

Capital Park

2Q21 results review

Capital Park reported its 2Q21 results with operating loss of PLN 36.9m and net loss of PLN 7.0m, mainly driven by revaluations of investment properties (negative PLN 44m) and financial liabilities (positive PLN 32m) related to EURPLN rate. Below please find key highlights:

- **Revenues** came in at PLN 14.0m (flat q/q). The company informed that occupancy rate in office projects remains stable, while rental income decreased by 2% in comparison to pre-pandemic assumptions. At the same time, due to implemented restrictions, rental income of retail projects decreased by 17% vs pre-pandemic assumptions.
- **Net operating income** amounted to PLN 9.9m (-6% y/y related to void periods due to tenants replacements in Royal Wilanów project). NOI margin amounted to 69.1% (in comparison to 73.5% reported in 2Q20).
- **Operating profit** came in at negative PLN 37m (vs. operating loss of PLN 76.5m in 2Q20). The result was negatively affected by revaluation loss of PLN 44m on investment properties (mainly related to FX changes). EBIT ex. revaluations amounted to PLN 6.8m (+3% y/y).
- **Net loss** amounted to PLN 7.0m (vs. PLN 61.3m loss in 2Q20) and was positively affected by PLN 32m FX gain on financial liabilities.
- **Operating cash flow** amounted to PLN 0.9m (vs. PLN 1.8m in 2Q20). Cash flow from investing activity amounted to PLN -93m (+6% q/q). As of end-2Q21 the company had net debt of PLN 884m (comparable q/q), with weighted average cost of debt of 2.51% (-0.16pp q/q).
- **NAV** amounted to PLN 996m (or PLN 9.19 per share) as of end-2Q21 (vs. PLN 9.26/share as of end-1Q21).
- The value of Fabryka Norblina project came in at PLN 1,077m as of end-2Q21, while remaining capex amounts to PLN 224m. The company informed that use permit was granted on 26.08.2021. Pre-lease of the project remained comparable q/q at 73% (ca. 80% of office area and 58% of retail area). The company estimates target NOI of PLN 80m (vs. PLN 82m previously).

Opinion: Neutral. We note that the company has reported stable 2Q21 results with rental income and NOI at comparable q/q, while EBIT was affected by FX changes. We point that use permit for the Fabryka Norblina project has already been granted, and currently the company works on fit-outs (remaining capex of PLN 224m).

Figure 1. Capital Park results summary (PLNm)

PLNm	2Q20	3Q20	4Q20	1Q21	2Q21	y/y
Revenues	14.3	14.2	14.7	14.0	14.4	0%
Costs related to inv.prop.	-3.8	-4.3	-4.7	-4.4	-4.4	17%
Net operating profit	10.5	9.8	10.0	9.6	9.9	-6%
G&A costs	-3.4	-3.2	-4.1	-3.1	-3.1	-9%
Revaluation of inv.prop.	-83.0	22.6	15.1	18.8	-43.7	-47%
Gain on disposal	0.0	0.0	0.0	0.0	0.0	n.m.
EBIT	-76.5	30.4	20.1	36.5	-36.9	n.m.
EBIT adj.*	6.6	7.8	5.0	17.7	6.8	3%
Net financial costs	5.2	-20.8	-18.2	-13.3	28.0	435%
Pre-tax profit	-71.2	9.6	1.9	23.2	-8.9	n.m.
Income tax	9.9	-2.4	-2.8	-9.9	1.9	-81%
Net profit	-61.3	7.2	-0.9	13.3	-7.0	n.m.
NOI margin (%)	73.5%	69.3%	68.2%	68.5%	69.1%	-
Net debt	568	667	766	849	884	-

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

Real Estate

Capital Park

HOLD

FV PLN 8.30

11% downside

Price as of 2 September 2021 PLN 9.36

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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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Hold	In between (and including) -10% and 10%
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	Number	%
Buy	19	76%
Hold	6	24%
Sell	0	0%
Total	25	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
21/06/2021	HOLD	PLN 8.30	PLN 9.20	Marek Szymański