

Warimpex AG

PT: EUR 2.69/PLN 11.75

Update

Rating: n.a.

While showing a profit on all levels, Warimpex' (WXF) 9M/23 results were negatively impacted by a decline of the result from depreciation, amortization and remeasurement and a deterioration of the net financial result. This resulted from a lack of property sales, lower exchange rate gains and higher interest expenses. Revenues went up by 15.7% y-o-y due to higher occupancy rates in Poland and a post-COVID recovery of the hotel business. The situation in Russia – 41% of WXF's property assets are located there - remained stable and the company reduced its net debt further to EUR 212.2m (H1/23: EUR 215.7m). In October, WXF opened the Mogilska 35 office building in Cracow, which is already positively impacting its Q4 results. Based on the 9M/23 report, we have adjusted our estimates for 2023E down and for the next years up. With a higher peer group-based FV (EUR 3.23 vs. EUR 2.06 previously), this increases our 12-months PT (50% disc. NNAV, 50% peer group) from EUR 2.11 to EUR 2.69.

In 9M/23, WXF's results were positively impacted by higher prices/occupancy of its hotels and Polish office buildings as well as the fully occupied Avior Tower in St. Petersburg, while a remeasurement loss of EUR 2.1m (9M/22: gain of EUR 7.2m) and EUR 3.3m higher net interest expenses resulted in a weaker EBIT and net income. Between January and September 2023, Warimpex generated revenues of EUR 37.5m (+15.7% y-o-y), of which 62.9% stemmed from Russia. EBITDA equalled EUR 16.8m (+5% y-o-y), while EBIT (-31.5% y-o-y to EUR 14.7m) and net income (-76.1% to EUR 3.3m) were below last year. The operating cash flow improved by 155.3% y-o-y to EUR 20.7m.

Based on the 9M/23 report and our discussions with management, we have increased our EBIT forecast for full-year 2023E by 15.7%, but lowered the revenue, EBITDA and net income estimate by 2.9-12.3%. The next 3 years should be positively impacted by the opening of new office buildings in Cracow, Bialystok and Darmstadt (WXF adopted a new zoning plan there in Sep 2023 and filed for the building permit). For 2023E, our new forecasts are EUR 48.5m (prev. EUR 50.1m) for revenues, EUR 21.6m (EUR 22.3m) for EBITDA, EUR 18.3m (EUR 16.3m) for EBIT and EUR 4.5m (EUR 5.2m) for net income. Currently, the occupancy ratio at the new Mogilska 35 building equals c. 50%.

in EURm	2020	2021	2022	2023E	2024E	2025E
Total turnover	25.66	26.72	45.14	48.49	55.03	65.80
EBITDA	2.98	14.51	16.50	21.61	30.80	39.16
EBIT	-7.69	15.54	59.15	18.81	28.80	38.16
Net income	-29.69	12.27	42.84	4.53	13.52	21.38
EPS	-0.57	0.24	0.82	0.08	0.25	0.40
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	-22.07%	10.44%	29.07%	2.63%	7.45%	10.75%
Net gearing	157.49%	174.70%	135.98%	122.76%	110.10%	92.99%
Net debt/EBITDA	58.48x	15.00x	14.03x	9.92x	6.73x	4.98x
P/NAV	0.34x	0.30x	0.22x	0.22x	0.20x	0.18x
LTV	61.5%	62.5%	57.6%	54.9%	52.7%	50.5%
P/E	neg	2.92x	0.85x	8.34x	2.80x	1.77x

Company profile

Warimpex Finanz- und Beteiligungs-AG is a Vienna-based developer and investor in commercial real estate, especially office buildings and hotels. The company is listed in Austria and Poland.

Date of publication	4 December 2023 / 6:30 am
Website	www.warimpex.com
Sector	Real Estate
Country	Austria
ISIN	AT0000827209
Reuters	WXFB.VI
Bloomberg	WXF AV

Share information

Last price	0.70
Number of shares (m)	54.00
Market cap. (EURm)	37.80
52-weeks range	EUR 0.88 / EUR 0.60
Average volume (shares)	3,469

Performance

4-weeks	-2.78%
13-weeks	-13.58%
26-weeks	1.45%
52-weeks	-12.50%
YTD	6.10%

Shareholder structure

Georg Folian	15.00%
Franz Jurkowsch (CEO)	14.00%
Amber Privatstiftung (Mr G. Folian)	11.00%
Bocca Privatstiftung (Mr F. Jurkowsch)	11.00%
NN Pension Fund	>5.00%
Treasury shares	3.59%
Free float	c. 40.00%

Financial calendar

Annual Report 2023	April 29, 2024
--------------------	----------------

Analyst

Adrian Kowollik
a.kowollik@eastvalueresearch.com

9M/23 results

Revenues and Profitability

In 9M/23, Warimpex generated total revenues of EUR 37.5m, which corresponds to a y-o-y growth of 15.7%. The Russian operations accounted for EUR 23.6m. Compared to Q1 and Q2, when it equalled +51.9% and +15% respectively y-o-y, the sales growth in Q3 (-8.5%) slowed down significantly due to a much weaker rouble. Between January and September 2023, both Hotels (+27.4% y-o-y) and Investment properties (+17.5%) performed very well due to higher prices/occupancy rates. In the Investment properties segment, the EBITDA margin strongly recovered as the Avior tower in St. Petersburg was opened in Q3/22 and has been fully occupied from the start.

in EURm	9M/23	9M/22
Hotels	8.43	6.61
<i>Share in total sales</i>	22.4%	20.4%
EBITDA margin	20.1%	30.4%
Investment properties	28.10	23.91
<i>Share in total sales</i>	74.9%	73.7%
EBITDA margin	70.3%	59.1%
Development and services	1.02	1.91
<i>Share in total sales</i>	2.7%	5.9%
EBITDA margin	-461.6%	-10.5%
Total revenues	37.54	32.43

Source: Company information, East Value Research GmbH

in EURm	9M/23	9M/22	change y-o-y
Total revenues	37.54	32.43	15.7%
EBITDA	16.75	15.95	5.0%
<i>EBITDA margin</i>	44.6%	49.2%	
EBIT	14.72	21.48	-31.5%
<i>EBIT margin</i>	39.2%	66.2%	
Net income	3.25	13.58	-76.1%
<i>Net margin</i>	8.6%	41.9%	

Source: Company information, East Value Research GmbH

Between January and September 2023, Warimpex' EBITDA increased by 5% y-o-y to EUR 16.8m and thus much less than revenues. The reason was a gain of EUR 2.8m from the sale of the B52 building in Budapest last year. EBIT (-31.5% to EUR 14.7m) and net income (-76.1% to EUR 3.3m) were additionally negatively affected by 1. the fact that in contrast to 9M/22, when WXF reported a remeasurement gain of EUR 7.2m, there was a loss of EUR 2.1m, and 2. much lower net financial result y-o-y due to higher interest rates and only small FX gains (EUR -8.9m vs. EUR -5.6m).

Balance sheet and Cash flow

At the end of September 2023, Warimpex had consolidated equity excl. minorities of EUR 143.8m, which corresponds to an equity ratio of 35.6% (9M/22: 35.6%).

At the end of 9M/23, the largest position on the company's balance sheet were investment properties with EUR 348.3m (9M/22: EUR 402.5m). The difference compared to last year mainly stemmed from exchange rate adjustments. Property, plant and equipment (property that is currently under development) was valued at EUR 32.3m (EUR 45.7m). Net investments in joint-ventures (relates to WXF's 50% stake in the Intercontinental Hotel in Warsaw) equalled EUR 25k (EUR 417k). Financial assets measured at fair value (10% stake in the Hotel Palais Hansen Kempinski in Vienna) through other comprehensive income were worth EUR 5.5m (EUR 5.6m).

At the end of September, interest-bearing debt amounted to EUR 221.5m (30/09/2022: EUR 274m), thereof 13.6% was short term and c. 20% with a variable rate. Net debt equalled EUR 212.2m (EUR 255.8m) and net gearing 147.6% (149.3%).

Between January and September 2023, Warimpex generated an operating cash flow of EUR 20.7m (9M/22: EUR 8.1m). The reason were 22.9% higher cash receipts from letting and hotel operations, real estate development projects and interest income y-o-y. Excl. the c. EUR 5m from prepayments for rents, the "normalized" operating cash flow equalled EUR 15.7m.

Cash flow from investing, which in 9M/22 was positively impacted by an inflow of EUR 12.9m related to the sale of the B52 building in Budapest, amounted to EUR -13.8m (9M/22: EUR -2.9m), The "normalized" free cash flow equalled EUR 1.9m. In 9M/23, the cash flow from financing reached EUR -11.1m (EUR -1.6m) as last year the company issued a bond worth EUR 7.7m and a credit note of EUR 6.5m for the acquisition and refurbishment of the Red Tower in Lodz. Between January and September 2023, Warimpex' cash position declined by EUR 6.7m to EUR 9.3m, whereby EUR -2.4m stemmed from FX effects.

Currently, Warimpex has the following bonds: 1. Issued in 2018 with a nominal value of EUR 9m and interest rate of 2.79%, of which WXF has already repaid EUR 5.4m since September 2021 in three equal installments of EUR 1.8m, and 2. Issued in 2022 with an interest rate of 6.3% that is supposed to be repaid at maturity in 5/2025. According to management, the bonds will be rather repaid than refinanced by the issue of new bonds.

At the end of 9M/23, the cash level at Warimpex' Russian subsidiaries equalled EUR 5.9m, EUR 1.6m below 30/06/2023 that however mainly resulted from a weaker rouble, in our view.

Financial forecasts

Revenues and Profitability

Based on the information in the 9M/23 report and our discussions with management, we have decided to increase our EBIT forecast and lower our revenue, EBITDA and net income estimates for full-year 2023E. What we like particularly about the 9M/23 figures, is the net debt figure, which continues to decline, and the significant increase of operating cash flow y-o-y. In Q4/23, we expect a first contribution of the new Mogilska 35 office building in Cracow, where the occupancy rate is currently at c. 50%, but will likely increase in the coming months. However, this will likely be at least partly offset by the Russian rouble, which continues to be weak vs. the Euro.

Apart from Mogilska 35 and improving occupancy rates at the Red Tower in Lodz, we expect a positive contribution in 2024E from new openings in Cracow (Mogilska IV, co-living/office project Chopin). The MC55 in Bialystok and the West Yard office building in Darmstadt, for which Warimpex has recently filed a building permit and expects the construction work to start in H2/24E at the earliest, should start contributing to results from 2025E-2026E. In the future, management wants to focus on Poland and Germany and does not plan further investments in Russia.

Below are our detailed estimates for Warimpex' business segments:

Hotels: This segment covers the results of Warimpex' 4 hotels (fully-owned and with minority stakes), which together have 831 beds. Among others, the company owns a 50% stake in the Intercontinental Hotel in Warsaw, 100% in the greet hotel in Darmstadt and 100% in the Airportcity Plaza in St. Petersburg. We have increased our assumptions regarding the average room rate from EUR 40 to EUR 46 following the recent price increases as well as regarding the average occupancy rate from 76% to 78% due to the post-COVID-19 recovery. However, we continue to believe that Warimpex will not invest in additional hotels in the future.

Because of the above, our revenue estimate for 2023E goes up from EUR 9.3m previously to EUR 10.9m. Our estimate for the EBITDA margin (20%) remains unchanged. While we expect stable revenues in the future, the EBITDA margin should go up to max. 22% in the long run, in-line with the historical profitability of the segment.

Investment properties: This segment covers Warimpex' 10 office and commercial buildings in Lodz, Cracow, St. Petersburg, and Budapest, which after the opening of the Mogilska 35 building in October now have a total lettable space of 138,084 sqm.

As we believe that the completion of the MC55 project in Bialystok will be postponed to 2025E, we now expect that WXF's total lettable space will increase from 138,084 sqm to 167,740 sqm in 2024E and 206,195 sqm in 2025E. In our view, the openings will also lead to a temporarily lower average occupancy rate of 93%, which however should return to 96% by 2026E. Regarding the average rental fee, we have maintained our assumption of EUR 23/month/sqm.

Due to the above our revenue forecast for 2023E declines to EUR 36.2m (previously: EUR 37.6m). Based on the 9M/23 report, we have also decided to lower the EBITDA margin from 70% to 69%. In the long run, revenues should increase at a CAGR of 6.4% and the EBITDA margin should remain in the range of 64-71%.

Development and services: The results of this segment stem from the sale of developed properties, development activities and services for third parties. Thus, they are subject to significant fluctuations.

Based on the 9M/23 report, we have lowered our revenue estimate for the segment in 2023E from PLN 3.3m to PLN 1.3m and the EBITDA margin from -190% to -430%.

in EURm	2023E	2024E	2025E
Hotels	10.94	10.94	10.94
(% of net sales)	22.6%	19.9%	16.6%
EBITDA margin	20.0%	20.4%	20.8%
Number of hotels	4	4	4
Number of hotel rooms (adj. for proport. share of ownership)	831	831	831
Avg. occupancy rate	78.0%	78.0%	78.0%
Avg. hotel rate per day & room (EUR)	46	46	46
Investment properties	36.25	42.66	53.28
(% of net sales)	74.7%	77.5%	81.0%
EBITDA margin	69.0%	70.0%	71.0%
Number of office and commercial properties	10	12	13
Avg. lettable office space (adj. for proport. share of ownership)	138,084	167,740	206,195
Avg. occupancy rate	96.0%	93.0%	94.5%
Avg. rental fee per month & sqm (EUR)	23	23	23
Development and services	1.30	1.43	1.57
(% of net sales)	2.7%	2.6%	2.4%
EBITDA margin	-430.0%	-90.0%	-60.0%
Total revenues	48.49	55.03	65.80
(change y-o-y)	7.4%	13.5%	19.6%

Source: East Value Research GmbH

	2023E		2024E		2025E	
in EURm	new	old	new	old	new	old
Total revenues	48.49	50.12	55.03	53.57	65.80	64.00
EBITDA	21.61	22.25	30.80	27.21	39.16	34.65
<i>EBITDA margin</i>	<i>44.6%</i>	<i>44.4%</i>	<i>56.0%</i>	<i>50.8%</i>	<i>59.5%</i>	<i>54.1%</i>
EBIT	18.81	16.25	28.80	24.21	38.16	33.65
<i>EBIT margin</i>	<i>38.8%</i>	<i>32.4%</i>	<i>52.3%</i>	<i>45.2%</i>	<i>58.0%</i>	<i>52.6%</i>
Net income	4.53	5.17	13.52	11.44	21.38	18.85
<i>Net margin</i>	<i>9.4%</i>	<i>10.3%</i>	<i>24.6%</i>	<i>21.4%</i>	<i>32.5%</i>	<i>29.5%</i>

Source: East Value Research GmbH

in EURm	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21	2021
Total turnover	7.91	5.73	5.89	6.13	25.66	6.05	6.70	6.44	7.53	26.72
<i>y-o-y change</i>	<i>26.3%</i>	<i>-36.1%</i>	<i>-27.4%</i>	<i>-26.2%</i>	<i>-18.9%</i>	<i>-23.5%</i>	<i>16.9%</i>	<i>9.4%</i>	<i>22.9%</i>	<i>4.1%</i>
EBITDA	0.93	-0.58	1.43	1.21	2.98	1.62	3.38	2.86	6.65	14.51
<i>EBITDA margin</i>	<i>11.8%</i>	<i>-10.2%</i>	<i>24.2%</i>	<i>19.7%</i>	<i>11.6%</i>	<i>26.8%</i>	<i>50.5%</i>	<i>44.4%</i>	<i>88.3%</i>	<i>54.3%</i>
EBIT	-2.41	-6.83	0.33	1.22	-7.69	2.14	3.80	2.41	7.19	15.54
<i>EBIT margin</i>	<i>-30.4%</i>	<i>-119.2%</i>	<i>5.6%</i>	<i>19.9%</i>	<i>-30.0%</i>	<i>35.3%</i>	<i>56.7%</i>	<i>37.3%</i>	<i>95.5%</i>	<i>58.1%</i>
Net income	-17.28	-3.26	-8.88	-0.27	-29.69	-0.58	2.30	0.74	9.82	12.27
<i>Net margin</i>	<i>-218.3%</i>	<i>-57.0%</i>	<i>-150.8%</i>	<i>-4.4%</i>	<i>-115.7%</i>	<i>-9.6%</i>	<i>34.3%</i>	<i>11.4%</i>	<i>130.4%</i>	<i>45.9%</i>

in EURm	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23E	2023E
Total turnover	8.52	11.58	12.33	12.70	45.14	12.95	13.31	11.28	10.96	48.49
<i>y-o-y change</i>	<i>40.9%</i>	<i>72.8%</i>	<i>91.4%</i>	<i>68.7%</i>	<i>68.9%</i>	<i>51.9%</i>	<i>15.0%</i>	<i>-8.5%</i>	<i>-13.8%</i>	<i>7.4%</i>
EBITDA	2.91	7.83	5.21	0.55	16.50	5.60	5.67	5.48	4.86	21.61
<i>EBITDA margin</i>	<i>34.2%</i>	<i>67.6%</i>	<i>42.2%</i>	<i>4.3%</i>	<i>36.6%</i>	<i>43.2%</i>	<i>42.6%</i>	<i>48.6%</i>	<i>44.4%</i>	<i>44.6%</i>
EBIT	-1.26	18.00	4.75	37.67	59.15	5.28	1.16	8.28	4.09	18.81
<i>EBIT margin</i>	<i>-14.8%</i>	<i>155.4%</i>	<i>38.5%</i>	<i>296.5%</i>	<i>131.0%</i>	<i>40.8%</i>	<i>8.7%</i>	<i>73.4%</i>	<i>37.4%</i>	<i>38.8%</i>
Net income	-4.39	17.61	0.16	29.47	42.84	1.33	-1.14	3.03	1.31	4.53
<i>Net margin</i>	<i>-51.5%</i>	<i>152.1%</i>	<i>1.3%</i>	<i>232.0%</i>	<i>94.9%</i>	<i>10.2%</i>	<i>-8.5%</i>	<i>26.9%</i>	<i>12.0%</i>	<i>9.4%</i>

Source: Company information, East Value Research GmbH

CAPEX and Working capital

We continue to forecast that both property, plant and equipment and investment properties will grow at 1% per year in the coming years. Regarding working capital, we have maintained our assumption that the cash conversion cycle will increase from -161 days in 2022 to 30 days in the long run.

Valuation

We have valued Warimpex by using a weighted average of a NNNAV (50% weight) and peer-group-based fair value (50%). Thereby, we have discounted the NNNAV by 50% due to the company's exposure to Russia and have accounted for 1.94m treasury shares. Compared to our last update, the 12-months PT goes up from EUR 2.11 to EUR 2.69, which still implies an upside of 284.9% at current level. The main reason is the higher peer-group-based fair value (EUR 3.23 vs. EUR 2.06).

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Austrian long-term government bonds with maturity in 2047E is 2.33% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: 4y average unlevered beta of companies from the Real Estate (Diversified) sector of 0.46x
- (3) *Levered beta*: 1.28x
- (4) *Equity risk premium (Austria)*: 6.63% (Source: www.damodaran.com)
- (5) *Effective tax rate*: 24%
- (6) *Target equity ratio*: 30%
- (7) *Target debt ratio*: 70%
- (8) *After-tax debt costs*: 4.4%
- (9) *Equity costs*: 10.8%
- (10) *WACC*: 6.3%

Triple NNNAV calculation

in EURm	
Equity (as of 30/09/2023)	143.83
+ Deferred taxes (net)	-16.21
+ Market value of derivative instruments	0.18
= EPRA NAV	127.81
- Market value of derivative instruments	-0.18
- Market value of off-balance-sheet debt	0.00
- Deferred taxes (net)	16.21
= EPRA NNNAV	143.83
: Number of shares outstanding (excl. 1,939,280 own shares)	52.06
= EPRA NNNAV per share	2.76
= Discounted by 50% due to high exposure to Russia	1.84

Source: East Value Research GmbH

Peer Group Analysis

Below are listed companies, which we have identified as Warimpex' main peers:

- (1) *CA Immobilien Anlagen AG*: CA Immobilien Anlagen, which is headquartered in Vienna, is a real estate group with operations in Austria, Germany, Poland and the Czech Republic. Its core business involves leasing, managing and developing high-quality office buildings. The company has assets of EUR 5.5bn and an occupancy rate of 89.9%. In 2022, CA Immobilien Anlagen generated revenues of EUR 305.3m, a net profit of EUR 75.5m and funds from operation (FFO) of EUR 125.3m. Its current market capitalization equals EUR 3bn.
- (2) *Immofinanz AG*: Immofinanz, which is based in Vienna, manages and develops retail and office properties in Austria, Germany, Poland, the Czech Republic, Slovakia, Hungary, Romania and the Adriatic region. The company has assets worth EUR 7.3bn and an occupancy rate of 92.3%. In 2022, Immofinanz generated revenues of EUR 270.3m, a net profit of EUR 142.6m and funds from operation (FFO) of EUR 146m. Its current market capitalization equals EUR 2.6bn.
- (3) *S Immo AG*: S IMMO AG, which is based in Vienna, is a real estate investment company with a focus on capital cities in Austria, Germany and CEE. Approx. 70% of its property portfolio are commercial properties (offices, shopping centres and hotels). Residential properties account for 30%. The company has assets worth EUR 3bn with an average occupancy rate of 90.8%. In 2022, it generated revenues of EUR 260.8m, a net profit of EUR 27.2m and FFO of EUR 64.7m. Currently, its market capitalisation equals EUR 906.6m.
- (4) *Globe Trade Centre S.A.*: Globe Trade Centre, which is based in Warsaw, is a real estate investor and developer with a focus on Poland, Hungary, and capital cities in Central, Eastern and Southern Europe. The company owns 46 buildings with 753,000 sqm of office and retail space, has assets of EUR 2.3bn and an occupancy rate of 87%. In 2022, it generated revenues of PLN 747m, a net profit of PLN 105m and FFO of PLN 305m. Currently, its market capitalisation equals PLN 2.9bn.
- (5) *Globalworth Real Estate Investments Ltd.*: Globalworth Real Estate Investment, which is based in Guernsey, is a real estate investment firm focused on office properties in CEE's largest property markets, Poland and Romania. The company owns 50 standing Class A office buildings, has assets worth EUR 3.1bn and an average occupancy rate of 85.5%. In 2022, it generated revenues of EUR 242.1m and a net income of EUR -17m. Currently, its market capitalisation equals EUR 539.7m.

(6) *UBM Development AG*: UBM Development, which is headquartered in Vienna, focuses on green buildings and smart offices in Austria, Germany, Poland and the Czech Republic (in the past also in France and Amsterdam) and is active as hotel lessee. The company offers a comprehensive service portfolio comprising market analysis, project development, planning and project management, financing, rental and asset management. The company has investment properties with a value of EUR 427m. In 2022, it generated revenues of EUR 133.9m and a net profit of EUR 25.9m. Of the total output of EUR 390.7m (= revenues of fully consolidated and "at-equity" subsidiaries plus sale proceeds from share deals), 41% stemmed from the residential segment. Currently, UBM has a market capitalisation of EUR 153.8m.

Company	P/BVPS		P/E		Net debt/EBITDA	Net interest cover	Net gearing
	Latest	2023E	2024E	Latest	Last FY	Latest	
CA Immobilien Anlagen AG (EUR)	0.9x	117.3x	32.4x	11.4x	3.9x	59.0%	
Immofinanz AG (EUR)	0.7x	neg	19.9x	269.2x	0.2x	85.1%	
S Immo AG (EUR)	0.5x	neg	8.9x	9.9x	3.0x	63.6%	
Globe Trade Center S.A. (PLN)	0.6x	14.2x	9.6x	12.8x	3.1x	110.1%	
Globalworth Real Estate Inv. Ltd. (EUR)	0.3x	n.a	n.a	9.9x	2.6x	78.3%	
UBM Development AG (EUR)	0.4x	n.a	10.5x	neg	n.a	150.8%	
Median	0.6x	65.8x	10.5x	11.4x	3.0x	81.7%	
Warimpex AG (EUR)	0.3x	8.3x	2.8x	12.9x	9.1x	147.56%	
Premium/Discount	-54.5%	-87.3%	-73.3%				
Fair value Warimpex (EUR)	3.23						

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
NNNAV calculation (EUR)	1.84	50%
Peer Group Analysis (EUR)	3.23	50%
Weighted average (present value)	2.53	
In 12-months (PV * (1+WACC))	2.69	
In PLN (PLN-EUR = 4.36)	11.75	

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

Profit and loss statement

in EURm	2020	2021	2022	2023E	2024E	2025E
Total revenues	25.66	26.72	45.14	48.49	55.03	65.80
Directly-attributable expenses	-11.29	-10.60	-16.10	-15.76	-15.41	-15.79
Gross profit	14.37	16.12	29.04	32.73	39.62	50.01
Other operating income	0.42	6.49	1.37	0.34	0.38	0.42
Gains/losses from the disposal of properties	0.00	0.00	2.82	0.00	0.00	0.00
Administrative expenses	-8.67	-7.32	-14.12	-10.43	-11.72	-13.88
Other operating expenses	-3.14	-0.78	-2.61	-1.04	2.53	2.62
EBITDA	2.98	14.51	16.50	21.61	30.80	39.16
Depreciation, amortization & remeasurement	-10.67	1.02	42.65	-2.80	-2.00	-1.00
EBIT	-7.69	15.54	59.15	18.81	28.80	38.16
Net financial results	-21.43	-0.61	-6.52	-12.85	-11.00	-10.00
EBT	-29.11	14.92	52.63	5.96	17.80	28.16
Income taxes	-2.01	-2.94	-9.76	-1.43	-4.27	-6.76
Minority interests	1.43	0.29	-0.03	0.01	-0.02	-0.03
Net income / loss	-29.69	12.27	42.84	4.53	13.52	21.38
EPS	-0.57	0.24	0.82	0.08	0.25	0.40
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Share in total sales						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Directly-attributable expenses	-43.99 %	-39.66 %	-35.67 %	-32.50 %	-28.00 %	-24.00 %
Gross profit	56.01 %	60.34 %	64.33 %	67.50 %	72.00 %	76.00 %
Other operating income	1.65 %	24.29 %	3.04 %	0.71 %	0.69 %	0.63 %
Gains/losses from the disposal of properties	0.00 %	0.00 %	6.25 %	0.00 %	0.00 %	0.00 %
Administrative expenses	-33.80 %	-27.40 %	-31.29 %	-21.50 %	-21.30 %	-21.10 %
Other operating expenses	-12.25 %	-2.92 %	-5.78 %	-2.15 %	4.59 %	3.99 %
EBITDA	11.61 %	54.31 %	36.55 %	44.56 %	55.98 %	59.52 %
Depreciation, amortization & remeasurement	-41.57 %	3.83 %	94.49 %	-5.77 %	-3.63 %	-1.52 %
EBIT	-29.96 %	58.15 %	131.04 %	38.79 %	52.34 %	58.00 %
Net financial results	-83.50 %	-2.29 %	-14.45 %	-26.50 %	-19.99 %	-15.20 %
EBT	-113.46 %	55.85 %	116.59 %	12.29 %	32.35 %	42.80 %
Income taxes	-7.82 %	-11.02 %	-21.63 %	-2.95 %	-7.77 %	-10.27 %
Minority interests	5.57 %	1.10 %	-0.06 %	0.01 %	-0.03 %	-0.04 %
Net income / loss	-115.71 %	45.93 %	94.91 %	9.35 %	24.56 %	32.49 %

Balance sheet

in EURm	2020	2021	2022	2023E	2024E	2025E
Cash and cash equivalents	8.93	11.19	15.92	14.35	14.60	19.96
Inventories	0.15	0.14	0.19	0.19	0.18	0.19
Trade accounts and notes receivables	3.45	5.67	4.87	5.24	5.94	7.10
Assets-held-for-sales	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	12.53	17.00	20.99	19.77	20.72	27.25
Property, plant and equipment	33.88	36.59	36.41	33.90	34.24	34.58
Other intangible assets	0.08	0.08	0.05	0.03	0.03	0.04
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Investment property	251.34	324.60	388.46	378.00	381.78	385.60
Joint ventures	5.08	0.42	0.41	0.41	0.42	0.42
Financial assets measured at FV	5.63	5.50	5.22	5.27	5.33	5.38
Derivative financial instruments	0.00	0.40	0.09	0.00	0.00	0.00
Other long-term assets	11.16	2.35	1.78	1.50	1.52	1.53
Deferred tax assets	0.98	1.19	1.67	0.80	0.00	0.00
Non-current assets	308.13	371.11	434.08	419.92	423.31	427.55
Total assets	320.67	388.12	455.07	439.69	444.04	454.80
Trade payables	8.88	11.89	9.05	8.06	7.10	6.47
Short-term financial debt	16.65	29.36	28.82	22.80	20.80	18.80
Income tax liabilities	0.01	0.29	0.02	0.04	0.04	0.04
Provisions	2.24	2.94	0.10	0.01	0.12	0.14
Deferred revenues	0.23	0.10	0.02	0.02	0.02	0.02
Liabilities associated with assets-held-for-sale	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities	28.02	44.58	38.00	30.93	28.08	25.48
Long-term financial debt	161.79	196.77	216.15	203.60	198.60	193.60
Other long-term liabilities	6.73	7.27	8.41	10.80	10.30	9.80
Deferred revenues	1.96	0.06	0.04	0.04	0.04	0.04
Pension provisions	4.70	2.75	2.34	2.41	2.43	2.45
Deferred tax liabilities	8.68	11.96	19.83	17.10	16.24	13.67
Long-term liabilities	183.86	218.82	246.78	233.95	227.61	219.57
Total liabilities	211.87	263.40	284.78	264.88	255.69	245.04
Shareholders equity	110.62	124.61	170.16	174.70	188.22	209.59
Minority interests	-1.83	0.11	0.13	0.12	0.14	0.16
Total liabilities and equity	320.67	388.12	455.07	439.69	444.04	454.80

Cash Flow Statement

in EURm	2020	2021	2022	2023E	2024E	2025E
Net income / loss	-29.69	12.27	42.84	4.53	13.52	21.38
Depreciation, amortization & remeasurement	10.67	-1.02	-42.65	2.80	2.00	1.00
Change of working capital	0.00	0.00	0.00	-1.33	-1.66	-1.79
Others	21.49	-6.27	11.16	1.87	0.06	2.57
Net operating cash flow	2.47	4.98	11.35	7.88	13.91	23.16
Cash flow from investing	-11.34	-17.58	-3.11	11.64	-5.17	-4.30
Free cash flow	-8.87	-12.61	8.24	19.52	8.74	18.86
Cash flow from financing	11.46	14.52	-4.52	-21.10	-8.49	-13.50
Change of cash	1.41	2.26	4.73	-1.57	0.25	5.36
Cash at the beginning of the period	7.52	8.93	11.19	15.92	14.35	14.60
Cash at the end of the period	8.93	11.19	15.92	14.35	14.60	19.96

Financial ratios

Fiscal year	2020	2021	2022	2023E	2024E	2025E
Profitability and balance sheet quality						
Gross margin	56.01%	60.34%	64.33%	67.50%	72.00%	76.00%
EBITDA margin	11.61%	54.31%	36.55%	44.56%	55.98%	59.52%
EBIT margin	-29.96%	58.15%	131.04%	38.79%	52.34%	58.00%
Net margin	-115.71%	45.93%	94.91%	9.35%	24.56%	32.49%
Return on equity (ROE)	-22.07%	10.44%	29.07%	2.63%	7.45%	10.75%
Return on assets (ROA)	-2.58%	3.32%	10.85%	3.95%	5.52%	6.90%
Return on capital employed (ROCE)	-2.81%	3.63%	11.55%	3.50%	5.26%	6.76%
Economic Value Added (in EURm)	-26.72	-9.25	21.81	-11.55	-4.41	1.86
Net debt (in EURm)	174.21	217.70	231.39	214.46	207.23	194.89
Net gearing	157.49%	174.70%	135.98%	122.76%	110.10%	92.99%
Loan-to-Value (LTV)	61.47%	62.54%	57.60%	54.91%	52.69%	50.50%
Equity ratio	34.50%	32.11%	37.39%	39.73%	42.39%	46.09%
Current ratio	0.45	0.38	0.55	0.64	0.74	1.07
Quick ratio	0.44	0.38	0.55	0.63	0.73	1.06
Net interest cover	-0.36	25.35	9.07	1.46	2.62	3.82
Net debt/EBITDA	58.48	15.00	14.03	9.92	6.73	4.98
Tangible BVPS	2.05	2.31	3.15	3.24	3.49	3.88
Capex/Sales	86.29%	-231.54%	-41.85%	24.01%	-9.40%	-6.53%
Working capital/Sales	-29.14%	-24.45%	-9.01%	-5.65%	-1.96%	1.08%
Cash Conversion Cycle (in days)	-233	-327	-161	-143	-124	-106
Trading multiples						
P/NAV	0.34	0.30	0.22	0.22	0.20	0.18
P/E	-1.23	2.92	0.85	8.34	2.80	1.77
P/FCF	-4.26	-3.00	4.59	1.94	4.33	2.00

Disclaimer

This document (prepared on 3 December 2023) does neither constitute an offer nor a request to buy or sell any securities. It only serves informational purposes. This document only contains a non-binding opinion on the mentioned securities and market conditions at the time of its publication. Due to the general character of its content this document does not replace investment advice. Moreover, in contrast to especially approved prospectuses, it does not provide information, which is necessary for taking investment decisions.

All information, which have been used in this document, and the statements that have been made, are based on sources, which we think are reliable. However, we do not guarantee their correctness or completeness. The expressions of opinion, which it contains, show the author's personal view at a given moment. These opinions can be changed at any time and without further notice.

A liability of the analyst or of the institution, which has mandated him, should be excluded from both direct and indirect damages.

This confidential study has only been made available to a limited number of recipients. A disclosure or distribution to third-parties is only allowed with East Value Research' approval. All valid capital market rules, which relate to the preparation, content as well as distribution of research in different countries, should be applied and respected by both the supplier and recipient.

Distribution in the United Kingdom: In the UK this document shall only be distributed to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves about any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or sent to the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

Declaration according to § 34b WpHG and FinAnV on potential conflicts of interest (As of July 24, 2013): East Value Research has been commissioned to prepare this report by Warimpex Finanz- und Beteiligungs AG.

Declaration according to § 34b WpHG and FinAnV on additional disclosures (As of July 24, 2013):

It is the sole decision of East Value Research GmbH whether and when a potential update of this research will be made.

Relevant basis and measures of the valuations, which are included in this document:

The valuations, which are the basis for East Value Research` investment recommendations, are based on generally-accepted and widely-used methods of fundamental analysis such as the Discounted-Cash-Flow method, Peer Group comparison, or Sum-of-the-Parts models.

The meaning of investment ratings:

Buy: Based on our analysis, we expect the stock to appreciate and generate a total return of more than 10% over the next twelve months

Add: Based on our analysis, we expect the stock to appreciate and generate a total return between 0% and 10% over the next twelve months

Reduce: Based on our analysis, we expect the stock to cause a negative return between 0% and -10% over the next twelve months

Sell: Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht
Lurgiallee 12
60439 Frankfurt