

Capital Park

1Q21 results review

Capital Park reported its 1Q21 results above our expectations with EBIT of PLN 17.7m driven by income from property management of PLN 12.0m. Revaluation gain of PLN 18.8m was also above our expectations (PLN 15.7m). Below please find key highlights:

- **Revenues** came in at PLN 14.0m (-3% y/y, in line with our expectations). The company estimates that rental income declined by ca. 12% vs. pre-pandemic assumptions due to lockdown and renegotiation of rental agreements with tenants.
- **NOI** reached PLN 9.6m (3% below our expectations), implying NOI margin of 68.5% (flat q/q).
- **Operating profit** amounted to PLN 17.7m (vs. our expectation of PLN 6.6m). EBIT was positively affected by compensation from the city of PLN 11.2m (which we did not assume in our forecasts) and revaluation gain of PLN 18.8m (vs. our est. PLN 15.7m), mainly driven by EURPLN FX rate.
- **Net profit** came in at PLN 13.3m (vs. our exp. PLN 9.4m).
- **Operating cash flow** amounted to PLN 3.4m (vs. PLN 1.9m in 1Q20), while **cash flow from investing activity** amounted to PLN -63m (vs. PLN -42m in 1Q20). Capital Park had net debt of PLN 849m as of end-1Q21 (+11% q/q).
- **NAV** came in at PLN 1,003m as of end-1Q21 (or PLN 9.26 per share), +1.3% q/q.
- The value of Fabryka Norblina project amounted to PLN 1,006m as of end-1Q21 and the company estimates remaining capex at PLN 347m as of end-1Q21. The project is pre-leased at 73% (vs. 66% as of end-4Q20) with estimated target NOI of PLN 82m.

Opinion: Supportive. Although we note that reported 1Q21 results were driven by one-offs (compensation from the city and non-cash revaluation gain), we point that pre-lease of Fabryka Norblina project increased by 7pp q/q, with slight improvement of target NOI.

Figure 1. Capital Park quarterly results (PLNm)

PLNm	1Q20	2Q20	3Q20	4Q20	1Q21	y/y	1Q21E	vs. Ipopema
Revenues	14.4	14.3	14.2	14.7	14.0	-3%	14.2	-1%
Cost related to inv.prop.	-4.4	-3.8	-4.3	-4.7	-4.4	0%	-4.3	1%
Net operating profit	10.0	10.5	9.8	10.0	9.6	-4%	9.9	-3%
G&A costs	-3.2	-3.4	-3.2	-4.1	-3.1	-4%	-3.8	-20%
Revaluation of inv.prop.	91.6	-83.0	22.6	15.1	18.8	-79%	15.7	20%
Gain on disposal	0.0	0.0	0.0	0.0	0.0	n.m.	0.0	n.m.
EBIT	98.0	-76.5	30.4	20.1	36.5	-63%	22.3	63%
EBIT adj.*	6.5	6.6	7.8	5.0	17.7	174%	6.6	166%
Net financial costs	-53.1	5.2	-20.8	-18.2	-13.3	-75%	-10.7	24%
Pre-tax profit	44.9	-71.2	9.6	1.9	23.2	-48%	11.6	100%
Income tax	-13.6	9.9	-2.4	-2.8	-9.9	-27%	-2.2	348%
Net profit	31.3	-61.3	7.2	-0.9	13.3	-57%	9.4	42%
NOI margin (%)	69.4%	73.5%	69.3%	68.2%	68.5%	-	70.0%	-
Net debt	290	568	667	766	849	-	-	-

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

Real Estate

Capital Park

BUY

FV PLN 8.19

5% upside

Price as of 20 May 2021 PLN 7.80

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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, 2021)

	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	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
25/05/2020	BUY	PLN 6.89 (adj. on DPS of PLN 2.1)	PLN 6.96	Marek Szymański
22/07/2020	BUY	PLN 8.25	PLN 6.70	Marek Szymański
08/12/2020	BUY	PLN 8.19	PLN 7.06	Marek Szymański