain the best gross profit margin in the sector, though we forecast a decline from 16.3% in 2008 to 14.4% in 2012.
- **Potential real estate project:** PBG aims to participate in new segments, such as real estate, to drive growth. We view one such pipeline project (70% participation in a total investment of PLN 600m) as a potential catalyst but it has not been included in our forecast due to its preliminary status.
- **Premium warranted:** On a 2010F EV/EBITDA of 7.8x, PBG trades at a 5.2% premium to the Polish sector average. PBG warrants a premium, in our view, due to its exposure to specialized segments with higher margins and higher growth rates.

Important Polish Disclosure

Belgian Banking and Finance Commission is exercising the Supervision over KBC Securities NV Branch in Poland.

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The definitions of terms applied in the publication:

EBITDA = EBIT + amortization and depreciation

EPS = Net profit / No. of shares outstanding

DPS = Dividend per Share

NBV per share = Net Book Value / No. of shares outstanding

EBITDA margin = EBITDA / Revenue

EBIT margin = EBIT / Revenue

CFPS = Cash flow / No. of shares outstanding

Net Financial Debt = Financial debt – Cash equivalents

ROE = Net profit / Average Equity

EV = Market Capitalization + Net Financial Debt

P/E = Stock Price / EPS

P/CF = Stock Price / (Net Profit + amortization and depreciation)

P/BV = Stock Price / NBV per share

P/S = Market Capitalization / Revenue

Gross Dividend Yield = Dividend per share / Stock

List of recommendations concerning Budimex issued by KBC Securities NV Branch in Poland during the last 9 months

	Valuation	Market price	Recommendation	Date of issue
Budimex	PLN 77.90	PLN 80.90	Hold	21 January 2010

The list of recommendations concerning PBG issued by KBC Securities NV Branch in Poland during the last 9 months

	Valuation	Market price	Recommendation	The date of issuing
PBG	PLN 245.3	PLN 219.0	Buy	21 January 2010

The list of recommendations concerning Polimex issued by KBC Securities NV Branch in Poland during the last 9 months

	Valuation	Market price	Recommendation	The date of issuing
Polimex	PLN 5.40	PLN 4.36	Buy	21 January 2010

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BUY – total return is expected to appreciate 10% or more

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12 HOLD	29%
9 SELL	22%

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