

Capital Park

4Q20 results review

Capital Park reported its 4Q20 results below our expectations with EBIT at PLN 20m and net loss of PLN 0.9m, affected by lower than expected revaluation gain of PLN 15.1m. Below please find key highlights:

- **Revenues** amounted to PLN 14.7m (-47% y/y on the disposal of shares in Eurocentrum Office Complex, in line with our expectations). Given the renegotiations of rental agreements, the company estimates rental income ca. 16% below its pre-pandemic assumptions in 2020.
- **NOI** reached PLN 10.0m (in line with our expectations), implying NOI margin of 68.2% (-5.3pp y/y).
- **Operating profit** came in at PLN 20.1m (45% below our expectations). The result was affected by revaluation gain of PLN 15.1m (vs. our exp. PLN 29.1m), mainly related to positive impact of EURPLN changes and PLN 12m negative revaluation (which we did not assume in our forecasts). Capital Park estimates total negative revaluation loss of PLN 57m in 2020 related to the pandemic.
- **Net loss** came in at PLN 0.9m (vs. our forecast profit PLN 15.3m). Net financial costs amounted to PLN 18m (affected by remeasurement of financial liabilities, in line with our expectations).
- Operating cash flow amounted to PLN 5.4m in 4Q20 (vs. PLN 21m in 4Q19), while **cash flow from investing activity** amounted to PLN -88m. As of end-4Q20 Capital Park had net debt of PLN 766m.
- **NAV** amounted to PLN 989.6m or PLN 9.13 per share as of end-4Q20 (vs. PLN 9.14/share as of end-3Q20).
- The completion of Fabryka Norblina is schedule at end of July 2021 (delayed by 2 months) with remaining capex at PLN 401m after 31.12.2020. The project is pre-leased at 66% (stable q/q). Capital Park had PLN 583m assets held for sale as of end-4Q20 and has also preliminary agreement for acquisition of Hak Polski landplot in Gdańsk for ca. PLN 49m (final agreement to be signed by end of March 2021)

Opinion: Negative, as 4Q20 results were below our expectations on lower revaluation gain in 4Q20 related to hotel and retail projects as well as Fabryka Norblina (although the company pointed at target NOI of PLN 81m of the project, vs. PLN 71m previously). Total negative revaluation loss came in at PLN 57m in 2020 related to the pandemic. On the other hand we point at the project Polski Hak, although no details concerning the project were given yet. The company currently trades with 16% discount to its 4Q20 NAV.

Figure 1. Capital Park quarterly results (PLNm)

PLNm	4Q19	1Q20	2Q20	3Q20	4Q20	y/y	4Q20E	vs. Ipopema
Revenues	27.8	14.4	14.3	14.2	14.7	-47%	14.2	4%
Net operating profit	20.4	10.0	10.5	9.8	10.0	-51%	9.9	1%
G&A costs	-3.3	-3.2	-3.4	-3.2	-4.1	27%	-3.7	11%
Revaluation of inv.prop.	27.5	91.6	-83.0	22.6	15.1	-45%	29.1	-48%
Gain on disposal	130.5	0.0	0.0	0.0	0.0	n.m.	0.0	n.m.
EBIT	169.0	98.0	-76.5	30.4	20.1	-88%	36.3	-45%
EBIT adj.*	11.0	6.5	6.6	7.8	5.0	-54%	7.2	-30%
Net financial costs	35.7	-53.1	5.2	-20.8	-18.2	-151%	-17.5	4%
Pre-tax profit	204.7	44.9	-71.2	9.6	1.9	-99%	18.9	-90%
Income tax	-31.8	-13.6	9.9	-2.4	-2.8	-91%	-3.6	-21%
Net profit	172.9	31.3	-61.3	7.2	-0.9	-101%	15.3	-106%
NOI margin (%)	73.5%	69.4%	73.5%	69.3%	68.2%	-	70.0%	-
Net debt	-91	290	568	667	766	-	-	-

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

Real Estate

Capital Park

BUY

FV PLN 8.19

6% upside

Price as of 19 March 2021 PLN 7.70

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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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (October 1 – December 31, 2020)

	Number	%
Buy	40	65%
Hold	18	29%
Sell	4	6%
Total	62	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