

# Marvipol Development

## Rebound in results on track

We reiterate a BUY recommendation on Marvipol Development, even though we decided to cut our FV per share from PLN 10.09 to PLN 9.30 (due to lower than previously expected volumes and more cautious attitude towards price changes). We point to expected results recovery in 2H24E, driven by start of deliveries in the In Place I and Gardenia Lagom projects (we forecast PLN 44m net profit in 2H24E, vs. PLN 10m in 2H23). In 2025E, we expect a rebound in pre-sales (+11% y/y), deliveries (+8% y/y; we highlight that the group has 941 pre-sold, but non-delivered dwellings as of now, +166% y/y) and financial results (we predict 2025E net profit to grow nearly 19% y/y to PLN 47m). Moreover, we point to stable logistics segment and possible divestments (the developer informed that it had inked a preliminary agreement regarding disposal of the project located in Warsaw), which in turn would support, already, strong cash position. Last but not least, we note that Marvipol trades with a discount vs. Polish peers on both, P/E (7.5x in 2024E and 6.3x in 2025E, discount of 8% and 15%, respectively) and P/BV (2024E-25E P/BV of 0.4x, ca. 67% discount to the peer median) multiples.

**Positive outlook on 2H24E results.** After poor 3Q23-2Q24 (due to lack of ended projects), we expect a solid rebound in 2H24E as the group will start deliveries in the In Place I and Gardenia Lagom projects. We anticipate that MVP will reach a net profit of PLN 44m in 2H24E, in comparison with ca. PLN 10m reported in 2H23.

**2025E looks encouraging.** We are more positive on 2025E perspectives. First of all, we believe that pre-sale will recover, driven by anticipated interest rate cuts, and will arrive at 535 units in 2025E (+11% y/y). Moreover, we forecast that the deliveries will increase by 8% y/y to 631 dwellings (we predict higher margins than in projects handed over in 2024E). Thus, we assume that 2025E net profit will come in at PLN 47m (vs. PLN 39m in 2024E).

**Possible divestments in logistics segment as a potential cash booster.** The developer has two existing logistics projects (with an estimated market value of PLN 142.3m) and three other in preparation in its portfolio, which are expected to be sold. As of now, the group inked a preliminary 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 0.2x as of end-2Q24) and dividend policy (we assume regular payments with a DPR of 50%).

Figure 1. Marvipol Development – Financial summary (PLNm)

	2021	2022	2023	2024E	2025E	2026E
Revenues	394	589	378	495	496	457
EBITDA	119	122	91	64	70	59
EBIT	116	122	81	54	61	50
Net profit	96	90	55	39	47	40
P/E (x)	3.1	3.3	5.3	7.5	6.3	7.3
P/BV (x)	0.5	0.4	0.4	0.4	0.4	0.4
ROE (%)	16%	14%	8%	6%	6%	5%
DPS (PLN)	0.95	1.14	0.00	1.06	0.47	0.56
Div.yield (%)	13.5%	16.1%	0.0%	15.0%	6.7%	8.0%

Source: Company, IPOPEMA Research

Real Estate

## Marvipol Development BUY

FV PLN 9.30 from PLN 10.09

31.7% upside

Price as of 28 August 2024 PLN 7.06

Recommendation maintained



### Share data

Number of shares (m)	41.7
Market cap (EUR m)	68.5
12M avg daily volume (k)	21.6
12M avg daily turnover (EUR m)	0.04
12M high/low (PLN)	9.94/6.52
WIG weight	0.02%
Reuters	MVP.WA
Bloomberg	MVP.PW

### Total performance

1M	+2.3%
3M	-13.5%
12M	-2.0%

### Shareholders

Książek Holding	66.05%
Mariusz Książek	4.99%
Other	28.96%

### Analyst

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**MARVIPOL DEVELOPMENT****BUY****FV PLN 9.30**

Mkt Cap EUR 69m

Upside +31.7%

Valuation multiples	2022	2023	2024E	2025E	2026E
P/E (x)	3.3	5.3	7.5	6.3	7.3
EV/EBITDA (x)	4.4	5.2	7.9	6.8	7.8
EV/Sales (x)	0.9	1.2	1.0	1.0	1.0
P/BV (x)	0.4	0.4	0.4	0.4	0.4
FCF yield (%)	12%	32%	15%	19%	16%
DY (%)	16%	0%	15%	7%	8%

Per share	2022	2023	2024E	2025E	2026E
No. of shares (m units)	41.7	41.7	41.7	41.7	41.7
EPS (PLN)	2.2	1.3	0.9	1.1	1.0
BVPS (PLN)	15.7	17.1	16.9	17.6	18.0
FCFPS (PLN)	0.8	2.3	1.0	1.3	1.1
DPS (PLN)	1.14	0.00	1.06	0.47	0.56

Change y/y (%)	2022	2023	2024E	2025E	2026E
Revenues	49.5%	-35.9%	31.1%	0.3%	-7.9%
Gross profit	27.8%	-17.1%	-17.8%	12.8%	-9.9%
EBITDA	2.4%	-25.9%	-29.5%	10.0%	-15.8%
EBIT	4.4%	-33.4%	-33.8%	13.3%	-17.4%
Net profit	-6.0%	-38.5%	-28.7%	19.4%	-14.5%

Leverage and return	2022	2023	2024E	2025E	2026E
Gross margin (%)	24.3%	31.4%	19.7%	22.2%	21.7%
EBITDA margin (%)	20.8%	24.0%	12.9%	14.2%	13.0%
EBIT margin (%)	20.7%	21.5%	10.8%	12.3%	11.0%
Net margin (%)	15.3%	14.6%	8.0%	9.5%	8.8%
Net debt / EBITDA (x)	2.0	1.9	3.3	2.7	2.9
Net debt / Equity (x)	0.4	0.2	0.3	0.3	0.2
Net debt / Assets (x)	0.2	0.1	0.1	0.1	0.1
ROE (%)	13.7%	7.8%	5.6%	6.4%	5.4%
ROA (%)	6.5%	3.8%	2.4%	2.9%	2.4%
ROIC (%)	10.6%	7.1%	4.4%	5.2%	4.3%

Operational data	2022	2023	2024E	2025E	2026E
Rev. - residential (PLN)	<b>482</b>	<b>328</b>	<b>444</b>	<b>456</b>	<b>417</b>
change y/y	34%	-32%	35%	3%	-9%
Pre-sales (units)	<b>207</b>	<b>661</b>	<b>483</b>	<b>535</b>	<b>591</b>
change y/y	-45%	219%	-27%	11%	10%
Deliveries (units)	<b>910</b>	<b>423</b>	<b>582</b>	<b>631</b>	<b>591</b>
change y/y	64%	-54%	38%	8%	-6%
Avg value (PLNk)*	<b>529</b>	<b>776</b>	<b>762</b>	<b>723</b>	<b>705</b>
change y/y	-19%	47%	-2%	-5%	-3%

P&L (PLN m)	2021	2022	2023	2024E	2025E	2026E
Revenues	394	589	378	495	496	457
COGS	-282	-446	-259	-397	-386	-358
<b>Gross profit</b>	<b>112</b>	<b>143</b>	<b>118</b>	<b>97</b>	<b>110</b>	<b>99</b>
SG&A	-41	-44	-38	-47	-52	-53
<b>Profit on sales</b>	<b>71</b>	<b>99</b>	<b>80</b>	<b>51</b>	<b>58</b>	<b>46</b>
Profit from JV	39	22	-4	2	3	5
Other operating income (cost)	7	0	5	1	0	0
<b>EBITDA</b>	<b>119</b>	<b>122</b>	<b>91</b>	<b>64</b>	<b>70</b>	<b>59</b>
<b>EBIT</b>	<b>116</b>	<b>122</b>	<b>81</b>	<b>54</b>	<b>61</b>	<b>50</b>
Financial income (cost) net	-3	-11	-12	-4	-3	-1
<b>Pre-tax profit</b>	<b>114</b>	<b>111</b>	<b>69</b>	<b>50</b>	<b>58</b>	<b>50</b>
Income tax	-18	-21	-13	-11	-11	-9
<b>Net profit</b>	<b>96</b>	<b>90</b>	<b>55</b>	<b>39</b>	<b>47</b>	<b>40</b>

BALANCE SHEET (PLN m)	2021	2022	2023	2024E	2025E	2026E
<b>Non-current assets</b>	<b>264</b>	<b>400</b>	<b>339</b>	<b>350</b>	<b>346</b>	<b>344</b>
Intangible assets	0	0	0	0	0	0
PP&E	51	63	66	64	57	50
Long-term financial assets	81	215	182	187	187	187
Other non-current assets	133	122	91	98	102	107
<b>Current assets</b>	<b>1,285</b>	<b>978</b>	<b>1,122</b>	<b>1,299</b>	<b>1,301</b>	<b>1,322</b>
Inventories	1,008	768	812	925	964	1,003
Trade receivables	48	37	21	34	34	31
Cash and equivalents	218	168	287	318	281	266
Other current assets	11	4	3	22	22	22
<b>Total assets</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,649</b>	<b>1,647</b>	<b>1,667</b>
<b>Equity</b>	<b>613</b>	<b>655</b>	<b>710</b>	<b>706</b>	<b>733</b>	<b>750</b>
Minorities	0	0	0	0	0	0
<b>Non-current liabilities</b>	<b>296</b>	<b>412</b>	<b>366</b>	<b>500</b>	<b>448</b>	<b>421</b>
Loans and leasing	272	383	334	464	413	385
Other non-current liabilities	24	28	32	35	35	35
<b>Current liabilities</b>	<b>641</b>	<b>311</b>	<b>385</b>	<b>443</b>	<b>466</b>	<b>496</b>
Trade payables	58	46	39	52	52	48
Loans and leasing	95	31	128	67	55	52
Other current liabilities	488	233	217	324	359	397
<b>Equity &amp; liabilities</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,649</b>	<b>1,647</b>	<b>1,667</b>
Cash conversion cycle (days)	913	465	757	660	687	778
Gross debt (PLN m)	367	415	462	532	468	437
<b>Net debt (PLN m)</b>	<b>149</b>	<b>246</b>	<b>175</b>	<b>214</b>	<b>187</b>	<b>171</b>

CASH FLOW (PLN m)	2021	2022	2023	2024E	2025E	2026E
<b>Operating cash flow</b>	<b>67</b>	<b>85</b>	<b>64</b>	<b>64</b>	<b>58</b>	<b>50</b>
Profit Before Tax	114	111	69	50	58	50
D&A	3	1	10	10	10	9
Change in WC	12	12	-26	13	-4	-2
Other	-62	-39	12	-10	-6	-7
<b>Investment cash flow</b>	<b>13</b>	<b>-50</b>	<b>30</b>	<b>-20</b>	<b>-2</b>	<b>-2</b>
CAPEX (incl. inv.in properties)	-75	-53	-5	-4	-2	-2
Other	87	3	35	-17	0	0
<b>Financial cash flow</b>	<b>-52</b>	<b>-84</b>	<b>24</b>	<b>-12</b>	<b>-92</b>	<b>-62</b>
Change in equity	0	1	2	3	4	5
Change in debt	5	-9	59	59	-64	-31
Dividend	-40	-47	0	-44	-20	-24
Other	-17	-29	-37	-29	-13	-13
<b>Change in cash</b>	<b>27</b>	<b>-50</b>	<b>118</b>	<b>31</b>	<b>-37</b>	<b>-15</b>
<b>Cash as of eop</b>	<b>218</b>	<b>168</b>	<b>287</b>	<b>318</b>	<b>281</b>	<b>266</b>

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%	10.11	43.2%
Residential segment (DCF method, EV of the segment)		8.43	
Logistics (market value of existing and planned projects)		6.83	
Net debt as of end-2023		-4.09	
Dividend paid in 2024E (ytd terms)		-1.06	
DDM valuation (PLN ps)	20%	6.04	-14.4%
Peer valuation (PLN ps)	0%	14.67	107.8%
<b>Fair value (PLN ps)</b>		<b>9.30</b>	<b>31.7%</b>

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 based on 10Y governmental bonds 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	495	496	457	475	476	490	504	517	531	544	549
<b>EBIT</b>	<b>52</b>	<b>57</b>	<b>45</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>48</b>	<b>48</b>	<b>49</b>	<b>49</b>	<b>49</b>
Tax on EBIT	-11	-11	-9	-9	-9	-9	-9	-9	-9	-9	-9
NOPLAT	41	47	37	38	38	38	39	39	39	40	40
Depreciation	10	10	9	8	7	6	6	5	5	4	4
Capital expenditures	-4	-2	-2	-2	-2	-2	-3	-3	-3	-3	-4
Change in working capital	13	-4	-2	-6	-18	-18	-18	-19	-17	-18	-8
<b>Free cash flow</b>	<b>60</b>	<b>49</b>	<b>41</b>	<b>38</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>33</b>
Risk-free rate	5.3%	5.5%	5.6%	5.7%	5.8%	5.8%	6.1%	6.1%	6.1%	6.1%	6.1%
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%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	10.8%	11.0%	11.1%	11.2%	11.3%	11.3%	11.6%	11.6%	11.6%	11.6%	11.6%
Cost of debt (pre-tax)	9.8%	10.0%	10.1%	10.2%	10.3%	10.3%	10.6%	10.6%	10.6%	10.6%	10.6%
Effective tax rate	21.5%	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	7.7%	8.1%	8.2%	8.2%	8.3%	8.4%	8.6%	8.6%	8.6%	8.6%	8.6%
Weight of debt	32.0%	28.1%	25.9%	24.0%	22.2%	20.4%	18.6%	16.9%	15.1%	13.3%	13.3%
Weight of equity	68.0%	71.9%	74.1%	76.0%	77.8%	79.6%	81.4%	83.1%	84.9%	86.7%	86.7%
<b>WACC</b>	<b>9.8%</b>	<b>10.2%</b>	<b>10.3%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>10.7%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.2%</b>	<b>11.2%</b>	<b>11.2%</b>
Discount factor	97%	88%	79%	72%	64%	58%	51%	46%	41%	37%	
PV of FCF	58	43	33	28	16	14	12	11	10	9	
Sum of FCF PV's	233										
FCF terminal growth rate	1.0%										
Terminal value	319										
PV of terminal value	118										
<b>Enterprise value</b>	<b>351</b>										
<b>EV per share (PLN)</b>	<b>8.43</b>										
<b>DCF sensitivity (PLN)</b>											
<b>Terminal growth</b>							<b>9.2%</b>	<b>10.2%</b>	<b>11.2%</b>	<b>12.2%</b>	<b>13.2%</b>
<b>0.0%</b>							8.74	8.43	8.18	7.96	7.78
<b>1.0%</b>							9.12	8.74	<b>8.43</b>	8.18	7.96
<b>2.0%</b>							9.61	9.12	8.74	8.43	8.18

Source: Company, IPOPEMA Research

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	8.4	6.25%	50%	15.6	67.0
Poznan	61.0	3.8	93%	2.6	11.1	6.75%	45%	17.3	74.3
<b>Total</b>	<b>102.0</b>	<b>4.0</b>	<b>93%</b>	<b>4.6</b>	<b>19.5</b>	<b>6.53%</b>	<b>47%</b>	<b>32.9</b>	<b>141.3</b>
<b>Planned projects**</b>									<b>143.0</b>
<b>Total value per share</b>									<b>284.3</b> <i>6.83</i>

Source: Company, IPOPEMA Research; \*MV adjusted of MVP's share in the project; \*\*book value of investment as of end-2Q24

## 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 management board proposed a payment of PLN 1.06ps. from 2023 earnings (already paid in 2Q24). 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)	1.06	0.47	0.56	0.48	0.51	0.70	0.72	0.72	0.73	0.74	0.85
Cost of equity	10.8%	11.0%	11.1%	11.2%	11.3%	11.3%	11.6%	11.6%	11.6%	11.6%	11.6%
Discount multiple	97%	87%	78%	70%	63%	56%	50%	45%	40%	36%	
Discounted DPS (PLN ps)	0.00*	0.41	0.44	0.34	0.32	0.40	0.36	0.32	0.29	0.26	
Sum of discounted DPS (PLN ps)											3.14
Terminal growth											1.0%
Discounted value of terminal DPS (PLN ps)											2.90
<b>Fair Value (PLN ps)</b>											<b>6.04</b>

Source: Company, IPOPEMA Research; \*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 7.5/6.3/7.3x. In the case of the P/BV multiple, the average discount to its peers is close to 67%.

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	7.1	6.6	6.7	2.1	1.9	1.7
Atal	2,156	7.3	7.3	7.6	1.2	1.2	1.2
Develia	2,447	8.1	7.3	7.3	1.5	1.4	1.3
Archicom	1,626	24.8	11.7	4.7	1.3	1.2	1.0
Lokum Deweloper	418	13.4	12.9	11.8	0.8	0.8	0.7
<b>Median</b>		<b>8.1</b>	<b>7.3</b>	<b>7.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>
<b>Marvipol Development</b>	<b>294</b>	<b>7.5</b>	<b>6.3</b>	<b>7.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Premium/discount (%)		-8%	-15%	0%	-67%	-66%	-66%
Implied FV/share (PLN)		10.71	6.93	8.22	21.59	20.29	20.26
<b>Average implied FV/share (PLN)</b>		<b>14.67</b>					

Source: Bloomberg, IPOPEMA Research

## Financial forecasts

**2H24E and 2024E perspectives:** The demand on residential projects has slowed down in recent months and we do not expect any major changes in this trend in 2H24E, as the interest rates remain high and there is no governmental mortgage program. Thus, we presume that pre-sales in Marvipol will stabilize at approximately 110-120 units per quarter in 3-4Q24E. On the other hand, the group will increase its deliveries in yearly comparison, as it will end the construction of the In Place and Gardenia Lagom projects. As of now, we anticipate that MVP will hand over 405 units in 3Q24E (vs. 37 flats in 3Q23) and 145 dwellings in 4Q24E (vs. 5 units in 4Q23). All in all, we estimate that the company will report nearly PLN 44m in net profit in 2H24E (vs. PLN 10m in 2H23).

Given aforementioned forecasts, in full-year terms MVP will pre-sell 483 apartments and will deliver 582 dwellings. 2024E revenues will amount to PLN 495m, concurrently with gross margin of 19.7% (we note that 2023 profitability was a record-high) and a net profit of PLN 39m.

**2025E results and volumes likely to pick up:** In our model, we assume that 2025E pre-sale volumes will recover (+11% y/y), as we expect the interest rate cuts in 2H25E. Moreover, we predict that the developer will increase its deliveries to 631 dwellings (+8% y/y; driven by Conrada, Trio Park and In Place II projects), concurrently with higher gross margin (22.2%, + 2.5p.p. y/y; due to more favourable mix). Hence, we estimate that MVP will report 2025E net profit of PLN 47m (+19% y/y).

**Logistics market:** The investment volumes still have not recovered, but the market sentiment is likely to gradually improve in 2H24E and 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 has one preliminary agreement regarding disposal of a project located in Warsaw (we do not assume its impact on our forecasts).

Figure 7. Marvipol Development - results' estimates in 2024E-2032E (PLNm)

	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	431	394	589	378	495	496	457	475	476	490	504	517	531	544
Gross profit	106	112	143	118	97	110	99	103	103	105	107	109	111	113
EBITDA	93	120	122	91	64	70	59	60	59	59	59	59	59	59
EBIT	90	116	122	81	54	61	50	52	52	52	53	53	54	54
EBT	100	114	111	69	50	58	50	52	52	53	53	54	54	54
Net profit	80	96	90	55	39	47	40	42	42	43	43	43	44	44
Gross margin	24.5%	28.4%	24.3%	31.4%	19.7%	22.2%	21.7%	21.8%	21.6%	21.4%	21.3%	21.1%	20.9%	20.8%
EBITDA margin	21.5%	30.4%	20.8%	24.0%	12.9%	14.2%	13.0%	12.7%	12.3%	12.0%	11.6%	11.3%	11.1%	10.8%
EBIT margin	20.8%	29.6%	20.7%	21.5%	10.8%	12.3%	11.0%	11.0%	10.9%	10.7%	10.5%	10.3%	10.2%	10.0%
Net margin	18.6%	24.3%	15.3%	14.6%	8.0%	9.5%	8.8%	8.9%	8.8%	8.7%	8.5%	8.4%	8.2%	8.1%
Pre-sales (units)	1,086	376	207	661	483	535	591	608	623	635	648	659	670	681
Deliveries (units)	791	554	910	423	582	631	591	618	609	621	631	641	651	660
Avg. price (PLNk)	545	651	529	776	762	723	705	704	715	725	735	744	754	763
DPS (PLN)	0.17	0.95	1.14	0.00	1.06	0.47	0.56	0.48	0.51	0.70	0.72	0.72	0.73	0.74
DY (%)	2.4%	13.5%	16.1%	0.0%	15.0%	6.7%	8.0%	6.8%	7.2%	10.0%	10.1%	10.2%	10.3%	10.4%
Net debt (PLNm)	157	129	239	170	209	182	166	149	146	153	160	168	175	183
ND/BV (x)	0.3	0.2	0.4	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
ROE (%)	14%	16%	14%	8%	6%	6%	5%	5%	5%	5%	5%	5%	5%	5%

Source: Company, IPOPEMA Research

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

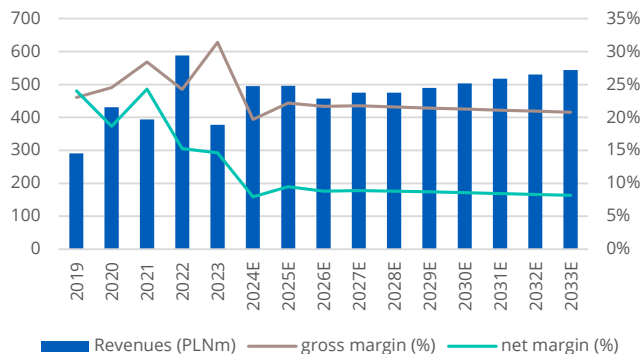
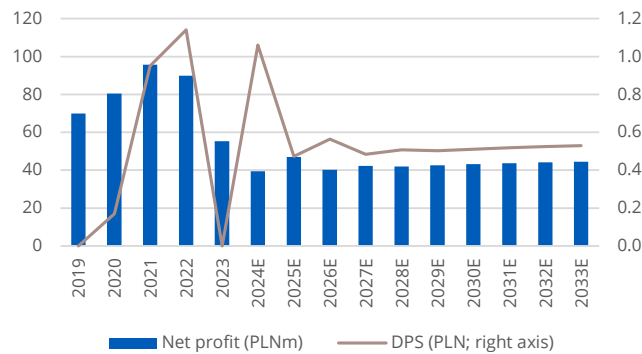


Figure 9. Marvipol Development – DPS (PLN) and net profit (PLNm)



Source: Company, IPOPEMA Research

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

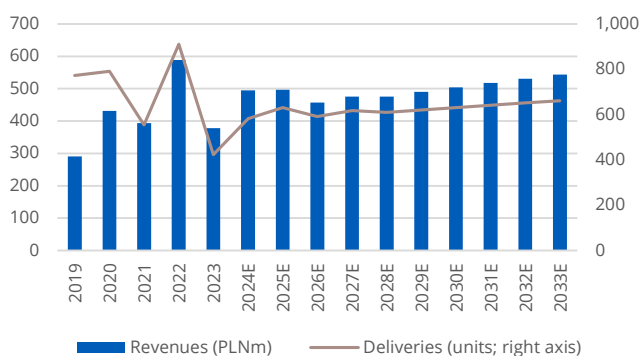
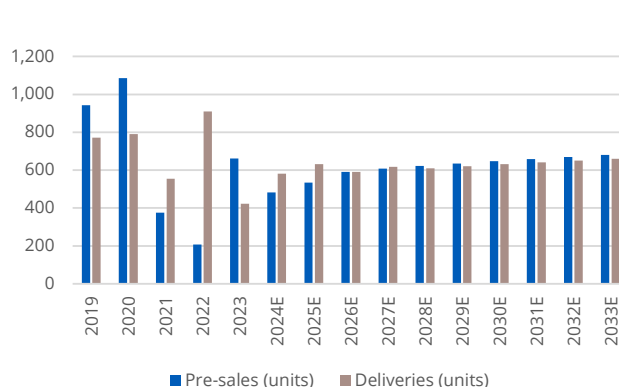


Figure 11. Marvipol Development – pre-sales and deliveries (units)



Source: Company, IPOPEMA Research

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

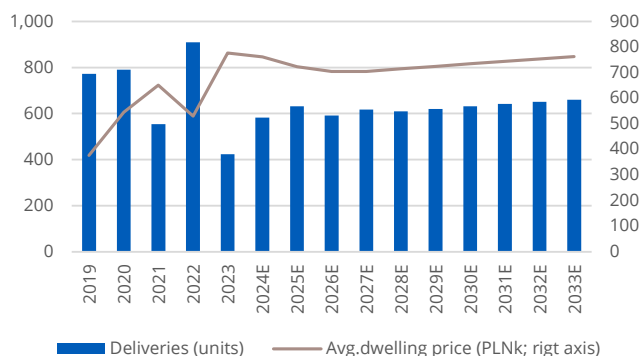
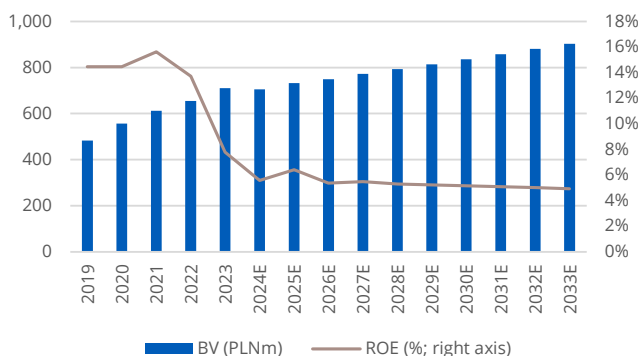


Figure 13. Marvipol Development - ROE (%)



Source: Company, IPOPEMA Research

Figure 14. Marvipol Development – change in estimates in 2024E-2026E (PLNm)

	2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenues	495	456	9%	496	475	4%	457	493	-7%
EBITDA	64	62	3%	70	74	-5%	59	80	-26%
EBIT	54	52	3%	61	65	-6%	50	72	-30%
Net profit	39	40	-2%	47	55	-14%	40	61	-34%
EBITDA margin	12.9%	13.6%		14.2%	15.6%		13.0%	16.2%	
EBIT margin	10.8%	11.4%		12.3%	13.7%		11.0%	14.6%	
net margin	8.0%	8.8%		9.5%	11.6%		8.8%	12.4%	

Source: Company, IPOPEMA Research

## 2Q24 results summary

The company posted its 2Q24 results on 26<sup>th</sup> August. Below are our key takeaways.

**Volumes:** The company delivered 18 dwellings (vs. 278 flats in 2Q23) and pre-sold 110 units (-22% y/y) in 2Q24.

**Revenues:** Marvipol Development revenues arrived at PLN 40.3m (-80% y/y, 23% above our expectations). The result was driven by lower volume of deliveries (-94% y/y) and an increase in average dwelling price to PLN 1.3m (we point to more favorable deliveries mix).

**Gross margin:** The margin remained flattish in yearly comparison and arrived at 32.3% (we assumed 22.6%;), which in our view is the effect of price increases and positive deliveries mix. Moreover, we note that the difference vs. our forecast comes also from "other" segment.

**SG&A costs:** SG&A expenses reached PLN 11.6m (vs. PLN 9.8m in 2Q23). SG&A's to sales ratio stood at 28.9%.

**EBITDA:** EBITDA came in at PLN 4.6m, (vs. PLN 59.9m in 2Q23).

**Net profit:** Net profit arrived at PLN 1.3m, (vs. PLN 39.6m in 2Q23; we assumed PLN -1.5m).

**OCF:** Marvipol Development posted OCF of PLN 69.5m (vs. PLN 41.3m in 2Q23; positive impact of changes in working capital).

**Net debt:** Net Debt/LTM EBITDA came in at 6.0x and net debt/BV arrived at 0.2x. At the end of 2Q24 Marvipol Development had PLN 393m in cash.

Figure 15. Marvipol Development – 2Q24 results summary (PLNm)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	Y/Y	Q/Q	IPO	diff.
Revenues	121.6	205.1	85.3	176.6	70.8	197.2	87.0	22.5	25.7	40.3	-80%	57%	32.6	23%
Gross profit	29.5	41.7	21.3	50.4	14.0	63.8	32.3	8.4	5.4	13.0	-80%	142%	7.4	76%
Profit on sales	20.4	29.9	11.6	37.2	6.6	53.9	22.4	-2.7	-5.0	1.4	-97%	n.a.	-2.4	n.a.
EBITDA	33.7	36.5	20.5	31.7	9.3	59.9	24.7	-3.4	-1.3	4.6	-92%	n.a.	0.8	479%
EBIT	32.9	34.4	18.3	36.1	7.0	57.5	22.3	-5.8	-3.7	2.0	-97%	n.a.	-1.6	n.a.
EBT	34.5	27.8	22.7	25.9	6.5	49.7	30.8	-18.4	-6.4	2.9	-94%	n.a.	-1.9	n.a.
Net profit	29.1	24.9	18.9	17.0	5.7	39.6	24.3	-14.3	-5.4	1.3	-97%	n.a.	-1.5	n.a.
Gross margin	24.3%	20.3%	25.0%	28.5%	19.8%	32.3%	37.2%	37.2%	20.9%	32.3%				22.6%
EBITDA margin	27.7%	17.8%	24.1%	17.9%	13.2%	30.4%	28.4%	n.a.	n.a.	11.4%				2.4%
EBIT margin	27.0%	16.8%	21.4%	20.4%	9.9%	29.2%	25.6%	n.a.	n.a.	4.9%				n.a.
Net margin	23.9%	12.1%	22.2%	9.6%	8.0%	20.1%	28.0%	n.a.	n.a.	3.3%				n.a.
Pre-sales (units)	67	41	44	55	107	141	213	200	144	110	-22%	-24%	110	0%
Deliveries (units)	224	317	73	296	103	278	37	5	14	18	-94%	29%	18	0%
Avg.price (PLNk)	403	476	1,031	559	580	656	2,058	2,037	821	1,297	98%	58%	1,257	3%
CFO	34.4	-8.3	71.4	-13.0	-3.6	41.3	13.3	13.4	48.6	69.5				
CFI	-49.8	3.2	-10.0	6.4	-1.8	-3.7	-8.4	43.8	0.3	-18.6				
CCF	67.3	-73.9	-44.8	-32.9	-10.0	-0.9	40.1	-5.2	-16.2	22.3				
Net debt	163.2	281.0	220.6	239.1	256.8	206.8	215.4	170.2	136.5	147.3				
Net debt / EBITDA	1.1	1.8	1.7	2.0	2.6	1.7	1.7	1.9	1.7	6.0				
Net debt / BV	0.3	0.5	0.3	0.4	0.4	0.3	0.3	0.2	0.2	0.2				

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 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	378	495	496	457	475	476	490	504	517	531	544
COGS	-224	-326	-282	-446	-259	-397	-386	-358	-372	-373	-385	-397	-408	-420	-431
<b>Gross profit</b>	<b>67</b>	<b>106</b>	<b>112</b>	<b>143</b>	<b>118</b>	<b>97</b>	<b>110</b>	<b>99</b>	<b>103</b>	<b>103</b>	<b>105</b>	<b>107</b>	<b>109</b>	<b>111</b>	<b>113</b>
SG&A	-43	-47	-41	-44	-38	-47	-52	-53	-55	-56	-57	-59	-60	-62	-63
<b>Profit on sales</b>	<b>24</b>	<b>59</b>	<b>71</b>	<b>99</b>	<b>80</b>	<b>51</b>	<b>58</b>	<b>46</b>	<b>48</b>	<b>47</b>	<b>48</b>	<b>48</b>	<b>49</b>	<b>49</b>	<b>50</b>
Profit from JV	64	30	39	22	-4	2	3	5	5	5	5	5	5	5	5
Other operating income (cost)	2	1	7	0	5	1	0	0	0	0	0	-1	-1	-1	-1
<b>EBITDA</b>	<b>94</b>	<b>93</b>	<b>119</b>	<b>122</b>	<b>91</b>	<b>64</b>	<b>70</b>	<b>59</b>	<b>60</b>	<b>59</b>	<b>59</b>	<b>59</b>	<b>59</b>	<b>59</b>	<b>59</b>
EBIT	91	90	116	122	81	54	61	50	52	52	52	53	53	54	54
Financial income (cost) net	-1	10	-3	-11	-12	-4	-3	-1	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>90</b>	<b>100</b>	<b>114</b>	<b>111</b>	<b>69</b>	<b>50</b>	<b>58</b>	<b>50</b>	<b>52</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>54</b>	<b>54</b>	<b>54</b>
Income tax	-20	-19	-18	-21	-13	-11	-11	-9	-10	-10	-10	-10	-10	-10	-10
<b>Net profit</b>	<b>70</b>	<b>80</b>	<b>96</b>	<b>90</b>	<b>55</b>	<b>39</b>	<b>47</b>	<b>40</b>	<b>42</b>	<b>42</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>44</b>	<b>44</b>

BALANCE SHEET (PLN m)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Non-current assets</b>	<b>262</b>	<b>216</b>	<b>264</b>	<b>400</b>	<b>339</b>	<b>350</b>	<b>346</b>	<b>344</b>	<b>344</b>	<b>344</b>	<b>345</b>	<b>347</b>	<b>350</b>	<b>353</b>	<b>357</b>
Intangible assets	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PP&E	32	31	51	63	66	64	57	50	45	40	36	33	30	28	27
Long-term financial assets	146	120	81	215	182	187	187	187	187	187	187	187	187	187	187
Other non-current assets	84	66	133	122	91	98	102	107	112	117	122	127	132	137	143
<b>Current assets</b>	<b>1,012</b>	<b>1,098</b>	<b>1,285</b>	<b>978</b>	<b>1,122</b>	<b>1,299</b>	<b>1,301</b>	<b>1,322</b>	<b>1,328</b>	<b>1,327</b>	<b>1,318</b>	<b>1,308</b>	<b>1,297</b>	<b>1,285</b>	<b>1,273</b>
Inventories	724	854	1,008	768	812	925	964	1,003	1,021	1,048	1,076	1,103	1,130	1,155	1,181
Trade receivables	46	53	48	37	21	34	34	31	33	33	34	34	35	36	37
Cash and equivalents	176	191	218	168	287	318	281	266	253	224	187	149	110	72	33
Other current assets	66	0	11	4	3	22	22	22	22	22	22	22	22	22	22
<b>Total assets</b>	<b>1,275</b>	<b>1,314</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,649</b>	<b>1,647</b>	<b>1,667</b>	<b>1,672</b>	<b>1,671</b>	<b>1,664</b>	<b>1,656</b>	<b>1,647</b>	<b>1,638</b>	<b>1,630</b>
<b>Equity</b>	<b>483</b>	<b>557</b>	<b>613</b>	<b>655</b>	<b>710</b>	<b>706</b>	<b>733</b>	<b>750</b>	<b>772</b>	<b>793</b>	<b>806</b>	<b>819</b>	<b>832</b>	<b>846</b>	<b>859</b>
Minorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
<b>Non-current liabilities</b>	<b>326</b>	<b>259</b>	<b>296</b>	<b>412</b>	<b>366</b>	<b>500</b>	<b>448</b>	<b>421</b>	<b>393</b>	<b>366</b>	<b>338</b>	<b>311</b>	<b>283</b>	<b>256</b>	<b>228</b>
Loans and leasing	294	233	272	383	334	464	413	385	358	330	303	275	248	220	193
Other non-current liabilities	32	26	24	28	32	35	35	35	35	35	35	35	35	35	35
<b>Current liabilities</b>	<b>465</b>	<b>498</b>	<b>641</b>	<b>311</b>	<b>385</b>	<b>443</b>	<b>466</b>	<b>496</b>	<b>507</b>	<b>513</b>	<b>520</b>	<b>526</b>	<b>532</b>	<b>537</b>	<b>542</b>
Trade payables	51	53	58	46	39	52	52	48	50	50	51	53	54	55	57
Loans and leasing	147	143	95	31	128	67	55	52	48	45	41	38	35	31	28
Other current liabilities	267	302	488	233	217	324	359	397	409	418	427	435	443	450	457
<b>Equity &amp; liabilities</b>	<b>1,275</b>	<b>1,314</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,649</b>	<b>1,647</b>	<b>1,667</b>	<b>1,672</b>	<b>1,671</b>	<b>1,664</b>	<b>1,656</b>	<b>1,647</b>	<b>1,638</b>	<b>1,630</b>
Gross debt (PLN m)	441	376	367	415	462	532	468	437	406	375	344	313	282	252	221
<b>Net debt (PLN m)</b>	<b>265</b>	<b>185</b>	<b>149</b>	<b>246</b>	<b>175</b>	<b>214</b>	<b>187</b>	<b>171</b>	<b>153</b>	<b>151</b>	<b>157</b>	<b>164</b>	<b>172</b>	<b>179</b>	<b>188</b>

CASH FLOW (PLN m)	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Operating cash flow</b>	<b>-27</b>	<b>-49</b>	<b>67</b>	<b>85</b>	<b>64</b>	<b>64</b>	<b>58</b>	<b>50</b>	<b>47</b>	<b>32</b>	<b>31</b>	<b>31</b>	<b>30</b>	<b>30</b>	<b>29</b>
Profit Before Tax	90	100	114	111	69	50	58	50	52	52	53	53	54	54	54
D&A	3	3	3	1	10	10	10	9	8	7	6	6	5	5	4
Change in WC	-45	-93	12	12	-26	13	-4	-2	-6	-18	-18	-18	-19	-17	-18
Other	-75	-58	-62	-39	12	-10	-6	-7	-8	-8	-9	-10	-11	-11	-12
<b>Investment cash flow</b>	<b>45</b>	<b>124</b>	<b>13</b>	<b>-50</b>	<b>30</b>	<b>-20</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>
CAPEX (incl. inv.in properties)	-91	-25	-75	-53	-5	-4	-2	-2	-2	-2	-2	-3	-3	-3	-3
Other	136	149	87	3	35	-17	0	0	0	0	0	0	0	0	0
<b>Financial cash flow</b>	<b>5</b>	<b>-60</b>	<b>-52</b>	<b>-84</b>	<b>24</b>	<b>-12</b>	<b>-92</b>	<b>-62</b>	<b>-58</b>	<b>-58</b>	<b>-66</b>	<b>-66</b>	<b>-66</b>	<b>-66</b>	<b>-65</b>
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	59	59	-64	-31	-31	-31	-31	-31	-31	-31	-31
Dividend	0	-7	-40	-47	0	-44	-20	-24	-20	-21	-29	-30	-30	-30	-31
Other	-22	-18	-17	-28	-35	-26	-9	-8	-7	-6	-6	-5	-5	-4	-5
<b>Change in cash</b>	<b>23</b>	<b>15</b>	<b>27</b>	<b>-50</b>	<b>118</b>	<b>31</b>	<b>-37</b>	<b>-15</b>	<b>-14</b>	<b>-28</b>	<b>-37</b>	<b>-38</b>	<b>-39</b>	<b>-38</b>	<b>-39</b>
<b>Cash as of eop</b>	<b>176</b>	<b>191</b>	<b>218</b>	<b>168</b>	<b>287</b>	<b>318</b>	<b>281</b>	<b>266</b>	<b>253</b>	<b>224</b>	<b>187</b>	<b>149</b>	<b>110</b>	<b>72</b>	<b>33</b>

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 April – 30 June 2024)

	Number	%
Buy	25	76%
Hold	6	18%
Sell	2	6%
Total	33	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