

# Marvipol Development

## Return to dividend payments on track

We keep our positive approach towards Marvipol Development and reiterate a BUY recommendation with FV of PLN 11.15/share (previously PLN 10.07), taking into consideration: 1) changes in pre-sale volumes, 2) 2024E dividend proposal, 3) lower 2023 net debt (impact of divestments in logistics segment and more favourable changes in working capital), and 4) current WACC assumptions. We note that given further demand recovery and announced offer expansion in 2024E, we have upgraded the pre-sale volumes by 4% in 2024E and by 3% in 2025E. Additionally, we highlight 2024E DPS proposal with a value of PLN 1.06, which implies a yield of 12.9%, and we suppose that the group will continue the payments in coming years. What is more, we do not underestimate solid cash position and potential disposal of logistics portfolio. On our forecasts, the company currently trades at P/E ratios of 8.5x in 2024E, and 6.3x in 2025E (which implies a discount vs. Polish peers), concurrently with a P/BV of 0.5x.

**Drop in 2024E results and strong recovery in 2025E.** We reiterate our expectation of a deterioration in 2024E financial results as the group will end only 3 projects in 2024E. We assume that the company will report gross margin of 20.1% (vs. 31.4% in 2023) and a net profit of PLN 40m (-26.8% y/y). On the other hand, we anticipate that Marvipol will significantly improve its results in 2025E, driven by 1) solid pre-sale volumes in 2024E-25E, 2) increase in number of deliveries (from 584 units in 2024E to 692 flats in 2025E), and 3) higher gross margin (22.0%, +1.9p.p. y/y). Hence, 2025E net profit may amount to PLN 55m.

**Attractive 2024E dividend proposal.** We point to the management board proposal regarding this-year's dividend, which assumes DPS of PLN 1.06 (yield of 12.9%; above our forecast in recent recommendation - we anticipated DPS of PLN 0.67). We firmly believe that the developer will return to recurrent payments and will establish its DPR on a level of 50% in long-term.

**Possible divestments in logistics segment as a potential cash booster.** The developer has two existing logistics projects (with an estimated value of PLN 142.6m) and three other in preparation in its portfolio, which are expected to be sold. In our view, the potential transactions may take place not earlier than in 2025E, as the investment market is likely to recover gradually starting from 2H24E. We note that aforementioned divestments would additionally underpin company's strong balance-sheet (net debt/BV ratio stood at 0.2x as of end-2023).

**Multiple valuation.** On our forecasts, Marvipol Development currently trades at a P/E of 8.5x in 2024E and 6.3x in 2025E. As to P/BV multiples, we arrive at 0.5x in 2024E and 2025E, which implies a 66% discount vs. peers.

Figure 1. Marvipol Development – Financial summary (PLNm)

	2021	2022	2023	2024E	2025E	2026E
Revenues	394	589	378	456	475	493
EBITDA	119	122	91	62	74	80
EBIT	116	122	81	52	65	72
Net profit	96	90	55	40	55	61
P/E (x)	3.6	3.8	6.2	8.5	6.3	5.7
P/BV (x)	0.6	0.5	0.5	0.5	0.5	0.4
ROE (%)	16%	14%	8%	6%	7%	8%
DPS (PLN)	0.95	1.14	0.00	1.06	0.49	0.66
Div.yield (%)	11.5%	13.8%	0.0%	12.9%	5.9%	8.0%

Source: Company, IPOPEMA Research

Real Estate

## Marvipol Development BUY

FV PLN 11.15 from PLN 10.07

35.0% upside

Price as of 19 March 2024 PLN 8.26

Recommendation maintained



### Share data

Number of shares (m)	41.7
Market cap (EUR m)	79.6
12M avg daily volume (k)	18.4
12M avg daily turnover (EUR m)	0.03
12M high/low (PLN)	8.76/5.30
WIG weight	0.02%
Reuters	MVP.WA
Bloomberg	MVP.PW

### Total performance

1M	+5.1%
3M	+12.2%
12M	+31.1%

### Shareholders

Książek Holding	66.05%
Mariusz Książek	4.99%
Other	28.96%

### Analyst

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**MARVIPOL DEVELOPMENT****BUY****FV PLN 11.15**

Mkt Cap EUR 80m

Upside +35.0%

Valuation multiples	2022	2023	2024E	2025E	2026E
P/E (x)	3.8	6.2	8.5	6.3	5.7
EV/EBITDA (x)	4.8	5.7	8.5	7.1	6.5
EV/Sales (x)	1.0	1.4	1.1	1.1	1.0
P/BV (x)	0.5	0.5	0.5	0.5	0.4
FCF yield (%)	10%	27%	12%	6%	9%
DY (%)	14%	0%	13%	6%	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	1.0	1.3	1.5
BVPS (PLN)	15.7	17.1	17.0	17.8	18.6
FCFPS (PLN)	0.8	2.3	1.0	0.5	0.7
DPS (PLN)	1.14	0.00	1.06	0.49	0.66

Change y/y (%)	2022	2023	2024E	2025E	2026E
Revenues	49.5%	-35.9%	20.9%	4.1%	3.7%
Gross profit	27.8%	-17.1%	-22.7%	14.3%	8.7%
EBITDA	2.4%	-25.9%	-32.1%	20.3%	8.2%
EBIT	4.4%	-33.4%	-35.6%	24.9%	10.8%
Net profit	-6.0%	-38.5%	-26.8%	36.0%	10.1%

Leverage and return	2022	2023	2024E	2025E	2026E
Gross margin (%)	24.3%	31.4%	20.1%	22.0%	23.1%
EBITDA margin (%)	20.8%	24.0%	13.5%	15.6%	16.3%
EBIT margin (%)	20.7%	21.5%	11.4%	13.7%	14.7%
Net margin (%)	15.3%	14.6%	8.9%	11.6%	12.3%
Net debt / EBITDA (x)	2.0	1.9	2.9	2.4	2.2
Net debt / Equity (x)	0.4	0.2	0.3	0.2	0.2
Net debt / Assets (x)	0.2	0.1	0.1	0.1	0.1
ROE (%)	13.7%	7.8%	5.7%	7.4%	7.8%
ROA (%)	6.5%	3.8%	2.8%	3.9%	4.2%
ROIC (%)	10.6%	7.1%	4.6%	5.5%	6.0%

Operational data	2022	2023	2024E	2025E	2026E
<b>Pre-sales (units)</b>	<b>207</b>	<b>661</b>	<b>678</b>	<b>681</b>	<b>684</b>
change y/y	-45%	219%	3%	0%	0%
<b>Deliveries (units)</b>	<b>910</b>	<b>423</b>	<b>584</b>	<b>692</b>	<b>658</b>
change y/y	64%	-54%	38%	19%	-5%
<b>Avg value (PLNK)*</b>	<b>647</b>	<b>892</b>	<b>782</b>	<b>687</b>	<b>748</b>
change y/y	-9%	38%	-12%	-12%	9%

P&L (PLN m)	2021	2022	2023	2024E	2025E	2026E
Revenues	394	589	378	456	475	493
COGS	-282	-446	-259	-365	-370	-379
<b>Gross profit</b>	<b>112</b>	<b>143</b>	<b>118</b>	<b>92</b>	<b>105</b>	<b>114</b>
SG&A	-41	-44	-38	-42	-44	-46
<b>Profit on sales</b>	<b>71</b>	<b>99</b>	<b>80</b>	<b>49</b>	<b>61</b>	<b>68</b>
Profit from JV	39	22	-4	3	5	5
Other operating income (cost)	7	0	5	0	0	0
<b>EBITDA</b>	<b>119</b>	<b>122</b>	<b>91</b>	<b>62</b>	<b>74</b>	<b>80</b>
<b>EBIT</b>	<b>116</b>	<b>122</b>	<b>81</b>	<b>52</b>	<b>65</b>	<b>72</b>
Financial income (cost) net	-3	-11	-12	-2	3	3
<b>Pre-tax profit</b>	<b>114</b>	<b>111</b>	<b>69</b>	<b>50</b>	<b>68</b>	<b>75</b>
Income tax	-18	-21	-13	-9	-13	-14
<b>Net profit</b>	<b>96</b>	<b>90</b>	<b>55</b>	<b>40</b>	<b>55</b>	<b>61</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>335</b>	<b>334</b>	<b>333</b>
Intangible assets	0	0	0	0	0	0
PP&E	51	63	66	59	53	48
Long-term financial assets	81	215	182	182	182	182
Other non-current assets	133	122	91	94	99	104
<b>Current assets</b>	<b>1,285</b>	<b>978</b>	<b>1,122</b>	<b>1,085</b>	<b>1,091</b>	<b>1,093</b>
Inventories	1,008	768	812	827	863	893
Trade receivables	48	37	21	25	26	27
Cash and equivalents	218	168	287	231	199	171
Other current assets	11	4	3	3	3	3
<b>Total assets</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,421</b>	<b>1,424</b>	<b>1,426</b>
<b>Equity</b>	<b>613</b>	<b>655</b>	<b>710</b>	<b>707</b>	<b>741</b>	<b>774</b>
Minorities	0	0	0	0	0	0
<b>Non-current liabilities</b>	<b>296</b>	<b>412</b>	<b>366</b>	<b>347</b>	<b>331</b>	<b>315</b>
Loans and leasing	272	383	334	315	299	283
Other non-current liabilities	24	28	32	32	32	32
<b>Current liabilities</b>	<b>641</b>	<b>311</b>	<b>385</b>	<b>367</b>	<b>352</b>	<b>336</b>
Trade payables	58	46	39	48	50	52
Loans and leasing	95	31	128	97	78	60
Other current liabilities	488	233	217	223	224	225
<b>Equity &amp; liabilities</b>	<b>1,550</b>	<b>1,377</b>	<b>1,461</b>	<b>1,421</b>	<b>1,424</b>	<b>1,426</b>
Cash conversion cycle (days)	913	465	757	634	636	635
Gross debt (PLN m)	367	415	462	411	377	343
<b>Net debt (PLN m)</b>	<b>149</b>	<b>246</b>	<b>175</b>	<b>180</b>	<b>178</b>	<b>173</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>44</b>	<b>22</b>	<b>33</b>
Profit Before Tax	114	111	69	50	68	75
D&A	3	1	10	9	9	8
Change in WC	12	12	-26	-5	-34	-28
Other	-62	-39	12	-11	-21	-22
<b>Investment cash flow</b>	<b>13</b>	<b>-50</b>	<b>30</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
CAPEX (incl. inv.in properties)	-75	-53	-5	-2	-2	-2
Other	87	3	35	0	0	0
<b>Financial cash flow</b>	<b>-52</b>	<b>-84</b>	<b>24</b>	<b>-97</b>	<b>-52</b>	<b>-59</b>
Change in equity	0	1	2	3	4	5
Change in debt	5	-9	59	-51	-34	-34
Dividend	-40	-47	0	-44	-20	-28
Other	-17	-29	-37	-5	-1	-2
<b>Change in cash</b>	<b>27</b>	<b>-50</b>	<b>118</b>	<b>-55</b>	<b>-32</b>	<b>-29</b>
<b>Cash as of eop</b>	<b>218</b>	<b>168</b>	<b>287</b>	<b>231</b>	<b>199</b>	<b>171</b>

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

## Table of Contents

<b>Valuation.....</b>	<b>4</b>
SOTP valuation.....	4
DDM valuation .....	5
Peer comparison .....	5
<b>Financial forecasts.....</b>	<b>6</b>
<b>4Q23 results summary .....</b>	<b>8</b>
<b>Risk factors .....</b>	<b>9</b>
<b>Key financial data .....</b>	<b>10</b>

# 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%	11.77	42.5%
<i>Residential segment (DCF method, EV of the segment)</i>		8.99	
<i>Logistics (market value of existing and planned projects)</i>		6.86	
<i>Net debt as of end-2023</i>		-4.09	
DDM valuation (PLN ps)	20%	8.70	5.3%
Peer valuation (PLN ps)	0%	16.95	105.2%
<b>Fair value (PLN ps)</b>		<b>11.15</b>	<b>35.0%</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	456	475	493	523	538	548	557	566	574	582	587
<b>EBIT</b>	<b>49</b>	<b>60</b>	<b>67</b>	<b>67</b>	<b>68</b>	<b>69</b>	<b>69</b>	<b>70</b>	<b>71</b>	<b>72</b>	<b>72</b>
Tax on EBIT	-9	-11	-13	-13	-13	-13	-13	-13	-13	-14	-14
NOPLAT	40	49	54	55	55	55	56	57	57	58	59
Depreciation	9	9	8	7	6	6	5	5	5	4	4
Capital expenditures	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	-4
Change in working capital	-5	-34	-28	-26	-19	-19	-19	-18	-17	-17	-14
<b>Free cash flow</b>	<b>42</b>	<b>21</b>	<b>32</b>	<b>33</b>	<b>39</b>	<b>39</b>	<b>40</b>	<b>41</b>	<b>42</b>	<b>42</b>	<b>45</b>
Risk-free rate	5.5%	5.6%	5.7%	5.8%	5.8%	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%
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	11.0%	11.1%	11.2%	11.3%	11.3%	11.4%	11.5%	11.5%	11.5%	11.5%	11.5%
Cost of debt (pre-tax)	10.0%	10.1%	10.2%	10.3%	10.3%	10.4%	10.5%	10.5%	10.5%	10.5%	10.5%
Effective tax rate	19.0%	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	8.1%	8.2%	8.3%	8.3%	8.4%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%
Weight of debt	28.6%	26.1%	23.7%	21.3%	18.9%	16.5%	15.2%	14.0%	12.7%	11.5%	11.5%
Weight of equity	71.4%	73.9%	76.3%	78.7%	81.1%	83.5%	84.8%	86.0%	87.3%	88.5%	88.5%
<b>WACC</b>	<b>10.2%</b>	<b>10.3%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>11.2%</b>	<b>11.2%</b>
Discount factor	93%	84%	76%	68%	61%	55%	49%	44%	40%	35%	
PV of FCF	39	18	24	22	24	22	20	18	17	15	
Sum of FCF PV's	218										
FCF terminal growth rate	1.0%										
Terminal value	443										
PV of terminal value	157										
<b>Enterprise value</b>	<b>375</b>										
<b>EV per share (PLN)</b>	<b>8.99</b>										
<b>DCF sensitivity (PLN)</b>											
<b>Terminal growth</b>											
<b>0.0%</b>						9.2%	10.2%	11.2%	12.2%	13.2%	
						9.41	8.99	8.66	8.37	8.14	
<b>1.0%</b>						9.92	9.41	<b>8.99</b>	8.66	8.37	
						10.57	9.92	9.41	8.99	8.66	
<b>2.0%</b>											

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	8.5	6.25%	50%	15.6	67.7
Poznan	61.0	3.8	93%	2.6	11.2	6.75%	45%	17.3	75.0
<b>Total</b>	<b>102.0</b>	<b>4.0</b>	<b>93%</b>	<b>4.6</b>	<b>19.7</b>	<b>6.53%</b>	<b>47%</b>	<b>32.9</b>	<b>142.6</b>
<b>Planned projects**</b>									<b>143.0</b>
<b>Total value per share</b>									<b>285.6</b> <i>6.86</i>

Source: Company, IPOPEMA Research; \*MV adjusted of MVP's share in the project; \*\*book value of investment as of end-4Q23

## 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. The management board proposed a pay out of PLN 1.06ps. from 2023 earnings (we expected PLN 0.67ps.). 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	0.49	0.66	0.73	0.73	0.73	0.74	0.74	0.75	0.76	1.30
Cost of equity	11.0%	11.1%	11.2%	11.3%	11.3%	11.4%	11.5%	11.5%	11.5%	11.5%	11.5%
Discount multiple	92%	83%	74%	67%	60%	54%	48%	43%	38%	34%	
Discounted DPS (PLN ps)	0.98	0.40	0.49	0.48	0.43	0.39	0.35	0.32	0.29	0.26	
Sum of discounted DPS (PLN ps)											4.40
Terminal growth											1.0%
Discounted value of terminal DPS (PLN ps)											4.30
<b>Fair Value (PLN ps)</b>											<b>8.70</b>

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 2024E-26E, the company currently trades at a P/E multiple of 8.5/6.3/5.7x. In the case of the P/BV multiple, the average discount to its peers is close to 66%.

Figure 6. Marvipol Development – peer comparison

Company	mCap (PLNm)	P/E (x)			P/BV (x)		
		2024E	2025E	2026E	2024E	2025E	2026E
Dom Development	4,317	8.9	8.9	8.6	2.6	2.4	2.2
Atal	2,662	9.2	8.2	7.3	1.4	1.4	1.3
Develia	2,327	8.4	8.0	7.8	1.5	1.5	1.4
Archicom	1,691	26.5	7.0	3.9	1.4	1.2	1.0
Lokum Deweloper	443	23.1	8.3	8.1	0.9	0.9	0.8
<b>Median</b>		<b>9.2</b>	<b>8.2</b>	<b>7.8</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>
<b>Marvipol Development</b>	<b>344</b>	<b>8.5</b>	<b>6.3</b>	<b>5.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>
Premium/discount (%)		-7%	-23%	-27%	-66%	-66%	-66%
Implied FV/share (PLN)		12.20	7.93	10.34	24.67	23.34	23.22
<b>Average implied FV/share (PLN)</b>		<b>16.95</b>					

Source: Bloomberg, IPOPEMA Research

## Financial forecasts

**1Q24E:** We expect uninspiring 1Q24E results as the group has already informed about project schedules (there are no new projects to be ended in the current quarter). Thus, similarly as in 4Q23, we predict a single-digit number of delivered apartments. As of now, we anticipate that the developer will report revenues of PLN 21.1m, concurrently with a gross margin of 37.2%. We assume that the EBIT loss will amount to PLN 0.5m, concurrently with a net loss of PLN 2.0m (vs. profit of PLN 5.7m in 1Q23). Simultaneously, we expect that Marvipol Development will expand its offer as it was stated during recent conference call, which in turn will support pre-sale volumes (the company may pre-sell 170 units, +59% y/y).

**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). Given such a deliveries mix, we expect a decline in gross margin from 31.4% in 2023 (we point to an extra-ordinary favourable mix) to 20.1% in 2024E. In our base case scenario, we predict that the group will report revenues of PLN 456.2m, EBIT of PLN 52.6m and a net profit of PLN 40.5m (+21%/-36%/-27% y/y, respectively). Regarding pre-sale, we suppose that Marvipol Development may increase the volume from 661 units in 2023 to 678 flats in 2024E.

We note that we do not include the effect of potential divestments in the logistics division, but the group intends to dispose of its logistics projects (during recent conference call, Mr. Bartosz Puzdrowski stated that the developer is under negotiations, but he does not believe that the company will sell any project earlier than in 2025E).

**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 55.0m. In the long-term perspective, we assume that Marvipol Development will be able to pre-sell and to deliver 650-700 dwellings per year, with margin of 22-23% in the following years, vs. the historical average of 23.7%.

In the case of dividend payments, we highlight that the management board recommended a pay out of PLN 1.06ps. (or PLN 44.1m) from 2023 earnings. In long-term, we assume that the group will return to recurrent dividend payments with a DPR of 50% (we do not exclude that this number may be too conservative, taking into consideration improving market conditions and company's strong balance-sheet).

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	456	475	493	523	538	548	557	566	574	582
Gross profit	106	112	143	118	92	105	114	116	118	120	122	123	125	126
EBITDA	93	120	122	91	62	74	80	79	79	79	80	80	81	81
EBIT	90	116	122	81	52	65	72	72	73	74	75	75	76	77
EBT	100	114	111	69	50	68	75	75	75	76	76	77	78	79
Net profit	80	96	90	55	40	55	61	61	61	61	62	63	63	64
Gross margin	24.5%	28.4%	24.3%	31.4%	20.1%	22.0%	23.1%	22.2%	21.9%	21.9%	21.8%	21.8%	21.7%	21.7%
EBITDA margin	21.5%	30.4%	20.8%	24.0%	13.5%	15.6%	16.3%	15.2%	14.7%	14.5%	14.4%	14.2%	14.1%	14.0%
EBIT margin	20.8%	29.6%	20.7%	21.5%	11.4%	13.7%	14.7%	13.8%	13.5%	13.4%	13.4%	13.3%	13.3%	13.2%
Net margin	18.6%	24.3%	15.3%	14.6%	8.9%	11.6%	12.3%	11.6%	11.3%	11.2%	11.1%	11.1%	11.0%	11.0%
Pre-sales (units)	1,086	376	207	661	678	681	684	687	696	704	711	717	722	727
Deliveries (units)	791	554	910	423	584	692	658	674	685	692	697	702	707	710
Avg.price (PLNk)	545	711	647	892	782	687	748	777	784	792	799	806	812	819
DPS (PLN)	0.2	0.9	1.1	0.0	1.1	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8
DY (%)	2.1%	11.6%	13.9%	0.0%	12.9%	5.9%	8.1%	8.9%	8.9%	8.9%	9.0%	9.1%	9.2%	9.3%
Net debt (PLNm)	157	129	239	170	175	173	167	164	154	144	134	124	113	102
ND/BV (x)	0.3	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
ROE (%)	14%	16%	14%	8%	6%	7%	8%	8%	7%	7%	7%	7%	7%	6%

Source: Company, IPOPEMA Research

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

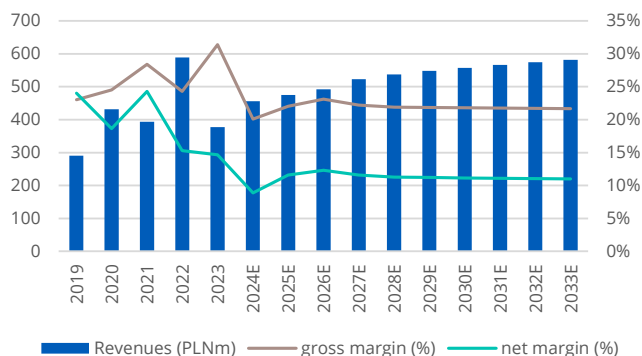
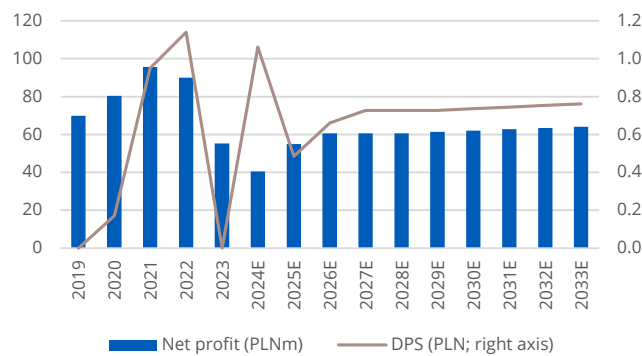


Figure 9. Marvipol Development – DPS (PLN) and net profit (PLNm)



Source: Company, IPOPEMA Research

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

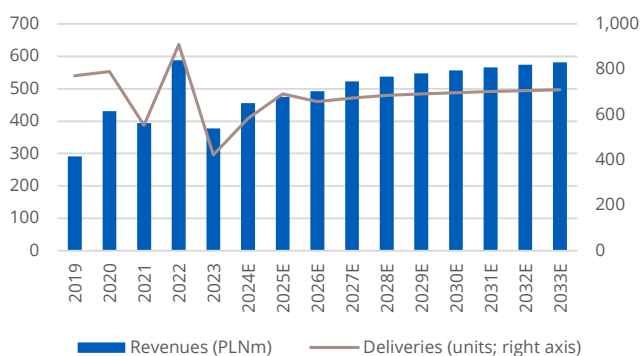
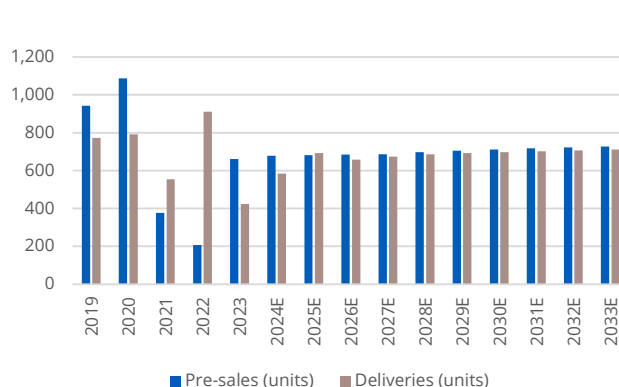


Figure 11. Marvipol Development – pre-sales and deliveries (units)



Source: Company, IPOPEMA Research

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

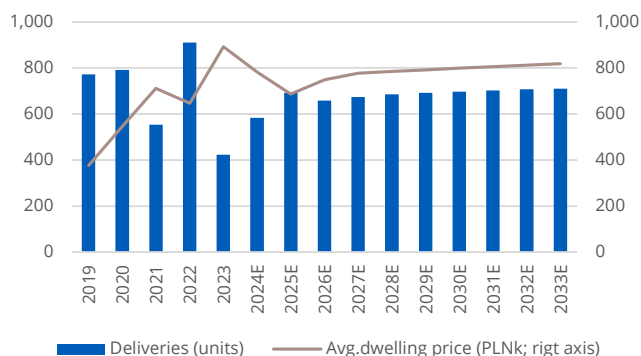
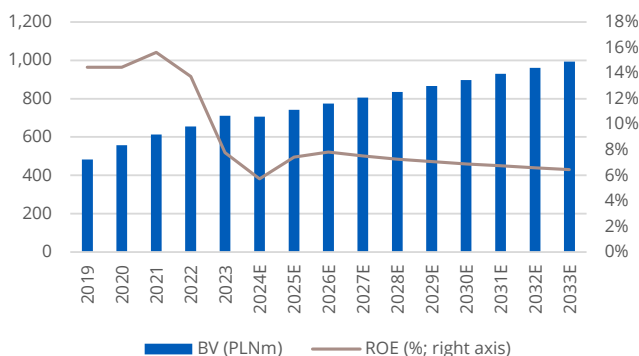


Figure 13. Marvipol Development - ROE (%)



Source: Company, IPOPEMA Research

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

	2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenues	456	454	0%	475	483	-2%	493	483	2%
EBITDA	62	64	-4%	74	79	-6%	80	81	-1%
EBIT	52	54	-3%	65	71	-8%	72	73	-1%
Net profit	40	44	-8%	55	58	-5%	61	60	1%
EBITDA margin	13.5%	14.1%		15.6%	16.4%		16.3%	16.8%	
EBIT margin	11.4%	11.9%		13.7%	14.7%		14.7%	15.1%	
net margin	8.9%	9.7%		11.6%	12.0%		12.3%	12.4%	

Source: Company, IPOPEMA Research

## 4Q23 results summary

The company posted its 4Q23 results on 15<sup>th</sup> March. Below are our key takeaways.

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

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

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

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

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

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

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

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

Figure 15. Marvipol Development – 4Q23 results summary (PLNm)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	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	22.5	-87%	-74%	11.1	103%
Gross profit	12.7	7.4	48.5	43.2	29.5	41.7	21.3	50.4	14.0	63.8	32.3	8.4	-83%	-74%	3.8	120%
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	-2.7	n.a.	n.a.	-6.0	n.a.
EBITDA	8.5	27.7	41.4	41.8	33.7	36.5	20.5	31.7	9.3	59.9	24.7	-3.4	n.a.	n.a.	-3.5	n.a.
EBIT	7.8	26.9	40.6	41.1	32.9	34.4	18.3	36.1	7.0	57.5	22.3	-5.8	n.a.	n.a.	-6.0	n.a.
EBT	8.5	23.4	40.4	41.5	34.5	27.8	22.7	25.9	6.5	49.7	30.8	-18.4	n.a.	n.a.	-18.3	n.a.
Net profit	8.1	21.0	33.2	33.3	29.1	24.9	18.9	17.0	5.7	39.6	24.3	-14.3	n.a.	n.a.	-14.9	n.a.
Gross margin	25.0%	30.2%	25.7%	33.3%	24.3%	20.3%	25.0%	28.5%	19.8%	32.3%	37.2%	37.2%			34.4%	
EBITDA margin	16.8%	112.8%	21.9%	32.2%	27.7%	17.8%	24.1%	17.9%	13.2%	30.4%	28.4%	n.a.			n.a.	
EBIT margin	15.4%	109.4%	21.5%	31.7%	27.0%	16.8%	21.4%	20.4%	9.9%	29.2%	25.6%	n.a.			n.a.	
Net margin	16.0%	85.4%	17.6%	25.7%	23.9%	12.1%	22.2%	9.6%	8.0%	20.1%	28.0%	n.a.			n.a.	
Pre-sales (units)	83	73	89	131	67	41	44	55	107	141	213	200	264%	-6%	200	0%
Deliveries (units)	65	23	265	201	224	317	73	296	103	278	37	5	-98%	-86%	5	0%
Avg.price (PLNk)	780	1,070	712	646	543	647	1,168	597	688	709	2,351	4,494	653%	91%	2,212	103%
CFO	119.7	22.2	-75.6	0.7	34.4	-8.3	71.4	-13.0	-3.6	41.3	13.3	13.4				
CFI	0.7	-0.1	-44.3	56.3	-49.8	3.2	-10.0	6.4	-1.8	-3.7	-8.4	43.8				
CFF	-85.0	17.9	6.5	8.4	67.3	-73.9	-44.8	-32.9	-10.0	-0.9	40.1	-5.2				
Net debt	44.0	67.7	175.3	129.1	163.2	281.0	220.6	239.1	256.8	206.8	215.4	170.2				
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	1.9				
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	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-4Q23, the group has invested ca. PLN 168m 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. Marpol 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	456	475	493	523	538	548	557	566	574	582
COGS	-224	-326	-282	-446	-259	-365	-370	-379	-407	-420	-428	-436	-443	-450	-456
<b>Gross profit</b>	<b>67</b>	<b>106</b>	<b>112</b>	<b>143</b>	<b>118</b>	<b>92</b>	<b>105</b>	<b>114</b>	<b>116</b>	<b>118</b>	<b>120</b>	<b>122</b>	<b>123</b>	<b>125</b>	<b>126</b>
SG&A	-43	-47	-41	-44	-38	-42	-44	-46	-48	-50	-51	-52	-52	-53	-54
<b>Profit on sales</b>	<b>24</b>	<b>59</b>	<b>71</b>	<b>99</b>	<b>80</b>	<b>49</b>	<b>61</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>69</b>	<b>70</b>	<b>71</b>	<b>72</b>	<b>72</b>
Profit from JV	64	30	39	22	-4	3	5	5	5	5	5	5	5	5	5
Other operating income (cost)	2	1	7	0	5	0	0	0	-1	-1	-1	-1	-1	-1	-1
<b>EBITDA</b>	<b>94</b>	<b>93</b>	<b>119</b>	<b>122</b>	<b>91</b>	<b>62</b>	<b>74</b>	<b>80</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>80</b>	<b>81</b>	<b>81</b>
<b>EBIT</b>	<b>91</b>	<b>90</b>	<b>116</b>	<b>122</b>	<b>81</b>	<b>52</b>	<b>65</b>	<b>72</b>	<b>72</b>	<b>73</b>	<b>74</b>	<b>75</b>	<b>75</b>	<b>76</b>	<b>77</b>
Financial income (cost) net	-1	10	-3	-11	-12	-2	3	3	2	2	2	2	2	2	2
<b>Pre-tax profit</b>	<b>90</b>	<b>100</b>	<b>114</b>	<b>111</b>	<b>69</b>	<b>50</b>	<b>68</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>76</b>	<b>76</b>	<b>77</b>	<b>78</b>	<b>79</b>
Income tax	-20	-19	-18	-21	-13	-9	-13	-14	-14	-14	-14	-15	-15	-15	-15
<b>Net profit</b>	<b>70</b>	<b>80</b>	<b>96</b>	<b>90</b>	<b>55</b>	<b>40</b>	<b>55</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>62</b>	<b>63</b>	<b>63</b>	<b>64</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>335</b>	<b>334</b>	<b>333</b>	<b>334</b>	<b>335</b>	<b>337</b>	<b>340</b>	<b>343</b>	<b>346</b>	<b>350</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	59	53	48	43	39	36	34	32	30	28
Long-term financial assets	146	120	81	215	182	182	182	182	182	182	182	182	182	182	182
Other non-current assets	84	66	133	122	91	94	99	104	109	114	119	124	130	135	140
<b>Current assets</b>	<b>1,012</b>	<b>1,098</b>	<b>1,285</b>	<b>978</b>	<b>1,122</b>	<b>1,085</b>	<b>1,091</b>	<b>1,093</b>	<b>1,093</b>	<b>1,092</b>	<b>1,091</b>	<b>1,107</b>	<b>1,123</b>	<b>1,138</b>	<b>1,153</b>
Inventories	724	854	1,008	768	812	827	863	893	922	945	967	988	1,009	1,028	1,048
Trade receivables	46	53	48	37	21	25	26	27	29	29	30	30	31	31	32
Cash and equivalents	176	191	218	168	287	231	199	171	140	116	92	86	80	76	71
Other current assets	66	0	11	4	3	3	3	3	3	3	3	3	3	3	3
<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>1,421</b>	<b>1,424</b>	<b>1,426</b>	<b>1,426</b>	<b>1,427</b>	<b>1,428</b>	<b>1,447</b>	<b>1,466</b>	<b>1,484</b>	<b>1,503</b>
<b>Equity</b>	<b>483</b>	<b>557</b>	<b>613</b>	<b>655</b>	<b>710</b>	<b>707</b>	<b>741</b>	<b>774</b>	<b>805</b>	<b>835</b>	<b>866</b>	<b>897</b>	<b>929</b>	<b>961</b>	<b>994</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>347</b>	<b>331</b>	<b>315</b>	<b>300</b>	<b>284</b>	<b>268</b>	<b>252</b>	<b>237</b>	<b>221</b>	<b>205</b>
Loans and leasing	294	233	272	383	334	315	299	283	267	252	236	220	204	189	173
Other non-current liabilities	32	26	24	28	32	32	32	32	32	32	32	32	32	32	32
<b>Current liabilities</b>	<b>465</b>	<b>498</b>	<b>641</b>	<b>311</b>	<b>385</b>	<b>367</b>	<b>352</b>	<b>336</b>	<b>322</b>	<b>308</b>	<b>294</b>	<b>297</b>	<b>300</b>	<b>302</b>	<b>305</b>
Trade payables	51	53	58	46	39	48	50	52	55	56	57	58	59	60	61
Loans and leasing	147	143	95	31	128	97	78	60	42	23	5	5	5	5	5
Other current liabilities	267	302	488	233	217	223	224	225	226	229	231	234	235	237	239
<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>1,421</b>	<b>1,424</b>	<b>1,426</b>	<b>1,426</b>	<b>1,427</b>	<b>1,428</b>	<b>1,447</b>	<b>1,466</b>	<b>1,484</b>	<b>1,503</b>
Gross debt (PLN m)	441	376	367	415	462	411	377	343	309	275	241	225	210	194	178
<b>Net debt (PLN m)</b>	<b>265</b>	<b>185</b>	<b>149</b>	<b>246</b>	<b>175</b>	<b>180</b>	<b>178</b>	<b>173</b>	<b>169</b>	<b>159</b>	<b>150</b>	<b>140</b>	<b>129</b>	<b>118</b>	<b>107</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>44</b>	<b>22</b>	<b>33</b>	<b>34</b>	<b>41</b>	<b>41</b>	<b>42</b>	<b>42</b>	<b>44</b>	<b>44</b>
Profit Before Tax	90	100	114	111	69	50	68	75	75	75	76	76	77	78	79
D&A	3	3	3	1	10	9	9	8	7	6	6	5	5	5	4
Change in WC	-45	-93	12	12	-26	-5	-34	-28	-26	-19	-19	-19	-18	-17	-17
Other	-75	-58	-62	-39	12	-11	-21	-22	-22	-21	-22	-22	-22	-22	-23
<b>Investment cash flow</b>	<b>45</b>	<b>124</b>	<b>13</b>	<b>-50</b>	<b>30</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>
CAPEX (incl. inv.in properties)	-91	-25	-75	-53	-5	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3
Other	136	149	87	3	35	0	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>-97</b>	<b>-52</b>	<b>-59</b>	<b>-62</b>	<b>-62</b>	<b>-62</b>	<b>-45</b>	<b>-45</b>	<b>-45</b>	<b>-45</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	-51	-34	-34	-34	-34	-34	-16	-16	-16	-16
Dividend	0	-7	-40	-47	0	-44	-20	-28	-30	-30	-30	-31	-31	-31	-32
Other	-22	-18	-17	-28	-35	-2	3	3	2	2	2	2	2	2	1
<b>Change in cash</b>	<b>23</b>	<b>15</b>	<b>27</b>	<b>-50</b>	<b>118</b>	<b>-55</b>	<b>-32</b>	<b>-29</b>	<b>-31</b>	<b>-24</b>	<b>-24</b>	<b>-6</b>	<b>-5</b>	<b>-4</b>	<b>-5</b>
<b>Cash as of eop</b>	<b>176</b>	<b>191</b>	<b>218</b>	<b>168</b>	<b>287</b>	<b>231</b>	<b>199</b>	<b>171</b>	<b>140</b>	<b>116</b>	<b>92</b>	<b>86</b>	<b>80</b>	<b>76</b>	<b>71</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 October – 31 December 2023)

	Number	%
Buy	60	71%
Hold	18	21%
Sell	6	7%
Total	84	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	PLN 8.26	Adrian Górniak