

Marvipol Development

1Q24 results review

Opinion: 1Q24 results were significantly lower in comparison with 1Q23 numbers, and slightly lower than our predictions. The developer delivered only 14 dwellings, vs. 103 units in 1Q23, which negatively affected revenues, EBIT and net profit. Nevertheless, the drop was highly expected as the company had informed about the deliveries in April and the ongoing project schedules. Thus, Marvipol reported revenues of PLN 25.7m (-64% y/y), EBIT of PLN -3.7m (vs. PLN 7.0m in 1Q23; we anticipated PLN -3.3m) and a net loss of PLN 5.4m (vs. our assumption of PLN -4.3m). From the positives, we point to further decline in net debt/BV ratio, which stood at 0.2x (-0.2x y/y) and higher OCF in y/y terms.

Regarding 2024E perspectives, we expect that the developer will present the gradual recovery, starting from 2Q24E. We note that the company intends to increase its offer during the year. We highlight that the CEO stated that the group may commence other 700 apartments in 2024E, which sounds supportive for 2025E-26E results.

Volumes: The company delivered 14 dwellings (vs. 103 flats in 1Q23) and pre-sold 144 units (+35% y/y) in 1Q24.

Revenues: Marvipol Development revenues arrived at PLN 25.7m (-64% y/y, 54% above our expectations). The result was driven by lower volume of deliveries (-86% y/y) and an increase in average dwelling price to PLN 821k (we point to more favorable deliveries mix).

Gross margin: The margin grew by 1.1pp y/y, to 20.9% (we assumed 30.7%;), which in our view is the effect of price increases and positive deliveries mix. We note that the difference vs. our forecast comes from "other" segment with significantly lower margin.

SG&A costs: SG&A expenses reached PLN 10.4m (vs. PLN 7.4m in 1Q23). SG&A's to sales ratio stood at 40.5%.

EBITDA: EBITDA came in at PLN -1.3m, (vs. PLN 9.3m in 1Q23).

Net profit: Net loss arrived at PLN 5.4m, (vs. profit of PLN 5.7m in 1Q23; we assumed PLN -4.3m; negative impact of higher net financial loss).

OCF: Marvipol Development posted OCF of PLN 48.6m (vs. PLN -3.6m in 1Q23; positive impact of changes in working capital).

Net debt: Net Debt/LTM EBITDA came in at 1.7x and net debt/BV arrived at 0.2x. At the end of 1Q24 Marvipol Development had PLN 319m in cash.

Figure 1. Marvipol Development 1Q24 results summary (PLNm)

	1Q23	2Q23	3Q23	4Q23	1Q24	y/y	q/q	1Q24E	vs. IPOPEMA
Revenues	70.8	197.2	87.0	22.5	25.7	-64%	14%	16.7	54%
Gross profit	14.0	63.8	32.3	8.4	5.4	-62%	-36%	5.1	5%
Profit on sales	6.6	53.9	22.4	-2.7	-5.0	n.a.	n.a.	-4.1	n.a.
EBITDA	9.3	59.9	24.7	-3.4	-1.3	n.a.	n.a.	-0.9	n.a.
EBIT	7.0	57.5	22.3	-5.8	-3.7	n.a.	n.a.	-3.3	n.a.
EBT	6.5	49.7	30.8	-18.4	-6.4	n.a.	n.a.	-5.3	n.a.
Net profit	5.7	39.6	24.3	-14.3	-5.4	n.a.	n.a.	-4.3	n.a.
Gross margin	19.8%	32.3%	37.2%	37.2%	20.9%			30.7%	
EBITDA margin	13.2%	30.4%	28.4%	-15.0%	-5.0%			n.a.	
EBIT margin	9.9%	29.2%	25.6%	-25.8%	-14.4%			n.a.	
Net margin	8.0%	20.1%	28.0%	-63.8%	-20.8%			n.a.	
Pre-sales	107	141	213	200	144	35%	-28%	144	0%
Deliveries	103	278	37	5	14	-86%	180%	14	0%
Avg.price (PLNk)	580	656	2,058	2,037	821	42%	-60%	821	0%

Source: Company, IPOPEMA Research

Real Estate

Marvipol Development BUY

FV PLN 11.15

38.7% upside

Price as of 27 May 2024 PLN 8.04

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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.

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	Number	%
Buy	12	75%
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Total	16	100%

Rating History – Marvipol Development

Date	Recommendation	Fair Value	Price at recommendation	Author
07/09/2023	BUY	PLN 10.49	PLN 8.00	Adrian Górniak
12/12/2023	BUY	PLN 10.07	PLN 7.20	Adrian Górniak
20/03/2024	BUY	PLN 11.15	PLN 8.26	Adrian Górniak