The strategy of the stable development of Polimex-Mostostal

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To become the leading Polish industrial construction company, using the full potential of the EPC contractor model, balancing revenue and improving the process of implementation of contracts are the main tasks that Polimex-Mostostal SA assumed in its sustainable development strategy for the years 2016-2020.

- The foundations of the development of the Polimex-Mostostal Group have been prepared. The organization has undergone a huge restructuring. Employment has decreased by more than 9 thousand people (65.5%) in three and a half years, general and administrative expenses decreased by 63%, from half 2011 until June 2015. Today, Polimex is a holding, flexible in operations and competitive in the market. The biggest advantage is its staff (nearly 5 thousand employees) with great experience and competence, as well as references, unique on the Polish market - Joanna Makowiecka-Gaca says, the President of the Management Board of Polimex-Mostostal. - Implementation of the strategy of stable development will ensure the Group's return to a permanent profitability.

Strategic objectives:

1. Sustainability development of the Group by:

- Increase in the revenue by a healthy growth in the backlog.
- Intensive development in the energy and oil-chemical and gas markets and reconstruction of the position in industrial construction.
- Expanding into new areas with promising investments.

- Minimizing the risk by suppressing infrastructure activity.
- Making full use of the potential and long-standing experience of the PxM Group.
- The implementation of strategic projects for the Polish economy.

2. Permanent return to profitability by:

- The business model that provides increased stability in the periods of economic fluctuations on the markets where the Group operates.
- Reducing the debt ratio.
- Keeping the competitive level of cost efficiency, optimal organizational structure, effective processes of acquisition and execution of contracts that reduce the business risk.

- The implementation of the scenario will enable gradual construction of the Group's value and the creation of Polimex-Mostostal as a strong, Polish industrial construction group which is able to implement strategic projects for the country - Joanna Makowiecka-Gaca says.

Poland does not have other such groups in which decisions are made in the country rather than abroad, which has the possibility of investing in each market and is not burdened with obligations to foreign owners.

The pillars of the business growth of Polimex-Mostostal Group include: intensive development on the energy and oil-chemical and gas markets, increased efficiency of the production segment and rebuilding a strong position in the industry construction.

The above list does not include the Group's revenues in the period 2016-2020 from the implementation of two strategic projects in Kozienice and Opole. They amount to 3.7 billion PLN.

Energy industry

In this area, the Polimex-Mostostal Group intends to primarily achieve improved profitability of the sales in existing markets, enter the selected new market segments and increase the number of contracts executed in the EPC formula.

The markets selected by the PxM Group:

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In the next five years, investments in conventional energy will amount to about 50 billion PLN. The objectives of the PxM group include: participation in tenders for the construction of production units and modernization of the existing ones. Revenues from new contracts will translate into an improvement in the Group's results.

The amount of investment in the construction of incinerators in the coming years is approx. 6.3 billion PLN. The cost of incineration plants currently under construction is estimated at approx. 3.5 billion PLN. Polimex-Mostostal has participated in such projects, it has competences to enter this market and win high-margin orders.

The heat energy sector, most thermal units below 50 MWt, has not yet undergone modernization and, in accordance with the EU directive, they must undergo this process no later than in 2027. Polimex-Mostostal will search orders for upgrades and repairs of generating units. The group will stand for tenders for the renovation works in pumped storage power plants.

Petroleum, chemicals, gas

For Polimex-Mostostal, the sector of petroleum, chemicals, gas is a strategic one. The plan envisages the reconstruction of the position in the selected markets and among key business partners, entering the implementation of projects within the EPC formula and return to the markets of Western Europe, where margins are higher than in the country.

The markets selected by the PxM Group:

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The largest investments are planned in the gas sector, and their value is approx. 16 billion PLN in five years. This amount includes up to 7 billion PLN for the construction of the gas transmission network. The Polimex-Mostostal Group will actively obtain contracts related to the implementation of these investments but also with the extraction and storage of gas as well as the implementation of projects for the construction of terminals and compressor stations.

Another area in which the Group will expand and built competence is the chemical market, namely the construction of installations in nitrogen factories. The investments planned in this area in the coming years amount to 13 billion PLN.

Production

The strategic objective of the production segment is to increase efficiency and the output for Western markets. According to the annex to the restructuring agreement, the production plant in Sielce was to be sold. Due to the better-than-expected condition of the Group and the expected revenue growth, the Management Board of Polimex-Mostostal offered the signatories of the said addendum to keep the Siedlce plant in the structures of the Group. The creditors gave consent to this course of action.

The strategy assumes that the Siedlce plant will effectively compete in the domestic market of steel structures and will be actively searching orders from foreign customers. It also has to increase revenues from the sale of gratings and galvanizing services. An important area of development, due to the differences in labor costs, thus greater profit margins possible, is offering subcontracting services, most commonly associated with assembly (sometimes manufacture and assembly) of steel structures in Western Europe.

The markets selected by the PxM Group:

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Polimex-Mostostal as a manufacturer of gratings is well-positioned both in Poland and abroad. It is one of the country's largest producers of steel structures.

Industrial construction

The Polimex-Mostostal Group will rebuild its strong position in the industrial construction market. Forecasts for the future years show a large market growth within the industrial and warehouse sectors. The estimated market potential in the years 2016-2020 amounts to 42.7 billion PLN. A new company will be created - Polimex Construction which shall obtain contracts for the construction of production facilities, warehouses, shopping centers, logistics centers.

Financing

The strategy assumes that the Group, until 2020, will not be capitalized by the shareholders. The realization of strategic projects and the development of the operations of the segment will enable the Group to generate surplus cash that will be used for debt repayment and working capital.

We will continue the process of divestment of companies and real estate. The group sales the assets which do not belong to the core business.

Organizational structure

The Group model will support the implementation of the new strategy. The Group is based on the holding structure in which the PxM company will manage the operating companies and the companies that support the business. One of the changes is the creation of the Polimex Shared Services Centre - it has already been carried out.

- We have taken the decision to create a cost-effective organization to support services for the business. Our companies / projects must focus on their business activities. The Polimex Shared Services Center is their ongoing support. Benefits for the Group primarily include: standardization and improvement of the quality and effectiveness of support services. We also focus on professionalizing and optimizing processes - Joanna Makowiecka-Gaca explains.

The Polimex Shared Services Centre will provide services to the Group companies within: human resources, legal, tax, accounting issues as well as those associated with cash management, operational controlling, reporting, internal auditing, purchasing, IT, administration, PR.

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