

Marvipol Development

3Q24 results review

Opinion: 3Q24 MVP's results were below our assumptions from recent recommendation, due to lower number of deliveries (In Place project had a delay in handovers vs. our expectations; concurrently, it should underpin 4Q24E numbers). In yearly comparison, the drop in results was driven by the extraordinary high gross margin and average dwelling price (even though the company handed over 163 units in 3Q24, vs. 37 units in 3Q23). Moreover, 3Q24 numbers were hit by higher SG&A's and net financial expenses. All in all, MVP reported revenues of PLN 121m, EBIT of PLN 14m (vs. PLN 22m in 3Q23) and the net profit of PLN 6m (vs. PLN 24m in 3Q23). Additionally, we point to relatively poor OCF, which arrived at PLN -48m, vs. PLN 13m in 3Q23.

As of now, we assume that the results will improve in 4Q24E (we point to undemanding base) and in 2025E, as MVP is going to end the construction of 674 units (of which 457 flats is already pre-sold).

Volumes: The company delivered 163 dwellings (vs. 37 flats in 3Q23) and pre-sold 109 units (-49% y/y, -1% q/q) in 3Q24.

Revenues: Marvipol Development revenues arrived at PLN 121.2m (+39% y/y, +201%). The result was driven by higher volume of deliveries (+341% y/y) and a decline in average dwelling price to PLN 659k (we point to less favorable deliveries mix in yearly comparison).

Gross margin: The margin deteriorated in yearly comparison and arrived at 18.9%, including 17.2% in residential segment and 31.9% in "other" activity. We point to extra-ordinary high base from 3Q23 (>40% in residential segment).

SG&A costs: SG&A expenses reached PLN 13.4m (vs. PLN 9.9m in 3Q23). SG&A's to sales ratio stood at 11.1%.

EBITDA: EBITDA came in at PLN 16.5m, (vs. PLN 24.7m in 3Q23).

Net profit: Net profit arrived at PLN 5.6m, (vs. PLN 24.3m in 3Q23).

OCF: Marvipol Development posted OCF of PLN -48.0m (vs. PLN 13.3m in 3Q23; negative impact of changes in working capital, especially in inventories).

Net debt: Net Debt/LTM EBITDA came in at 11.6x and net debt/BV arrived at 0.3x. At the end of 3Q24 Marvipol Development had PLN 366m in cash.

Figure 1. Marvipol Development 3Q24 results summary (PLNm)

	3Q23	4Q23	1Q24	2Q24	3Q24	y/y	q/q
Revenues	87.0	22.5	25.7	40.3	121.2	39%	201%
Gross profit	32.3	8.4	5.4	13.0	22.9	-29%	76%
Profit on sales	22.4	-2.7	-5.0	1.4	9.5	-58%	587%
EBITDA	24.7	-3.4	-1.3	4.6	16.5	-33%	261%
EBIT	22.3	-5.8	-3.7	2.0	13.8	-38%	601%
EBT	30.8	-18.4	-6.4	2.9	6.4	-79%	119%
Net profit	24.3	-14.3	-5.4	1.3	5.6	-77%	324%
Gross margin	37.2%	37.2%	20.9%	32.3%	18.9%		
EBITDA margin	28.4%	-15.0%	-5.0%	11.4%	13.6%		
EBIT margin	25.6%	-25.8%	-14.4%	4.9%	11.3%		
Net margin	28.0%	-63.8%	-20.8%	3.3%	4.6%		
Pre-sales	213	200	144	110	109	-49%	-1%
Deliveries	37	5	14	18	163	341%	806%
Avg.price (PLNk)	2,058	2,037	821	1,297	659	-68%	-49%

Source: Company, IPOPEMA Research

Real Estate

Marvipol Development
BUY

FV PLN 9.30

39.2% upside

Price as of 22 November 2024 PLN 6.68

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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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	Number	%
Buy	18	56%
Hold	8	25%
Sell	6	19%
Total	32	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 (adjusted on 02.05.2024 to PLN 10.09 by PLN 1.06 DPS)	PLN 8.26	Adrian Górniak
29/08/2024	BUY	PLN 9.30	PLN 7.06	Adrian Górniak