

Marvipol Development

4Q23 results review

Opinion: 4Q23 results were significantly lower in comparison with 4Q22 numbers, and broadly in line with our predictions. The developer delivered only 5 dwellings, vs. 296 units in 4Q22, which negatively affected revenues, EBIT and net profit. Nevertheless, the drop was highly expected as the company had informed about the deliveries in January and the ongoing project schedules. Thus, Marvipol reported revenues of PLN 22.5m (-87% y/y), EBIT of PLN -5.8m (vs. PLN 36.1m in 4Q22; we anticipated PLN -6.0m) and a net loss of PLN 14.3m (vs. our assumption of PLN -14.9m). From the positives, we point to further decline in net debt/BV ratio, which stood at 0.2x (-0.2x y/y, -0.1x q/q) and higher OCF in y/y terms.

Regarding 2024E perspectives, we expect that the developer will report poor results in 1Q24E (strongly limited deliveries) and will present the recovery, starting from 2Q24E. We note that the company increased its offer in q/q terms to 559 dwellings (+6%) and stabilized it in comparison with 4Q22. Moreover, the CEO stated that the group may commence other 700 apartments in 2024E, which sounds supportive for 2025E-26E results.

Volumes: The company delivered 5 dwellings vs. 296 flats in 4Q22) and pre-sold 200 units (+264% y/y) in 4Q23.

Revenues: Marvipol Development revenues arrived at PLN 22.5m (-87% y/y, 103% above our expectations). The result was driven by lower volume of deliveries (-98% y/y) and an increase in average dwelling price to PLN 4.5m (we point to more favorable deliveries mix).

Gross margin: The margin grew by 8.7pp y/y, to 37.2% (we assumed 34.4%), which in our view is the effect of price increases and positive deliveries mix.

SG&A costs: SG&A expenses reached PLN 11.1m (vs. PLN 13.2m in 4Q22). SG&A's to sales ratio stood at 49.4%.

EBITDA: EBITDA came in at PLN -3.4m, (vs. PLN 31.7m in 4Q22).

Net profit: Net loss arrived at PLN 14.3m, (vs. profit of PLN 17.0m in 4Q22; we assumed PLN -14.9m).

OCF: Marvipol Development posted OCF of PLN 13.4m (vs. PLN -13.0m in 4Q22; positive impact of changes in working capital).

Net debt: Net Debt/LTM EBITDA came in at 1.9x and net debt/BV arrived at 0.2x. At the end of 4Q23 Marvipol Development had PLN 287m in cash.

Figure 1. Marvipol Development 4Q23 results summary (PLNm)

	4Q22	1Q23	2Q23	3Q23	4Q23	y/y	q/q	4Q23E	vs. IPOP
Revenues	176.6	70.8	197.2	87.0	22.5	-87%	-74%	11.1	103%
Gross profit	50.4	14.0	63.8	32.3	8.4	-83%	-74%	3.8	120%
Profit on sales	37.2	6.6	53.9	22.4	-2.7	n.a.	n.a.	-6.0	n.a.
EBITDA	31.7	9.3	59.9	24.7	-3.4	n.a.	n.a.	-3.5	n.a.
EBIT	36.1	7.0	57.5	22.3	-5.8	n.a.	n.a.	-6.0	n.a.
EBT	25.9	6.5	49.7	30.8	-18.4	n.a.	n.a.	-18.3	n.a.
Net profit	17.0	5.7	39.6	24.3	-14.3	n.a.	n.a.	-14.9	n.a.
Gross margin	28.5%	19.8%	32.3%	37.2%	37.2%			34.4%	
EBITDA margin	17.9%	13.2%	30.4%	28.4%	-15.0%			n.a.	
EBIT margin	20.4%	9.9%	29.2%	25.6%	-25.8%			n.a.	
Net margin	9.6%	8.0%	20.1%	28.0%	-63.8%			n.a.	
Pre-sales	55	107	141	213	200	264%	-6%	200	0%
Deliveries	296	103	278	37	5	-98%	-86%	5	0%
Avg.price (PLNk)	597	688	709	2,351	4,494	653%	91%	2,212	103%

Source: Company, IPOPEMA Research

Real Estate

**Marvipol
Development
BUY**

FV PLN 10.07

29.1% upside

Price as of 14 March 2024 PLN 7.80

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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	60	71%
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Rating History – Marvipol Development

Date	Recommendation	Fair Value	Price at recommendation	Author
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12/12/2023	BUY	PLN 10.07	PLN 7.20	Adrian Górniak