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Hydrobudowa Polska

Sector: Construction
 Fundamental rating: Sell (-)
 Market relative: Underweight (-)
 Price: PLN 2.01
 12M EFV: PLN 1.7 (-)

Market Cap.: US\$ 149 m
 Reuters code: HBWLWA
 Av. daily turnover: US\$ 0.51 m
 Free float: 37%
 12M range: PLN 2.01-3.90

Investment story

Hydrobudowa Polska (HBP) has evolved from a company specializing in hydro-engineering works to an all-round constructor with its backlog mainly in roads and general construction projects. Consistently with our general sector approach, we consider this shift disadvantageous, because of low margins and high competition in these segments. Indeed, HBP is able to conduct some high-expertise projects, but we observe limited demand in this area. There is also certain potential for cost-cutting and subcontracting on PBG's high-margin contracts, but, in our view, it is not enough for a considerable improvement of the general outlook for the Company.

Drivers

▲ Fat backlog, but at low margins

At the end of 1Q11, the HBP's backlog amounted to PLN 2.2 billion. As Fig. 1 shows, half of the backlog can be attributed to road contracts, mainly the A1 and A4 highways, where the Company acts as a general contractor. This means low margins – margins in the road sector are generally low, and additionally margins on general contracting are typically lower than on subcontracting. About 23% of the backlog can be attributed to the general construction segment, where, in our view, the profitability will be rather unsatisfactory as well. This is due to the fact that the projects usually do not require high expertise and the competition is tough. However, we expect the HBP's margins in this segment to rise because FY10 and, partially, FY11 bear the burden of the troubled PGE Arena contract. As far as water is concerned, there are few expected tenders in high-expertise projects, so we expect the revenues to decline (according to the Company, HBP does not focus on pursuing the low-margin sewage systems contracts). HBP may also count for some revenues in gas, oil & fuels – the management has surprised us recently, announcing that the Company may even count for PLN 0.5 billion on account of subcontracting works in the LNG project – given the expected high margins in this segment, this may mean that PBG intends to transfer some margins to HBP to boost its share price and sell the Company. Similarly, if PBG obtains contracts in power construction, we expect HBP to be subcontracted to implement certain general construction works (reinforced concrete etc.). However, given the low expertise required to conduct such tasks, we do not expect them to bring high profitability.

Guide to adjusted profits

FY11E net profit adjusted for non-recurring items.

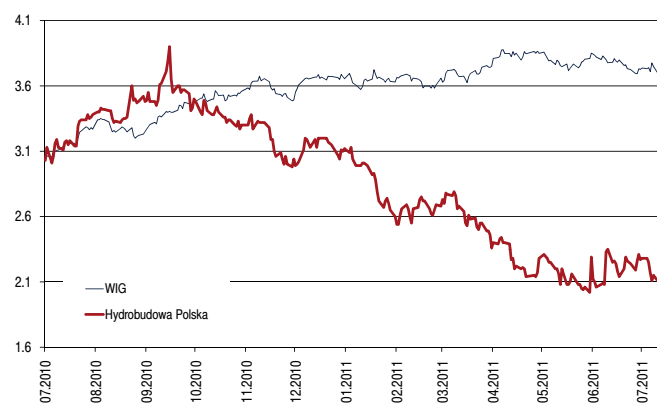
Key data

IFRS consolidated		2010	2011E	2012E	2013E
Sales	PLN m	1,581.6	1,664.0	1,544.8	1,287.5
EBITDA	PLN m	68.8	91.8	80.7	78.4
EBIT	PLN m	50.2	71.2	56.9	52.3
Net profit	PLN m	36.5	45.9	26.2	25.3
Adj net profit	PLN m	36.5	37.8	26.2	25.3
Adj EPS	PLN m	0.17	0.17	0.12	0.12
Adj EPS yoy chng	%	-63	-3	-26	-4
Net debt	PLN m	278.2	284.4	302.3	204.5
P/E	x	11.6	12.0	16.2	16.8
P/CE	x	7.7	6.4	8.5	8.2
EV/EBITDA	x	10.2	7.7	9.0	8.0
EV/EBIT	x	14.0	9.9	12.8	12.0
Gross dividend yield	%	0.0	0.0	4.3	2.5
No. of shares (eop)	m	210.6	210.6	210.6	210.6

P/E and P/CE multiples based on adjusted net profit.

Source: Company, DM IDMSA estimates

Stock performance



Source: Bloomberg

Upcoming events

1. Release of 1H11 financial results: August 31, 2011
2. Release of 3Q11 financial results: November 10, 2011

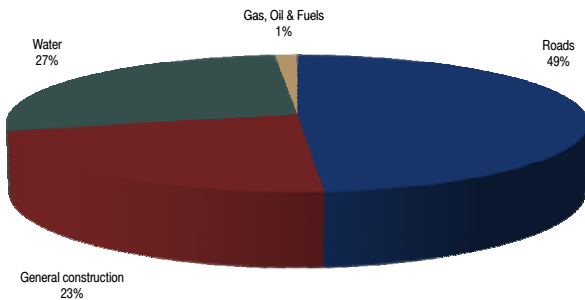
Catalysts

1. Winning some high-expertise contracts
2. Cost-cutting

Risk factors

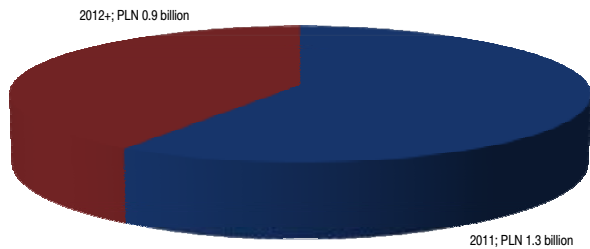
1. Fierce competition in roads and railroads
2. Declining market for road construction
3. Forfeits on implemented contracts
4. Lack of high-expertise contracts
5. Unknown problems that resulted in the collapse of takeover by OHL

Fig. 1 Hydrobudowa Polska; Backlog as of 31/03/2011 by segment



Source: Company

Fig. 2 Hydrobudowa Polska; Backlog as of 31/03/2011 – time structure



Source: Company

▲ **Prospects for high-expertise contracts**

The Company has expertise in executing difficult projects, especially in the fields of environmental protection, hydro-engineering and tunneling. The Company’s machine park is also strong, e.g. it has a tunnel boring machine (TBM), which may be used for complex tunneling projects. HBP has gained some prizes for difficult implementations (e.g. the Construction of the Year Competition organized by the Polish Union of Building Engineers and Technicians awarded for the Płaszów sewage plant, the international NO-DIG Award for the Czajka sewage plant). However, currently there are not many projects enabling the Company to utilize this expertise and, as a consequence, reap off fat margins. Among potentially value accretive ones we would include the Czajka Sewage Plant and the Martwa Wisła Tunnel. The Company seeks also for minor, challenging projects in general construction like the Ostrów Tumski Museum. We do not expect many high-expertise projects to arise. However, should more tenders for challenging projects be announced, it will be an opportunity for HB.

▲ **Failure of the OHL acquisition may weaken further cooperation**

The Company belongs to the PBG group (PBG holds c. 63% of HBP’s shares) and participates in many projects with OHL,

PBG’s strategic partner. PBG had been negotiating the sale of HBP to OHL, but eventually the negotiations were suspended (even though one month earlier PBG’s management assured investors that the transaction would be conducted). The announced reason behind the suspension was depressed share market price. The per share price set in the deal equaled PLN 4.01, which, in our view, offered a fair control premium when the deal was announced (the price average was PLN 3.49). However, in the meantime, the market share price declined by more than 34%. In order to prevent write-offs on its books just after the transaction OHL proposed to pay the current market price and pay extra when the share price would rise. PBG declined that offer, claiming that the company does not place bets on the market price of any assets. The news had a significantly negative impact on HBP’s shares, even though at the same time the management announced a positive guidance, probably in order to assure investors that there is no skeleton in the cupboard and price was the only factor behind the deal’s failure. The companies have not excluded resuming the negotiations when HBP’s market share price is back in PLN 3.5 per share territory. Given the current market price and sentiment towards the sector, we consider it highly improbable.

The management assures that the cooperation with OHL on domestic and international markets will be continued. We have no reasons to question these claims, but it must be stressed that had HBP been acquired, the incentive for OHL to subcontract more works to the Company would be stronger.

▲ **Cost-cutting**

The Company announced business consolidation in the capital group, especially with respect to Hydrobudowa 9. This may encompass streamlining of redundant business processes and outsourcing (e.g. book-keeping). In addition, the Company owns numerous properties, and considers moving them to one managing entity. In our opinion, this may result in cost cuts amounting to approx. PLN 20 million, but we do not expect the effects to be apparent till mid-2012. Only a part of these cuts is expected in SG&A, with the majority increasing gross profit on sales.

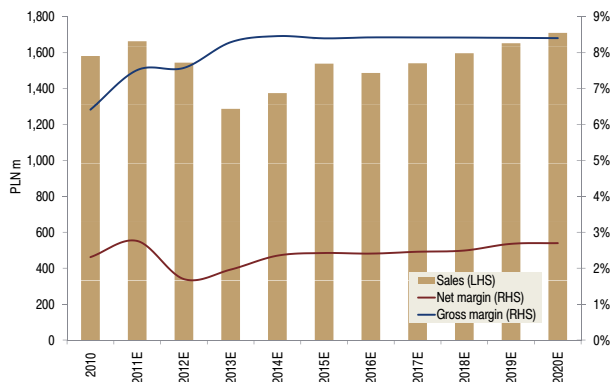
Financial forecast

The management’s guidance for 2011 is PLN 1.6 billion in revenues and PLN 50 million in net profit. Although we agree with the management that the revenue guidance is conservative and based mainly on the current backlog, we are somehow reluctant as far as the bottom line figures are concerned – in our opinion, the net profit will reach the level of around PLN 46 million.

For FY12, the management predicts the results to beat those of FY11. Again, whereas we are positive about the revenues, we forecast profits at a lower level, especially taken into account our view that the FY11 results will be boosted by non-recurring items. According to the management’s claims and the 1Q11 results, the pre-tax value of positive one-offs should amount to c. PLN 10 million, which means unimpressive quality of earnings.

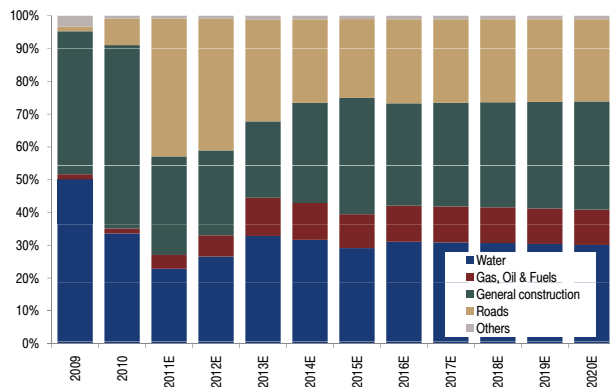
We expect the Company's revenue to decline sharply after FY12, when the peak of road contracts is expected to be over. In our view, around 2015, funds from the new EU financial perspective will be implemented, which, combined with some possible subcontracting works in power construction, should have a positive impact on the revenue. In our opinion, there will also be a stable part of revenue stemming from gas, oil & fuels, mainly due to subcontracting in PBG's contracts. This shift should result in improvement in gross margin on sales. However, we consider the net margin of 2011E unsustainable, because of one-off items.

Fig. 3 Hydrobudowa Polska; Sales and margins



Source: Company, DM IDMSA estimates

Fig. 4 Hydrobudowa Polska; Revenue mix



Note: since we assume that HBP may conduct only general construction works in power engineering, we include them in the general construction segment.
Source: Company, DM IDMSA estimates

Valuation

We value Hydrobudowa with the use of the DCF method and through the forward-multiples-based valuation relative to its foreign and domestic peers; with regards to the detailed technical assumptions on our approach towards the Company's valuation, please refer to *Chapter 2* of this research report.

Our DCF model yields Hydrobudowa's 12M EFV of PLN 1.8 per share. The same estimate implied by multiples valuation amounts to PLN 1.5 per share. That results in our final 12M EFV of PLN 1.7 per share.

Recommendation

We reinitiate our coverage of HBP's equities with a LT fundamental Sell rating reflected in our 12M EFV of PLN 1.7, which implies 15% downside to the current share market price. In our view, certain potential for cost-cutting, high-expertise contracts and subcontracting in high-margin PBG's contracts is insufficient to outweigh the gloomy outlook for the Company. The bottom line is that HBP is positioned in the segment of construction industry characterized by high competition, low margins and declining volumes, and has little prospects to improve this situation.

We can possibly become more positive about the Company's stock if HBP obtains some high-expertise contracts which would decrease the share of general and infrastructural construction in its revenue mix.

Fig. 5 Hydrobudowa Polska; DCF model

PLN m	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	>2020E
Sales	1,664.0	1,544.8	1,287.5	1,375.1	1,539.3	1,487.2	1,541.1	1,597.1	1,652.8	1,710.6	
yoy change	5%	-7%	-17%	7%	12%	-3%	4%	4%	3%	3%	
EBIT margin	4.3%	3.7%	4.1%	4.2%	4.2%	4.2%	4.2%	4.2%	4.4%	4.4%	
EBIT	71.2	56.9	52.3	58.4	64.7	62.8	65.2	67.6	73.3	75.8	
yoy change	42%	-20%	-8%	12%	11%	-3%	4%	4%	8%	3%	
Effective cash tax rate (T)	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
EBIT * (1-T)	57.6	46.1	42.3	47.3	52.4	50.9	52.8	54.8	59.3	61.4	
yoy change	38%	-20%	-8%	12%	11%	-3%	4%	4%	8%	3%	
EBITDA	91.8	80.7	78.4	84.5	91.0	89.2	91.8	94.5	101.4	103.9	
yoy change	34%	-12%	-3%	8%	8%	-2%	3%	3%	7%	2%	
EBITDA margin	5.5%	5.2%	6.1%	6.1%	5.9%	6.0%	6.0%	5.9%	6.1%	6.1%	
Depreciation	20.7	23.8	26.2	26.2	26.2	26.4	26.6	26.9	28.1	28.1	
EBIT * (1-T) + D	78.3	69.9	68.5	73.4	78.7	77.3	79.4	81.7	87.5	89.5	
yoy change	30%	-11%	-2%	7%	7%	-2%	3%	3%	7%	2%	
Capex	-42.5	-19.4	-19.5	-20.3	-21.1	-21.9	-22.7	-23.6	-26.5	-28.5	
Change in NWC	-33.0	-26.1	85.0	-31.0	-56.4	17.8	-18.6	-19.3	-19.2	-19.9	
Equity issue proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow	2.8	24.3	134.0	22.2	1.2	73.2	38.1	38.8	41.8	41.1	
Cost of equity											
Risk free rate (nominal)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Equity risk premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Unlevered beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Beta adjusted for leverage	1.26	1.27	1.22	1.22	1.22	1.20	1.20	1.21	1.21	1.20	1.20
Required rate of return	11.7%	11.7%	11.5%	11.5%	11.5%	11.4%	11.4%	11.5%	11.4%	11.4%	10.4%
Cost of debt											
Cost of debt (Pre-tax)	6.9%	7.7%	7.3%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Effective tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
After-tax cost of debt	5.6%	6.2%	5.9%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
WACC											
Weight of debt	32%	33%	28%	27%	27%	25%	25%	26%	26%	25%	25%
Weight of equity	68%	67%	72%	73%	73%	75%	75%	74%	74%	75%	75%
Cost of equity	11.7%	11.7%	11.5%	11.5%	11.5%	11.4%	11.4%	11.5%	11.4%	11.4%	10.4%
After-tax cost of debt	5.6%	6.2%	5.9%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
WACC	9.7%	9.9%	9.9%	9.8%	9.8%	9.9%	9.9%	9.8%	9.9%	9.9%	9.1%
Discount multiple	1.00	1.05	1.15	1.27	1.39	1.53	1.68	1.84	2.03	2.23	
Discount factor	1.00	0.95	0.87	0.79	0.72	0.65	0.60	0.54	0.49	0.45	
PV of free cash flow	-	23.2	116.2	17.5	0.9	47.9	22.7	21.0	20.6	18.5	
Sum of FCFs PVs											288.5
Weight of debt in the residual period											25%
Weight of equity in the residual period											75%
Average cost of equity in the definite period											11.5%
Average WACC in the definite period											9.9%
WACC in the residual period											9.1%
Residual growth of FCFs											2.5%
Residual value											636.9
Present value of the residual value											314.3
Value of HBP's operations											602.8
Cash and equivalents, eop 2011E											73.3
Non-operating assets (real estate)											53.3
Interest-bearing debt, eop 2011E											357.7
Equity value											371.7
No. of shares (m)											210.6
12-month forward fair per share value of Hydrobudowa Polska (PLN), base-case scenario											1.8

Source: DM IDMSA estimates

Fig. 6 12M EFV (75%/25% weighted average of DCF and peer-relative valuation)
sensitivity to DCF assumptions

Equity risk premium	Residual growth				
	1.5%	2.0%	2.50%	3.00%	3.50%
5.5%	1.4	1.4	1.5	1.6	1.6
5.0%	1.5	1.5	1.6	1.7	1.7
4.5%	1.6	1.6	1.7	1.8	1.9
4.0%	1.7	1.7	1.8	1.9	2.0
3.5%	1.8	1.9	2.0	2.1	2.2

Source: DM IDMSA estimates

Fig. 7 12M EFV (75%/25% weighted average of DCF and peer-relative valuation)
sensitivity to margins assumptions

Change in general construction gross margins on sales vs. base scenario	Change in road construction gross margins on sales vs. base scenario				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
-1.0%	1.3	1.4	1.5	1.6	1.7
-0.5%	1.4	1.5	1.6	1.7	1.8
0.0%	1.5	1.6	1.7	1.8	1.9
0.5%	1.6	1.7	1.8	1.9	2.0
1.0%	1.7	1.8	1.9	2.0	2.1

Source: DM IDMSA estimates

Financial statements (IFRS consolidated)

Fig. 8 Hydrobudowa Polska; Balance sheet

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Fixed assets	330.0	351.8	347.5	340.8	334.9	329.8	325.3	321.4	318.1	316.5	316.8
Intangibles	7.3	7.8	8.2	8.6	8.9	9.2	9.4	9.6	9.7	9.8	9.8
Goodwill	37.6	37.6	37.6	37.6	37.6	37.6	37.6	37.6	37.6	37.6	37.6
Tangible fixed assets	158.3	179.7	174.9	167.8	161.6	156.2	151.5	147.4	144.0	142.3	142.6
LT receivables	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4	55.4
LT investments	53.4	53.4	53.4	53.4	53.4	53.4	53.4	53.4	53.4	53.4	53.4
LT deferred assets	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	1,097.8	1,141.8	1,059.5	982.5	1,039.5	1,123.2	1,121.8	1,154.8	1,188.1	1,214.8	1,237.6
Inventories	19.2	19.9	18.5	15.3	16.3	18.3	17.6	18.3	18.9	19.6	20.3
ST receivables	983.0	1,038.6	1,026.0	855.1	913.3	1,022.3	987.7	1,023.5	1,060.7	1,097.7	1,136.1
ST deferred assets	4.9	5.2	4.8	4.0	4.3	4.8	4.6	4.8	5.0	5.1	5.3
Cash & equivalents	85.9	73.3	5.4	103.3	100.8	73.0	107.0	103.4	98.7	87.5	71.1
Other assets	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Total assets	1,427.9	1,493.6	1,407.0	1,323.3	1,374.4	1,453.0	1,447.1	1,476.2	1,506.2	1,531.2	1,554.4
Equity	447.5	493.4	501.2	516.0	535.7	553.6	567.0	576.2	585.7	590.2	592.1
Liabilities & reserves	980.4	1,000.2	905.7	807.3	838.8	899.4	880.1	899.9	920.5	941.0	962.3
Reserves	54.6	57.5	53.4	44.5	47.5	53.2	51.4	53.2	55.2	57.1	59.1
LT liabilities	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1
Non-interest-bearing	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Interest-bearing	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
ST liabilities	901.3	918.2	828.1	739.1	767.3	821.9	804.5	822.4	840.9	859.4	878.6
Non-interest-bearing	544.9	568.2	528.1	439.1	467.3	521.9	504.5	522.4	540.9	559.4	578.6
Interest-bearing	356.4	350.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Deferred liabilities	3.2	3.4	3.2	2.6	2.8	3.1	3.0	3.1	3.3	3.4	3.5
Total liabilities and equity	1,427.9	1,493.6	1,407.0	1,323.3	1,374.4	1,453.0	1,447.1	1,476.2	1,506.2	1,531.2	1,554.4

Source: Company, DM IDMSA estimates

Fig. 9 Hydrobudowa Polska; Income statement

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales	1,581.6	1,664.0	1,544.8	1,287.5	1,375.1	1,539.3	1,487.2	1,541.1	1,597.1	1,652.8	1,710.6
COGS	-1,480.1	-1,538.9	-1,427.7	-1,180.8	-1,258.8	-1,410.0	-1,361.9	-1,411.3	-1,462.6	-1,513.7	-1,566.8
Gross profit on sales	101.5	125.1	117.1	106.8	116.4	129.3	125.3	129.8	134.5	139.1	143.8
Selling costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General administration costs	-54.3	-54.9	-57.2	-51.5	-55.0	-61.6	-59.5	-61.6	-63.9	-62.8	-65.0
Net profit on sales	47.2	70.2	59.9	55.3	61.4	67.7	65.8	68.2	70.6	76.3	78.8
Other operating income	31.2	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating costs	-28.2	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	50.2	71.2	56.9	52.3	58.4	64.7	62.8	65.2	67.6	73.3	75.8
Financial income	16.0	10.5	1.1	1.2	1.5	1.3	1.4	1.6	1.5	1.4	1.2
Financial costs	-22.4	-25.0	-25.6	-22.3	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	43.8	56.7	32.3	31.2	39.9	46.0	44.2	46.8	49.1	54.7	57.0
Income tax	-7.3	-10.8	-6.1	-5.9	-7.6	-8.7	-8.4	-8.9	-9.3	-10.4	-10.8
Minority interest in net income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	36.5	45.9	26.2	25.3	32.3	37.3	35.8	37.9	39.8	44.3	46.2
Adj net income	36.5	37.8	26.2	25.3	32.3	37.3	35.8	37.9	39.8	44.3	46.2
EBITDA	68.8	91.8	80.7	78.4	84.5	91.0	89.2	91.8	94.5	101.4	103.9

FY11E net income adjusted for one-off items

Source: Company, DM IDMSA estimates

Fig. 10 Hydrobudowa Polska; Cash flow

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Pre-tax profit (loss)	43.8	56.7	32.3	31.2	39.9	46.0	44.2	46.8	49.1	54.7	57.0
Depreciation and amortization	18.6	20.7	23.8	26.2	26.2	26.2	26.4	26.6	26.9	28.1	28.1
NWC change:	35.1	-33.0	-26.1	85.0	-31.0	-56.4	17.8	-18.6	-19.3	-19.2	-19.9
Change in inventories	-12.6	-0.8	1.4	3.2	-1.0	-2.0	0.6	-0.6	-0.7	-0.7	-0.7
Change in receivables	125.1	-55.6	12.6	170.9	-58.2	-109.0	34.6	-35.8	-37.2	-37.0	-38.4
Change in payables	-77.5	23.3	-40.1	-89.0	28.2	54.6	-17.4	17.8	18.5	18.5	19.2
Other	-20.4	11.5	14.4	6.6	13.8	15.4	8.5	11.3	11.0	10.1	9.9
Operating cash flow	77.1	55.8	44.4	148.9	48.9	31.3	96.9	66.1	67.8	73.7	75.1
Capital expenditures	-58.6	-42.5	-19.4	-19.5	-20.3	-21.1	-21.9	-22.7	-23.6	-26.5	-28.5
Other	-34.1	5.5	1.1	1.2	1.5	1.3	1.4	1.6	1.5	1.4	1.2
Investing cash flow	-92.7	-37.0	-18.4	-18.3	-18.7	-19.7	-20.5	-21.1	-22.1	-25.1	-27.3
Change in interest-bearing debt	39.9	-6.4	-50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends payment	0.0	0.0	-18.4	-10.5	-12.6	-19.4	-22.4	-28.6	-30.3	-39.8	-44.3
Interest	-22.0	-25.0	-25.6	-22.3	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing cash flow	17.9	-31.5	-94.0	-32.8	-32.6	-39.4	-42.4	-48.6	-50.3	-59.8	-64.3
Total cash flow	2.3	-12.6	-67.9	97.9	-2.5	-27.8	34.0	-3.7	-4.6	-11.2	-16.4

Source: Company, DM IDMSA estimates

Fig. 11 Hydrobudowa Polska; Ratios

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales growth (yoy)	-6%	5%	-7%	-17%	7%	12%	-3%	4%	4%	3%	3%
Gross profit growth (yoy)	-38%	23%	-6%	-9%	9%	11%	-3%	4%	4%	3%	3%
EBITDA growth (yoy)	-48%	34%	-12%	-3%	8%	8%	-2%	3%	3%	7%	2%
Operating profit growth (yoy)	-56%	42%	-20%	-8%	12%	11%	-3%	4%	4%	8%	3%
Net income growth (yoy)	-63%	26%	-43%	-4%	28%	15%	-4%	6%	5%	11%	4%
A/R turnover days	240	222	244	267	235	229	247	238	238	238	238
Inventory turnover days	3	5	5	5	5	4	5	5	5	5	5
A/P turnover days	142	129	137	146	128	125	134	130	130	130	130
Cash cycle days	101	97	112	126	111	109	117	113	113	113	113
NWC/Sales	28%	29%	33%	32%	33%	33%	33%	33%	33%	33%	33%
Gross margin	6.4%	7.5%	7.6%	8.3%	8.5%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
EBITDA margin	4.3%	5.5%	5.2%	6.1%	6.1%	5.9%	6.0%	6.0%	5.9%	6.1%	6.1%
EBIT margin	3.2%	4.3%	3.7%	4.1%	4.2%	4.2%	4.2%	4.2%	4.2%	4.4%	4.4%
Pretax margin	2.8%	3.4%	2.1%	2.4%	2.9%	3.0%	3.0%	3.0%	3.1%	3.3%	3.3%
Net margin	2.3%	2.8%	1.7%	2.0%	2.3%	2.4%	2.4%	2.5%	2.5%	2.7%	2.7%
ROE	8.7%	9.8%	5.3%	5.0%	6.1%	6.8%	6.4%	6.6%	6.8%	7.5%	7.8%
ROA	2.5%	3.1%	1.8%	1.8%	2.4%	2.6%	2.5%	2.6%	2.7%	2.9%	3.0%
Current Ratio	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Quick Ratio	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4
Net debt/EBITDA	4.0	3.1	3.7	2.6	2.4	2.6	2.2	2.2	2.2	2.2	2.3

Source: Company, DM IDMSA estimates