

Capital Park

3Q19 results review

Capital Park published its 3Q19 results with reported EBIT of PLN 82.7m (vs. our estimate of PLN 66.6m) and net profit of PLN 9.4m, vs. our estimate of PLN 23.7m. EBIT ex. revaluations came in at PLN 20.7m, 26% above our estimate, Below please find key takeaways:

- **Revenues.** The company reported revenues of PLN 31.9m (-13% y/y, due to deconsolidation of FIZ revenues), 3% above our estimates.
- **EBIT.** Operating profit came in at PLN 82.7m (vs. operating loss of PLN 13.9m in 3Q18). EBIT was positively affected by gain on property revaluation of PLN 61.9m (vs. our assumption of PLN 50.1m), related mainly to weakening of PLN vs. EUR. EBIT ex. revaluations amounted to PLN 20.7m (26% above our estimates).
- **Net profit.** On the bottom line the company reported profit of PLN 9.4m (vs. PLN 5.1m in 3Q18 and our forecast of PLN 23.7m). The net profit was negatively affected by loss of PLN 55m on measurement of financial liabilities (FX loss).
- The company reported **FFO** of PLN 30.6m in 9M19 (vs. PLN 7.1m in 9M18). The **operating cash flow** in 9M19 reached PLN 65m (vs. PLN 15m), while capex amounted to PLN 88m (vs. PLN 20m in previous year).
- As of end-3Q19 the company had **net debt** of PLN 1,044m, implying ND/Equity ratio of 1.07x and ND/Assets of 0.43x.
- **EPRA NAV** increased by nearly 14% YTD to PLN 1,229m (PLN 11.33 per share), while **NAV** improved by 8% YTD to PLN 1,068m (PLN 9.83 per share).

Opinion: Neutral. We point that EBIT ex. revaluations was 26% above our estimates, while net profit below our estimates was related to loss on measurement of financial liabilities. We point that the company has slightly increased the target NOI for Fabryka Norblina from PLN 65m as of end-2Q19 to PLN 66.5m as of end-3Q19 (BV of PLN 572m as of end-3Q19 with remaining capex of PLN 596m). The company is currently valued with 44% discount to its EPRA NAV and 36% discount to its NAV. Finally, we remind that on 8 October, Townsend Holding, a subsidiary of Madison International launched a tender offer for 36.8m Capital Park shares, equal to 34% of the share capital with tender price set at PLN 5.84 per share.

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PLNm	3Q18	4Q18	1Q19	2Q19	3Q19	y/y	3Q19E	vs. Ipopema
Revenues	36.6	39.0	32.3	31.7	31.9	-13%	31.0	3%
Costs related to inv.prop.	-9.1	-9.7	-8.6	-8.0	-8.0	-12%	-8.1	-1%
G&A costs	-1.2	-3.4	-5.5	-6.7	-5.6	366%	-6.0	-8%
Revaluation of inv.prop.	-37.9	12.2	3.6	69.4	61.9	n.m.	50.1	24%
EBIT	-13.9	36.2	28.7	86.9	82.7	n.m.	66.6	24%
EBIT adj.	24.0	24.0	25.1	17.5	20.7	-14%	16.5	26%
Net financial costs	16.5	-22.1	-10.6	-4.2	-62.4	n.m.	-37.3	68%
Pre-tax profit	2.7	14.1	18.1	82.7	20.2	663%	29.3	-31%
Income tax	1.4	8.4	-2.4	-17.8	-10.8	n.m.	-5.6	94%
Net profit	5.1	20.8	15.7	64.9	9.4	87%	23.7	-60%
Operating margin adj (%)	65.7%	61.6%	77.7%	55.2%	65.1%	-	53.1%	

Source: Company, IPOPEMA Research

Real Estate

Capital Park

BUY

FV PLN 8.99

42% upside

Price as of 7 November 2019 PLN 6.31

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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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IPOPEMA Research - Distribution by rating category (July 1 – September 30, 2019)

	Number	%
Buy	18	58%
Hold	10	32%
Sell	3	10%
Total	31	100%

Rating History – CCC

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