



DOM MAKLERSKI PKO BP

Qumak-Sekom

Accumulate

PLN 16,50

Analysts'
report



Basic data:

market price (PLN)	12,95
target price (PLN)	16,50
DCF valuation (PLN)	15,79
min 52 weeks (PLN)	7,70
max 52 weeks (PLN)	13,05
capitalization (PLN mln)	134,36
EV (PLN mln)	114,23
number of shares (mln units)	10,38
free float	63,2%
free float (PLN mln)	84,92
avg. stock trade stock jobbing/msc (PLN mln)	8,70

Movements in the equity price:

	Qumak-Sekom	WIG
1 month	15,1%	4,5%
3 months	18,9%	4,2%
6 months	25,2%	25,9%
12 months	38,5%	65,8%

Stake % of shares and votes

Legg Mason ZA	10,03
Aviva (d.CU IM)	8,06
OFE PZU	7,91
ING TFI	5,54
PZU AM	5,27

Previous recomm. price	date	target
Accumulate	12,50	2009-04-20

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Information concerning the connections between the brokerage house and the company are placed on the last page of the present document.

Quarterly results (publication date May 5th)

The contracts signed in the last months of year 2009 allowed to improve the Company's Q4 results. We expect that the sales growth and profits will be higher in year-to-year relation. As a result the total year incomes are higher than in 2008. (but not as high as expected), also the net profit should be slightly higher than in the previous year.

Middle-term perspectives

Current Qumak backlog of orders is equal more or less PLN 170 mln. (in the previous year PLN 160 mln.), and the Company's Management Board negotiates also the others contracts equal more or less PLN 140-150 mln. The Company takes steps, among the others, to procure new contracts concerning the football fields renovation and construction. Backlog is based mostly on huge contracts (Buildings Automatics segment), as a result of Company's activity a lot of smaller contracts (specially concerning the IT services) are signed within the year. Moreover in the Company's Management Board valuation the market perspectives at the beginning of year 2010 are much better than in the previous year: a lot of auctions are in progress, the sources of finance are more accessible than in the previous year, including the European Union sources, and the incoming important international events (EURO 2012, Polish chairmanship in EU) cause that the profit on the services provided by QSM growth. That is why we change our Company's perspectives and 2010 forecasts valuation. The incipient year should be at least not worth than the previous one. We expect the further incomes growth in the Intelligent building technologies department as well as insignificant sales growth in IT departments. The lesser demand on the IT services may take effect on the slight margins drop. Also lower will be financial activity incomes. Finally we predict that the net financial result will be similar to the one from year 2009. Years 2011-2012 also should be successful for the Company, specially because of investments connected with the 2012 events. We assume, that after this period the trade cycle may reverse, specially in the Buildings Automatics segment.

Financial standing. Dividend

We estimate, that at the end of year 2009 the Company had more or less PLN 20 mln of free financial means. The Company's investment plans are not big, however the Qumak-Sekom Company may need assets to finance acting capital in case another huge contracts concerning the football fields. We assume that the Company will pay the 2009 dividend equal more or less the same amount as in the previous year (0,35 PLN per share), additionally the fund for the dividends created the previous year will be used, in total the dividend will be equal PLN 0,9 per share.

The valuation and recommendation

We increased our estimations, specially concerning the year 2010 as well as the next years. Using the DCF model we calculated the Qumak value at PLN 15,8 per share. On the other hand the comparison analyst (considering the construction companies, because the QMS profile as well as its profitability factors are closer and closer to the special construction companies) produced the valuation equal PLN 17,6. **We estimated the target price at PLN 16,5. We expect good quarter results as well as information concerning the next won auctions. As a result we enhance our valuation to ACCUMULATE.**

Financial data (unitary data)

PLN mln.	2008	2009f	2010f	2011f	2012f
Sales	253,74	290,01	326,83	348,48	372,11
EBITDA	19,67	18,78	19,65	21,42	23,23
EBIT	17,32	16,48	17,29	19,00	20,76
Net profit	14,12	14,66	14,78	16,12	17,73
Adjusted profit	14,12	14,66	14,78	16,12	17,73
EPS (PLN)	1,36	1,41	1,42	1,55	1,71
DPS (PLN)	0,35	0,90	0,71	0,78	0,85
CEPS (PLN)	1,59	1,63	1,65	1,79	1,95
P/E	9,51	9,17	9,09	8,34	7,58
P/BV	1,98	1,71	1,60	1,45	1,31
EV/EBITDA	5,81	6,08	5,81	5,33	4,92

f - DM PKO BP SA forecast



Profit and loss statement (PLN mln)	2007	2008	2009F	2010F	2011F	2012F	IVQ 08	I-IVQ 08	IVQ 09	I-IVQ 09
Net sales income	208,85	253,74	290,01	326,83	348,48	372,11	110,18	254,77	122,61	290,01
movement	28,0%	21,5%	14,3%	12,7%	6,6%	6,8%	29,2%	22,0%	11,3%	13,8%
EBITDA	11,91	19,67	18,78	19,65	21,42	23,23	8,37	19,72	8,68	18,78
movement	59,3%	65,1%	-4,5%	4,6%	9,0%	8,5%	47,9%	65,6%	3,7%	-4,8%
EBIT	10,08	17,32	16,48	17,29	19,00	20,76	7,80	17,38	8,10	16,48
movement	73,1%	71,8%	-4,9%	4,9%	9,9%	9,2%	51,1%	72,4%	3,8%	-5,2%
Net profit	8,39	14,12	14,66	14,78	16,12	17,73	6,42	14,11	6,96	14,66
movement	77,3%	68,3%	3,8%	0,8%	9,1%	10,0%	58,0%	68,1%	8,4%	3,9%
Adjusted net profit	8,39	14,12	14,66	14,78	16,12	17,73	6,42	14,11	6,96	14,66
movement	77,3%	68,3%	3,8%	0,8%	9,1%	10,0%	58,0%	68,1%	8,4%	3,9%
EBITDA margin	5,7%	7,8%	5,6%	6,0%	6,1%	6,2%	7,6%	7,7%	7,1%	6,5%
EBIT margin	4,8%	6,8%	5,7%	5,3%	5,5%	5,6%	7,1%	6,8%	6,6%	5,7%
Net profitability	4,0%	5,6%	5,1%	4,5%	4,6%	4,8%	5,8%	5,5%	5,7%	5,1%

Source: Company, DM PKO BP SA

Selected balance sheet and CF items (PLN mln)	2007	2008	2009F	2010F	2011F	2012F
Total assets	103,91	143,88	148,19	161,57	174,96	189,73
Fixed assets	8,98	13,44	13,48	13,42	13,36	13,30
Current assets	94,93	130,44	134,72	148,15	161,60	176,43
Shareholders equity	55,90	67,74	78,77	84,20	92,93	102,61
Total liabilities and provisions	46,01	70,57	63,86	71,79	76,46	81,56
Net debt	-17,02	-28,65	-19,01	-17,83	-22,68	-28,13
Current capital	37,17	38,21	59,51	67,07	71,51	76,36
Employed capital	38,88	39,09	59,76	66,38	70,25	74,47
Cash on account of operation activities	-6,47	18,31	-3,48	10,46	14,60	15,92
Cash on account of investment activities	-3,64	-4,57	-13,19	-0,11	-6,62	-7,22
Cash on account of financial activities	0,30	-1,94	-3,81	-9,34	-7,39	-8,06
Cash at the end of the period	16,82	28,62	8,13	9,14	9,73	10,38
Net debt / EBITDA	-1,43	-1,46	-1,01	-0,91	-1,06	-1,21
ROE	16,3%	22,8%	20,0%	18,1%	18,2%	18,1%
ROACE	27,0%	36,0%	27,0%	22,2%	22,5%	23,2%

Source: Company, DM PKO BP SA

DCF valuation (PLN mln)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Forecasts										
EBIT	17	19	21	16	17	17	18	18	18	19
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
NOPLAT	14	15	17	13	13	14	14	15	15	15
Amortization	2	2	2	3	3	3	3	3	3	3
Investment outlays	2	2	2	2	3	3	3	3	3	3
Working capital investments	7	4	4	-10	1	1	1	1	1	1
FCF	7	12	13	23	12	13	13	13	14	14
WACC calculation										
Debt / (Debt + Capital)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Market premium	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Beta	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Debt cost after taxation	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%
Cost of capital	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%
WACC	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%
Valuation										
DFCF	7	9	9	15	7	7	6	6	5	5
DFCF in total	77									
Discounted residual value	68									
Net debt + dividend paid	-19									
Minority interests	0									
Enterprise value	163									
Number of shares (mln of units)	10,375									
Value of one share 01.01.09 (PLN)	15,74									
Value of one share 19.04.09 (PLN)	15,79									

Source: DM PKO BP SA

Comparison valuation	Quotatio n country	Ticker	Capital (mln)		P/E			EV/EBITDA		
			EUR	USD	2009	2010	2011	2009	2010	2011
Elektrobudowa	Poland	ELB PW	207	296	15,86	15,92	14,34	9,92	10,37	9,61
Elektromontaż Północ	Poland	EPN PW	85	122	14,85	15,08	13,23	7,72	8,68	7,28
Elektromontaż Południe	Poland	EPD PW	54	77	12,90	11,06	9,85	9,89	9,48	9,26
PA Nova	Poland	NVA PW	49	70	11,10	11,11	8,26	7,85	7,61	7,79
Atrem	Poland	ATR PW	37	52	14,38	12,97	11,19	8,62	7,64	6,77
Elektrotim	Poland	ELT PW	31	45	13,99	18,13	15,19	5,80	6,85	5,67
Projprzem	Poland	PJP PW	22	31	86,39	17,50	7,56	18,11	7,93	4,46
Budopol	Poland	BDL PW	15	22	14,46	7,08	7,07	4,99	1,27	1,24
Median					14,42	14,03	10,52	8,23	7,78	7,02
Qumak-Sekom	Poland	QSM PW	33	46	9,17	9,09	8,34	6,08	5,81	5,33
Premium (discount) in Company's market valuation					-36,4%	-35,2%	-20,8%	-26,1%	-25,3%	-24,1%
Implied value per one share (PLN)					20,37	19,98	16,34	16,84	16,68	16,44

Source: Bloomberg, DM PKO BP SA



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Used terminology – explanations

min (max) 52 weeks – minimum (maximum) of the market price of share in last 52 weeks

Capitalization – product of market price of the share and number of shares

EV – enterprise value (market capitalization plus net debt)

free float (%) – total number of shares minus 5% of shares owned by single shareholder and own shares owned by the Company, in total number of shares

avg. turnover / msc – average turnover per moth calculated as the sum of turnover in last 12 months divided by 12.

ROE – return on equity

ROA – return on assets

EBIT – earnings before interest and tax

EBITDA – earnings before interest, taxes, depreciation, and amortization

EPS – earnings per share

DPS – dividend per share

CEPS – cash earnings per share

P/E – price / earnings ratio

P/BV – price / book value ratio

EV/EBITDA – enterprise value (market capitalization plus net debt) / EBITDA ratio

Gross sales margin – relation of sales gross profit and net sales incomes

EBITDA margin – relation of total operating profit and amortization to net sales incomes

EBIT margin – relation of operating profit and net sales incomes

Net profitability – relation of net profit and net sales incomes

Recommendations used by the Breakage House

BUY – we expect that the rate of return from an investment will be at least 15%

ACCUMULATE – we expect that the rate of return from an investment will be not greater than 15%

NEUTRAL – we expect stable quotation

REDUCE – we expect that the rate of return from an investment will be not lesser than -15%

SELL – we expect that an investment will bear a loss greater than 15%

Recommendations written by the Breakage House are valid for a period 12 months from the publication date or to the moment of target price achievement, unless they will be updated within this period. The Breakage House updates the recommendations depending on the market situation and subjective analysts valuation. The frequency of such updates is not determined. Restriction concerning the speculative character of this recommendation means that the investments period is shorten to 3 months, and the investment is adventurous.

Used valuation methods

The Breakage House generally bases its recommendations on 3 valuation methods: DCF (Discounted Cash Flow), indicator method (the comparison of the basic market factors values compared with similar factors estimated for other company belonging to the same market segment) and Dividend Discount Model (DDM). The DCF method as well as the Dividend Discount Model (DDM) disadvantage is significant sensibility for accepted assumptions, specially these, that have an influence on the residual value estimation. The Dividend Discount Model also can not be applied in estimating the value of the companies not having the established dividend policy. The advantages of both mentioned methods are there independence of current market valuations of compared companies. The advantage of the indicator method is the fact that it bases on the given sector calculable market valuation. Its disadvantage is the risk that in he given time the market may not accurately value the compared companies.

Connections, that might have an influence on the current recommendation objectivity

Pursuant to our knowledge, there are no other relations in term of the law between the Company and the Breakage House or the analyst preparing the present report. The mentioned relations are described in the paragraph 9 and 10 of the Council of Ministers regulation of 2005, October 19th, concerning the information being the recommendation concerning the financial instruments or their issuers. Investor should assume that the Breakage House intends to make an offer to the company that the report applies to.

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