

Marvipol Development

Pre-sales recovery to support future results

We update our financial forecasts and WACC assumptions and reiterate a BUY recommendation, concurrently with a FV of PLN 10.07 per share (previously PLN 10.49ps.). We point to expected further rebound in pre-sales driven by the demand recovery and offer expansion, which in turn should underpin 2025E results (we anticipate a net profit of PLN 58m; we note that 2024E are likely to deteriorate in y/y terms, due to presented project's pipeline; on the other hand, we upgraded our estimates regarding the net profit from PLN 35m to PLN 44m in 2024E). Moreover, we assume that the developer will return to regular dividend payments, starting from 2024E (we predict a DPS of PLN 0.67). Thirdly, we do not underestimate the group's exposure to stable logistics activity (we do not exclude potential disposals in 2024E) and solid balance sheet. On our forecasts, the company currently trades at P/E ratios of 5.3x in 2023E, 6.8x in 2024E and 5.2x in 2025E, concurrently with a P/BV of 0.4x.

2024E results affected by lower margins. Given current project schedules (the developer will end only 3 projects in 2024E) and anticipated deliveries mix, we predict that 2024E results will decrease in y/y terms. Despite a growth in revenues (to PLN 454m), the gross profitability will the most likely deteriorate to 20.0% (-10.7p.p. y/y), which in turn will negatively affect EBIT and a net profit (we assume the drop to PLN 54m and PLN 44m, respectively).

Strong rebound in pre-sales ought to support 2025E numbers. Given strong demand and new commencements (we predict 640-653 pre-sold units in 2023E-24E, vs. 207 flats in 2022), we expect the company to meaningfully improve its results in 2025E. We forecast revenues of PLN 483m and gross margin of 22.4% (+2.4p.p. y/y). We estimate that EBIT will amount to PLN 71m and a net profit will come in at PLN 58m (vs. respective PLN 69m and PLN 57m previously).

Possible divestments in logistics segment to boost cash position. The group intends to dispose of at least part of its logistics portfolio, which in turn would support its cash position (net debt amounted to PLN 215m as of end-3Q23, concurrently with net debt/BV ratio of 0.3x). We assume that the total value of the three existing projects, dedicated to Marvipol Development, may reach ca. PLN 184m. We expect that potential transactions may take place in 2024E as the investment market should gradually recover.

Expected return to recurrent dividend pay-outs. In our forecasts, we assume that the company will return to regular dividend payments, starting from 2024E. We assume a dividend payout ratio of 50% and DPS of PLN 0.67 in 2024E, which implies a DY of 9.4%.

Multiple valuation. On our forecasts, Marvipol Development currently trades at a P/E of 5.3x in 2023E and 6.8x in 2024E. As to P/BV multiples, we arrive at 0.4x in 2023E and 2024E, which implies a 70% discount vs. peers.

Figure 1. Marvipol Development – Financial summary (PLNm)

	2021	2022	2023E	2024E	2025E	2026E
Revenues	394	589	363	454	483	483
EBITDA	119	122	93	64	79	81
EBIT	116	122	83	54	71	73
Net profit	96	90	56	44	58	60
P/E (x)	3.1	3.3	5.3	6.8	5.2	5.0
P/BV (x)	0.5	0.5	0.4	0.4	0.4	0.4
ROE (%)	16%	14%	8%	6%	8%	8%
DPS (PLN)	0.95	1.14	0.00	0.67	0.53	0.70
Div.yield (%)	13.2%	15.8%	0.0%	9.4%	7.3%	9.7%

Source: Company, IPOPEMA Research

Real Estate

Marvipol Development BUY

FV PLN 10.07 from PLN 10.49

39.8% upside

Price as of 11 December 2023 PLN 7.20

Recommendation maintained



Share data

Number of shares (m)	41.7
Market cap (EUR m)	69.3
12M avg daily volume (k)	18.7
12M avg daily turnover (EUR m)	0.02
12M high/low (PLN)	8.76/5.30
WIG weight	0.02%
Reuters	MVP.WA
Bloomberg	MVP.PW

Total performance

1M	-4.8%
3M	-10.0%
12M	+25.9%

Shareholders

Książek Holding	66.05%
Mariusz Książek	4.99%
Other	28.96%

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MARVIPOL DEVELOPMENT

BUY

FV PLN 10.07

Mkt Cap EUR 69m

Upside +39.8%

Valuation multiples	2022	2023E	2024E	2025E	2026E
P/E (x)	3.3	5.3	6.8	5.2	5.0
EV/EBITDA (x)	4.5	6.2	8.9	6.9	6.8
EV/Sales (x)	0.9	1.6	1.2	1.1	1.1
P/BV (x)	0.5	0.4	0.4	0.4	0.4
FCF yield (%)	11%	-2%	13%	12%	11%
DY (%)	16%	0%	9%	7%	10%

Per share	2022	2023E	2024E	2025E	2026E
No. of shares (m units)	41.7	41.7	41.7	41.7	41.7
EPS (PLN)	2.2	1.3	1.1	1.4	1.4
BVPS (PLN)	15.7	17.1	17.5	18.3	19.1
FCFPS (PLN)	0.8	-0.2	0.9	0.9	0.8
DPS (PLN)	1.14	0.00	0.67	0.53	0.70

Change y/y (%)	2022	2023E	2024E	2025E	2026E
Revenues	49.5%	-38.4%	25.2%	6.3%	0.0%
Gross profit	27.8%	-21.9%	-18.6%	19.0%	3.2%
EBITDA	2.4%	-24.3%	-31.4%	25.0%	2.0%
EBIT	4.4%	-31.7%	-34.4%	30.1%	3.6%
Net profit	-6.0%	-37.5%	-21.6%	31.8%	3.8%

Leverage and return	2022	2023E	2024E	2025E	2026E
Gross margin (%)	24.3%	30.7%	20.0%	22.4%	23.1%
EBITDA margin (%)	20.8%	25.5%	14.0%	16.5%	16.8%
EBIT margin (%)	20.7%	22.9%	12.0%	14.7%	15.2%
Net margin (%)	15.3%	15.5%	9.7%	12.0%	12.5%
Net debt / EBITDA (x)	2.0	3.0	4.2	3.2	3.1
Net debt / Equity (x)	0.4	0.4	0.4	0.3	0.3
Net debt / Assets (x)	0.2	0.2	0.2	0.2	0.2
ROE (%)	13.7%	7.9%	6.1%	7.6%	7.6%
ROA (%)	6.5%	4.1%	3.2%	4.1%	4.3%
ROIC (%)	10.6%	6.5%	4.3%	5.5%	5.5%

Operational data	2022	2023E	2024E	2025E	2026E
Pre-sales (units)	207	640	653	664	669
change y/y	-45%	209%	2%	2%	1%
Deliveries (units)	910	427	581	693	645
change y/y	64%	-53%	36%	19%	-7%
Avg value (PLNk)*	647	849	782	697	748
change y/y	-9%	31%	-8%	-11%	7%

P&L (PLN m)	2021	2022	2023E	2024E	2025E	2026E
Revenues	394	589	363	454	483	483
COGS	-282	-446	-251	-363	-375	-371
Gross profit	112	143	112	91	108	111
SG&A	-41	-44	-34	-41	-43	-44
Profit on sales	71	99	78	50	65	67
Profit from JV	39	22	1	5	6	6
Other operating income (cost)	7	0	4	0	0	0
EBITDA	119	122	93	64	79	81
EBIT	116	122	83	54	71	73
Financial income (cost) net	-3	-11	-13	0	1	1
Pre-tax profit	114	111	70	54	72	74
Income tax	-18	-21	-14	-10	-14	-14
Net profit	96	90	56	44	58	60

BALANCE SHEET (PLN m)	2021	2022	2023E	2024E	2025E	2026E
Non-current assets	264	400	373	371	371	372
Intangible assets	0	0	0	0	0	0
PP&E	51	63	63	56	50	45
Long-term financial assets	81	215	216	216	216	216
Other non-current assets	133	122	94	99	105	111
Current assets	1,285	978	1,014	1,024	1,038	1,043
Inventories	1,008	768	793	805	829	856
Trade receivables	48	37	23	29	31	31
Cash and equivalents	218	168	178	170	158	135
Other current assets	11	4	20	20	20	20
Total assets	1,550	1,377	1,388	1,395	1,409	1,415
Equity	613	655	711	727	763	795
Minorities	0	0	0	0	0	0
Non-current liabilities	296	412	453	433	414	394
Loans and leasing	272	383	417	398	378	358
Other non-current liabilities	24	28	36	36	36	36
Current liabilities	641	311	224	234	232	227
Trade payables	58	46	28	35	38	38
Loans and leasing	95	31	38	38	32	25
Other current liabilities	488	233	157	160	163	164
Equity & liabilities	1,550	1,377	1,388	1,395	1,409	1,415
Cash conversion cycle (days)	913	465	781	633	613	633
Gross debt (PLN m)	367	415	455	436	409	383
Net debt (PLN m)	149	246	277	266	251	248

CASH FLOW (PLN m)	2021	2022	2023E	2024E	2025E	2026E
Operating cash flow	67	85	8	41	38	34
Profit Before Tax	114	111	70	54	72	74
D&A	3	1	10	9	9	8
Change in WC	12	12	-85	-8	-21	-26
Other	-62	-39	13	-15	-21	-22
Investment cash flow	13	-50	-14	-2	-2	-2
CAPEX (incl. inv.in properties)	-75	-53	-4	-2	-2	-2
Other	87	3	-10	0	0	0
Financial cash flow	-52	-84	16	-47	-48	-55
Change in equity	0	1	2	3	4	5
Change in debt	5	-9	54	-19	-26	-26
Dividend	-40	-47	0	-28	-22	-29
Other	-17	-29	-40	-3	-3	-4
Change in cash	27	-50	10	-9	-12	-23
Cash as of eop	218	168	178	170	158	135

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

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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	8.8	6.25%	50%	15.6	70.3
Wroclaw II	18.0	3.8	93%	0.8	3.4	6.60%	68%	7.9	35.5
Poznan	61.0	3.8	93%	2.6	11.7	6.75%	45%	17.3	77.9
Total	120.0	4.0	93%	5.3	23.9	6.54%	50%	40.8	183.7
Planned projects									143.0
Total value per share									326.7 <i>7.84</i>

Source: Company, IPOPEMA Research; *MV adjusted of MVP's share in the project; **book value of investment as of end-3Q23

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 2023E. In our model, we assume that starting from 2024E, the group will return to regular payments with a dividend payout ratio of 50%.

Figure 5. Marvipol Development – DDM valuation (PLNm)

DDM	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
DPS (PLN ps)	0.67	0.53	0.70	0.72	0.73	0.73	0.74	0.75	0.76	0.77	1.31
Cost of equity	11.0%	11.1%	11.2%	11.4%	11.4%	11.7%	11.7%	11.7%	11.7%	11.7%	
Discount multiple	90%	81%	72%	65%	58%	51%	46%	41%	37%	33%	
Discounted DPS (PLN ps)	0.60	0.43	0.50	0.47	0.42	0.37	0.34	0.31	0.28	0.25	
Sum of discounted DPS (PLN ps)											3.98
Terminal growth											1.0%
Discounted value of terminal DPS (PLN ps)											4.08
Fair Value (PLN ps)											8.06

Source: Company, IPOPEMA Research

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 2023E-25E, the company currently trades at a P/E multiple of 5.3/6.8/5.2x. In the case of the P/BV multiple, the average discount to its peers is close to 70%.

Figure 6. Marvipol Development – peer comparison

Company	mCap (PLNm)	P/E (x)			P/BV (x)		
		2023E	2024E	2025E	2023E	2024E	2025E
Dom Development	4,045	9.6	9.3	8.7	3.0	2.7	2.4
Atal	2,662	8.4	9.3	7.9	1.5	1.5	1.4
Develia	2,229	7.8	7.9	7.0	1.5	1.4	1.3
Lokum Deweloper	418	4.9	10.5	8.0	0.9	0.9	0.8
Median		8.1	9.3	7.9	1.5	1.4	1.4
Marvipol Development	300	5.3	6.8	5.2	0.4	0.4	0.4
Premium/discount (%)		-34%	-27%	-35%	-72%	-71%	-71%
Implied FV/share (PLN)		10.94	9.85	11.07	25.60	25.21	24.87
Average implied FV/share (PLN)		17.92					

Source: Bloomberg, IPOPEMA Research

Financial forecasts

4Q23E & 2023E: The developer has already informed that it expects the number of deliveries to decrease in 4Q23E, given project schedules. Thus, we forecast that Marvipol Development will handover only 9 units, vs. 296 flats in 4Q22. We assume that revenues will reach PLN 7.7m, concurrently with a gross margin of 18.2%. We estimate that EBIT will arrive at PLN -3.8m and a net loss will come in at PLN 13.4m (driven by a negative impact of foreign exchange differences, PLN -11m in 4Q23E).

In full-year terms, we assume that the developer will deliver 427 apartments (-53% y/y), with the average dwelling price of PLN 849k (+31% y/y, due to price hikes and a more favourable mix). In our base-case scenario, revenues will arrive at PLN 362.8m (-38% y/y), the gross margin would increase to an extra-ordinary 30.7% (+6.4pp. y/y) and net profit would deteriorate to PLN 56.3m (vs. PLN 89.9m in 2022). Concurrently, pre-sale volumes may grow by 209% y/y to 640 apartments, driven by a demand recovery and new commencements.

2024E perspectives: According to the latest investor presentation, the company will end the construction of only 3 projects in 2024E, including In Place I (3Q24E), Motława Gaden (2Q24E) and Gardenia Lagom (3Q24E). Moreover, we predict that the gross margin and the average dwelling price will deteriorate significantly in y/y terms (to 20.0% and PLN 782k, respectively). Hence, we forecast that the group will report revenues of PLN 454.1m, EBIT of PLN 54.5m and a net profit of PLN 44.1m (+25%/-34%/-22% y/y, respectively; we note that we upgraded our net profit assumptions by 26% in comparison with the previous recommendation, due to more favorable mix and higher gross margin). We note that we do not include the effect of divestments in the logistics division, but the group intends to dispose of its logistics projects. From the positives, we firmly believe that the company will continue its recovery in number of pre-sold flats, as we arrive at 653 units in 2024E.

2025E outlook and dividend policy: Given the ongoing pre-sales recovery and project pipeline, we suppose that the developer will present a solid rebound in financial results in 2025E. We estimate that the net profit will reach PLN 58.1m. In the long-term perspective, we assume that Marvipol Development will be able to pre-sell and to deliver 600-700 dwellings per year, with margin of 22-23% in the following years, vs. the historical average of 23.7%. Moreover, we anticipate that the group will return to recurrent dividend payments already in 2024E (DPR of 50%).

Figure 7. Marvipol Development - results' estimates in 2023E-2032E (PLNm)

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	431	394	589	363	454	483	483	511	526	536	545	554	562	569
Gross profit	106	112	143	112	91	108	111	113	115	117	119	120	122	123
EBITDA	93	120	122	93	64	79	81	81	81	81	82	82	83	83
EBIT	90	116	122	83	54	71	73	74	74	75	76	77	78	79
EBT	100	114	111	70	54	72	74	75	75	76	77	78	79	80
Net profit	80	96	90	56	44	58	60	61	61	62	63	64	64	65
Gross margin	24.5%	28.4%	24.3%	30.7%	20.0%	22.4%	23.1%	22.2%	21.9%	21.9%	21.8%	21.8%	21.7%	21.7%
EBITDA margin	21.5%	30.4%	20.8%	25.5%	14.0%	16.5%	16.8%	15.8%	15.3%	15.1%	15.0%	14.8%	14.7%	14.6%
EBIT margin	20.8%	29.6%	20.7%	22.9%	12.0%	14.7%	15.2%	14.5%	14.1%	14.1%	14.0%	14.0%	13.9%	13.9%
Net margin	18.6%	24.3%	15.3%	15.5%	9.7%	12.0%	12.5%	11.9%	11.6%	11.6%	11.5%	11.5%	11.4%	11.4%
Pre-sales (units)	1,086	376	207	640	653	664	669	672	681	689	696	701	706	711
Deliveries (units)	791	554	910	427	581	693	645	658	670	676	682	687	691	695
Avg. price (PLNk)	545	711	647	849	782	697	748	777	784	792	799	806	812	819
DPS (PLN)	0.2	0.9	1.1	0.0	0.7	0.5	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
DY (%)	2.4%	13.2%	15.8%	0.0%	9.4%	7.3%	9.7%	10.1%	10.1%	10.2%	10.3%	10.5%	10.6%	10.7%
Net debt (PLNm)	157	129	239	272	261	246	243	239	230	220	210	200	188	177
ND/BV (x)	0.3	0.2	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
ROE (%)	14%	16%	14%	8%	6%	8%	8%	7%	7%	7%	7%	7%	7%	6%

Source: Company, IPOPEMA Research

Figure 8. Marvipol Development – gross and net margins (%)

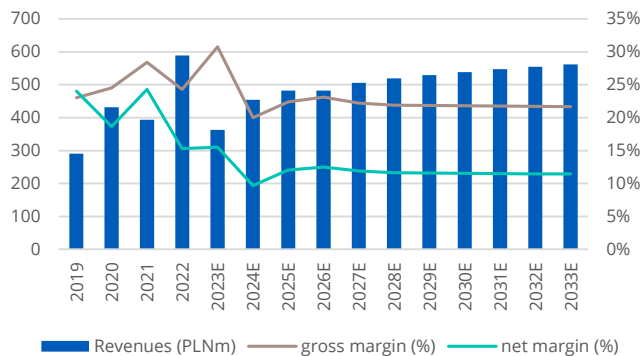
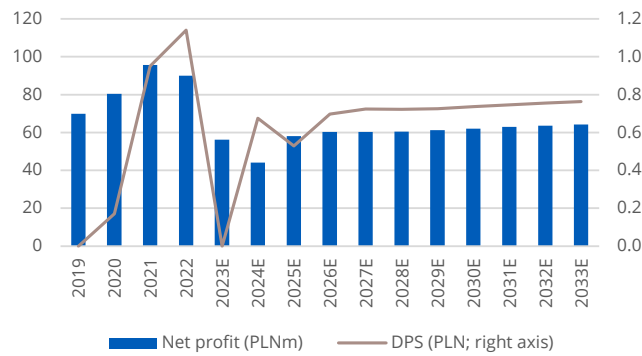


Figure 9. Marvipol Development – DPS (PLN) and net profit (PLNm)



Source: Company, IPOPEMA Research

Figure 10. Marvipol Development - deliveries (units) and revenues (PLNm)

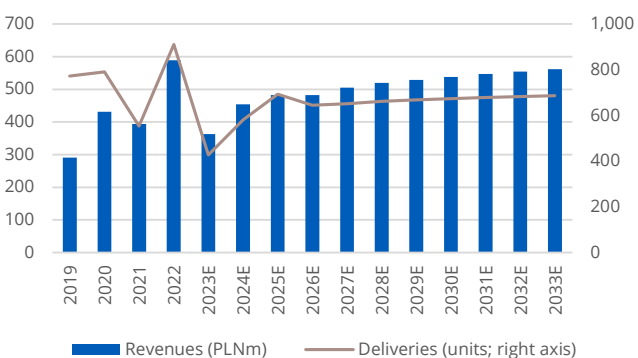
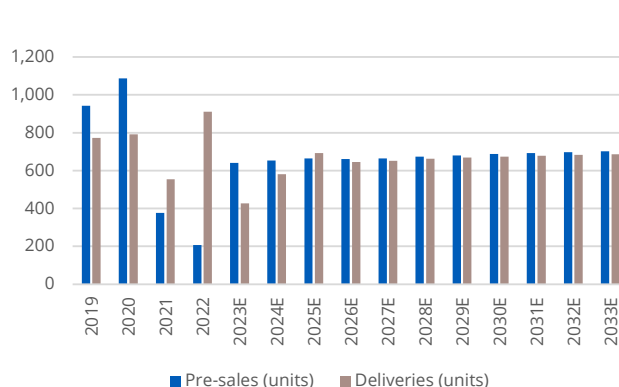


Figure 11. Marvipol Development – pre-sales and deliveries (units)



Source: Company, IPOPEMA Research

Figure 12. Marvipol Development – avg.dwelling price (PLNk)

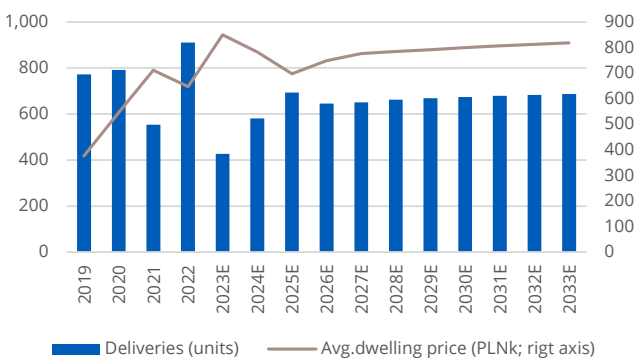
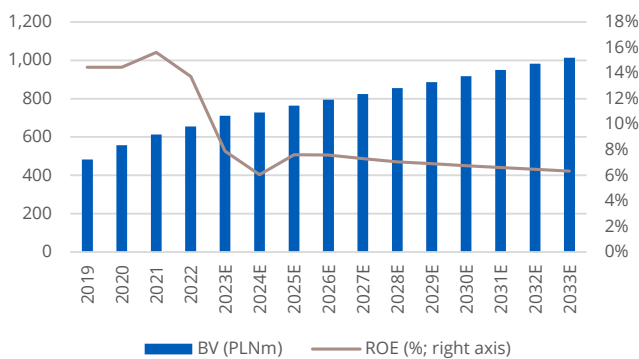


Figure 13. Marvipol Development - ROE (%)



Source: Company, IPOPEMA Research

Figure 14. Marvipol Development – change in estimates in 2023E-2025E (PLNm)

	2023E			2024E			2025E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenues	363	394	-8%	454	428	6%	483	469	3%
EBITDA	93	103	-10%	64	51	25%	79	78	2%
EBIT	83	94	-12%	54	42	30%	71	69	3%
Net profit	56	67	-16%	44	35	26%	58	57	2%
EBITDA margin	25.5%	26.1%		14.0%	11.9%		16.5%	16.6%	
EBIT margin	22.9%	23.9%		12.0%	9.8%		14.7%	14.7%	
net margin	15.5%	17.0%		9.7%	8.2%		12.0%	12.2%	

Source: Company, IPOPEMA Research

3Q23 results summary

The company posted its 3Q23 results on 24th November. Below are our key takeaways.

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.

Figure 15. Marvipol Development – 3Q23 results summary (PLNm)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	Y/Y	Q/Q	IPO	diff.
Revenues	50.7	24.6	188.6	129.8	121.6	205.1	85.3	176.6	70.8	197.2	87.0	2%	-56%	75.2	16%
Gross profit	12.7	7.4	48.5	43.2	29.5	41.7	21.3	50.4	14.0	63.8	32.3	52%	-49%	28.2	15%
Profit on sales	4.6	-1.6	38.7	28.9	20.4	29.9	11.6	37.2	6.6	53.9	22.4	93%	-58%	18.0	25%
EBITDA	8.5	27.7	41.4	41.8	33.7	36.5	20.5	31.7	9.3	59.9	24.7	20%	-59%	19.1	29%
EBIT	7.8	26.9	40.6	41.1	32.9	34.4	18.3	36.1	7.0	57.5	22.3	22%	-61%	16.7	33%
EBT	8.5	23.4	40.4	41.5	34.5	27.8	22.7	25.9	6.5	49.7	30.8	36%	-38%	22.9	34%
Net profit	8.1	21.0	33.2	33.3	29.1	24.9	18.9	17.0	5.7	39.6	24.3	29%	-39%	18.6	31%
Gross margin	25.0%	30.2%	25.7%	33.3%	24.3%	20.3%	25.0%	28.5%	19.8%	32.3%	37.2%			37.5%	
EBITDA margin	16.8%	112.8%	21.9%	32.2%	27.7%	17.8%	24.1%	17.9%	13.2%	30.4%	28.4%			25.4%	
EBIT margin	15.4%	109.4%	21.5%	31.7%	27.0%	16.8%	21.4%	20.4%	9.9%	29.2%	25.6%			22.3%	
Net margin	16.0%	85.4%	17.6%	25.7%	23.9%	12.1%	22.2%	9.6%	8.0%	20.1%	28.0%			24.7%	
Pre-sales (units)	83	73	89	131	67	41	44	55	107	141	213	384%	51%	213	0%
Deliveries (units)	65	23	265	201	224	317	73	296	103	278	37	-49%	-87%	37	0%
Avg.price (PLNk)	780	1,070	712	646	543	647	1,168	597	688	709	2,351	101%	231%	2,032	16%
CFO	119.7	22.2	-75.6	0.7	34.4	-8.3	71.4	-13.0	-3.6	41.3	13.3				
CFI	0.7	-0.1	-44.3	56.3	-49.8	3.2	-10.0	6.4	-1.8	-3.7	-8.4				
CFF	-85.0	17.9	6.5	8.4	67.3	-73.9	-44.8	-32.9	-10.0	-0.9	40.1				
Net debt	44.0	67.7	175.3	129.1	163.2	281.0	220.6	239.1	256.8	206.8	215.4				
Net debt / EBITDA	0.5	0.6	1.4	1.1	1.1	1.8	1.7	2.0	2.6	1.7	1.7				
Net debt / BV	0.1	0.1	0.3	0.2	0.3	0.5	0.3	0.4	0.4	0.3	0.3				

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 2021-22, Marvipol Development pre-sold 376 and 207 apartments, respectively, due to a limited offer and the above-mentioned deterioration in demand. Hence, we predict that the developer will deliver 442 flats in 2023E, 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 June present an increase in y/y terms for the first time since Dec21.
- **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 2023E 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 23% (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-2Q23, the group has invested > PLN 200m 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.

Key financial data

Figure 16. Marvopol Development – financial data 2019-2033E

P&L (PLN m)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	291	431	394	589	363	454	483	483	511	526	536	545	554	562	569
COGS	-224	-326	-282	-446	-251	-363	-375	-371	-397	-411	-419	-426	-433	-440	-446
Gross profit	67	106	112	143	112	91	108	111	113	115	117	119	120	122	123
SG&A	-43	-47	-41	-44	-34	-41	-43	-44	-46	-47	-48	-49	-49	-50	-51
Profit on sales	24	59	71	99	78	50	65	67	68	68	69	70	71	72	72
Profit from JV	64	30	39	22	1	5	6	6	7	7	7	7	7	7	7
Other operating income (cost)	2	1	7	0	4	0	0	0	-1	-1	-1	-1	-1	-1	-1
EBITDA	94	93	119	122	93	64	79	81	81	81	81	82	82	83	83
EBIT	91	90	116	122	83	54	71	73	74	74	75	76	77	78	79
Financial income (cost) net	-1	10	-3	-11	-13	0	1	1	1	1	1	1	1	1	1
Pre-tax profit	90	100	114	111	70	54	72	74	75	75	76	77	78	79	80
Income tax	-20	-19	-18	-21	-14	-10	-14	-14	-14	-14	-15	-15	-15	-15	-15
Net profit	70	80	96	90	56	44	58	60	61	61	62	63	64	64	65

BALANCE SHEET (PLN m)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Non-current assets	262	216	264	400	373	371	371	372	375	378	382	386	391	396	401
Intangible assets	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PP&E	32	31	51	63	63	56	50	45	41	37	34	32	30	28	27
Long-term financial assets	146	120	81	215	216	216	216	216	216	216	216	216	216	216	216
Other non-current assets	84	66	133	122	94	99	105	111	118	125	131	138	145	152	159
Current assets	1,012	1,098	1,285	978	1,014	1,024	1,038	1,043	1,047	1,052	1,056	1,066	1,075	1,084	1,093
Inventories	724	854	1,008	768	793	805	829	856	882	903	923	942	961	978	995
Trade receivables	46	53	48	37	23	29	31	31	32	33	34	35	35	36	36
Cash and equivalents	176	191	218	168	178	170	158	135	112	95	78	68	59	50	42
Other current assets	66	0	11	4	20	20	20	20	20	20	20	20	20	20	20
Total assets	1,275	1,314	1,550	1,377	1,388	1,395	1,409	1,415	1,422	1,430	1,437	1,451	1,466	1,480	1,495
Equity	483	557	613	655	711	727	763	795	825	856	887	919	951	984	1,016
Minorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Non-current liabilities	326	259	296	412	453	433	414	394	374	354	334	314	294	274	255
Loans and leasing	294	233	272	383	417	398	378	358	338	318	298	278	258	239	219
Other non-current liabilities	32	26	24	28	36	36	36	36	36	36	36	36	36	36	36
Current liabilities	465	498	641	311	224	234	232	227	223	220	216	218	220	222	224
Trade payables	51	53	58	46	28	35	38	38	40	41	42	43	43	44	44
Loans and leasing	147	143	95	31	38	38	32	25	18	12	5	5	5	5	5
Other current liabilities	267	302	488	233	157	160	163	164	165	167	169	170	172	173	174
Equity & liabilities	1,275	1,314	1,550	1,377	1,388	1,395	1,409	1,415	1,422	1,430	1,437	1,451	1,466	1,480	1,495
Gross debt (PLN m)	441	376	367	415	455	436	409	383	356	330	303	284	264	244	224
Net debt (PLN m)	265	185	149	246	277	266	251	248	245	235	225	215	205	193	182

CASH FLOW (PLN m)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating cash flow	-27	-49	67	85	8	41	38	34	35	41	42	43	43	45	45
Profit Before Tax	90	100	114	111	70	54	72	74	75	75	76	77	78	79	80
D&A	3	3	3	1	10	9	9	8	7	6	6	5	5	5	4
Change in WC	-45	-93	12	12	-85	-8	-21	-26	-25	-18	-18	-17	-17	-16	-16
Other	-75	-58	-62	-39	13	-15	-21	-22	-22	-22	-22	-22	-23	-23	-24
Investment cash flow	45	124	13	-50	-14	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3
CAPEX (incl. inv.in properties)	-91	-25	-75	-53	-4	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3
Other	136	149	87	3	-10	0	0	0	0	0	0	0	0	0	0
Financial cash flow	5	-60	-52	-84	16	-47	-48	-55	-56	-56	-56	-50	-50	-50	-51
Change in equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Change in debt	26	-35	5	-9	54	-19	-26	-26	-26	-26	-26	-20	-20	-20	-20
Dividend	0	-7	-40	-47	0	-28	-22	-29	-30	-30	-30	-31	-31	-32	-32
Other	-22	-18	-17	-28	-38	0	1	1	1	1	1	1	1	1	0
Change in cash	23	15	27	-50	10	-9	-12	-23	-23	-17	-17	-10	-10	-8	-9
Cash as of eop	176	191	218	168	178	170	158	135	112	95	78	68	59	50	42

Source: Company, IPOPEMA Research

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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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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