

# Capital Park

## 4Q19 results review

Capital Park reported 4Q19 results with net profit of PLN 173m (vs. our forecast of PLN 98m). Below please find key highlights:

- **Revenues.** Capital Park reported revenues of PLN 27.8m (in line with our expectations, -29% y/y due to deconsolidation of investment funds and disposal of Dakota Investments owning Eurocentrum Office Complex in November 2019).
- **NOI** reached PLN 20.4m (-30% y/y, in line with our expectations), implying NOI margin of 73.5% (vs. 75.1% in 4Q18).
- **EBIT** came in at PLN 169m (vs. PLN 36m in 4Q18 and our forecast of PLN 87m). We note that EBIT was boosted by revaluation gain of PLN 27.5m (in comparison to our expectation of negative PLN 23.5m due to EUR/PLN negative revaluation), what was mainly related to positive revaluation on Fabryka Norblina project (increase of BV by PLN 73m y/y vs. our assumption of revaluation of PLN 13m). Additionally, the company reported gain from the disposal of Dakota Investments of PLN 126m (vs. our estimate of PLN 95m). At the same time we point that administrative expenses amounted to PLN 3.3m.
- **Net profit.** Capital Park reported net profit of PLN 173m in comparison to our expectation of PLN 98m. The bottom line was positively affected by gain on measurement of financial liabilities of PLN 43m (slightly above our expectation of PLN 38m).
- As of end-4Q9 Capital Park assets held for sale of PLN 543m and liabilities related to assets held for sale of PLN 283m (NAV of PLN 260m).
- Capital Park had net debt of PLN 192m as of end-4Q19 (incl. IFRS16 and liabilities related to assets held for sale), in comparison to PLN 1,331m as of end-4Q18. Cash position amounted to PLN 591m.
- **The Management Board recommends payment of DPS of PLN 2.10** from 2019 results, implying DY of 27%.
- **NAV** came in at PLN 11.5/share as of end-4Q19 (+27% y/y).

*Opinion: Positive as revaluation gain on Fabryka Norblina and profit from disposal of Dakota Investment that were above our expectations. The company currently has Royal Wilanów (NAV PLN 189m) and Eurocentrum Hotel&Residence (NAV PLN 85m) as assets held for sale. Finally we point that due to significant cash inflow from the disposal, the company had PLN 591m cash as of end-4Q19. As a result, the MB's recommends DPS PLN 2.1 (DY 27%), what we did not assume in our forecasts.*

Figure 1. Capital Park quarterly results (PLNm)

PLNm	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	4Q19E	vs. Ipopema
Revenues	39.0	32.3	31.7	31.9	27.8	-29%	27.5	1%
Costs related to inv.prop.	-9.7	-8.6	-8.0	-8.0	-7.4	-24%	-6.9	8%
<b>Net operating profit</b>	<b>29.3</b>	<b>23.8</b>	<b>23.7</b>	<b>23.9</b>	<b>20.4</b>	<b>-30%</b>	<b>20.6</b>	<b>-1%</b>
G&A costs	-3.4	-5.5	-6.7	-5.6	-3.3	-4%	-7.4	-56%
Revaluation of inv.prop.	12.2	3.6	69.4	61.9	27.5	125%	70.9	-61%
Gain on disposal	0.0	0.0	0.0	0.0	135.0	n.m.	94.5	43%
<b>EBIT</b>	<b>36.2</b>	<b>28.7</b>	<b>86.9</b>	<b>82.7</b>	<b>169.0</b>	<b>367%</b>	<b>86.6</b>	<b>95%</b>
<b>EBIT adj.</b>	<b>24.0</b>	<b>25.1</b>	<b>17.5</b>	<b>20.7</b>	<b>6.5</b>	<b>-73%</b>	<b>15.6</b>	<b>-58%</b>
Net financial costs	-22.1	-10.6	-4.2	-62.4	35.7	-261%	31.1	15%
Pre-tax profit	14.1	18.1	82.7	20.2	204.7	1353%	117.6	74%
Income tax	8.4	-2.4	-17.8	-10.8	-31.8	-479%	-19.6	62%
<b>Net profit</b>	<b>20.8</b>	<b>15.7</b>	<b>64.9</b>	<b>9.4</b>	<b>172.9</b>	<b>733%</b>	<b>98.0</b>	<b>76%</b>
NOI margin (%)	75.1%	73.5%	74.7%	75.0%	73.5%	-	75.0%	-
Net debt	1,220	1,093	1,093	1,180	192	-	-	-

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

Real Estate

## Capital Park

BUY

FV PLN 8.99

16% upside

Price as of 16 April 2020 PLN 7.74

### Analyst

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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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Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

**IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2020)**

	Number	%
Buy	2	29%
Hold	1	14%
Sell	4	57%
Total	7	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