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Energomontaż-Południe

Sector: Construction
Fundamental rating: Buy (–)
Market relative: Neutral (–)
Price: PLN 3.89
12M EFV: PLN 4.5 (–)

Market Cap.: US$ 97 m
Reuters code: EMPD.WA
Av. daily turnover: US$ 0.13 m
Free float: 35%
12M range: PLN 3.57-4.10

Investment story

In our view, Energomontaż-Południe (EPD) is the best vehicle in our coverage universe to capture the potential of the Polish power construction sector. The Company is experienced in power construction/modernisation assembly works and has a track record of cooperation with major international players. Additionally, EPD's expertise may be also utilised in the construction of waste incineration plants, which should produce decent margins. Moreover, we see huge potential for cash release through the sale of real estate projects. The recent acquisition by PBG is a mixed bag of news for the Company – on the one hand as a member of the largest power construction group in Poland, it should enjoy rising volumes, but on the other there is a risk of the margin transfer to PBG. We think that EPD's results may improve because we do not expect some of the negative events, which drove the net loss in FY10 (e.g. PGE Arena contract), to exert any significant impact on the FY11 results. However, we think that the troubles with Amontex are still not over, which, coupled with weak demand in production segment, translates into mediocre short-term outlook. Generally, in our view, buying EPD's shares means buying the future (not the nearest) of Polish power construction sector.

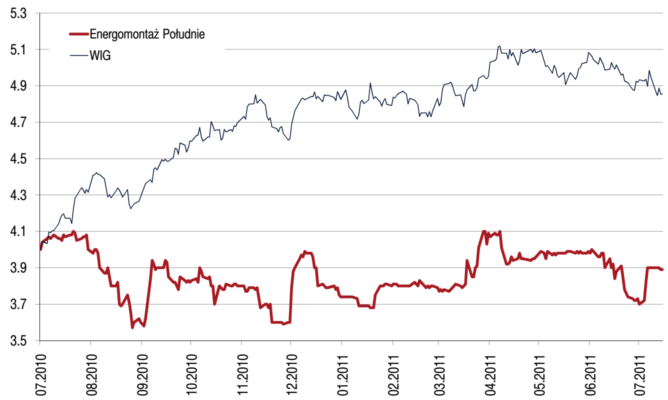
Guide to adjusted profits
No factors necessitating adjustments.

Key data

IFRS consolidated		2010	2011E	2012E	2013E
Sales	*PLN m*	338.1	340.4	394.7	421.8
EBITDA	*PLN m*	-7.2	24.5	29.8	36.2
EBIT	*PLN m*	-17.2	12.4	16.0	20.7
Net profit	*PLN m*	-4.9	9.0	11.8	15.7
EPS	*PLN*	-0.07	0.13	0.17	0.22
EPS yoy chng	*%*	n.m.	n.m.	31%	33%
Net debt	*PLN m*	45.6	28.1	3.8	-16.9
P/E	*x*	n.m.	30.6	23.4	17.6
P/CE	*x*	n.m.	13.1	10.8	8.9
EV/EBITDA	*x*	n.m.	12.4	9.4	7.2
EV/EBIT	*x*	n.m.	24.5	17.5	12.5
Gross dividend yield	*%*	0.0	0.0	1.6	2.1
No. of shares (eop)	*m*	71.0	71.0	71.0	71.0

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: October 26, 2011

Catalysts

1. Being subcontracted at huge power construction contracts (e.g Opole, Kozienice, Jaworzno)
2. Being subcontracted at Bełchatów power plant modernisation
3. More contracts due to co-operation with PBG
4. Sale of investment properties
5. Sale of Ligota project
6. Chances in waste incineration

Risk factors

1. Margin transfer after PBG acquistion
2. Delays in power construction investments
3. Materialization of project risks (especially in power modernisation projects)
4. Troubles with Amontex
5. Lack of rebound in the production sector

Drivers

Acquisition by PBG

The recent acquisition by PBG is, in our view, a mixed bag of news for EPD. On the one hand, there is a risk of the margin transfer – PBG may prefer to recognise margins in the parent company, at the expense of EPD's minority shareholders. On the other hand, the Company belongs now to the strongest power construction group in Poland that most probably will get a huge piece of the power construction pie, which in turn should have a positive impact on its revenue. All in all, we think that the upsides of the acquisition balance out the downsides and the final impact for EPD should be neutral. All these considerations refer to the domestic market only, given that we expect export business to remain unaffected by the acquisition.

Good positioning in power construction

EPD has a strong exposure in the prospective power construction sector. The Company has a proven track record in power construction and plentiful experience and references gained across Europe. Especially the cooperation with Alstom may turn out beneficial since the company takes part (along with PBG) in all major power construction tenders in Poland. EPD has also considerable experience in the modernization of power capacities, which should ensure stable revenue streams when the construction projects are over. Additionally, there is a huge demand for modernization works now – e.g. Steinmüller is implementing a PLN 1.8 billion contract for the modernization of six power units in the Bełchatów power plant. EPD is well positioned to be subcontracted in these works because it has already worked for Steinmüller at the modernization of three units in Bełchatów. The total value of subcontracted works may amount to as much as PLN 300 million. Modernization works are typically more risky (it is difficult to asses the real amount of work required) than construction works, which results in greater demand for expertise and, as a consequence, higher margins.

Geographical diversification

We appreciate the fact that EPD generates c. 37% of its revenues abroad. This provides the Company with diversification and makes it less dependent on huge power construction projects in Poland. Moreover, even if the program of new power units construction is discontinued/postponed it will trigger even higher demand for the modernization of existing units, thanks to which EPD is less dependent on the investments in new power generation capacities.

Cash to be released in the real estate

EPD has investment properties with a total book value of PLN 92 million. The most significant are: an office building in Wrocław and plots in Katowice and Opole. There has recently been a negative revaluation of the office building, but we expect the fair value of investment properties to be at c. PLN 70 million, still below the book value. EPD has also a completed housing developing project in Katowice-Ligota. The Company consistently fails to meet the sales goals. We consider the current goals (PLN 30 million in FY11, PLN 40 million in FY12) overoptimistic as well. Furthermore, we do not see any bright prospects for the remaining plot area, and we appreciate the fact that EPD plans to phase out the housing developing activities.

Selling the flats, even at a near-to-zero margin, would free a lot of working capital (unsold inventory equals c. PLN 70 million). Coupled with sale of investment properties, that could release about PLN 130 million in cash.

Opportunities in waste incineration plants

The Company considers waste incineration plants its core business. This is based on the fact that numerous assembly works in this kind of construction are similar to power construction and thus lie in the competences of EPD. Taking into account the ties to PBG, which wants to strongly enter this market as a general contractor and operator, we believe that EPD may obtain significant subcontracting works in this segment. Whereas we believe that this is not a huge market for big companies, it may be prospective for smaller, specialist companies, such as EPD.

Troubled Amontex

The problems with Amontex were the major (besides problems with subcontractors regarding the PGE Arena) factor behind the net loss in FY10. The main reason was the failure of the Bełchatów modernization project, where Amontex miscalculated the required labor input, which resulted in inefficient utilization of labor hours. In our view, restoring the profitability of this subsidiary is the key challenge for management in the forthcoming months. We already know that 1Q11 still was not good for Amontex (this time because of unutilized capacities in production). We expect the problems to be still apparent in 2Q11, but we think that they are addressed by EPD's management by imposing more control on Amontex's operations and some knowledge transfer.

Legal issue

The Company is in a legal proceeding with Martifer – a subcontractor that has not fulfilled its obligation in the PGE Arena contract. The value of the lawsuit filed by Martifer is very high (c. PLN 90 million), but we consider it unjustified. EPD also intends to fill a lawsuit against Martifer, but we think that eventually the parties will reach an agreement. In our opinion, EPD has some upside in this situation, because fundamentally it is Martifer that has not fulfilled its contractual obligations.

Financial forecast

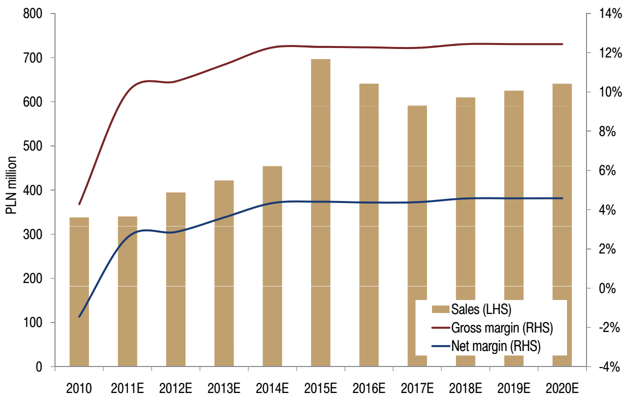
The management's target for FY11 sales was at PLN 350 million (including PLN 30 million from flat sales). Achieving the goal in housing developing seems to be highly improbable, but we believe that anyway the final sales figures will be only slightly below the target. As far profitability is concerned, the goal was a 5% net margin and, in our view, it is no more realistic – we expect the net margin of 2.6% in FY11. The expected lower profitability is mainly due to weak demand in production segment and troubles with Amontex.

We expect the construction revenues to rise at a relatively high and stable rate till 2014, and then soar in 2015, when we expect the peak of investments in the power construction sector. Thereafter, we forecast some decrease followed by a steady, decent increase owing to subsequent power construction projects. As far as the gross margin on sales in construction is concerned, we expect it to be at the level of 11% in FY11 (because of problems with Amontex). Thereafter, we forecast an improvement, to 12.5% in FY14. When making assumption, we accounted for the fact that probably in domestic contracts project management will be conducted by PBG/Rafako and EPD will act as a subcontractor providing the consortium only with workmanship.

For FY11, we expect a decline in the production segment sales followed by a rebound in the subsequent years. We expect the production segment to bring weak margins in FY11, but then we forecast that it will eventually rebound and reach gross margin on sales of 12% in FY13.

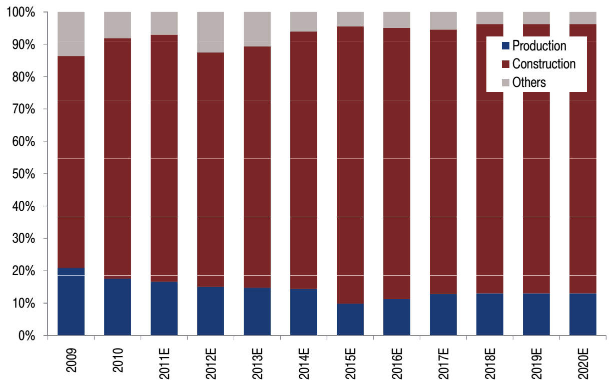
Generally, we expect the total profitability to increase because of the higher share of high-margin power construction in the revenue mix. As a result, the net margin should, in our view, converge to 4.6% in the long run. Additionally, some net working capital should be released because of the decrease in the developer's inventories due to phasing out of the Ligota project and typically lower amounts of receivables in construction projects for the energy sector than in stadium projects, which constituted a huge part of the Company's FY10 revenues.

Fig. 1 Energomontaż-Południe; Sales and margins



Source: Company, DM IDMSA estimates

Fig. 2 Energomontaż-Południe; Revenue mix



Source: Company, DM IDMSA estimates

Valuation

We value EPD 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 EPD's 12M EFV of PLN 4.9 per share. The same estimate implied by peer valuation amounts to PLN 3.4 per share. That results in our final 12M EFV of PLN 4.5 per share.

The significant discrepancy between peer valuation and DCF stems from the fact that the biggest potential for value creating at EPD lies in the (post-2014E) future, when big power construction contracts will be realized.

Recommendation

We reinitiate our coverage of EPD's equities with a LT fundamental Buy rating and a market-relative ST Neutral bias. In our opinion, as of today, EPD is the best pick in our construction coverage universe. The Company is experienced in power construction projects and cooperates with leading power engineering companies. EPD is also well-diversified geographically and, compared to its domestic peers, operates in a low-competition environment. Additionally, there is a perspective of huge cash release from investment properties and the housing developing project.

However, the short-term outlook for the Company is unimpressive: the operations of Amontex still need to be streamlined and the production segment suffers from a slowdown in demand. Therefore we expect mediocre interim results which translates into our ST Neutral market-relative bias. Generally, we think that investing in EPD's shares means buying the (longer-run) future of power construction sector.

The most significant risks to our valuation are, in our view, the following: (i) the possible margin transfer to PBG, (ii) delays in the implementation of the power construction program in Poland, (iii) failure to streamline troubled Amontex's operations, and (iv) lack of recovery in the production sector in the longer run.

Fig. 3 *Energomontaż-Południe; DCF model*

PLN m	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	>2020E
Sales	340.4	394.7	421.8	454.7	696.7	641.0	591.5	610.0	625.3	640.9	
yoy change	*1%*	*16%*	*7%*	*8%*	*53%*	*-8%*	*-8%*	*3%*	*2%*	*2%*	
EBIT margin	3.6%	4.1%	4.9%	5.8%	5.8%	5.8%	5.8%	6.0%	6.0%	6.0%	
EBIT	12.4	16.0	20.7	26.3	40.5	37.3	34.3	36.5	37.5	38.4	
yoy change	*-172%*	*29%*	*29%*	*27%*	*54%*	*-8%*	*-8%*	*7%*	*2%*	*2%*	
Effective cash tax rate (T)	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
EBIT * (1-T)	9.7	13.0	16.8	21.3	32.8	30.2	27.8	29.6	30.3	31.1	
yoy change	*-139%*	*34%*	*29%*	*27%*	*54%*	*-8%*	*-8%*	*7%*	*2%*	*2%*	
EBITDA	24.5	29.8	36.2	42.8	58.0	56.9	55.9	59.3	62.3	65.6	
yoy change	*-440%*	*21%*	*22%*	*18%*	*36%*	*-2%*	*-2%*	*6%*	*5%*	*5%*	
EBITDA margin	7.2%	7.5%	8.6%	9.4%	8.3%	8.9%	9.5%	9.7%	10.0%	10.2%	
Depreciation	12.1	13.8	15.5	16.4	17.5	19.6	21.6	22.7	24.9	27.2	
EBIT * (1-T) + D	21.8	26.7	32.3	37.8	50.3	49.8	49.4	52.3	55.2	58.3	
yoy change	*-245%*	*23%*	*21%*	*17%*	*33%*	*-1%*	*-1%*	*6%*	*6%*	*6%*	
Capex	-17.4	-18.6	-20.0	-23.0	-23.0	-23.0	-23.0	-23.0	-25.0	-27.5	
Change in NWC	12.8	21.9	15.5	-20.5	-27.6	14.2	13.3	-2.9	-2.2	-2.3	
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	**17.2**	**30.0**	**27.7**	**-5.7**	**-0.2**	**41.0**	**39.7**	**26.4**	**28.0**	**28.5**	
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	1.09	1.04	1.00	1.02	1.04	1.00	1.00	1.00	1.00	1.00	1.00
Required rate of return	**10.9%**	**10.7%**	**10.5%**	**10.6%**	**10.7%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**9.5%**
Cost of debt											
Cost of debt (pre-tax)	6.4%	7.2%	6.8%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Effective tax rate	22%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
After-tax cost of debt	**5.0%**	**5.8%**	**5.5%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**
WACC											
Weight of debt	11%	5%	0%	3%	5%	0%	0%	0%	0%	0%	0%
Weight of equity	89%	95%	100%	97%	95%	100%	100%	100%	100%	100%	100%
Cost of equity	10.9%	10.7%	10.5%	10.6%	10.7%	10.5%	10.5%	10.5%	10.5%	10.5%	9.5%
After-tax cost of debt	5.0%	5.8%	5.5%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
WACC	**10.2%**	**10.4%**	**10.5%**	**10.4%**	**10.4%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**9.5%**
Discount multiple	1.00	1.05	1.16	1.28	1.42	1.57	1.73	1.91	2.11	2.34	
Discount factor	1.00	0.95	0.86	0.78	0.71	0.64	0.58	0.52	0.47	0.43	
PV of free cash flow		28.5	23.8	-4.5	-0.2	26.2	23.0	13.8	13.2	12.2	
Sum of FCFFs PVs											136.1
Weight of debt in the residual period											0%
Weight of equity in the residual period											100%
Average cost of equity in the definite period											10.6%
Average WACC in the definite period											10.5%
WACC in the residual period											9.5%
Residual growth of FCFFs											**2.5%**
Residual value											417.6
Present value of the residual value											178.8
EV of EPD's construction business											314.9
Cash and equivalents, eop 2011E											31.0
Non-operating assets (real estate)											70.0
Interest-bearing debt, eop 2011E											70.8
Equity value											345.1
No. of shares (m)											71.0
12-month forward per share fair value of EPD (PLN), base-case scenario											**4.9**

Source: DM IDMSA estimates

Fig. 4 *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%	3.9	4.0	4.1	4.2	4.3
5.0%	4.1	*4.2*	*4.3*	*4.4*	4.6
4.5%	4.2	*4.4*	***4.5***	*4.7*	4.8
4.0%	4.5	*4.6*	*4.8*	*4.9*	5.2
3.5%	4.7	4.9	5.0	5.3	5.5

Source: DM IDMSA estimates

Fig. 5 *12M EFV (75%/25% weighted average of DCF and peer-relative valuation) sensitivity to margins assumptions*

Change in production gross margins on sales vs. base scenario	**Change in construction gross margins on sales vs. base scenario**				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
-1.0%	3.7	4.1	4.4	4.7	5.0
-0.5%	3.8	*4.1*	*4.4*	*4.8*	5.1
0.0%	3.9	*4.2*	***4.5***	*4.8*	5.1
0.5%	3.9	*4.2*	*4.6*	*4.9*	5.2
1.0%	4.0	4.3	4.6	4.9	5.2

Source: DM IDMSA estimates

Financial statements (IFRS consolidated)

Fig. 6 Energomontaż-Południe; Balance sheet

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Fixed assets	**170.8**	**176.1**	**180.9**	**185.5**	**192.1**	**197.6**	**201.0**	**202.4**	**202.7**	**202.8**	**203.1**
Intangibles	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible fixed assets	63.8	69.0	73.9	78.4	85.0	90.5	93.9	95.3	95.6	95.7	96.0
LT receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LT investments	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4
LT deferred assets	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7
Others	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Current assets	**244.4**	**246.2**	**261.4**	**272.3**	**285.0**	**359.0**	**355.4**	**340.1**	**345.9**	**350.1**	**354.3**
Inventories	90.4	83.8	58.2	40.1	57.5	69.4	58.8	48.8	50.2	51.4	52.7
ST receivables	112.8	103.8	120.4	128.7	138.7	212.5	195.5	180.4	186.1	190.7	195.5
ST deferred assets	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Cash & equivalents	13.6	31.0	55.3	76.0	61.3	49.6	73.5	83.5	82.1	80.5	78.6
Other assets	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total assets	**415.2**	**422.3**	**442.4**	**457.8**	**477.1**	**556.6**	**556.4**	**542.5**	**548.6**	**552.9**	**557.4**
Equity	**162.4**	**172.4**	**179.7**	**189.4**	**201.8**	**223.1**	**236.4**	**234.3**	**236.2**	**236.9**	**237.6**
Liabilities & reserves	**252.8**	**249.9**	**262.7**	**268.4**	**275.3**	**333.4**	**320.0**	**308.2**	**312.3**	**316.0**	**319.7**
Reserves	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1
LT liabilities	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4
Non-interest-bearing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest-bearing	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4	64.4
ST liabilities	153.1	150.2	163.1	168.7	175.6	233.8	220.4	208.5	212.7	216.3	220.1
Non-interest-bearing	98.8	95.9	108.8	114.4	121.3	179.5	166.1	154.2	158.3	162.0	165.8
Interest-bearing	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
Deferred liabilities	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2
Total liabilities and equity	**415.2**	**422.3**	**442.4**	**457.8**	**477.1**	**556.6**	**556.4**	**542.5**	**548.6**	**552.9**	**557.4**

Source: Company, DM IDMSA estimates

Fig. 7 Energomontaż-Południe; Income statement

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales	**338.1**	**340.4**	**394.7**	**421.8**	**454.7**	**696.7**	**641.0**	**591.5**	**610.0**	**625.3**	**640.9**
COGS	**-323.6**	**-306.4**	**-353.1**	**-373.8**	**-398.9**	**-611.0**	**-562.2**	**-518.9**	**-534.0**	**-547.3**	**-561.0**
Gross profit on sales	**14.5**	**34.0**	**41.6**	**48.1**	**55.8**	**85.7**	**78.8**	**72.6**	**76.1**	**77.9**	**79.9**
Selling costs	-0.5	-1.4	-1.6	-1.7	-1.8	-2.8	-2.6	-2.4	-2.5	-2.5	-2.6
General administration costs	-20.5	-20.7	-24.0	-25.6	-27.6	-42.3	-38.9	-35.9	-37.1	-38.0	-38.9
Net profit on sales	**-6.5**	**12.0**	**16.0**	**20.7**	**26.3**	**40.5**	**37.3**	**34.3**	**36.5**	**37.5**	**38.4**
Other operating income	14.0	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating costs	-24.6	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**-17.2**	**12.4**	**16.0**	**20.7**	**26.3**	**40.5**	**37.3**	**34.3**	**36.5**	**37.5**	**38.4**
Financial income	24.5	3.0	2.8	2.6	2.2	1.8	2.0	2.5	2.6	2.6	2.5
Financial costs	-10.7	-3.8	-4.3	-4.0	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5
Others	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	**-3.4**	**11.6**	**14.6**	**19.4**	**25.0**	**38.8**	**35.7**	**33.2**	**35.6**	**36.5**	**37.3**
Income tax	-1.5	-2.5	-2.8	-3.7	-4.7	-7.4	-6.8	-6.3	-6.8	-6.9	-7.1
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	**-4.9**	**9.0**	**11.8**	**15.7**	**20.2**	**31.4**	**28.9**	**26.9**	**28.8**	**29.5**	**30.2**
EBITDA	**-7.2**	**24.5**	**29.8**	**36.2**	**42.8**	**58.0**	**56.9**	**55.9**	**59.3**	**62.3**	**65.6**

Source: Company, DM IDMSA estimates

Fig. 8 Energomontaż-Południe; Cash flow

PLN m	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Pre-tax income (loss)	-4.9	9.0	11.8	15.7	20.2	31.4	28.9	26.9	28.8	29.5	30.2
Depreciation and amortization	10.0	12.1	13.8	15.5	16.4	17.5	19.6	21.6	22.7	24.9	27.2
NWC change:	24.1	12.8	21.9	15.5	-20.5	-27.6	14.2	13.3	-2.9	-2.2	-2.3
Change in inventories	-38.5	6.6	25.6	18.1	-17.4	-11.9	10.6	10.1	-1.4	-1.3	-1.3
Change in receivables	62.7	9.0	-16.6	-8.3	-10.0	-73.8	17.0	15.1	-5.7	-4.6	-4.8
Change in payables	-0.1	-2.9	12.8	5.7	6.9	58.2	-13.4	-11.9	4.1	3.7	3.7
Other	-34.6	0.8	1.4	1.4	1.4	1.8	1.6	1.1	0.9	1.0	1.0
Operating cash flow	**-5.4**	**34.8**	**48.9**	**48.0**	**17.5**	**23.1**	**64.3**	**62.9**	**49.6**	**53.2**	**56.2**
Capital expenditures	-23.9	-17.4	-18.6	-20.0	-23.0	-23.0	-23.0	-23.0	-23.0	-25.0	-27.5
Other	-3.5	3.0	2.8	2.6	2.2	1.8	2.0	2.5	2.6	2.6	2.5
Investing cash flow	**-27.4**	**-14.4**	**-15.8**	**-17.4**	**-20.8**	**-21.2**	**-21.0**	**-20.5**	**-20.4**	**-22.4**	**-25.0**
Change in interest-bearing debt	-28.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends payment	0.0	0.0	-4.5	-5.9	-7.8	-10.1	-15.7	-28.9	-26.9	-28.8	-29.5
Interest	-6.3	-3.8	-4.3	-4.0	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5
Other	58.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing cash flow	**24.1**	**-2.9**	**-8.8**	**-9.9**	**-11.4**	**-13.7**	**-19.3**	**-32.5**	**-30.5**	**-32.4**	**-33.1**
Total cash flow	**-8.8**	**17.4**	**24.3**	**20.7**	**-14.7**	**-11.8**	**24.0**	**9.9**	**-1.3**	**-1.7**	**-1.9**

Source: Company, DM IDMSA estimates

Fig. 9 Energomontaż-Południe; Ratios

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Sales growth (yoy)	23%	1%	16%	7%	8%	53%	-8%	-8%	3%	2%	2%
Gross profit growth (yoy)	-63%	135%	22%	16%	16%	54%	-8%	-8%	5%	2%	2%
EBITDA growth (yoy)	n.m	n.m	21%	22%	18%	36%	-2%	-2%	6%	5%	5%
Operating profit growth (yoy)	n.m	n.m	29%	29%	27%	54%	-8%	-8%	7%	2%	2%
Net income growth (yoy)	n.m	n.m	31%	33%	29%	55%	-8%	-7%	7%	2%	2%
A/R turnover days	150	116	104	108	107	92	116	116	110	110	110
Inventory turnover days	89	104	73	48	45	38	42	38	34	34	34
A/P turnover days	99	102	93	97	97	83	104	104	99	99	99
Cash cycle days	140	118	84	58	55	47	53	50	45	45	45
NWC/Sales	31%	27%	18%	13%	16%	15%	14%	13%	13%	13%	13%
Gross margin	4.3%	10.0%	10.5%	11.4%	12.3%	12.3%	12.3%	12.3%	12.5%	12.5%	12.5%
EBITDA margin	-2.1%	7.2%	7.5%	8.6%	9.4%	8.3%	8.9%	9.5%	9.7%	10.0%	10.2%
EBIT margin	-5.1%	3.6%	4.1%	4.9%	5.8%	5.8%	5.8%	5.8%	6.0%	6.0%	6.0%
Pretax margin	-1.0%	3.4%	3.7%	4.6%	5.5%	5.6%	5.6%	5.6%	5.8%	5.8%	5.8%
Net margin	-1.5%	2.6%	3.0%	3.7%	4.4%	4.5%	4.5%	4.6%	4.7%	4.7%	4.7%
ROE	-2.7%	5.4%	6.7%	8.5%	10.3%	14.8%	12.6%	11.4%	12.3%	12.5%	12.7%
ROA	-1.1%	2.2%	2.7%	3.5%	4.3%	6.1%	5.2%	4.9%	5.3%	5.4%	5.4%
Current ratio	1.6	1.6	1.6	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Quick ratio	1.0	1.1	1.2	1.4	1.3	1.2	1.3	1.4	1.4	1.4	1.4

Source: Company, DM IDMSA estimates