

PLN 29.0

Hold

Target price PLN 32

WIG Index

22,238

of shares

15.0m (post-IPO & buyback)

...CAP

PLN 436m

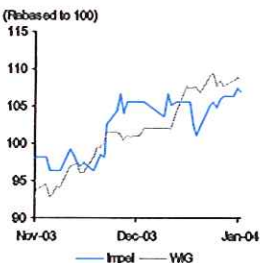
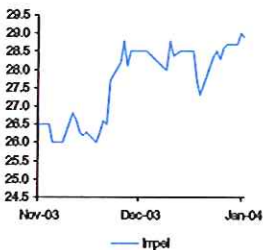
US\$ 112m

Free float

PLN 174m

US\$ 45m

IMPL.WA/PL.PW



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21 January 2004

IMPEL

Support Services

Poland

Company Update

Earnings update (post-IPO & share buyback)

	2000	2001	2002	2003E	2004E	2005E
Revenues (PLNm)	239.5	336.1	406.4	460.2	525.5	591.3
EBIT (PLNm)	3.0	8.4	24.4	31.1	40.9	46.3
Net profit (PLNm)	4.7	(0.2)	34.5	32.4	32.9	38.2
EPS (PLN)	0.45	(0.02)	3.35	2.82	2.19	2.54
CEPS (PLN)	2.27	1.32	5.03	4.38	3.26	3.57
BVPS (PLN)	5.4	5.4	8.7	15.1	16.9	19.0
P/E (x)	64.0	n.a.	8.7	10.3	13.3	11.4
P/CE (x)	12.8	22.0	5.8	6.6	8.9	8.1
P/BV (x)	5.3	5.4	3.3	1.9	1.7	1.5
EV/Sales (x)	1.26	0.95	0.75	0.66	0.53	0.42
EV/EBITDA (x)	22.2	14.4	7.5	6.2	4.9	4.0
EV/EBIT (x)	102.2	38.1	12.5	9.8	6.8	5.4
Dividend Yield (%)	0.0	0.0	3.5	1.5	1.5	1.5

Shareholder Structure: (Post-IPO and share buyback:) Grzegorz Dzik 33.5%, Józef Biegaj 25.3%, free float 39.9%

We have upgraded our 2004-2005 EPS forecast for IMPEL on the back of proceeds from the new share issue and changes in the CIT. Overall, we have raised our EPS projections by 15.7% to PLN 2.19 (2004) and by 5.4% to PLN 2.54 (2005). Currently the company is traded at 2004E P/E of 13x, representing some 11% upside to the other Polish mid-caps. As the upside is less than 15%, we are setting our recommendation at HOLD and the target price at PLN 32/share.

- In the course of the IPO, the company managed to place 6m shares at PLN 26/share. In addition, it also sold 200,000 shares within the framework of the employee management scheme at PLN 13/share. The gross proceeds from the offer amounted to PLN 158.6m.
- In addition to the regular offering, IMPEL shareholders have agreed to a buyback of 1,461,538 shares from its major shareholders. The share buyback – announced during the IPO – is being made for tax reasons. The share capital of IMPEL will consist of 15,038,462 shares, following the IPO and share buyback.
- In December, the company announced its first acquisition of a company operating in the facility management segment. IMPEL acquired a 54.54% stake in GP BIS for an undisclosed sum; the remaining stake will be acquired by June 2008, as IMPEL will hold a call option. However, the final acquisition price will depend on the financial performance of GP BIS. GP BIS is currently a very fast-growing company – in FY 2003 it more than doubled its revenues to approximately PLN 22-24m.
- We are planning to come up with a more significant earnings update after the publication of the 4Q results on 1 March. In addition, we would like to incorporate in our forecast the recent acquisition of GP BIS, as IMPEL has promised to release more details. Overall, we believe that from 2005 we may expect a more significant earnings upside.

Please note that the information at the back forms an integral part of this report.

Member of HVB Group

Valuation

Table 1: IMPEL vs. Polish mid-caps

Company	Price (PLN)	MCAP (m)	P/E (x)			EV/EBITDA (x)			EV/EBIT (x)		
			2003E	2004E	2005E	2003E	2004E	2005E	2003E	2004E	2005E
Debica	129.0	1,780.6	17.5	15.0	13.2	9.2	8.6	7.8	12.4	11.5	10.2
Frantschach Swiecie	80.0	4,000.0	21.2	18.8	15.3	9.8	10.2	8.8	14.2	14.8	12.2
Kety	133.5	1,191.6	18.3	14.1	13.3	10.1	8.6	7.9	14.2	11.7	10.8
IGA	118.0	649.0	17.9	15.4	14.1	10.9	9.5	8.4	13.4	11.9	10.7
Hoop	23.1	299.8	18.7	14.1	10.9	6.3	5.3	4.3	11.9	10.1	7.7
Median			18.3	15.0	13.3	9.8	8.6	7.9	13.4	11.7	10.7
IMPEL	29	436.1	10.3	13.3	11.4	6.2	4.9	4.0	9.8	6.8	5.4
<i>Premium/(discount) (%)</i>			<i>(43.7)</i>	<i>(11.4)</i>	<i>(14.4)</i>	<i>(36.8)</i>	<i>(43.1)</i>	<i>(48.8)</i>	<i>(27.1)</i>	<i>(41.3)</i>	<i>(49.6)</i>

Source: CA IB estimates

Currently the company is traded at 2004E P/E of 13x, representing some 11-14% upside to the other Polish mid-caps. However, based on EV/EBITDA and EV/EBIT ratios, the discount is a much more significant 40-50%, reflecting a large amount of cash in the balance sheet post-IPO. In our opinion, the discount should narrow once the company has proved its strategy, based on acquisition-driven growth.

First acquisition completed

IMPEL acquired a 54.54% stake in a facility management company, GP BIS, at an undisclosed price. GP BIS is one of the largest firms operating in this segment. The remaining 45% of the company will be purchased by June 2008; however, the final purchase price is subject to the financial performance of GP BIS.

GP BIS is not a public company and, therefore, little is known about its operational performance. However, the data that was disclosed indicate that GP BIS is growing very strongly. In 2001, revenues of GP BIS stood at PLN 6m and then improved to PLN 11m in 2002 and PLN 21m for 11 months of 2003. Among GP BIS' clients are BRE, Pekao, Bank Millennium, Bank Handlowy, Polkomtel, PTC and Centertel.

IMPEL expects the revenues of GP BIS to improve to as much as PLN 30-35m in 2004. However, the target EBIT margin of 7-9% with revenues of PLN 50-60m will likely be reached in 2007. We do not foresee any significant impact on 2004 earnings, as the company will probably be very close to break-even point on operating level. Going forwards from 2005, we would, nevertheless, look for some improvement in profitability.

We are planning to include the new acquisition in our forecast after publication of the 4Q 2003, as IMPEL is likely to provide more detailed information regarding GP BIS.

Changes in the share capital

Our estimates indicate that post-IPO and share buyback the equity of IMPEL will increase by PLN 115.6m. In addition, these two undertakings will also result in changes in the shareholder structure. Although the shareholders have approved the share buyback, we would like to emphasise that it is not yet legally binding, as it must still be registered with the local court.

Table 2: Changes in the capital (post-IPO and share buyback)

PLN	No. of shares (m)	Price	Proceeds
IPO	6,000,000	26.0	156,000,000
Employees scheme	200,000	13.0	2,600,000
Share buyback	1,461,538	26.0	(37,999,988)
Total			120,600,012
	IPO costs		5,000,000
	Net proceeds		115,600,012

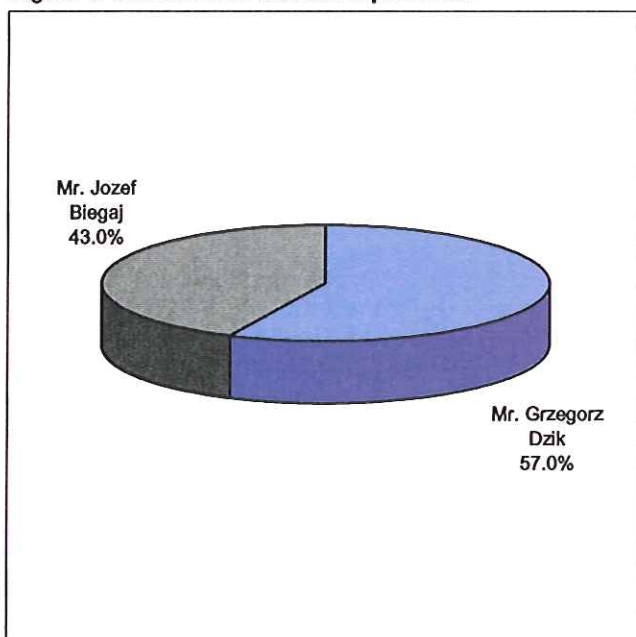
Source: IMPEL, CA IB estimates

Our estimate does not include the issuance of 500,000 shares within the framework of the management option scheme. However, these shares will be effectively issued in 2006.

Changes in the shareholder structure

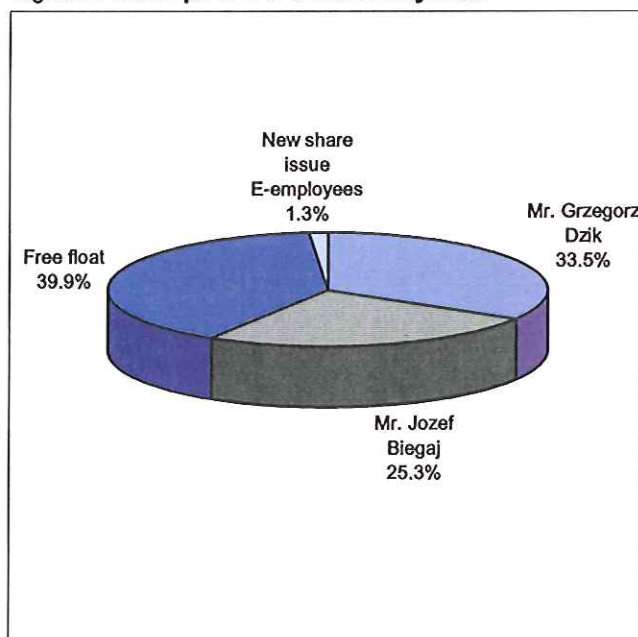
Post-IPO and share buyback, the share capital will consist of **15,038,462** shares. In the meantime the free float will stand at nearly 40%.

Figure 1: Shareholder structure pre-IPO...



Source: IMPEL

Figure 2: ...and post-IPO & share buyback



Source: IMPEL

Financials

Table 3: Profit & Loss (PAS, consolidated)

PLNm	2000	2001	2002	2003E	2004E	2005E
Net revenue	239.5	336.1	406.4	460.2	525.5	591.3
COGS	(240.4)	(347.8)	(405.4)	(455.5)	(508.5)	(569.5)
SG&A	(39.5)	(43.9)	(48.4)	(51.9)	(56.6)	(61.6)
Other operating items	43.3	64.0	71.7	78.3	80.5	86.1
EBITDA	13.6	22.2	40.5	49.0	57.0	61.8
Depreciation	(10.7)	(13.8)	(16.2)	(17.9)	(16.1)	(15.5)
EBIT	3.0	8.4	24.4	31.1	40.9	46.3
Net financials	(9.2)	(8.4)	(4.0)	(2.9)	2.1	3.5
Pre-tax profit	4.7	(0.1)	20.1	28.2	43.0	49.8
Affiliates	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.0)	(0.0)	14.5	4.2	(10.1)	(11.6)
Net profit	15.6	(0.3)	34.2	32.4	32.9	38.2
Extraordinaries	10.9	(0.1)	(0.3)	0.0	0.0	0.0
Net profit	4.7	(0.2)	34.5	32.4	32.9	38.2

Source: IMPEL, CA IB estimates

Table 4: Cash Flow (PAS, consolidated)

PLNm	2000	2001	2002	2003E	2004E	2005E
Net profit	4.7	(0.2)	34.5	32.4	32.9	38.2
Depreciation	10.7	13.8	16.2	17.9	16.1	15.5
Other non-cash	8.1	(0.0)	1.2	0.0	0.0	0.0
Cash earnings	23.4	13.5	51.8	50.3	49.0	53.7
Change in WC	0.6	(8.8)	(2.1)	(3.1)	(4.8)	(3.3)
Capex	(16.6)	(21.8)	(20.1)	(12.8)	(14.0)	(14.0)
Free cash flow	7.5	(17.1)	29.6	34.4	30.2	36.5
Dividends	0.0	0.0	0.0	(10.4)	(6.5)	(6.6)
New capital/others	(3.3)	(1.4)	(15.2)	115.6	0.0	0.0
Change in liquid funds	4	(19)	14	140	24	30

Source: IMPEL, CA IB estimates

Table 5: Balance Sheet (PAS, consolidated)

PLNm	2000	2001	2002	2003E	2004E	2005E
Fixed Assets	48.2	61.4	90.3	85.1	83.0	81.5
Working capital	(2.2)	9.2	13.9	17.1	21.9	25.2
Capital employed	80.7	106.0	133.7	131.7	134.4	136.2
Shareholders' equity	56.0	55.8	89.7	227.3	253.7	285.3
Minorities	1.1	0.5	0.4	0.4	0.4	0.4
Net debt/(cash)	2.9	21.4	7.0	(132.6)	(156.3)	(186.2)
Other liabilities	16.6	16.5	18.2	18.2	18.2	18.2
Total assets	159.9	194.9	235.1	388.1	405.9	450.6

Source: IMPEL, CA IB estimates

Table 6: Ratios

	2000	2001	2002	2003E	2004E	2005E
EBITDA margin (%)	5.7	6.6	10.0	10.6	10.8	10.5
EBIT margin (%)	1.2	2.5	6.0	6.8	7.8	7.8
Interest cover (x)	0.2	0.8	3.4	5.4	13.6	22.6
Net debt (cash)/equity (%)	5.2	38.4	7.8	(58.3)	(61.6)	(65.3)
Current ratio (x)	1.0	1.1	1.2	2.3	2.5	2.6
Debtors turnover (x)	4.5	5.2	4.7	4.4	4.4	4.4
ROE (%)	8.3	(0.3)	47.4	20.4	13.7	14.2
ROCE (%)	3.7	9.0	20.3	17.1	24.9	27.7

Source: IMPEL, CA IB estimates

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	Buy ¹⁾	Hold ²⁾	Sell ³⁾
Count	37	49	13
% of total	37.4	49.5	13.1

Investment Banking Clients ⁴⁾

	Buy ¹⁾	Hold ²⁾	Sell ³⁾
Count	1	7	3
% of total	9.0	64.0	27.0

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- 2) Includes Hold and Restricted stocks (in order to comply with applicable regulations)
- 3) Includes Reduce and Sell
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History of CA IB's rating of IMPEL

Date	Rating	Target price	Share price
21 Jan 04	HOLD	PLN 32.0	PLN 29.0
16 Sep 03	Init. of Coverage		

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