

# Capital Park

## Closer to completion of Fabryka Norblina

We downgrade our recommendation on Capital Park from BUY to HOLD on the price performance (+30% since the previous report) and upgrade our FV to PLN 8.30 per share from PLN 8.19 previously, mainly on updated assumptions for the Fabryka Norblina project. Based on the development schedule, we expect that the company will complete construction of Fabryka Norblina in 3Q21, which will allow for a ca. PLN 100m positive revaluation by end of 2021 and rental income generation of over PLN 80m annually over the longer term. We highlight that Capital Park has a preliminary agreement for purchase of a land plot in Gdańsk (Polski Hak plot), but no details have been given yet (the company expects the final master plan for the project in 2H21, allowing for development of a residential project), thus we do not assume it in our forecasts yet. Finally, we point to potential asset disposals, which we also do not include in our forecasts, as no agreement has been signed yet.

### Fabryka Norblina – construction in line with schedule

Based on the development schedule, the company expects to obtain a use permit for the Fabryka Norblina project by the end of July. The occupancy rate amounted to 73% as of end-1Q21 (80% office and 61% retail) and given ongoing negotiations, the management expects around 90% occupancy by the end of the construction phase. As of end-1Q21 the book value of the project amounted to PLN 1,007m and the company estimates remaining capex of PLN 350m. Given the project's NOI potential (over EUR 17m post-completion), we expect the project to generate a nearly PLN 100m positive revaluation in FY2021E.

### Disposals

Capital Park still has two projects held for sale (Royal Wilanów and Eurocentrum Hotel & Residence) with a book value of around PLN 590m and debt of PLN 314m related to these projects. During the recent post-results conference call, the management pointed out that it is in exclusive negotiations for disposal of its Eurocentrum land plot (the transaction potentially is to be completed in the coming weeks). The official process of the Royal Wilanów disposal has not yet commenced; however, CPG is in negotiations and might have a LOI signed by the end of June. Given still low visibility on these transactions, we do not assume them in our forecasts, but highlight potential net cash inflows.

### Polski Hak plot – master plan in 2H21

Capital Park signed a preliminary agreement to purchase a land plot in Gdańsk for around PLN 49m (a final agreement should be signed by the end of March 2022). The company plans to develop residential projects (potentially around 400 apartments). Capital Park expects the final masterplan for the plot to be published in 2H21. Due to low visibility and lack of details on the project, we do not assume it in our forecasts yet.

Figure 1. Capital Park – Financial summary (PLNm)

	2018	2019	2020	2021E	2022E	2023E
Revenues	145.8	123.7	57.6	74.5	135.0	138.3
EBITDA	172.4	367.9	72.7	151.7	86.8	89.0
EBIT	172.0	367.3	72.1	151.1	86.1	88.2
Net profit	85.3	262.9	-23.7	103.4	51.6	54.1
P/E adj.* (x)	14.6	4.9	91.3	69.5	19.3	18.4
P/BV (x)	0.57	0.55	0.82	0.91	0.87	0.83
DPS (PLN)	0.00	0.00	2.10	0.00	0.00	0.00

Source: Company, IPOPEMA Research, \*adjusted by revaluation of investment properties and remeasurement of financial liabilities

Real Estate

## Capital Park

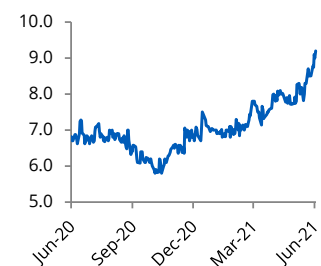
**HOLD**

**FV PLN 8.30** from PLN 8.19

10% downside

Price as of 18 June 2021 PLN 9.20

Downgraded from BUY



### Share data

Number of shares (m)	108.3
Market cap (EUR m)	221.0
12M avg daily volume (k)	4.7
12M avg daily turnover (EUR m)	0.03
12M high/low (PLN)	9.20/5.76
WIG weight	0.04
Reuters	CPGP.WA
Bloomberg	CPG PW

### Total performance

1M	16.2%
3M	18.0%
12M	37.3%

### Shareholders

MIRELF VI BV	66.43%
Europi Property Group AB	16.22%
Patron Townsend S.a.r.l	6.51%
Management Board	3.69%
Other	7.15%

### Analyst

Marek Szymański  
marek.szymanski@ipopema.pl  
+ 48 22 236 94 12

## CAPITAL PARK

HOLD

FV PLN 8.3

Mkt Cap EUR 221m

Downside -10%

Valuation multiples	2019	2020	2021E	2022E	2023E
P/E (x)	4.9	91.3	69.5	19.3	18.4
EV/EBITDA (x)	2.4	21.7	14.5	24.8	23.6
EV/Sales (x)	7.1	27.4	29.5	15.9	15.2
P/BV (x)	0.55	0.82	0.91	0.87	0.83
FCF yield (%)	180%	-30%	-41%	7%	7%
DY (%)	0%	23%	0%	0%	0%

Per share	2019	2020	2021E	2022E	2023E
No. of shares (m units)	108.3	108.3	108.3	108.3	108.3
EPS* (PLN)	1.30	0.08	0.13	0.48	0.50
BVPS (PLN)	11.45	9.13	10.09	10.57	11.06
FCFPS (PLN)	11.44	-2.29	-3.77	0.64	0.67
DPS (PLN)	0.00	2.10	0.00	0.00	0.00

Change y/y (%)	2019	2020	2021E	2022E	2023E
Revenues	-15.2%	-53.4%	29.3%	81.2%	2.4%
NOI	-15.5%	-56.0%	31.2%	83.7%	2.4%
EBIT adj.*	120.9%	-87.4%	59.0%	109.8%	2.4%
Pre-tax profit	237.4%	n.m.	n.m.	-50.1%	4.9%
Net profit adj.*	268.2%	-93.7%	61.1%	259.9%	4.9%

Leverage and return	2019	2020	2021E	2022E	2023E
NOI margin (%)	74.2%	70.1%	71.1%	72.1%	72.1%
EBIT adj.* margin (%)	165.6%	44.8%	55.1%	63.8%	63.8%
Net margin adj.* (%)	114.2%	15.4%	19.2%	38.2%	39.1%
Net debt / EBITDA adj.*	0.9	29.0	28.8	13.3	12.4
Net debt / Equity (x)	0.15	0.77	1.10	1.01	0.92
Net debt / Assets (x)	0.09	0.38	0.49	0.46	0.43
ROE (%)	12.8%	0.8%	1.4%	4.6%	4.6%
ROA (%)	6.0%	0.4%	0.6%	2.1%	2.1%
ROIC (%)	7.8%	1.1%	0.8%	3.2%	3.3%

Assumptions	2019	2020	2021E	2022E	2023E
FFO (PLN m)	176.6	11.0	17.7	63.7	66.8
FFO yield (%)	26%	2%	3%	9%	10%
NAV (PLN m)	1,240.8	989.6	1,037.2	1,086.8	1,141.4
NAV per share (PLN)	11.5	9.1	9.6	10.0	10.5
LTV (%)	82%	75%	72%	72%	72%

P&L (PLN m)	2018	2019	2020	2021E	2022E	2023E
Rental income	145.8	123.7	57.6	74.5	135.0	138.3
Direct property oper. expenses	-37.3	-32.0	-17.2	-21.5	-37.7	-38.6
<b>Net operating profit</b>	<b>108.6</b>	<b>91.8</b>	<b>40.4</b>	<b>53.0</b>	<b>97.4</b>	<b>99.7</b>
Administrative expenses	-8.4	-21.1	-14.0	-14.7	-15.0	-15.3
Gain/loss on property revaluatio	79.2	162.4	46.3	110.0	0.0	0.0
Other operating income (cost) ne	-7.5	134.2	-0.6	2.7	3.8	3.8
<b>EBITDA</b>	<b>172.4</b>	<b>367.9</b>	<b>72.7</b>	<b>151.7</b>	<b>86.8</b>	<b>89.0</b>
<b>EBIT</b>	<b>172.0</b>	<b>367.3</b>	<b>72.1</b>	<b>151.1</b>	<b>86.1</b>	<b>88.2</b>
EBIT adj.*	92.8	204.9	25.8	41.1	86.1	88.2
Financial income (cost) net	-38.3	-30.5	-14.8	-23.4	-22.5	-21.4
Remeasurement of fin. liabilities	-37.1	-11.1	-72.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>96.5</b>	<b>325.7</b>	<b>-14.7</b>	<b>127.7</b>	<b>63.7</b>	<b>66.8</b>
Income tax	-5.5	-62.8	-9.0	-24.3	-12.1	-12.7
Minorities	5.7	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>85.3</b>	<b>262.9</b>	<b>-23.7</b>	<b>103.4</b>	<b>51.6</b>	<b>54.1</b>
Net profit adj.*	38.4	141.3	8.9	14.3	51.6	54.1

BALANCE SHEET (PLN m)	2018	2019	2020	2021E	2022E	2023E
<b>Non-current assets</b>	<b>2,420.4</b>	<b>983.2</b>	<b>1,248.3</b>	<b>1,781.6</b>	<b>1,785.3</b>	<b>1,788.9</b>
Investment property	2,360.2	890.8	1,171.4	1,696.6	1,696.6	1,696.6
Investments in JV	54.2	51.1	41.0	49.1	52.7	56.4
Other financial assets at fair valu	0.7	33.1	21.6	21.6	21.6	21.6
Other non-current assets	5.3	8.2	14.4	14.4	14.4	14.4
<b>Current assets</b>	<b>149.5</b>	<b>615.4</b>	<b>189.1</b>	<b>110.1</b>	<b>161.2</b>	<b>212.5</b>
Trade receivables	16.1	6.6	7.2	10.5	15.4	15.8
Other current assets	23.1	17.9	33.0	34.4	34.6	34.6
Cash and equivalents	110.3	591.0	148.9	65.3	111.3	162.2
Assets held for sale	0.0	543.4	582.5	582.5	582.5	582.5
<b>Total assets</b>	<b>2,569.9</b>	<b>2,142.0</b>	<b>2,019.8</b>	<b>2,474.2</b>	<b>2,529.0</b>	<b>2,583.9</b>
<b>Equity</b>	<b>974.9</b>	<b>1,240.8</b>	<b>989.6</b>	<b>1,093.0</b>	<b>1,144.6</b>	<b>1,198.7</b>
Non-controlling interests	114.9	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>1,417.1</b>	<b>402.5</b>	<b>530.2</b>	<b>880.2</b>	<b>880.2</b>	<b>880.2</b>
Loans and borrowings	1,287.3	305.2	446.7	796.7	796.7	796.7
Deferred tax liabilities	110.0	90.5	74.6	74.6	74.6	74.6
Other non-current liabilities	19.8	6.8	8.9	8.9	8.9	8.9
<b>Current liabilities</b>	<b>63.0</b>	<b>215.6</b>	<b>187.3</b>	<b>188.2</b>	<b>191.4</b>	<b>192.2</b>
Trade payables	7.6	3.6	2.5	3.4	6.6	7.4
Loans and borrowings	43.4	194.7	155.9	155.9	155.9	155.9
Other current liabilities	12.0	17.4	28.9	28.9	28.9	28.9
Liabilities related to assets for sa	0.0	283.0	312.7	312.7	312.7	312.7
<b>Equity &amp; liabilities</b>	<b>2,569.9</b>	<b>2,142.0</b>	<b>2,019.8</b>	<b>2,474.2</b>	<b>2,529.0</b>	<b>2,583.9</b>
Gross debt (PLN m)	1,330.7	782.9	915.3	1,265.3	1,265.3	1,265.3
<b>Net debt (PLN m)</b>	<b>1,220.4</b>	<b>191.9</b>	<b>766.4</b>	<b>1,200.0</b>	<b>1,154.0</b>	<b>1,103.1</b>

CASH FLOW (PLN m)	2018	2019	2020	2021E	2022E	2023E
<b>Operating cash flow</b>	<b>106.2</b>	<b>85.8</b>	<b>18.5</b>	<b>15.1</b>	<b>75.0</b>	<b>80.0</b>
Net income	85.3	262.9	-23.7	103.4	51.6	54.1
Revaluations	-42.1	-151.3	25.7	-110.0	0.0	0.0
D&A	0.4	0.6	0.6	0.7	0.7	0.7
Change in WC	-13.2	5.5	-1.7	-2.4	-1.7	0.5
Other	75.8	-31.9	17.6	23.3	24.5	24.7
<b>Investment cash flow</b>	<b>-115.1</b>	<b>385.6</b>	<b>-249.3</b>	<b>-424.0</b>	<b>-4.3</b>	<b>-4.4</b>
Change in investment properties	-106.6	1,088.5	-273.4	-415.2	0.0	0.0
Change in JV	-11.5	3.1	10.1	-8.1	-3.6	-3.6
Other	3.0	-705.9	14.1	-0.7	-0.7	-0.7
<b>Financial cash flow</b>	<b>-74.1</b>	<b>22.5</b>	<b>-236.6</b>	<b>325.3</b>	<b>-24.7</b>	<b>-24.7</b>
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	-31.9	61.8	11.5	350.0	0.0	0.0
Dividend paid	0.0	0.0	-227.5	0.0	0.0	0.0
Interest paid	-42.3	-39.3	-19.1	-24.7	-24.7	-24.7
Other	0.0	0.0	-1.5	0.0	0.0	0.0
<b>Change in cash</b>	<b>-83.0</b>	<b>493.9</b>	<b>-467.4</b>	<b>-83.6</b>	<b>46.0</b>	<b>50.9</b>
<b>Cash as of eop</b>	<b>110.3</b>	<b>591.0</b>	<b>148.9</b>	<b>65.3</b>	<b>111.3</b>	<b>162.2</b>

Source: Company data, IPOPEMA Research, \*adjusted by revaluation of investment properties and remeasurement of financial liabilities

# Valuation

We value Capital Park using the NAV valuation method (100% weight) and a multiples valuation (0% weight only for presentation purposes).

Figure 2. Capital Park – Valuation summary

Valuation method	Weight (%)	FV (PLN/share)
NAV valuation	100%	8.30
Multiples valuation	0%	8.67
<b>Fair value</b>		<b>8.30</b>
Current price		9.20
Upside/downside		-10%

Source: Company, IPOPEMA Research

## NAV valuation

We base our NAV on the fair value of the company's properties deducting financial liabilities, deferred tax liabilities and provisions for each respective year. Our valuation includes the development of the Fabryka Norblina project (assuming completion in 2H21) and excludes the development of the Polski Hak project, as well as any disposals. We arrive at a FV for Capital Park of PLN 8.30/share using the NAV method.

Figure 3. Capital Park – NAV valuation (PLN m)

(PLNm)	2021E	2022E	2023E	2024E	2025E
(+) Investment property	1,696.6	1,696.6	1,696.6	1,696.6	1,696.6
(+) Investments in jointly controlled entities	49.1	52.7	56.4	59.4	62.4
(+) Financial assets	21.6	21.6	21.6	21.6	21.6
(+) Cash and cash equivalents	65.3	111.3	162.2	214.6	267.7
(+) Assets held for sale*	269.7	269.7	269.7	269.7	269.7
(-) Long-term debt	796.7	796.7	796.7	796.7	796.7
(-) Short-term debt	155.9	155.9	155.9	155.9	155.9
(-) Deferred tax liabilities & provisions	112.5	112.5	112.5	112.5	112.5
(-) Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>(=) NAV (PLNm)</b>	<b>1,037.2</b>	<b>1,086.8</b>	<b>1,141.4</b>	<b>1,196.8</b>	<b>1,252.9</b>
Number of shares (m)	108.3	108.3	108.3	108.3	108.3
NAV/share (PLN)	9.57	10.03	10.54	11.05	11.57
Discount factor	95%	86%	79%	72%	65%
NAV/share (PLN)	9.1	8.7	8.3	7.9	7.5
<b>FV (PLN)</b>	<b>8.30</b>				
Current price (PLN)	9.20				
Upside/downside (%)	-10%				

Source: Company, IPOPEMA Research, \*valued at NAV

Figure 4. Capital Park – WACC calculation

	2021E	2022E	2023E	2024E	2025E
Risk free rate (%)	1.6%	1.6%	1.6%	1.6%	2.5%
Levered beta (x)	1.7	1.7	1.6	1.6	1.6
Risk premium (%)	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Cost of Equity (%)</b>	<b>10.1%</b>	<b>10.0%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>10.4%</b>
Cost of Debt (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Tax rate (%)	19.0%	19.0%	19.0%	19.0%	19.0%
<b>After tax cost of debt (%)</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>
<b>WACC (%)</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>7.8%</b>

Source: Company, IPOPEMA Research

Figure 5. NAV/share valuation sensitivity (PLN)

Percentage change of rental rate (EUR/sqm)	Yield (%)				
	-0.50%	-0.25%	0.00%	0.25%	0.50%
-5.0%	8.31	8.30	8.29	8.27	8.26
-2.5%	8.32	8.30	8.29	8.28	8.27
<b>0.0%</b>	<b>8.33</b>	<b>8.31</b>	<b>8.30</b>	<b>8.28</b>	<b>8.27</b>
2.5%	8.33	8.32	8.30	8.29	8.28
5.0%	8.34	8.32	8.31	8.30	8.28

Source: Company, IPOPEMA Research

Figure 6. NAV/share valuation sensitivity on EUR/PLN in terminal (PLN)

NAV/share	EUR/PLN (x)								
	4.20	4.25	4.30	4.35	4.40	4.45	4.50	4.55	4.60
	8.20	8.22	8.23	8.25	8.26	8.28	<b>8.30</b>	8.46	8.62

Source: Company, IPOPEMA Research

## Peer comparison

We present a multiple valuation by comparing Capital Park to Polish and European commercial developers, based on the P/BV multiple. Due to different business models and scale of operation, we give 0% weight to the method. Based on the P/BV valuation, Capital Park currently trades at around a 9-13% discount to its BV in 2021-22E.

Figure 7. Capital Park – Peer comparison

Company	BBG Ticker	Price (local)	mCap (PLNm)	P/BV (x)		
				2020E	2021E	2022E
Echo Investment	ECH PW Equity	4.40	1,816	0.97	0.90	0.85
Globe Trade Centre	GTC PW Equity	6.29	3,054	0.68	0.64	0.62
Immofinanz AG	IIA AV Equity	19.50	10,950	0.74	0.72	0.67
CA Immobilien	CAI AV Equity	35.75	17,328	0.99	0.96	0.91
Unibail-Rodamco-Westfield	URW NA Equity	78.99	49,832	0.76	0.83	0.82
Atrium European Real Estate	ATRS AV Equity	3.09	5,562	0.80	0.80	0.78
S Immo	SPI AV Equity	21.75	7,291	1.09	1.05	1.00
Median				0.80	0.83	0.82
<b>Capital Park</b>	<b>CPG PW Equity</b>	<b>9.20</b>	<b>997</b>	<b>0.91</b>	<b>0.87</b>	<b>0.83</b>
Premium/discount (%)				14%	4%	1%
Implied FV/share				8.08	8.82	9.10
Average implied FV/share (PLN)					<b>8.67</b>	

Source: Company, IPOPEMA Research

## Forecast revisions

Below we present the revision of our financial forecasts for 2021-23E. Changes are mainly related to recently signed lease agreements for Fabryka Norblina (the company reported target NOI of PLN 82m vs. PLN 71m as of end-3Q20) and higher than previously assumed capex on the Fabryka Norblina project (remaining capex of PLN 350m after 1Q21). As a result, we forecast a higher revaluation gain in 2021E and higher reported net profit in 2021-23E, while higher financial costs result in lower adj. net profit in this year.

Figure 8. Capital Park – financial forecasts revision (PLNm)

	2021E NEW	2021E OLD	change	2022E NEW	2022E OLD	change	2023E NEW	2023E OLD	change
Rental income	74.5	70.0	6%	135.0	120.8	12%	138.3	122.4	13%
Direct property operating expenses	-21.5	-19.5	10%	-37.7	-33.7	12%	-38.6	-34.2	13%
<b>Net operating profit</b>	<b>53.0</b>	<b>50.5</b>	<b>5%</b>	<b>97.4</b>	<b>87.1</b>	<b>12%</b>	<b>99.7</b>	<b>88.3</b>	<b>13%</b>
Administrative expenses	-14.7	-13.1	12%	-15.0	-13.8	9%	-15.3	-14.5	6%
Gain/loss on property revaluation	110.0	36.7	199%	0.0	0.0	n.m.	0.0	0.0	n.m.
Other operating income (cost) net	2.7	1.2	124%	3.8	-0.4	n.m.	3.8	-0.4	n.m.
<b>EBITDA</b>	<b>151.7</b>	<b>75.9</b>	<b>100%</b>	<b>86.8</b>	<b>73.6</b>	<b>18%</b>	<b>89.0</b>	<b>74.1</b>	<b>20%</b>
<b>EBIT</b>	<b>151.1</b>	<b>75.3</b>	<b>101%</b>	<b>86.1</b>	<b>73.0</b>	<b>18%</b>	<b>88.2</b>	<b>73.4</b>	<b>20%</b>
<b>EBIT adj.*</b>	<b>41.1</b>	<b>38.6</b>	<b>6%</b>	<b>86.1</b>	<b>73.0</b>	<b>18%</b>	<b>88.2</b>	<b>73.4</b>	<b>20%</b>
Financial income (cost) net	-23.4	-5.9	293%	-22.5	-19.7	14%	-21.4	-18.9	13%
Gain/loss on remeasurement of fin. liab.	0.0	0.0	n.m.	0.0	0.0	n.m.	0.0	0.0	n.m.
<b>Pre-tax profit</b>	<b>127.7</b>	<b>69.4</b>	<b>84%</b>	<b>63.7</b>	<b>53.2</b>	<b>20%</b>	<b>66.8</b>	<b>54.5</b>	<b>23%</b>
Income tax	-24.3	-13.2	84%	-12.1	-10.1	20%	-12.7	-10.4	23%
<b>Net profit</b>	<b>103.4</b>	<b>56.2</b>	<b>84%</b>	<b>51.6</b>	<b>43.1</b>	<b>20%</b>	<b>54.1</b>	<b>44.1</b>	<b>23%</b>
<b>Net profit adj.*</b>	<b>14.3</b>	<b>26.5</b>	<b>-46%</b>	<b>51.6</b>	<b>43.1</b>	<b>20%</b>	<b>54.1</b>	<b>44.1</b>	<b>23%</b>

Source: Company, IPOPEMA Research

## Key risk factors

The key risk factors to our valuation and estimates are:

- **Potential pressure on rental rates and yields.** Capital Park operates mainly in the Warsaw office market in Warsaw. Capital Park is developing the ArtN project near the Rondo Daszyńskiego district, where we estimate that around 300k sqm of new office space will have been created by the end of 2021. This may put downward pressure on rental rates in Warsaw, resulting in less favourable yields. Also, macro conditions could deteriorate in Poland, which could result in the loss of tenants in the existing areas.
- **Delays in development schedule.** The company's Fabryka Norblina project under construction and Polski Hak are in the early planning phase. Our forecasts only assume the development of the Fabryka Norblina project, but any delays (related to administrative issues, construction delays, etc) may create the risk of later recognition of revaluation gains.
- **Risk related to loss of tenants.** Any potential loss of tenants for office and retail space, as well as difficulties in finding such tenants for the vacant space and for development projects, could result in lower rental income and the valuation of the property. In addition, low occupancy rates would impact the company's ability to raise bank financing or dispose of projects.
- **Risk related to the increase of construction costs.** Capital Park's Fabryka Norblina project is under construction. As of end-1Q21, the company estimated the remaining capex for Fabryka Norblina at PLN 350m. Any potential increase in construction costs may result in lower profit recognized on the project and in lower cash generation in the long-term.
- **Risk related to the valuation and the disposal of investment properties.** As of end-1Q21, the value of investment properties accounted for around 90% of the value of total assets. Any inappropriate assumptions might lead to a miscalculation of the value of the property, with the book value not reflecting the fair value properly. Additionally, the revaluation of properties due to different economic conditions could impact the financial results.
- **Changes in the EUR/PLN exchange rate.** The value of investment properties and bank debt is sensitive to the EUR/PLN exchange rate, as the valuation is based on the EUR denominated rents, while the company reports its financial results in PLN. Any increase/decrease in the EUR/PLN exchange rate results in higher/lower respective values of investment properties and financial liabilities denominated in EUR.
- **Risk related to the coronavirus outbreak.** We direct attention to the possibility that the coronavirus outbreak may change the habits of customers in retail projects, as well as demand for office area. Additionally, it may result in postponement of transactions.
- **Shareholder structure.** In March 2019, Madison International Realty LLC, a global real estate investment company, signed a preliminary agreement regarding the acquisition of 65.99% of the shares in Capital Park S.A. from Patron Capital Partners. The transaction was completed in May 2019 and Madison increased its stake to 66% in July 2019. Furthermore, Madison International Realty has a call option to acquire an additional 5.5% of the shares from Patron Townsend S.a.r.l.; however, no further details have been provided.

## ESG Section

Below we present our ESG analysis of Capital Park's operations:

**Environmental.** The company develops its projects in compliance with sustainable building principles throughout the design, construction and operation phases. As a result, the Eurocentrum Office Complex (recently sold) received the highest LEED Platinum 'green' rating, while Royal Wilanów and Fabryka Norblina received BREEAM certificates with 'Very Good' ratings. Capital Park also fosters a responsible attitude among its employees, tenants and local residents (including effective waste management, using rainwater for toilet flushing and plant watering in atria, optimizing electricity and heat consumption using the Virtual Power Plant technology, supporting sustainable transport offering extensive infrastructure for cyclists and electric car drivers, promoting urban beekeeping, and planting of an anti-smog meadow). The company has also developed an Environmental Education Programme and special 'green' guide for tenants to encourage them to actively engage in environmental protection initiatives and to develop eco-friendly habits in their daily life.

**Social responsibility.** The company develops its projects with a focus not only on working and shopping areas, but also creates space for people – integrating local communities, educating them in pro-social and pro-environmental matters, offering cultural entertainment. Capital Park's projects have hosted sport events (charity runs, disease prevention events and campaigns encouraging alternative means of transport), cultural projects (concerts, theatre performances, open air cinema shows), and auctions for the Great Orchestra of Christmas Charity. Finally, the company supports women in the real estate industry and promotes equal opportunities in business.

**Governance.** Capital Park has been listed on the Warsaw Stock Exchange since December 2013. We point out the long-term involvement of the board and its experience in property development. The company also regularly holds meeting with the investors after quarterly earnings publications, when the board answers investors' questions. The company publishes its quarterly and annual reports in a timely manner. We also highlight clear accounting standards and the high quality of presented financial data.

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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%
Sell	Below -10%

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	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	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