

Capital Park

3Q20 results review

Capital Park reported its 3Q20 results in line with our expectations with EBIT of PLN 30.4m and net profit of PLN 7.2m. Below please find key highlights:

- **Revenues** came in at PLN 14.2m (-56% y/y due to the disposal of shares in Eurocentrum Office Complex; in line with our expectations). The company estimates that renegotiation of rental agreements in recent months resulted in ca. 9% lower revenues than assumed pre-pandemic.
- **NOI** amounted to PLN 9.8m (-59% y/y, in line with our expectations), implying NOI margin of 69.3% (in line with our forecast of 70.0%). NOI ex. "straight-line rent" related to COVID-19 amounted to PLN 9.0m.
- **Operating profit** came in at PLN 30.4m (-63% y/y, 15% above our expectations) and was positively affected by revaluation of investment properties of PLN 22.6m (vs. our assumption of PLN 19.1m). Revaluation was related to FX changes (PLN 19m) and profit on property revaluation (PLN 4m).
- **Net profit** amounted to PLN 7.2m (in line with our expectations). The bottom line was negatively affected by PLN 17m loss on measurement of financial liabilities (in line with expectations).
- Operating cash flow amounted to PLN 6.3m in 3Q20 (vs. PLN 16.3m in 3Q19), while investing cash flow amounted to PLN 60.9m (related to development of Fabryka Norblina project; the company estimates remaining capex on the project of PLN 466m; the development goes in line with assumptions with completion scheduled in 2Q21).
- The company had net debt of PLN 667m as of end-3Q19. NAV amounted to PLN 9.14 per share as of end-3Q20 (vs. PLN 9.08/share as of end-2Q20). The company had PLN 575m assets held for sale.

Opinion: Neutral, as reported 3Q20 results were in line with our expectations. We also point that the company develops Fabryka Norblina project in line with schedule (completion planned in 2Q21); pre-lease amounts to 66% (71% of office area and 57% of retail area). Additionally, in the 3Q20 presentation the company informed about acquisition of Hak Polski landplot in Gdańsk (13,300sqm), however no more details were given. The company currently trades with 33% discount to its 3Q20 NAV.

Figure 1. Capital Park quarterly results (PLNm)

PLNm	3Q19	4Q19	1Q20	2Q20	3Q20	y/y	3Q20E	vs. ipopema
Revenues	31.9	27.8	14.4	14.3	14.2	-56%	14.3	-1%
Costs related to inv.prop.	-8.0	-7.4	-4.4	-3.8	-4.3	-46%	-3.5	23%
Net operating profit	23.9	20.4	10.0	10.5	9.8	-59%	10.0	-2%
G&A costs	-5.6	-3.3	-3.2	-3.4	-3.2	-42%	-3.2	2%
Revaluation of inv.prop.	61.9	27.5	91.6	-83.0	22.6	-63%	19.1	19%
Gain on disposal	0.0	130.5	0.0	0.0	0.0	n.m.	0.0	n.m.
EBIT	82.7	169.0	98.0	-76.5	30.4	-63%	26.4	15%
EBIT adj.*	20.7	11.0	6.5	6.6	7.8	-63%	7.3	6%
Net financial costs	-62.4	35.7	-53.1	5.2	-20.8	-67%	-19.4	7%
Pre-tax profit	20.2	204.7	44.9	-71.2	9.6	-53%	7.0	36%
Income tax	-10.8	-31.8	-13.6	9.9	-2.4	-78%	0.0	n.m.
Net profit	9.4	172.9	31.3	-61.3	7.2	-24%	7.0	2%
NOI margin (%)	75.0%	73.5%	69.4%	73.5%	69.3%	-	70.0%	-
Net debt	1,180	-91	290	568	667	-	-	-

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

Real Estate

Capital Park

BUY

FV PLN 8.25

35% upside

Price as of 6 November 2020 PLN 6.10

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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 (July 1 – September 30, 2020)

	Number	%
Buy	19	70%
Hold	6	22%
Sell	2	8%
Total	27	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