

Capital Park

1Q20E results preview

Capital Park is due to publish its 1Q20 results on 22 May 2020.

We forecast EBIT of PLN 95.6m in 1Q20 (vs. PLN 28.7m in 1Q19) and net profit of PLN 32.6m (vs. PLN 15.7m in 1Q19) to be driven by:

- **Revenues.** We forecast revenues of PLN 13.8m in 1Q20 (-57% y/y due to the disposal of shares in Eurocentrum Office Complex in November 2019; we do not assume coronavirus outbreak to have already significant impact on company's 1Q20 results).
- **Gross profit.** We expect gross margin of around 70% (in comparison to 74% in 1Q19) and gross profit of PLN 9.7m (-59% y/y).
- **EBIT.** We forecast EBIT of PLN 95.6m in 1Q20 (vs. PLN 28.7m in 1Q19). We expect positive revaluation related to weakening PLN vs. EUR of PLN 91.2m and we do not assume any other revaluations in 1Q20. We expect EBIT ex. revaluations of PLN 4.4m (vs. PLN 25.1m in 1Q19). At the same time, we expect G&A costs of PLN 4.3m (-23% y/y).
- **Net profit.** We forecast net profit of PLN 32.6m (vs. PLN 15.7m in 1Q19). We assume negative FX change of around PLN 50m resulting in net financial costs of PLN 55.3m.

Capital Park results preview (PLNm)

	1Q19	2Q19	3Q19	4Q19	1Q20E	y/y
Revenues	32.3	31.7	31.9	27.8	13.8	-57%
Costs related to inv.prop.	-8.6	-8.0	-8.0	-7.4	-4.2	-52%
Net operating profit	23.8	23.7	23.9	20.4	9.7	-59%
G&A costs	-5.5	-6.7	-5.6	-3.3	-4.3	-23%
Revaluation of inv.prop.	3.6	69.4	61.9	27.5	91.2	2434%
Gain on disposal	0.0	0.0	0.0	135.0	0.0	#DIV/0!
EBIT	28.7	86.9	82.7	169.0	95.6	233%
EBIT adj.*	25.1	17.5	20.7	6.5	4.4	-82%
Net financial costs	-10.6	-4.2	-62.4	35.7	-55.3	420%
Pre-tax profit	18.1	82.7	20.2	204.7	40.3	123%
Income tax	-2.4	-17.8	-10.8	-31.8	-7.7	216%
Net profit	15.7	64.9	9.4	172.9	32.6	109%
NOI margin (%)	73.5%	74.7%	75.0%	73.5%	70.0%	-

Source: Company, IPOPEMA Research, *excluding revaluations and result on disposals

Real Estate

Capital Park

BUY

FV PLN 8.99

3% downside

Price as of 14 May 2020 PLN 9.28

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.
 Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.
 LLP – loan loss provisions – an expense set aside as an allowance for bad loans.
 NPL – non-performing loan – loans that are in default or close to be in default.
 Cost/Income – operating expenses divided by total banking revenue.
 ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.
 ROA – return on assets – net income (or adjusted net income) divided by the average assets.
 EBIT – earnings before interests and tax.
 EBITDA – earnings before interests, tax, depreciation and amortization.
 EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.
 P/E – price to earnings ratio – price divided by earnings per share.
 PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.
 CAGR – compound annual growth rate.
 BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.
 P/BV – price to book value – price divided by the BVPS.
 DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.
 DY – dividend yield – dividend of a given year divided by the current price.
 DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.
 FV – Fair Value, calculated based on valuation methods outlined in the document.

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Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2020)

	Number	%
Buy	2	29%
Hold	1	14%
Sell	4	57%
Total	7	100%

Rating History – Capital Park

Date	Recommendation	Fair Value	Price at recommendation	Author
30/07/2019	BUY	PLN 8.50	PLN 5.44	Marek Szymański
11/10/2019	BUY	PLN 8.99	PLN 6.13	Marek Szymański