

# Capital Park

## 1Q20 results review

Capital Park reported its 1Q20 results broadly in line with our expectations with EBIT of PLN 98.0m (3% above our est.) and net profit of PLN 31.3m (4% below our est.). Below please find key takeaways:

- **Revenues** came in at PLN 14.4m (4% above our expectations). Deterioration of revenues by 56% y/y was related to the disposal of shares in Dakota Investments owning Eurocentrum Office Complex in November 2019.
- **NOI** reached PLN 10.0m (-58% y/y and 3% above our expectations), implying NOI margin of 69.4% (-4.1pp y/y).
- **Operating profit** reached PLN 98.0m (in comparison to PLN 28.7m in 1Q19 and our est. of PLN 95.6m). We note that EBIT was positively affected by revaluation of PLN 91.6m, mostly related to FX changes (weakening PLN vs. EUR). EBIT ex. revaluations came in at PLN 6.5m (vs. our forecast of PLN 4.4m). G&A costs in 1Q20 declined by 42% y/y to PLN 3.2m (vs. our expectation of PLN 4.3m).
- On the bottom line the company reported **net profit** of PLN 31.3m (vs. PLN 15.7m in 1Q19 and slightly below our forecast of PLN 32.6m). The result was negatively affected by net financial costs of PLN 53.1m including negative remeasurement of financial liabilities.
- **Operating cash flow** amounted to PLN 1.9m (vs. PLN 27m in 1Q19), while investing cash flow came in at PLN -42.1m (vs. PLN -5.4m in 1Q19). As of end-1Q20 Capital Park had **net cash position** of PLN 12m (including leasing under IFRS16). **NAV** amounted to PLN 11.75 per share. As of end-1Q20 the company had two assets held for sale: Royal Wilanów (BV of PLN 464m) and Eurocentrum Hotel&Residence (BV PLN 85.5m).
- **COVID-19.** The company estimates that NOI in 2Q20 might decline by ca. 45% due to the lockdown. As of the moment Fabryka Norblina projects is development in line with schedule.

*Opinion: Neutral, as reported 1Q20 results were broadly in line with our expectations. We point at solid balance sheet position as of end-1Q20 (we remind that AGM decided on payment of PLN 227.5m or PLN 2.1 per share as dividend from 2019 results with dividend record date on 26 May; DY 23%) and development of Fabryka Norblina in line with schedule (estimated remaining capex of PLN 534m). On the other hand, we highlight that COVID outbreak might negatively affect valuation of CPG's properties in the coming quarters.*

Figure 1. Capital Park quarterly results (PLNm)

PLNm	1Q19	2Q19	3Q19	4Q19	1Q20	y/y	1Q20E	vs. Ipopema
Revenues	32.3	31.7	31.9	27.8	14.4	-56%	13.8	4%
Costs related to inv.prop.	-8.6	-8.0	-8.0	-7.4	-4.4	-49%	-4.2	6%
<b>Net operating profit</b>	<b>23.8</b>	<b>23.7</b>	<b>23.9</b>	<b>20.4</b>	<b>10.0</b>	<b>-58%</b>	<b>9.7</b>	<b>3%</b>
G&A costs	-5.5	-6.7	-5.6	-3.3	-3.2	-42%	-4.3	-25%
Revaluation of inv.prop.	3.6	69.4	61.9	27.5	91.6	2444%	91.2	0%
Gain on disposal	4.4	0.0	0.0	130.5	0.0	-100%	0.0	#DIV/0!
<b>EBIT</b>	<b>28.7</b>	<b>86.9</b>	<b>82.7</b>	<b>169.0</b>	<b>98.0</b>	<b>241%</b>	<b>95.6</b>	<b>3%</b>
<b>EBIT adj.</b>	<b>20.7</b>	<b>17.5</b>	<b>20.7</b>	<b>11.0</b>	<b>6.5</b>	<b>-69%</b>	<b>4.4</b>	<b>47%</b>
Net financial costs	-10.6	-4.2	-62.4	35.7	-53.1	399%	-55.3	-4%
Pre-tax profit	18.1	82.7	20.2	204.7	44.9	149%	40.3	12%
Income tax	-2.4	-17.8	-10.8	-31.8	-13.6	461%	-7.7	78%
<b>Net profit</b>	<b>15.7</b>	<b>64.9</b>	<b>9.4</b>	<b>172.9</b>	<b>31.3</b>	<b>100%</b>	<b>32.6</b>	<b>-4%</b>
NOI margin (%)	73.5%	74.7%	75.0%	73.5%	69.4%	-	70.0%	-
Net debt	1,093	1,093	1,180	192	-12	-	-	-

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

Real Estate

## Capital Park

BUY

FV PLN 8.99

2% downside

Price as of 21 May 2020 PLN 9.16

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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.  
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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