

Marvipol Development

3Q23 results review

Opinion: 3Q23 results were significantly higher in y/y terms and were above our assumptions, which we find supportive. Despite lower number of deliveries, (37 units, -49% y/y), the group reached revenues of PLN 87m (+16% vs. our forecast) and a gross margin of 37.2% (we assumed 37.5%). EBITDA stood at PLN 25m and a net profit came in at PLN 24m (additionally boosted by positive FX differences), which is 29% and 31% above our expectations, respectively. Net debt/BV ratio amounted to 0.3x (flattish in y/y and q/q terms).

Regarding 4Q23E perspectives, the management board informed that due to expected low number of deliveries, the net profit may deteriorate. We note that the statement is in line with previous guidance and construction schedules, and in line with our assumptions.

Volumes: The company delivered 37 dwellings (-49% y/y) and pre-sold 213 units (+384% y/y) in 3Q23.

Revenues: Marvipol Development revenues arrived at PLN 87.0m (+2% y/y, 16% above our expectations). The result was driven by lower volume of deliveries (-49% y/y) and an increase in average dwelling price to PLN 2.35m (+101% y/y; we point to more favorable deliveries mix).

Gross margin: The margin grew by 12.2pp y/y, to 37.2% (we assumed 37.5%), which in our view is the effect of price increases and positive deliveries mix.

SG&A costs: SG&A expenses reached PLN 9.9m (vs. PLN 9.7m in 3Q22). SG&A's to sales ratio stood at 11.4%.

EBITDA: EBITDA came in at PLN 24.7m, +20% y/y. It resulted in EBITDA margin of 28.4% (+4.3p.p. y/y).

Net profit: Net profit arrived at PLN 24.3m, (+29% y/y; +31% in comparison with our assumptions).

OCF: Marvipol Development posted OCF of PLN 13m (vs. PLN 71m in 3Q22; negative impact of changes in working capital).

Net debt: Net Debt/LTM EBITDA came in at 1.7x and net debt/BV arrived at 0.3x. At the end of 3Q23 Marvipol Development had PLN 235m in cash and cash equivalents.

Real Estate

**Marvipol
Development
BUY**

FV PLN 10.49

36.6% upside

Price as of 23 November 2023 PLN 7.68

Figure 1. Marvipol Development 3Q23 results summary (PLNm)

	3Q22	4Q22	1Q23	2Q23	3Q23	y/y	q/q	3Q23E	vs. IPOP
Revenues	85.3	176.6	70.8	197.2	87.0	2%	-56%	75.2	16%
Gross profit	21.3	50.4	14.0	63.8	32.3	52%	-49%	28.2	15%
Profit on sales	11.6	37.2	6.6	53.9	22.4	93%	-58%	18.0	25%
EBITDA	20.5	31.7	9.3	59.9	24.7	20%	-59%	19.1	29%
EBIT	18.3	36.1	7.0	57.5	22.3	22%	-61%	16.7	33%
EBT	22.7	25.9	6.5	49.7	30.8	36%	-38%	22.9	34%
Net profit	18.9	17.0	5.7	39.6	24.3	29%	-39%	18.6	31%
Gross margin	25.0%	28.5%	19.8%	32.3%	37.2%			37.5%	
EBITDA margin	24.1%	17.9%	13.2%	30.4%	28.4%			25.4%	
EBIT margin	21.4%	20.4%	9.9%	29.2%	25.6%			22.3%	
Net margin	22.2%	9.6%	8.0%	20.1%	28.0%			24.7%	
Pre-sales	44	55	107	141	213	384%	51%	213	0%
Deliveries	73	296	103	278	37	-49%	-87%	37	0%
Avg.price (PLNk)	1,168	597	688	709	2,351	101%	231%	2,032	16%

Source: Company, IPOPEMA Research

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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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Buy	7	87.5%
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Rating History – Marvipol Development

Date	Recommendation	Fair Value	Price at recommendation	Author
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