

Capital Park

Offer price below NAV

We maintain our BUY recommendation and increase our FV by 6% to PLN 8.99 from PLN 8.50 on a higher valuation of investment properties and weaker PLN vs EUR. In 2Q19, Capital Park reported positive revaluation in Fabryka Norblina of PLN 60m due to development and commercialization of the project and a PLN 35m rise in Eurocentrum Hotel & Residence based on the preliminary disposal agreement, though the buyer pulled out of the deal on 20 September. Given a weakening of PLN vs USD at end-3Q19 (4.37x vs. 4.25x at end-2Q19), we expect further positive revaluation of investment properties of ca. PLN 50m and a loss on the measurement of financial liabilities of nearly PLN 32m in 3Q19. Additionally, on 25 September, Capital Park signed a letter of intent regarding the disposal of 100% of shares in Eurocentrum Office Complex (BV of PLN 906m as of end-2Q19). On 8 October, Townsend Holding, a subsidiary of Madison International, launched a tender offer for 36.8m shares of Capital Park (34% of total) in order to increase its stake to 100%. Based on our forecasts, the company is trading at a P/BV of 0.62x in 2019 and 0.60x in 2020, with a 40% discount to its 2Q19 NAV.

Tender price at 40% discount to 2Q19 NAV per share

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. This would allow it to increase its stake to 100% from 66%. The tender price is PLN 5.84 per share, implying a 35% discount to CPG's 2Q19 BVPS. We highlight that the NAV of income-generating assets amounts to PLN 6.59 per share (PLN 3.75/share of Eurocentrum Office Complex and PLN 1.72/share of Royal Wilanów) and the company has the Fabryka Norblina project under construction.

Potential cash from disposal of Eurocentrum Office Complex

In September Capital Park signed a letter of intent regarding the disposal of 100% of its shares in a subsidiary that owns Eurocentrum Office Complex, which comprises 85k sqm of GLA in Warsaw. The company expects to sign the preliminary agreement by end-4Q19. With a book value of PLN 906m and outstanding debt of PLN 500m as of end-2Q19, we estimate the NAV of the project at PLN 406m, or PLN 3.75 per share. The company had a preliminary agreement to sell Eurocentrum Hotel & Residence for PLN 85m (PLN 0.79 per share), but the buyer pulled out.

FFO generation supports NAV

In 1H19, Capital Park reported FFO of PLN 20.1m and we forecast FFO of PLN 53m in FY19 and PLN 48m in FY20. Additionally, given the development of the ArtN project and the positive revaluations reported in 1H19 and expected in 3Q19, we forecast a NAV increase of 6% y/y in 2019. Capital Park currently trades at a 38% and 36% discount to its BV and NAV respectively as of end-4Q19E.

Figure 1. Summary of financial data (PLN m)

	2016	2017	2018	2019E	2020E	2021E
Revenues	107.7	125.8	145.8	123.5	123.8	139.7
EBIT	124.4	-5.0	172.0	162.0	83.3	114.3
EBIT adj.*	55.5	79.8	92.8	84.1	79.7	89.2
Net profit	24.5	-14.1	85.3	99.5	41.6	64.5
P/E adj.* (x)	n.m.	14.9	14.6	16.1	17.2	15.0
P/BV (x)	0.69	0.71	0.57	0.62	0.60	0.56
P/NAV (x)	0.72	0.76	0.68	0.64	0.62	0.58

Source: Company, IPOPEMA Research, *adjusted for result on property revaluation and remeasurement of financial liabilities

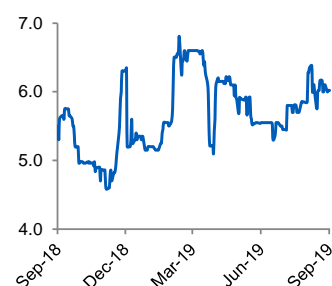
CAPITAL PARK BUY

Unchanged

FV PLN 8.99 from PLN 8.50

+47% upside

Price as of 9 October 2019 PLN 6.13



Key ratios	2019E	2020E
NOI margin	74.7%	74.7%
EBIT margin adj.*	69.3%	64.2%
Net margin adj.*	33.4%	30.1%
ROE	4.0%	3.5%

Share data

Number of shares (m)	108.3
Market Cap (€ m)	155
12M avg daily volume (k)	6.7
12M avg daily turnover (€ m)	0.01
52W High/Low (PLN)	6.80/4.54
WIG Weight	0.07
Reuters	CPGP.WA
Bloomberg	CPG PW

Total performance

1M	7.0%
3M	10.8%
12M	7.0%

Shareholders

Townsend Holding BV	66.0%
Metlife OFE	12.2%
Patron Townsend S.a.r.l	5.6%
Management Board	3.0%
Other	13.2%

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CAPITAL PARK**BUY****FV PLN 8.99**

Mkt Cap EUR 155m

Upside/downside 47%

Valuation multiples	2017	2018	2019E	2020E	2021E
P/E (x)	14.9	14.6	16.1	17.2	15.0
EV/EBITDA (x)	-405.6	11.0	11.3	24.5	20.1
EV/Sales (x)	14.7	13.0	14.9	16.6	16.5
P/BV (x)	0.71	0.57	0.62	0.60	0.56
FCF yield (%)	-18%	-8%	-7%	-27%	-32%
DY (%)	0%	0%	0%	0%	0%

Per share	2017	2018	2019E	2020E	2021E
No. of shares (m units)	107.5	107.5	108.3	108.3	108.3
EPS* (PLN)	0.39	0.36	0.38	0.36	0.41
BVPS (PLN)	8.20	9.07	9.92	10.30	10.90
FCFPS (PLN)	-1.07	-0.40	-0.42	-1.64	-1.98
DPS (PLN)	0.00	0.00	0.00	0.00	0.00

Change y/y (%)	2017	2018	2019E	2020E	2021E
Revenues	16.7%	16.0%	-15.3%	0.3%	12.8%
NOI	14.3%	16.7%	-15.1%	0.3%	13.0%
EBIT adj.*	43.6%	16.3%	-9.4%	-5.2%	12.0%
Pre-tax profit	n.m.	n.m.	27.2%	-58.2%	54.9%
Net profit adj.*	n.m.	-7.9%	7.6%	-6.2%	14.3%

Leverage and return	2017	2018	2019E	2020E	2021E
NOI margin (%)	74.0%	74.5%	74.7%	74.7%	74.8%
EBIT adj.* margin (%)	63.4%	63.6%	68.1%	64.3%	63.9%
Net margin adj.* (%)	33.1%	26.3%	33.4%	31.3%	31.7%
Net debt / EBITDA adj.*(x)	13.8	13.0	13.8	17.2	18.2
Net debt / Equity (x)	1.26	1.25	1.09	1.24	1.38
Net debt / Assets (x)	0.45	0.47	0.46	0.50	0.53
ROE (%)	4.7%	4.1%	4.0%	3.5%	3.9%
ROA (%)	1.7%	1.5%	1.6%	1.5%	1.5%
ROIC (%)	2.7%	4.2%	2.7%	2.9%	2.8%

Assumptions	2017	2018	2019E	2020E	2021E
FFO (PLN m)	38.2	57.1	53.2	47.8	54.6
FFO yield (%)	6%	9%	8%	7%	8%
NAV (PLN m)	869.1	974.1	1,034.0	1,075.6	1,136.3
NAV per share (PLN)	8.1	9.1	9.5	9.9	10.5
LTV (%)	58%	55%	56%	58%	59%

P&L (PLN m)	2016	2017	2018	2019E	2020E	2021E
Rental income	107.7	125.8	145.8	123.5	123.8	139.7
Direct property operating expenses	-26.3	-32.7	-37.3	-31.3	-31.4	-35.3
Net operating profit	81.4	93.1	108.6	92.2	92.4	104.4
Administrative expenses	-10.6	-11.4	-8.4	-14.6	-11.1	-12.7
Gain/loss on property revaluation	68.9	-84.7	79.2	78.0	3.6	25.0
Other operating income (cost) net	-15.3	-1.9	-7.5	6.5	-1.7	-2.5
EBITDA	124.8	-4.6	172.4	162.5	83.8	114.8
EBIT	124.4	-5.0	172.0	162.0	83.3	114.3
EBIT adj.*	55.5	79.8	92.8	84.1	79.7	89.2
Financial income (cost) net	-49.1	-37.9	-38.3	-33.1	-31.9	-34.6
Remeasurement of fin. liabilities	-42.0	46.7	-37.1	-6.1	0.0	0.0
Pre-tax profit	33.3	3.8	96.5	122.8	51.4	79.6
Income tax	-3.5	-25.8	-5.5	-23.3	-9.8	-15.1
Minorities	5.3	-7.8	5.7	0.0	0.0	0.0
Net profit	24.5	-14.1	85.3	99.5	41.6	64.5
Net profit adj.*	0.0	41.7	38.4	41.3	38.7	44.2

BALANCE SHEET (PLN m)	2016	2017	2018	2019E	2020E	2021E
Non-current assets	2,155.4	2,248.6	2,420.4	2,351.3	2,603.4	2,916.1
Investment property	2,084.3	2,174.4	2,360.2	2,282.6	2,534.8	2,844.9
Investments in jointly controlled enti	44.7	42.7	54.2	40.7	40.5	43.0
Other financial assets at fair value	4.2	2.6	0.7	22.8	22.8	22.8
Other non-current assets	22.2	28.9	5.3	5.3	5.4	5.4
Current assets	186.4	227.2	149.5	176.8	163.0	137.5
Trade receivables	10.4	11.9	16.1	17.2	17.2	19.4
Other current assets	19.5	22.0	23.1	24.2	24.3	26.5
Cash and equivalents	156.6	193.3	110.3	135.4	121.5	91.5
Total assets	2,341.8	2,475.9	2,569.9	2,528.1	2,766.4	3,053.6
Equity	898.6	881.6	974.9	1,074.4	1,116.0	1,180.5
Non-controlling interests	71.7	114.9	114.9	0.0	0.0	0.0
Non-current liabilities	1,158.9	1,314.7	1,417.1	1,390.0	1,586.6	1,808.5
Loans and borrowings	1,048.1	1,166.8	1,282.2	1,260.1	1,456.7	1,678.6
Deferred tax liabilities	100.4	132.3	110.0	104.9	104.9	104.9
Other non-current liabilities	10.3	15.6	24.9	24.9	24.9	24.9
Current liabilities	212.6	164.6	63.0	63.8	63.8	64.6
Trade payables	11.4	16.6	7.6	6.4	6.4	7.2
Loans and borrowings	183.9	136.6	43.2	45.2	45.2	45.2
Other current liabilities	17.2	11.4	12.2	12.2	12.2	12.2
Equity & liabilities	2,341.8	2,475.9	2,569.9	2,528.1	2,766.4	3,053.6
Gross debt (PLN m)	1,232.1	1,303.4	1,325.4	1,305.3	1,501.9	1,723.9
Net debt (PLN m)	1,075.5	1,110.1	1,215.0	1,170.0	1,380.4	1,632.3

CASH FLOW (PLN m)	2016	2017	2018	2019E	2020E	2021E
Operating cash flow	76.8	86.1	106.2	49.3	72.7	72.7
Net income	24.5	-14.1	85.3	99.5	41.6	64.5
Revaluations	-26.8	38.0	-42.1	-78.0	-3.6	-25.0
D&A	0.4	0.4	0.4	0.5	0.5	0.5
Change in WC	9.5	3.6	-13.2	-2.3	0.0	-1.4
Other	69.2	58.2	75.8	29.6	34.3	34.2
Investment cash flow	-104.5	-89.0	-115.1	-104.9	-248.9	-288.2
Change in investment properties	-80.8	-174.8	-106.6	-117.9	-248.6	-285.2
Change in JV	-14.0	2.0	-11.5	13.5	0.2	-2.5
Other	-9.7	83.7	3.0	-0.5	-0.5	-0.5
Financial cash flow	70.7	39.7	-74.1	80.6	162.3	185.5
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	142.8	95.2	-31.9	116.5	196.6	222.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0
Interest paid	-72.1	-55.5	-42.3	-35.8	-34.3	-36.5
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	42.9	36.8	-83.0	25.0	-13.9	-30.0
Cash as of eop	156.6	193.3	110.3	135.4	121.5	91.5

Source: Company data, IPOPEMA Research

Investment summary

Positive revaluations in 2Q19 and 3Q19 support NAV development

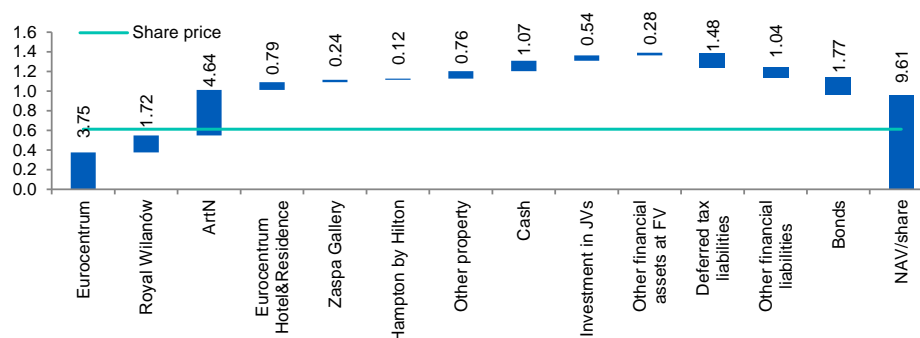
In 2Q19, Capital Park reported operating profit of PLN 87m supported by a PLN 69m gain on property revaluation. According to the company, negative PLN 21m related to EURPLN rate and a PLN 92m gain in the valuation of investment properties, mainly related to the Fabryka Norblina project. Given a weaker PLN versus EUR at end-3Q19 (4.37x vs 4.25x at end-2Q19), we estimate that Capital Park will report further positive revaluation of investment properties of around PLN 50m in 3Q19 and loss on measurement of financial liabilities of nearly PLN 30m. Assuming FFO generation of PLN 53m in 2019E and PLN 48m in 2020E and a positive revaluation of Fabryka Norblina, we expect the company to report NAV growth of 6% y/y in 2019 and 4% y/y in 2020.

Potential cash inflow from disposals

On 17 September, the company signed the letter of intent regarding the disposal of 100% of the shares of its subsidiary that owns Eurocentrum Office Complex located in Warsaw. The project consists of four office buildings with a total GLA of 85k sqm and an occupancy rate of 96% as of end-2Q19. The book value of the complex stood at PLN 906m as of end-2Q19, while outstanding debt amounted to PLN 500m, implying an NAV of PLN 406m (or PLN 3.75 per share).

The company also owns a plot of land near the office complex where it plans to construct a mixed-use project offering GLA of around 28k sqm, including a 217-room hotel and around 390 premium apartments for rent. In August, the company signed the preliminary agreement regarding the disposal of the plot for PLN 85.5m, though the buyer pulled out in September. As of end-2Q19, the book value (adjusted to the transaction value) amounted to PLN 85m with no debt outstanding, implying NAV per share of PLN 0.79 per share.

Figure 2. Capital Park – NAV per share break-down as of end-2Q19 (PLN)



Source: Company, IPOPEMA Research

Tender offer of PLN 5.84 per share at 40% discount to 2Q19 NAV

In our opinion, the PLN 5.84 per share offer price does not fully reflect the fair value of the company given its development pipeline and NAV of income-generating assets. Based on 2Q19 numbers, the NAV of income-generating assets is PLN 6.59 per share with the majority related to Eurocentrum Office Complex (PLN 3.75/share) and Royal Wilanów (PLN 1.72/share). Additionally, we estimate that the Fabryka Norblina project, which is under construction, will allow the company to recognize a total positive revaluation of PLN 129m in 2019-21. Capital Park shares currently trade at a 40% discount to reported 2Q19 NAV (PLN 9.78/share) and a 35% discount to reported 2Q19 BVPS (PLN 9.03/share).

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 be created in 2019-21. 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 has two projects in the pipeline, with ArtN under construction and Eurocentrum in the early planning phase. Our forecasts only assume the development of the ArtN project, but any delays (related to administrative issue, 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 ArtN project is under construction. As of end-2Q19, the company estimated the remaining capex on ArtN at PLN 615m. 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-2Q19, the value of investment properties accounted for around 90% of value of total assets. Any inappropriate assumptions might lead to a mis-valuation of 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. An increase/decrease in the EUR/PLN exchange rate results in higher/lower values of investment properties and financial liabilities denominated in EUR.
- **Shareholder structure.** In March, Madison International Realty LLC, a global real estate investment company, signed a preliminary agreement regarding the acquisition of 65.99% of 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 the call option to acquire an additional 5.5% in shares from the Patron Townsend S.a.r.l., however no more details have been provided.

Valuation

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

Figure 3. Capital Park – Valuation summary

Valuation method	Weight (%)	FV (PLN/share)
NAV valuation	100%	8.99
Multiples valuation	0%	9.74
Fair value		8.99
Current price		6.13
Upside/downside		47%

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 ArtN project (assuming completion in 1Q21) and excludes the development of the Eurocentrum Hotel & Residence project (we assume the value of the project at the recent transaction value). We arrive at a FV for Capital Park of PLN 8.99 per share using the NAV method.

Figure 4. Capital Park – NAV valuation (PLN m)

(PLNm)	2019E	2020E	2021E	2022E	2023E
(+) Investment property	2,282.6	2,534.8	2,844.9	2,844.9	2,844.9
(+) Investments in jointly controlled entities	40.7	40.5	43.0	46.0	49.0
(+) Financial assets	22.8	22.8	22.8	22.8	22.8
(+) Cash and cash equivalents	135.4	121.5	91.5	136.5	192.2
(-) Long-term debt	1,265.2	1,461.8	1,683.8	1,683.8	1,683.8
(-) Short-term debt	45.4	45.4	45.4	45.4	45.4
(-) Deferred tax liabilities & provisions	136.7	136.7	136.7	136.7	136.7
(-) Non-controlling interests	0.0	0.0	0.0	0.0	0.0
(=) NAV (PLNm)	1,034.0	1,075.6	1,136.3	1,184.3	1,243.0
Number of shares (m)	108.3	108.3	108.3	108.3	108.3
NAV/share (PLN)	9.54	9.93	10.49	10.93	11.47
Discount factor	98%	92%	86%	80%	75%
NAV/share (PLN)	9.4	9.1	9.0	8.8	8.6
FV (PLN)	8.99				
Current price (PLN)	6.13				
Upside/downside (%)	46.6%				

Source: Company, IPOPEMA Research

Figure 5. Capital Park – WACC calculation

	2019E	2020E	2021E	2022E	2023E
Risk free rate (%)	2.8%	2.8%	2.8%	2.8%	2.8%
Levered beta (x)	2.0	2.1	2.2	2.1	2.1
Risk premium (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Equity (%)	12.7%	13.3%	13.7%	13.4%	13.2%
Cost of Debt (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Tax rate (%)	19.0%	19.0%	19.0%	19.0%	19.0%
After tax cost of debt (%)	2.4%	2.4%	2.4%	2.4%	2.4%
WACC (%)	7.1%	7.0%	7.0%	7.0%	7.0%

Source: Company, IPOPEMA Research

Figure 6. NAV/share valuation sensitivity (PLN)

	Yield (%)					
	-5.0%	-2.5%	0.0%	2.5%	5.0%	
Percentage change of rental rate (EUR/sqm)	-5.0%	9.43	8.91	8.43	7.99	7.58
	-2.5%	9.73	9.20	8.71	8.26	7.84
	0.0%	10.02	9.48	8.99	8.53	8.10
	2.5%	10.32	9.77	9.26	8.80	8.36
	5.0%	10.62	10.06	9.54	9.06	8.62

Source: Company, IPOPEMA Research

Figure 7. NAV/share valuation sensitivity (PLN)

	EUR/PLN (x)								
NAV/share	4.00	4.05	4.10	4.15	4.20	4.25	4.30	4.35	4.40
	8.40	8.50	8.59	8.69	8.79	8.89	8.99	9.08	9.18

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 a 35% discount to its 2Q19 BV and around a 40% discount to its peers in 2019-21E.

Figure 8. Capital Park – Peer comparison

Company	BBG Ticker	Price	mCap	P/BV (x)		
		(local)	(PLNm)	2019E	2020E	2021E
Echo Investment	ECH PW Equity	4.78	1,973	1.26	1.19	1.16
Globe Trade Centre	GTC PW Equity	9.3	4,516	0.96	0.93	0.92
Immofinanz AG	IIA AV Equity	26.10	12,639	0.95	0.93	0.90
CA Immobilien	CAI AV Equity	33.65	14,365	1.14	1.08	1.04
Unibail-Rodamco-Westfield	URW NA Equity	130.95	78,287	0.65	0.66	0.68
Atrium European Real Estate	ATRS AV Equity	3.7	6,045	0.77	0.79	0.78
S Immo	SPI AV Equity	22	6,360	1.17	1.13	1.10
Median				0.96	0.93	0.92
Capital Park	CPG PW Equity	6.13	664	0.62	0.60	0.56
Premium/discount (%)				-36%	-36%	-39%
Implied FV/share (PLN)				9.53	9.63	10.05
Average implied FV/share (PLN)					9.74	

Source: Company, IPOPEMA Research

Forecast revisions

Figure 9. Capital Park – revision of forecasts (PLN m)

	2019E NEW	2019E OLD	change	2020E NEW	2020E OLD	change	2021E NEW	2021E OLD	change
Rental income	123.5	121.0	2%	123.8	121.3	2%	139.7	136.7	2%
Direct property operating expenses	-31.3	-30.7	2%	-31.4	-30.8	2%	-35.3	-34.5	2%
Net operating profit	92.2	90.3	2%	92.4	90.6	2%	104.4	102.2	2%
Administrative expenses	-14.6	-14.6	0%	-11.1	-11.1	0%	-12.7	-12.7	0%
Gain/loss on property revaluation	78.0	-1.1	n.m.	3.6	6.8	-47%	25.0	39.8	-37%
Other operating income (cost) net	6.5	8.1	-20%	-1.7	-1.6	6%	-2.5	-2.4	5%
EBITDA	162.5	83.2	95%	83.8	85.1	-2%	114.8	127.4	-10%
EBIT	162.0	82.8	96%	83.3	84.7	-2%	114.3	126.9	-10%
EBIT adj.*	84.1	83.8	0%	79.7	77.9	2%	89.2	87.1	2%
Financial income (cost) net	-33.1	-32.7	1%	-31.9	-31.5	1%	-34.6	-34.3	1%
Gain/loss on remeasurement of fin. liabilities	-6.1	6.6	n.m.	0.0	0.0	n.m.	0.0	0.0	n.m.
Pre-tax profit	122.8	56.7	116%	51.4	53.2	-3%	79.6	92.6	-14%
Income tax	-23.3	-10.8	116%	-9.8	-10.1	-3%	-15.1	-17.6	-14%
Net profit	99.5	46.0	116%	41.6	43.1	-3%	64.5	75.0	-14%
Net profit adj.*	41.3	41.4	0%	38.7	37.6	3%	44.2	42.8	3%

Source: Company, IPOPEMA Research

3Q19 outlook

We expect the company to report revenues of PLN 31m in 3Q19 (-15% y/y due to deconsolidation of investment funds, comparable q/q). We forecast EBIT of PLN 67m and EBIT ex. revaluations of PLN 17m (-29% y/y, comparable q/q). Given the weakening of PLN versus EUR in 3Q19 (4.37x as of end-3Q19 vs. 4.25x as of end-2Q19) we estimate that Capital Park will report positive revaluation of investment properties of around PLN 50m in 3Q19 and a loss on measurement of financial liabilities of nearly PLN 30m. On the bottom line we forecast a profit of PLN 24m (vs. PLN 5m in 3Q18).

Figure 10. Capital Park 3Q19 forecast

PLNm	3Q18	4Q18	1Q19	2Q19	3Q19E	y/y
Revenues	36.6	39.0	32.3	31.7	31.0	-15%
Costs related to inv.prop.	-9.1	-9.7	-8.6	-8.0	-8.1	-11%
G&A costs	-1.2	-3.4	-5.5	-6.7	-6.0	350%
Revaluation of inv.prop.	-37.9	12.2	3.6	69.4	50.1	-232%
EBIT	-13.9	36.2	28.7	86.9	66.6	-584%
EBIT adj.	24.0	24.0	25.1	17.5	16.5	-29%
Net financial costs	16.5	-22.1	-10.6	-4.2	-37.3	-325%
Pre-tax profit	2.7	14.1	18.1	82.7	29.3	1031%
Income tax	1.4	8.4	-2.4	-17.8	-5.6	-515%
Net profit	5.1	20.8	15.7	64.9	23.7	380%

Source: Company, IPOPEMA Research

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 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.
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Hold	10	32%
Sell	3	10%
Total	31	100%

Rating History –Capital Park

Date	Recommendation	Fair Value	Price at recommendation	Author
30/07/2019	BUY	8.50	5.44	Marek Szymański
11/10/2019	BUY	8.99	6.13	Marek Szymański