

CAPITAL PARK

2Q19 Results Review

The company reported 2Q19 results with reported EBIT of PLN 87m (vs. our forecast of PLN 32m) and EBIT excluding revaluations of PLN 17.5m (vs. our forecast of PLN 22.3m). Below please find key takeaways:

- **Revenues.** The company reported revenues of PLN 31.7m (-10% y/y, 4% below our expectations).
- **EBIT.** Capital Park reported EBIT of PLN 87m (-18% y/y, in comparison to our estimate of PLN 32m). EBIT ex. revaluations decline by 23% y/y to PLN 17.5m (22% below our estimates) due to higher administrative expenses (PLN 6.7m vs. our estimate of PLN 2.5m).
- **Revaluation.** The company reported gain on property revaluation of PLN 69m (vs. our estimate of PLN 9m). We note that the company reported slight negative revaluation of PLN 14m on completed projects (related to FX changes), although the average occupancy rate improved from 91% as of end-1Q19 to 94% as of end-2Q19 (mainly in Eurocentrum Office Complex). The book value of ArtN projects increased by PLN 93m (we estimate that capex amounted to ca. PLN 50m in 2Q19), while the book value of Eurocentrum Hotel & Residence increased by PLN 33m (due to signed preliminary agreement regarding the disposal of the property).
- **Net profit.** Net profit came in at PLN 65m in 2Q19 (vs. PLN 31m in 2Q18 and in comparison to our forecast of PLN 27m). The bottom line was positively affected by gain on measurement of financial liabilities of PLN 4.4m.
- **Operating cash flow.** The company generated operating cash flow of PLN 21.4m (vs. PLN 34.7m in 2Q18). As of end-2Q19 the company had net debt of PLN 1,044m.
- **EPRA NAV** came in at PLN 1,058m or PLN 10.99 per share, while **NAV** amounted to PLN 9.78 per share as of end-2Q19

Opinion: Slightly positive. We point that higher than expected property revaluations were related to ArtN project. Capital Park stated that the target book value of the project amounts to PLN 1,267m (vs. PLN 1,258m as of end-1Q19), while target NOI amounts to PLN 65m (vs. PLN 64m previously). We remind that our forecasts assumed total profit from revaluation of PLN 115m on ArtN project (with target book value to PLN 1,184m). We point that the company is currently valued with 46% discount to its EPRA NAV and 39% discount to its NAV.

Capital Park 2Q19 results review

PLNm	2Q18	3Q18	4Q18	1Q19	2Q19	y/y	2Q19E	vs. Ipopema
Revenues	35.3	36.6	39.0	32.3	31.7	-10%	33.0	-4%
Costs related to inv.prop.	-9.1	-9.1	-9.7	-8.6	-8.0	-11%	-8.6	-6%
G&A costs	-2.1	-1.2	-3.4	-5.5	-6.7	214%	-2.5	169%
Revaluation of inv.prop.	83.4	-37.9	12.2	3.6	69.4	-17%	9.1	660%
EBIT	106.2	-13.9	36.2	28.7	86.9	-18%	31.5	176%
EBIT adj.	22.8	24.0	24.0	25.1	17.5	-23%	22.3	-22%
Net financial costs	-49.8	16.5	-22.1	-10.6	-4.2	-91%	1.7	-346%
Pre-tax profit	56.4	2.7	14.1	18.1	82.7	47%	33.2	149%
Income tax	-21.0	1.4	8.4	-2.4	-17.8	-15%	-6.3	182%
Net profit	31.4	5.1	20.8	15.7	64.9	106%	26.9	141%
Operating margin adj (%)	64.6%	65.7%	61.6%	77.7%	55.2%	-	67.7%	

Source: Company, IPOPEMA Research

CAPITAL PARK BUY FV PLN 8.5

+42% upside

Price as of 06 Sep 2019: PLN 5.98

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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.
 FV – Fair Value, calculated based on valuation methods outlined in the document.

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IPOPEMA Research - Distribution by rating category (Apr 1 – Jun 31, 2019)

	Number	%
Buy	6	40%
Hold	6	40%
Sell	3	20%
Total	12	100%

Rating History – Capital Park

Date	Recommendation	Fair Value	Price at recommendation	Author
30/07/2019	BUY	8.50	5.44	Marek Szymański
