

Marvipol Development

Longed-for recovery in results ahead

We keep our positive approach towards Marvipol Development and reiterate our BUY recommendation, with a FV per share of PLN 8.93 (previously PLN 9.30ps; we updated project schedules in residential segment in 2024E-26E and implemented changes in our WACC assumptions; we also include CAPEX of PLN 150m on Chmielna hotel project in Gdansk). We highlight strong earnings momentum, which is likely to start in 4Q24E and is expected to last in 2025E. We note that MVP had 388 completed and pre-sold dwellings, of which 330-340 flats may be delivered just in 4Q24E. In 2025E, the group will end the construction of 674 apartments and we presume that MVP will hand over 631 flats (vs. 531 units in 2024E). Thus, we predict that the developer will report net profit of PLN 27m in 4Q24E (vs. PLN -14m in 4Q23) and PLN 49m in 2025E, vs. PLN 28m in 2024E. Additionally, we expect improvement in pre-sales, as the company expanded its offer. Last but not least, we note that Marvipol trades with a discount vs. Polish peers on both, P/E (5.2x in 2025E and 5.4x in 2026E, discount of 37% and 29%, respectively) and P/BV (2025E-26E P/BV of 0.4-0.3x, ca. 76% discount to the peer median) multiples.

Positive earnings momentum in 4Q24E. After poor 3Q23-3Q24 numbers (due to lack of ended projects), the group will the most likely significantly improve its results in 4Q24E, mainly due to a robust growth in deliveries from 5 units in 4Q23 to 336 dwellings in the ongoing quarter (mainly from In Place and Gardenia Lagom projects). According to our assumptions, MVP will reach revenues of PLN 250m, EBITDA of PLN 37m and the net profit of PLN 27m, vs. 22m/-3m/-14m, respectively, in 4Q23.

Further improvement in 2025E. Given presented project schedules, the developer will complete the construction of 674 apartments, including 280 units in In Place II project (expected to end in 2Q25E), 178 flats in Trio Park project (also 2Q25E) and Gardenia Lagom II with 127 dwellings (in 3Q25E). We note that 457 apartments are already pre-sold as of end-3Q24. Hence, we anticipate that MVP will improve its deliveries from 531 units in 2024E to 641 flats in 2025E, which in turn would underpin the consolidated results. We basically assume that 2025E net profit will increase to PLN 49m from PLN 28m in 2024E.

Possible divestments in logistics segment as a potential cash booster. The developer has one existing logistics project in Poznan (with an estimated market value of PLN 74.3m), one, which is under realization (Lodz III) and two other in preparation in its portfolio, which are expected to be sold. As of now, the group inked the agreement regarding disposal of the project located in Warsaw. We note the possible divestments would additionally underpin company's strong balance-sheet (net debt/BV ratio stood at 0.3x as of end-3Q24) and dividend policy (we assume regular payments with a DPR of 50%).

Figure 1. Marvipol Development – Financial summary (PLNm)

	2022	2023	2024E	2025E	2026E	2027E
Revenues	589	378	437	509	481	486
EBITDA	122	91	57	77	67	66
EBIT	122	81	46	66	57	58
Net profit	90	55	28	49	47	48
P/E (x)	2.8	4.6	9.0	5.2	5.4	5.3
P/BV (x)	0.4	0.4	0.4	0.3	0.3	0.3
ROE (%)	14%	8%	4%	7%	6%	6%
DPS (PLN)	1.14	0.00	1.06	0.34	0.59	0.57
Div.yield (%)	18.6%	0.0%	17.3%	5.5%	9.6%	9.3%

Source: Company, IPOPEMA Research

Real Estate

Marvipol Development BUY

FV PLN 8.93 from PLN 9.30

45.7% upside

Price as of 10 December 2024 PLN 6.12

Recommendation maintained



Share data

Number of shares (m)	41.7
Market cap (EUR m)	59.7
12M avg daily volume (k)	18.4
12M avg daily turnover (EUR m)	0.03
12M high/low (PLN)	9.94/6.00
WIG weight	0.02%
Reuters	MVP.WA
Bloomberg	MVP.PW

Total performance

1M	-8.7%
3M	-14.5%
12M	-4.4%

Shareholders

Książek Holding	66.05%
Mariusz Książek	4.99%
Other	28.96%

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MARVIPOL DEVELOPMENT**BUY****FV PLN 8.93**

Mkt Cap EUR 60m

Upside +45.7%

Valuation multiples	2023	2024E	2025E	2026E	2027E
P/E (x)	4.6	9.0	5.2	5.4	5.3
EV/EBITDA (x)	4.7	7.5	6.2	7.0	7.4
EV/Sales (x)	1.1	1.0	0.9	1.0	1.0
P/BV (x)	0.4	0.4	0.4	0.3	0.3
FCF yield (%)	24%	25%	-13%	13%	-1%
DY (%)	0%	17%	6%	10%	9%

Per share	2023	2024E	2025E	2026E	2027E
No. of shares (m units)	41.7	41.7	41.7	41.7	41.7
EPS (PLN)	1.3	0.7	1.2	1.1	1.2
BVPS (PLN)	17.0	16.6	17.4	18.0	18.5
FCFPS (PLN)	1.5	1.6	-0.8	0.8	0.0
DPS (PLN)	0.00	1.06	0.34	0.59	0.57

Change y/y (%)	2023	2024E	2025E	2026E	2027E
Revenues	-35.9%	15.9%	16.4%	-5.6%	1.0%
Gross profit	-17.1%	-26.3%	32.2%	-7.0%	1.1%
EBITDA	-25.9%	-37.4%	35.3%	-12.9%	-0.7%
EBIT	-33.4%	-43.1%	43.9%	-14.0%	1.3%
Net profit	-38.5%	-49.0%	73.7%	-3.1%	1.3%

Leverage and return	2023	2024E	2025E	2026E	2027E
Gross margin (%)	31.4%	19.9%	22.6%	22.3%	22.3%
EBITDA margin (%)	24.0%	13.0%	15.1%	13.9%	13.7%
EBIT margin (%)	21.5%	10.5%	13.0%	11.9%	11.9%
Net margin (%)	14.6%	6.4%	9.6%	9.9%	9.9%
Net debt / EBITDA (x)	1.9	3.0	2.9	3.2	3.6
Net debt / Equity (x)	0.2	0.2	0.3	0.3	0.3
Net debt / Assets (x)	0.1	0.1	0.1	0.1	0.1
ROE (%)	7.8%	4.1%	6.7%	6.3%	6.2%
ROA (%)	3.8%	1.7%	2.8%	2.7%	2.7%
ROIC (%)	7.1%	4.0%	5.5%	4.6%	4.5%

Operational data	2023	2024E	2025E	2026E	2027E
Rev. - residential (PLN)	328	382	469	441	435
change y/y	-32%	16%	23%	-6%	-1%
Pre-sales (units)	661	479	530	612	608
change y/y	219%	-27%	11%	15%	-1%
Deliveries (units)	423	531	641	628	618
change y/y	-54%	26%	21%	-2%	-2%
Avg value (PLNk)*	776	720	732	702	704
change y/y	47%	-7%	2%	-4%	0%

P&L (PLN m)	2022	2023	2024E	2025E	2026E	2027E
Revenues	589	378	437	509	481	486
COGS	-446	-259	-350	-394	-373	-377
Gross profit	143	118	87	115	107	108
SG&A	-44	-38	-48	-52	-55	-55
Profit on sales	99	80	39	64	53	53
Profit from JV	22	-4	4	3	5	5
Other operating income (cost)	0	5	3	-1	0	0
EBITDA	122	91	57	77	67	66
EBIT	122	81	46	66	57	58
Financial income (cost) net	-11	-12	-10	-6	1	2
Pre-tax profit	111	69	36	60	59	59
Income tax	-21	-13	-8	-11	-11	-11
Net profit	90	55	28	49	47	48

BALANCE SHEET (PLN m)	2022	2023	2024E	2025E	2026E	2027E
Non-current assets	400	339	352	408	465	494
Intangible assets	0	0	0	0	0	0
PP&E	63	66	67	59	52	46
Long-term financial assets	215	182	184	184	184	184
Other non-current assets	122	91	101	164	229	264
Current assets	978	1,122	1,348	1,318	1,319	1,288
Inventories	768	812	934	1,003	1,022	1,040
Trade receivables	37	21	30	35	33	33
Cash and equivalents	168	287	384	280	263	214
Other current assets	4	3	0	0	0	0
Total assets	1,377	1,461	1,701	1,726	1,784	1,782
Equity	655	710	694	729	752	777
Minorities	0	1	2	3	4	5
Non-current liabilities	412	366	443	399	384	369
Loans and leasing	383	334	406	362	347	332
Other non-current liabilities	28	32	37	37	37	37
Current liabilities	311	385	563	597	648	637
Trade payables	46	39	46	53	50	51
Loans and leasing	31	128	150	137	128	119
Other current liabilities	233	217	368	407	469	467
Equity & liabilities	1,377	1,461	1,701	1,726	1,784	1,782
Cash conversion cycle (days)	465	757	756	696	753	758
Gross debt (PLN m)	415	462	556	499	475	451
Net debt (PLN m)	246	175	172	220	212	237

CASH FLOW (PLN m)	2022	2023	2024E	2025E	2026E	2027E
Operating cash flow	85	64	100	43	101	38
Profit Before Tax	111	69	36	60	59	59
D&A	1	10	11	10	10	9
Change in WC	12	-26	50	-28	42	-20
Other	-39	12	3	-1	-9	-10
Investment cash flow	-50	30	0	-63	-62	-32
CAPEX (incl. inv.in properties)	-53	-5	-5	-63	-62	-32
Other	3	35	5	0	0	0
Financial cash flow	-84	24	-2	-85	-55	-54
Change in equity	0	0	0	0	0	0
Change in debt	-9	59	78	-56	-24	-24
Dividend	-47	0	-44	-14	-24	-24
Interest paid	-26	-34	-34	-14	-7	-6
Other	-2	-1	-1	0	0	0
Change in cash	-50	118	97	-104	-16	-49
Cash as of eop	168	287	384	280	263	214

Source: Company data, IPOPEMA Research; *related to delivered dwellings

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Valuation

We value Marvipol Development using the SOTP method (80% weight) and discounted dividend method (weight of 20%). We add a multiples valuation for presentation purpose only.

Figure 2. Marvipol Development – Valuation summary

Valuation method	Weight	FV (PLNps)	Upside (%)
SOTP valuation (PLN ps), incl.:	80%	9.49	55.0%
Residential segment (DCF method, EV of the segment)		7.82	
Logistics (market value of existing and planned projects)		6.81	
Net debt as of end-2023		-4.09	
Dividend paid in 2024E (ytd terms)		-1.06	
DDM valuation (PLN ps)	20%	6.65	8.6%
Peer valuation (PLN ps)	0%	17.43	184.9%
Fair value (PLN ps)		8.92	45.7%

Source: Company, IPOPEMA Research

SOTP valuation

SOTP method is, in our view, the most appropriate valuation approach in the case of Marvipol Development. We use a DCF valuation to estimate the residential segment EV (see more details below). Regarding the logistics division, we calculate its value taking into consideration the market value of existing projects (in Warsaw and Poznan), adjusted for MVP's share in equity, and book value of planned projects (in Katowice and Lodz). We adjust the sum of values of both segments by 2023 net debt.

We base our DCF valuation of the residential segment on our free cash flow forecasts for 2024E-33E (for more details please refer to the "Financial forecasts" section). We apply a risk-free rate of 5.5% in forecasted years and in terminal, equity risk premium at 5.5% and beta of 1.0x and assume a terminal growth rate of 1.0%.

Figure 3. Marvipol Development – DCF valuation of residential segment (PLNm)*

DCF (PLNm)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
Revenues	437	509	481	486	497	511	526	540	554	567	573
EBIT	42	63	52	53	53	53	54	55	55	55	58
Tax on EBIT	-9	-12	-10	-10	-10	-10	-10	-10	-10	-11	-11
NOPLAT	33	51	42	43	43	43	44	44	45	45	47
Depreciation	11	10	10	9	8	7	6	5	5	5	3
Capital expenditures	-5	-63	-62	-32	-2	-3	-3	-3	-3	-3	-3
Change in working capital	50	-28	42	-20	-16	-17	-17	-18	-16	-17	-7
Free cash flow	89	-29	32	-2	32	30	30	29	30	29	40
Risk-free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Equity risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Unlevered beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Levered beta	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	13.1%	12.8%	12.6%	12.5%	12.4%	12.3%	12.2%	12.1%	12.0%	11.9%	11.9%
Cost of debt (pre-tax)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Effective tax rate	21.4%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	7.9%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
Weight of debt	32.4%	28.7%	26.4%	25.0%	23.5%	22.2%	20.8%	19.5%	18.1%	16.8%	16.8%
Weight of equity	67.6%	71.3%	73.6%	75.0%	76.5%	77.8%	79.2%	80.5%	81.9%	83.2%	83.2%
WACC	11.4%	11.4%	11.4%	11.4%	11.4%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Discount factor	99%	89%	80%	72%	65%	58%	52%	47%	42%	38%	
PV of FCF	88	-26	26	-1	20	18	16	14	13	11	
Sum of FCF PV's	179										
FCF terminal growth rate	1.0%										
Terminal value	387										
PV of terminal value	147										
Enterprise value	326										
EV per share (PLN)	7.82										
DCF sensitivity (PLN)							WACC in terminal year				
Terminal growth							9.3%	10.3%	11.3%	12.3%	13.3%
0.0%							8.20	7.82	7.51	7.24	7.02
1.0%							8.68	8.20	7.82	7.51	7.24
2.0%							9.28	8.68	8.20	7.82	7.51

Source: Company, IPOPEMA Research; *we include CAPEX (PLN 150m) and results from Chmielna 78 hotel project

Figure 4. Marvipol Development – key assumptions in logistics segment valuation (PLNm)

Existing projects	GLA (k sqm)	Rent (EUR/sqm)	Occupancy rate (%)	NOI (EURm)	NOI (PLNm)	Exit yield (%)	MVP's share in project (%)	MV adj. (EURm)*	MV adj. (PLNm)*
Warsaw III	41.0	4.3	93%	2.0	8.3	6.25%	50%	15.6	66.7
Poznan	61.0	3.8	93%	2.6	11.1	6.75%	45%	17.3	74.0
Total	102.0	4.0	93%	4.6	19.4	6.53%	47%	32.9	140.7
Planned projects**									143.0
Total value per share									283.7 <i>6.81</i>

Source: Company, IPOPEMA Research; *MV adjusted of MVP's share in the project; **book value of investment as of end-3Q24

DDM valuation

We value Marvipol Development using the DDM method based on our financial forecasts and assumptions regarding the dividend payout ratio. The company cancelled its previous dividend policy in April'23, due to an unfavourable market environment), concurrently with a decision of no dividend payment in 2023. In 2024, the company paid out PLN 1.06ps. from 2023 earnings. In our model, we assume that the group will return to regular payments with a dividend payout ratio of 50% in long-term.

Figure 5. Marvipol Development – DDM valuation (PLNm)

DDM	2024E*	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
DPS (PLN ps)	0.00	0.34	0.59	0.57	0.58	0.80	0.81	0.82	0.82	0.82	0.97
Cost of equity	13.1%	12.8%	12.6%	12.5%	12.4%	12.3%	12.2%	12.1%	12.0%	11.9%	11.9%
Discount multiple	100%	89%	79%	70%	63%	56%	50%	45%	40%	36%	
Discounted DPS (PLN ps)	0.00	0.30	0.46	0.40	0.36	0.45	0.41	0.37	0.33	0.30	
Sum of discounted DPS (PLN ps)											3.38
Terminal growth											1.0%
Discounted value of terminal DPS (PLN ps)											3.27
Fair Value (PLN ps)											6.65

Source: Company, IPOPEMA Research; *PLN 1.06ps. paid out in May 2024

Peer comparison

We present a multiples valuation by comparing Marvipol Development to domestic residential developers, based on the P/E and P/BV multiples. In our analysis, we give 0% weight to the method.

Given our forecasts for 2024E-26E, the company currently trades at a P/E multiple of 9.0/5.2/5.4x. In the case of the P/BV multiple, the average discount to its peers is close to 76%.

Figure 6. Marvipol Development – peer comparison

Company	mCap (PLNm)	P/E (x)			P/BV (x)		
		2024E	2025E	2026E	2024E	2025E	2026E
Dom Development	3,947	9.1	8.3	8.3	3.0	2.6	2.3
Atal	2,156	7.8	8.3	7.6	1.4	1.3	1.3
Develia	2,447	8.2	7.9	7.6	1.9	1.8	1.7
Lokum Deweloper	1,626	10.1	15.1	12.8	0.7	0.7	0.7
Archicom	418	24.3	14.5	5.5	1.7	1.6	1.3
Median		9.1	8.3	7.6	1.7	1.6	1.3
Marvipol Development	255	9.0	5.2	5.4	0.4	0.3	0.3
Premium/discount (%)		-1%	-37%	-29%	-78%	-78%	-74%
Implied FV/share (PLN)		6.19	9.75	8.66	28.10	28.20	23.70
Average implied FV/share (PLN)		17.43					

Source: Bloomberg, IPOPEMA Research

Financial forecasts

4Q24E numbers to bring expected rebound: We predict that MVP will finally report the results' recovery in the ongoing quarter. According to the latest investor presentation, the group had 388 pre-sold but non-delivered dwellings in ended projects (mainly in In Place I and Gardenia Lagom projects). Thus, we anticipate that the developer will handover 336 apartments, vs. only 5 units delivered in 4Q23. We estimate that 4Q24E revenues will arrive at PLN 250m, concurrently with EBITDA of PLN 37m (vs. PLN -3m in 4Q23) and the net profit will come in at PLN 27m (vs. loss of PLN 14m in the corresponding period). Regarding pre-sales, we expect further stabilization and we assume 116 pre-sold flats.

2025E results and volumes on a growing path: In our model, we assume that 2025E pre-sales will grow by 11% y/y, as MVP has expanded its offer to 789 units as of end-3Q24 and we expect the interest rate cuts in 2H25E. Moreover, we predict the deliveries of 641 dwellings (+21% y/y; driven by Gardenia Lagom II, Trio Park and In Place II projects), concurrently with higher gross margin (22.6%; +2.7p.p. y/y). Hence, we estimate that MVP will report 2025E net profit of PLN 49m (vs. PLN 28m in 2024E).

Logistics market: The investment volumes still have not recovered, but the market sentiment is likely to gradually improve since 2025E, as exit yields are expected to at least stabilize. The company keeps its intention to dispose already existing assets. We note that as of now, MVP inked the agreement regarding disposal of a project located in Warsaw.

Figure 7. Marvipol Development - results' estimates in 4Q24E-4Q25E (PLNm)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Revenues	122	205	85	177	71	197	87	22	26	40	121	250	89	79	192	150
Gross profit	30	42	21	50	14	64	32	8	5	13	23	46	20	18	46	32
Profit on sales	20	30	12	37	7	54	22	-3	-5	1	9	34	7	5	33	18
EBITDA	34	36	21	32	9	60	25	-3	-1	5	17	37	11	8	37	21
EBIT	33	34	18	36	7	58	22	-6	-4	2	14	34	8	6	34	19
EBT	35	28	23	26	6	50	31	-18	-6	3	6	33	7	4	32	18
Net profit	29	25	19	17	6	40	24	-14	-5	1	6	27	5	3	26	15
Gross margin	24.3%	20.3%	25.0%	28.5%	19.8%	32.3%	37.2%	37.2%	20.9%	32.3%	18.9%	18.4%	22.0%	23.1%	24.0%	21.1%
EBITDA margin	27.7%	17.8%	24.1%	17.9%	13.2%	30.4%	28.4%	n.a.	n.a.	11.4%	13.6%	14.8%	11.9%	10.6%	19.1%	14.2%
EBIT margin	27.0%	16.8%	21.4%	20.4%	9.9%	29.2%	25.6%	n.a.	n.a.	4.9%	11.3%	13.6%	8.8%	7.2%	17.7%	12.5%
Net margin	23.9%	12.1%	22.2%	9.6%	8.0%	20.1%	28.0%	n.a.	n.a.	3.3%	4.6%	10.6%	6.1%	3.9%	13.5%	9.8%
Pre-sales (units)	67	41	44	55	107	141	213	200	144	110	109	116	121	130	130	149
Deliveries (units)	224	317	73	296	103	278	37	5	14	18	163	336	99	93	230	218
Avg.price (PLNk)	403	476	1,031	559	580	656	2,058	2,037	821	1,297	659	714	793	735	789	644

Source: Company, IPOPEMA Research

Figure 8. Marvipol Development - results' estimates in 2024E-2033E (PLNm)

	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	431	394	589	378	437	509	481	486	497	511	526	540	554	567
Gross profit	106	112	143	118	87	115	107	108	110	112	114	116	118	120
EBITDA	93	120	122	91	57	77	67	66	65	65	65	65	65	65
EBIT	90	116	122	81	46	66	57	58	58	58	59	60	60	61
EBT	100	114	111	69	36	60	59	59	59	59	60	60	61	61
Net profit	80	96	90	55	28	49	47	48	47	48	49	49	49	49
Gross margin	24.5%	28.4%	24.3%	31.4%	19.9%	22.6%	22.3%	22.3%	22.1%	21.9%	21.7%	21.6%	21.4%	21.2%
EBITDA margin	21.5%	30.4%	20.8%	24.0%	13.0%	15.1%	13.9%	13.7%	13.1%	12.7%	12.4%	12.1%	11.8%	11.5%
EBIT margin	20.8%	29.6%	20.7%	21.5%	10.5%	13.0%	11.9%	11.9%	11.6%	11.4%	11.3%	11.1%	10.9%	10.7%
Net margin	18.6%	24.3%	15.3%	14.6%	6.4%	9.6%	9.9%	9.9%	9.6%	9.4%	9.2%	9.0%	8.9%	8.7%
Pre-sales (units)	1,086	376	207	661	479	530	612	608	623	635	648	659	670	681
Deliveries (units)	791	554	910	423	531	641	628	618	609	621	631	641	651	660
Avg.price (PLNk)	545	651	529	776	720	732	702	704	715	725	735	744	754	763
DPS (PLN)	0.17	0.95	1.14	0.00	1.06	0.34	0.59	0.57	0.58	0.80	0.81	0.82	0.82	0.82
DY (%)	2.4%	13.5%	16.1%	0.0%	15.9%	5.1%	8.8%	8.5%	8.6%	11.9%	12.1%	12.2%	12.3%	12.3%
Net debt (PLNm)	157	129	239	170	167	215	207	232	225	228	232	237	242	248
ND/BV (x)	0.3	0.2	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
ROE (%)	14%	16%	14%	8%	4%	7%	6%	6%	6%	6%	6%	6%	6%	6%

Source: Company, IPOPEMA Research

Figure 9. Marvipol Development – gross and net margins (%)

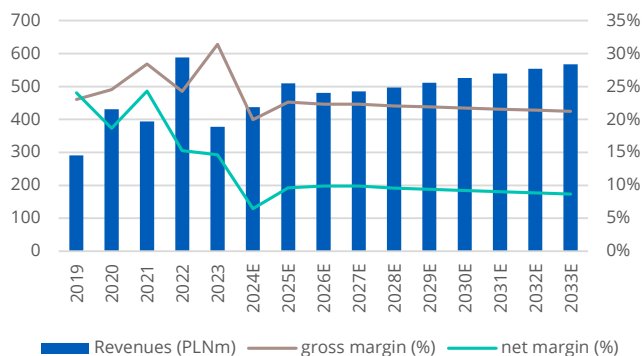
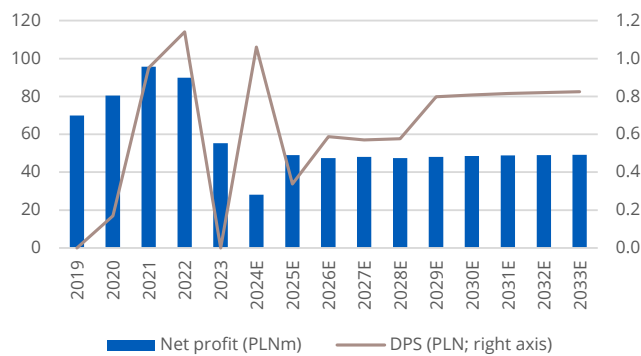


Figure 10. Marvipol Development – DPS (PLN) and net profit (PLNm)



Source: Company, IPOPEMA Research

Figure 11. Marvipol Development - deliveries (units) and revenues (PLNm)

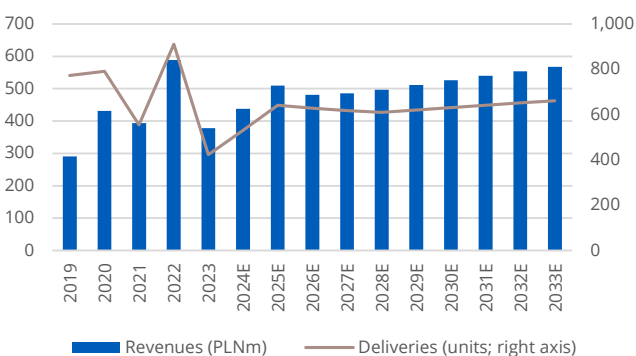
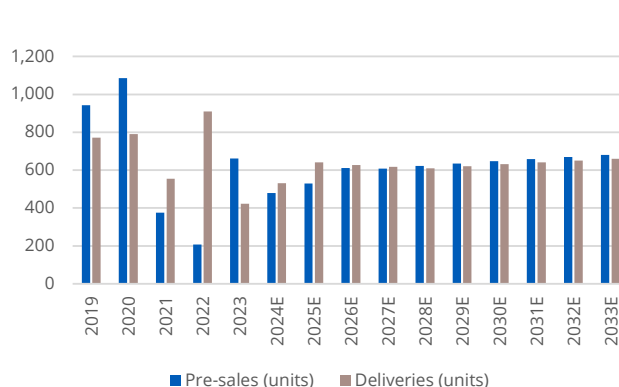


Figure 12. Marvipol Development – pre-sales and deliveries (units)



Source: Company, IPOPEMA Research

Figure 13. Marvipol Development – avg.dwelling price (PLNk)

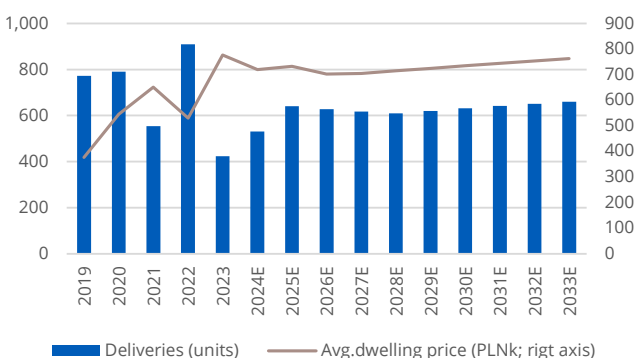
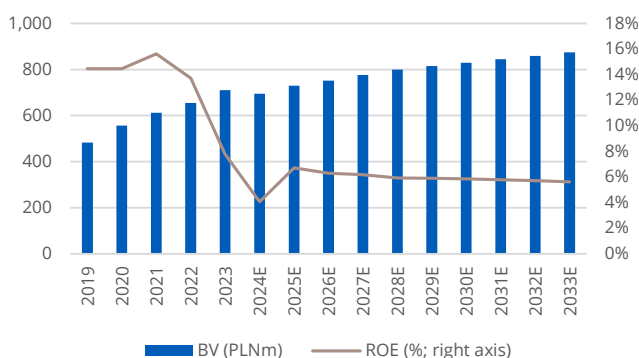


Figure 14. Marvipol Development - ROE (%)



Source: Company, IPOPEMA Research

Figure 15. Marvipol Development – change in estimates in 2024E-2026E (PLNm)

	2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenues	437	495	-12%	509	496	3%	481	457	5%
EBITDA	57	64	-11%	77	70	10%	67	59	13%
EBIT	46	54	-15%	66	61	9%	57	50	14%
Net profit	28	39	-28%	49	47	4%	47	40	19%
EBITDA margin	13.0%	12.9%		15.1%	14.1%		13.9%	12.9%	
EBIT margin	10.5%	10.9%		13.0%	12.3%		11.9%	10.9%	
net margin	6.4%	7.9%		9.6%	9.5%		9.9%	8.8%	

Source: Company, IPOPEMA Research

3Q24 results summary

The company posted its 3Q24 results on 25th November. Below are our key takeaways.

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 16. Marvipol Development – 3Q24 results summary (PLNm)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	Y/Y	Q/Q
Revenues	121.6	205.1	85.3	176.6	70.8	197.2	87.0	22.5	25.7	40.3	121.2	39%	201%
Gross profit	29.5	41.7	21.3	50.4	14.0	63.8	32.3	8.4	5.4	13.0	22.9	-29%	76%
Profit on sales	20.4	29.9	11.6	37.2	6.6	53.9	22.4	-2.7	-5.0	1.4	9.5	-58%	587%
EBITDA	33.7	36.5	20.5	31.7	9.3	59.9	24.7	-3.4	-1.3	4.6	16.5	-33%	261%
EBIT	32.9	34.4	18.3	36.1	7.0	57.5	22.3	-5.8	-3.7	2.0	13.8	-38%	601%
EBT	34.5	27.8	22.7	25.9	6.5	49.7	30.8	-18.4	-6.4	2.9	6.4	-79%	119%
Net profit	29.1	24.9	18.9	17.0	5.7	39.6	24.3	-14.3	-5.4	1.3	5.6	-77%	324%
Gross margin	24.3%	20.3%	25.0%	28.5%	19.8%	32.3%	37.2%	37.2%	20.9%	32.3%	18.9%		
EBITDA margin	27.7%	17.8%	24.1%	17.9%	13.2%	30.4%	28.4%	n.a.	n.a.	11.4%	13.6%		
EBIT margin	27.0%	16.8%	21.4%	20.4%	9.9%	29.2%	25.6%	n.a.	n.a.	4.9%	11.3%		
Net margin	23.9%	12.1%	22.2%	9.6%	8.0%	20.1%	28.0%	n.a.	n.a.	3.3%	4.6%		
Pre-sales (units)	67	41	44	55	107	141	213	200	144	110	109	-49%	-1%
Deliveries (units)	224	317	73	296	103	278	37	5	14	18	163	341%	806%
Avg.price (PLNk)	403	476	1,031	559	580	656	2,058	2,037	821	1,297	659	-68%	-49%
CFO	34.4	-8.3	71.4	-13.0	-3.6	41.3	13.3	13.4	48.6	69.5	-48.0		
CFI	-49.8	3.2	-10.0	6.4	-1.8	-3.7	-8.4	43.8	0.3	-18.6	19.4		
CFF	67.3	-73.9	-44.8	-32.9	-10.0	-0.9	40.1	-5.2	-16.2	22.3	2.0		
Net debt	163.2	281.0	220.6	239.1	256.8	206.8	215.4	170.2	136.5	147.3	191.2		
Net debt / EBITDA	1.1	1.8	1.7	2.0	2.6	1.7	1.7	1.9	1.7	6.0	11.6		
Net debt / BV	0.3	0.5	0.3	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.3		
12M trailing P/E	2.4	2.3	2.6	3.1	4.2	3.4	3.2	5.0	6.3	46.6	-21.8		
12M trailing P/BV	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4		

Source: Company, IPOPEMA Research

Risk factors

As major risk factors we point to:

- **Risk related to the demand for dwellings.** The company's results are dependent on pre-sales, which took place in previous quarters. Thus, in most cases a drop in demand will negatively affect the financial data and profitability. We note that in 2021-23, Marvipol Development pre-sold 376, 207 and 661 apartments, respectively, due to a limited offer and the above-mentioned deterioration in demand. Hence, the developer delivered 423 flats in 2023, in comparison with 910 units in 2022.
- **Risk related to interest rate volatility.** In 2022, demand surged, which was driven mainly by interest rate hikes implemented by the MPC. The clients lost their creditability, which decreased by 60-70% (according to market data). Moreover, the share of credit-buyers fell from 70-80% to ca. 20% as of end-2022. Nevertheless, starting from 1Q23, creditworthiness started to slowly recover, which has underpinned pre-sale volumes. Given recent BIK data, the number of granted mortgages in previous months has increased in y/y terms.
- **Risk related to the mortgage bank's policy.** The demand change may also be affected by the bank's attitude to mortgage policy. According to the latest NBP survey, the majority of sector representatives are planning to tighten credit policy in coming months, despite an improving market environment.
- **Risk related to costs.** The profitability of residential projects depends on two key factors on the cost side: 1) material prices, and 2) landplot prices. We observed increased volatility of core material prices in 2022, due to the negative impact of the war in Ukraine, which could leave a footprint on future projects. Nevertheless, the developers decided to increase selling prices and we suppose that the companies will be able to mitigate the above-mentioned factor. Furthermore, the developers reported that in 2023 the key material prices, have at least stabilized, which sounds quite supportive to us. Regarding landbanks, prices continue their long-term trend of hikes and the share of the landbank in the selling price grew from 20% to 22-24% as of now. In our model, we assume that gross profitability will gradually fall to nearly 22% (vs. a long-term average of 23.7%).
- **Risks related to the logistics market.** The logistics division is a supplementary activity within the company's business model. As of end-2Q24, the group has invested ca. PLN 165m in logistics projects and will regain this, if the projects are sold. As of now, we observe a slowdown in the investment market, which is caused by a deterioration in the macro environment and increase in exit yields, which has left a footprint on valuations. Nevertheless, the market may gradually recover in 2H24E.

Key financial data

Figure 17. Marvopol Development – financial data 2019-2033E

P&L (PLN m)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	291	431	394	589	378	437	509	481	486	497	511	526	540	554	567
COGS	-224	-326	-282	-446	-259	-350	-394	-373	-377	-387	-399	-411	-423	-435	-447
Gross profit	67	106	112	143	118	87	115	107	108	110	112	114	116	118	120
SG&A	-43	-47	-41	-44	-38	-48	-52	-55	-55	-56	-58	-60	-61	-63	-64
Profit on sales	24	59	71	99	80	39	64	53	53	53	54	55	55	56	56
Profit from JV	64	30	39	22	-4	4	3	5	5	5	5	5	5	5	5
Other operating income (cost)	2	1	7	0	5	3	-1	0	0	0	-1	-1	-1	-1	-1
EBITDA	94	93	119	122	91	57	77	67	66	65	65	65	65	65	65
EBIT	91	90	116	122	81	46	66	57	58	58	58	59	60	60	61
Financial income (cost) net	-1	10	-3	-11	-12	-10	-6	1	2	1	1	1	0	0	0
Pre-tax profit	90	100	114	111	69	36	60	59	59	59	59	60	60	61	61
Income tax	-20	-19	-18	-21	-13	-8	-11	-11	-11	-11	-11	-11	-11	-12	-12
Net profit	70	80	96	90	55	28	49	47	48	47	48	49	49	49	49

BALANCE SHEET (PLN m)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Non-current assets	262	216	264	400	339	352	408	465	494	494	495	497	499	502	506
Intangible assets	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PP&E	32	31	51	63	66	67	59	52	46	41	36	33	30	28	26
Long-term financial assets	146	120	81	215	182	184	184	184	184	184	184	184	184	184	184
Other non-current assets	84	66	133	122	91	101	164	229	264	269	274	279	285	290	295
Current assets	1,012	1,098	1,285	978	1,122	1,348	1,318	1,319	1,288	1,300	1,301	1,301	1,299	1,297	1,294
Inventories	724	854	1,008	768	812	934	1,003	1,022	1,040	1,068	1,095	1,122	1,149	1,174	1,200
Trade receivables	46	53	48	37	21	30	35	33	33	34	35	36	37	38	39
Cash and equivalents	176	191	218	168	287	384	280	263	214	197	170	142	113	84	54
Other current assets	66	0	11	4	3	0	0	0	0	0	0	0	0	0	0
Total assets	1,275	1,314	1,550	1,377	1,461	1,701	1,726	1,784	1,782	1,794	1,796	1,798	1,799	1,799	1,800
Equity	483	557	613	655	710	694	729	752	777	800	815	830	845	859	874
Minorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	326	259	296	412	366	443	399	384	369	353	338	323	308	292	277
Loans and leasing	294	233	272	383	334	406	362	347	332	317	301	286	271	256	240
Other non-current liabilities	32	26	24	28	32	37	37	37	37	37	37	37	37	37	37
Current liabilities	465	498	641	311	385	563	597	648	637	640	643	645	646	647	648
Trade payables	51	53	58	46	39	46	53	50	51	52	53	55	56	58	59
Loans and leasing	147	143	95	31	128	150	137	128	119	111	102	93	84	75	67
Other current liabilities	267	302	488	233	217	368	407	469	467	478	487	497	506	514	522
Equity & liabilities	1,275	1,314	1,550	1,377	1,461	1,701	1,726	1,784	1,782	1,794	1,796	1,798	1,799	1,799	1,800
Gross debt (PLN m)	441	376	367	415	462	556	499	475	451	427	403	379	355	331	307
Net debt (PLN m)	265	185	149	246	175	172	220	212	237	230	233	237	242	247	253

CASH FLOW (PLN m)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating cash flow	-27	-49	67	85	64	100	43	101	38	40	38	38	37	37	36
Profit Before Tax	90	100	114	111	69	36	60	59	59	59	59	60	60	61	61
D&A	3	3	3	1	10	11	10	10	9	8	7	6	5	5	5
Change in WC	-45	-93	12	12	-26	50	-28	42	-20	-16	-17	-17	-18	-16	-17
Other	-75	-58	-62	-39	12	3	-1	-9	-10	-10	-11	-11	-12	-12	-12
Investment cash flow	45	124	13	-50	30	0	-63	-62	-32	-2	-3	-3	-3	-3	-3
CAPEX (incl. inv.in properties)	-91	-25	-75	-53	-5	-5	-63	-62	-32	-2	-3	-3	-3	-3	-3
Other	136	149	87	3	35	5	0	0	0	0	0	0	0	0	0
Financial cash flow	5	-60	-52	-84	24	-2	-85	-55	-54	-54	-63	-63	-63	-63	-63
Change in equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in debt	26	-35	5	-9	59	78	-56	-24	-24	-24	-24	-24	-24	-24	-24
Dividend	0	-7	-40	-47	0	-44	-14	-24	-24	-24	-33	-34	-34	-34	-34
Other	-22	-18	-17	-28	-35	-36	-14	-7	-6	-6	-6	-5	-5	-5	-4
Change in cash	23	15	27	-50	118	97	-104	-16	-49	-17	-27	-28	-29	-29	-30
Cash as of eop	176	191	218	168	287	384	280	263	214	197	170	142	113	84	54

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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (1 July – 30 September 2024)

	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
11/12/2024	BUY	PLN 8.93	PLN 6.12	Adrian Górniak