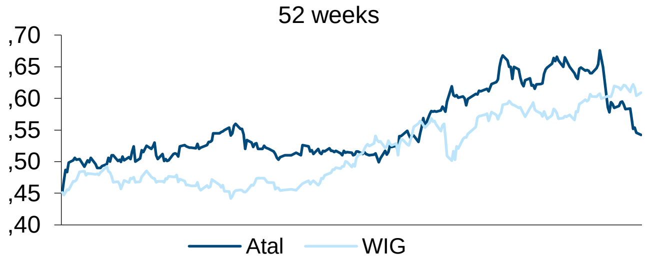
COMPANY REPORT

Atal

from Accumulate to Buy

PLN mn	2024	2025e	2026e	2027e
Net sales	1 486.9	1 537.3	2 592.4	2 630.5
EBITDA	335.4	386.5	659.9	651.6
EBIT	331.1	382.2	655.5	647.0
Net result after min.	295.4	294.1	514.5	509.6
EPS (PLN)	6.84	6.81	11.90	11.79
CEPS (PLN)	6.74	6.71	11.80	11.69
BVPS (PLN)	40.24	41.54	48.00	53.37
Div./share (PLN)	6.00	5.50	5.45	6.43
EV/EBITDA (x)	9.4	9.7	5.3	5.0
P/E (x)	7.5	8.0	4.6	4.6
P/CE (x)	7.6	8.1	4.6	4.6
Dividend Yield	11.7%	10.1%	10.0%	11.9%



Performance	12M	6M	3M	1M
in PLN	10.4%	6.3%	-13.0%	-15.3%

Share price (PLN) close as of 04/08/2025	54.2
Number of shares (mn)	43.3
Market capitalization (PLN mn / EUR mn)	2,345 / ,548
Enterprise value (PLN mn / EUR mn)	3,738 / ,874

Reuters	1AT.WA	Free float	15.5%
Bloomberg	1AT PW	Shareholders	Juroszek Invest. (76.6%)
Div. Ex-date	15/07/25		NN OFE (7.9%)
Target price	**69.5**	Homepage:	www.atal.pl

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Moving beyond housing sales volume dip

We trim our 12M TP for Atal to PLN 69.5 p/s (from PLN 72.0 p/s). As this now implies 28.2% upside, we raise our rating to Buy (from Accumulate).

At 735 units, down 43% y/y, Atal's housing sales volume for 1H25 came in below our and market expectations, we envisage, fulfilling our original FY25E estimate only 28% and underperforming the dynamics registered by most of its covered peers. Taking this into account, we lower our sales forecast for the firm by 20% to around 2,110 units for the current year. That said, this still implies a 2% y/y pickup, and more importantly, an 87% h/h jump in 2H25E, while the unimpressive 1H25 result seems to have already been digested by the market. We also adjust our earlier sales estimate down by 7% to around 3,315 units for 2026E, mainly factoring-in fine-tuning to the assumed sales tempo at selected projects and minor adjustments to a forecast kick-off schedule for the quarters ahead. However, this translates into clearly above-sector average 57% y/y growth for the period (before another 15% pickup now assumed for 2027E).

As a cut to our sales estimates, slightly trimmed expectations for housing price increases for 2026E (described in the Market Outlook section of this report) and lowered net financial results are to some extent offset by an increase to gross margin assumptions for 2025E/26E (we overestimated construction costs at selected, recently completed projects, as proven by stronger than previously forecast gross profitability in 1H25), our net income estimate for Atal is down by only a minor 3/4% to PLN 294/514mn for FY25E/26E. This still translates into decent momentum - flat/up 75% y/y for 2025E/26E, before minor 1% y/y softening in 2027E, and more importantly, clearly below-sector average P/Es of 8.0/4.6/4.6x, for each year, respectively.

Atal's balance sheet situation continued to look relatively tense at end-1Q25, with ST debt at PLN 785mn and cash at PLN 127mn, as well as in light of the firm's mediocre sales volumes over recent quarters, coinciding with a record-high volume of projects under development. However, we stress again, given that around PLN 300mn of the debt maturing this year accounts for main shareholder financing (and another PLN 200mn of LT debt) and the fact that the firm is expected to proceed well with the sale of schemes scheduled for completion this year, we expect it not only to face no major liquidity constraints going forward, but also to be able to pay a PLN 5.45/6.43 DPS in 2026E/27E - implying above-healthy sector average DYs of 10.0/11.9%.

Erste Group Research – Company Report finalized and released August 6, 2025, 07:30, CET, reviewed by Henning Eßkuchen (supervising analyst)
All prices are those current at the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via appropriate vendors.

Income Statement (IAS, PLN mn, 31/12)	2022 31/12/2022	2023 31/12/2023	2024 31/12/2024	2025e 31/12/2025	2026e 31/12/2026	2027e 31/12/2027
Net sales	**1 657.82**	**1 500.49**	**1 486.90**	**1 537.34**	**2 592.44**	**2 630.53**
Cost of goods sold	1 187.53	1 051.86	1 100.56	1 099.16	1 878.71	1 917.87
Gross profit	**470.30**	**448.62**	**386.34**	**438.18**	**713.73**	**712.66**
SG&A	41.74	45.98	58.37	57.65	60.92	68.39
Other operating revenues	11.45	8.24	10.93	8.46	14.26	14.47
Other operating expenses	3.97	9.27	7.78	6.79	11.53	11.69
EBITDA	**439.09**	**405.09**	**335.39**	**386.46**	**659.92**	**651.65**
Depreciation/amortization	3.04	3.48	4.28	4.26	4.39	4.60
EBIT	**436.05**	**401.62**	**331.12**	**382.19**	**655.53**	**647.05**
Financial result	26.92	21.50	34.64	-21.11	-16.12	-13.69
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	**462.96**	**423.11**	**365.76**	**361.08**	**639.41**	**633.35**
Income taxes	94.72	81.78	70.19	66.80	124.69	123.50
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	0.00	0.12	0.17	0.15	0.26	0.25
Net result after minorities	**368.24**	**341.22**	**295.40**	**294.13**	**514.47**	**509.59**

Balance Sheet (IAS, PLN mn, 31/12)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	64.47	65.33	65.78	65.78	65.78	65.78
Tangible assets	86.68	88.56	90.19	90.63	91.08	91.55
Financial assets	50.87	34.44	38.86	36.92	35.07	33.32
Total fixed assets	**202.03**	**188.34**	**194.82**	**193.32**	**191.93**	**190.64**
Inventories	2 494.82	2 668.16	3 384.39	4 162.62	4 092.12	3 971.42
Receivables and other current assets	82.78	63.14	93.35	99.93	168.51	170.98
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	398.46	620.07	127.09	120.42	265.10	180.09
Total current assets	**2 976.05**	**3 351.37**	**3 604.82**	**4 382.97**	**4 525.73**	**4 322.50**
TOTAL ASSETS	**3 178.08**	**3 539.70**	**3 799.64**	**4 576.29**	**4 717.66**	**4 513.14**
Shareholders'equity	**1 301.74**	**1 698.78**	**1 738.78**	**1 795.23**	**2 074.39**	**2 306.17**
Minorities	**0.00**	**0.13**	**0.29**	**0.29**	**0.29**	**0.29**
Hybrid capital and other reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Pension and other LT personnel accruals	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
LT provisions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Interest-bearing LT debts	402.07	707.29	245.18	1 106.77	1 026.57	793.06
Other LT liabilities	205.42	279.63	575.96	712.72	597.96	506.67
Total long-term liabilities	**607.49**	**986.92**	**821.14**	**1 819.49**	**1 624.53**	**1 299.73**
Interest-bearing ST debts	387.73	87.11	825.54	409.08	374.70	274.63
Other ST liabilities	882.12	768.77	416.90	556.20	648.74	637.32
Total short-term liabilities	**1 268.85**	**853.88**	**1 239.43**	**961.28**	**1 018.44**	**906.95**
TOTAL LIAB. , EQUITY	**3 178.08**	**3 539.70**	**3 799.64**	**4 576.29**	**4 717.66**	**4 513.14**

Cash Flow Statement (IAS,PLN mn, 31/12)	2022	2023	2024	2025e	2026e	2027e
Cash flow from operating activities	222.15	112.69	-451.20	-201.30	505.52	535.16
Cash flow from investing activities	16.04	7.05	10.28	-4.70	-4.84	-5.07
Cash flow from financing activities	-334.68	101.87	-52.06	199.34	-356.00	-615.10
CHANGE IN CASH , CASH EQU.	**-96.49**	**221.61**	**-492.98**	**-6.67**	**144.67**	**-85.01**

Margins & Ratios	2022	2023	2024	2025e	2026e	2027e
Sales growth	-1.3%	-9.5%	-0.9%	3.4%	68.6%	1.5%
EBITDA margin	26.5%	27.0%	22.6%	25.1%	25.5%	24.8%
EBIT margin	26.3%	26.8%	22.3%	24.9%	25.3%	24.6%
Net profit margin	22.2%	22.7%	19.9%	19.1%	19.9%	19.4%
ROE	29.8%	22.7%	17.2%	16.6%	26.6%	23.3%
ROCE	19.8%	16.9%	10.9%	8.2%	13.3%	13.6%
Equity ratio	41.0%	48.0%	45.8%	39.2%	44.0%	51.1%
Net debt	391.3	174.3	943.6	1 395.4	1 136.2	887.6
Working capital	1 696.5	1 964.5	3 063.8	3 710.3	3 616.9	3 510.1
Capital employed	1 898.5	2 152.6	3 258.1	3 903.1	3 808.2	3 700.1
Inventory turnover	-0.5	-0.4	-0.4	-0.3	-0.5	-0.5

Source: Company data, Erste Group estimates

Key risk factors

- less/ more pronounced and/or later/ earlier than anticipated base rate cuts in PL going forward, influencing housing sales volumes on the primary market and general sentiment towards the stock/ industry
- weaker/ stronger than anticipated economic recovery in Poland in quarters ahead, influencing the labor market and consumer confidence
- less/ more pronounced than anticipated wage growth in Poland, influencing demand for dwellings on the primary market
- stronger/ weaker than anticipated new dwellings supply across the country's key agglomerations going forward
- stronger/ weaker than anticipated supply of relatively young dwellings on the secondary market across the country's key agglomerations in light of the recent flattening of housing prices
- less/ more favorable than anticipated evolution of effective residential prices across the country going forward, influencing the developer margin on pending/ future projects, as well as influencing demand for dwellings on the primary market
- stronger/ weaker than anticipated increase of construction costs in the country in the years ahead, influencing the developer margin
- slowdown/ acceleration on the residential-for-rent market across key cities, influencing housing investors' appetite for purchases
- falling flexibility in sales/marketing policy implementation in the eye of recently introduced information obligations regarding the publication of apartment prices (effective as of September)
- delays/ speed-up in the launch of pipeline projects vs. assumed schedule/ difficulties in obtaining building permits
- difficulties in obtaining occupancy permits on time due to slow administrative procedures
- tightening/ easing of mortgage lending requirement by banks
- difficulties in purchase of attractively located land plots at reasonable prices, affecting sales potential in the longer run/ potential increase in the supply of land for housing in the country by allocating land from state-owned companies, among other sources (mentioned by the Ministry of Finance and Economy recently)
- increase/ decrease in land prices in the years ahead, influencing the company's gross margins in the longer run
- difficulties in securing/ rolling over the debt on acceptable terms, on time, or in an amount sufficient to finance expansion plans
- stronger than anticipated growth of the PRS segment across the country, affecting end-client demand for dwellings/ boosting institutional demand for dwellings
- potential unfavorable legal changes affecting demand for new dwellings in the country (the Ministry of Finance and Economy are not currently working on cadastral tax, according to recent statements)/ hitting domestic housebuilders' profitability
- escalation of economic and/ or geopolitical tensions, materially affecting European as well as global macro growth prospects going forward and elevating investor risk aversion
- general improvement of sentiment towards Polish equities on the back of potential UA peace plan implementation

Valuation

We lower our 12M target price for Atal to PLN 69.5 per share (from PLN 72.0 per share), which now implies 28.2% upside.

This **reflects a 40% weighting for our truncated pipeline scenario and a 60% weighting for our extended pipeline scenario**. We also carry out a peer multiple valuation for comparison purposes (0% weighting).

We use a scenario analysis to arrive at what we consider to be a conservative pipeline value. Our approach favors real estate companies with a higher proportion of standing properties, but also rewards developers for near-term pipeline projects with secured financing and construction in progress, as both asset groups are factored into our equity valuation calculation at an estimated market value with a 100% weighting. We attach a lower value to projects in extended pipelines, which are more likely to be postponed (or abandoned entirely in extreme cases).

Our target price takes into account a developer's ability to generate value via new projects. To account for varying levels of risk, we have adopted a scenario approach using: 1) a truncated pipeline; and 2) an extended pipeline. Our truncated pipeline scenario takes into consideration only those projects that are currently standing or under construction, meaning that the financing has been secured and the company is actively working on the site. Our extended pipeline scenario takes into consideration all projects that the company has in its pipeline that are expected to be finalized in the next three years (to add comparability) and includes a terminal value. In both scenarios, we also add the estimated value of the secured land bank.

Atal offers relatively decent balance sheets (taken into account the specifics of its debt structure) and proven access to external funding, and thus look rather unlikely to face any major difficulties financing their development pipeline or servicing debt requirements in the quarters ahead. We thus maintain the weight of our extended pipeline scenario at 60% across the board.

We established our assumptions for the cost of equity by using a fixed risk-free rate of 5.5% (unchanged vs. original assumption) and adding a 5.0% equity risk premium (unchanged vs. original assumption). At the same time, we use a beta of 1.0. Consequently, we estimate a WACC range of 9.5-9.8% (roughly unchanged) for the explicit forecast period 2025E-27E. For the terminal value calculation, we used perpetuity, based on the estimated average net value created by the company annually and a long-term growth rate of 1.5%.

VALUATION SUMMARY (PLN)	
Truncated pipeline scenario	29.31
Extended pipeline scenario	96.30
Average (40:60 weight)	**69.50**

Source: Company Data, Erste Group Research

VALUATION (PLN mn) - TRUNCATED PIPELINE SCENARIO	
Value of properties under construction & delivery	**6 490**
Cost for properties under construction & delivery	**4 908**
TOTAL	**1 583**
PV of TOTAL	**1 190**
Estimated value of secured land bank	1 031
Investment property	75
Tax liability	-33
ENTERPRISE VALUE (PLN mn)	**2 329**
Net debt	944
Minority interest	0.3
Dividend paid	238
EQUITY VALUE (PLN mn)	**1 148**
Per fully diluted number of shares (PLN)	26.53
12M Target Price (PLN)	**29.31**

Source: Company data, Erste Group Research

VALUATION (PLN mn) - EXTENDED PIPELINE SCENARIO	
Value of properties under construction & delivery	**6 490**
Cost for properties under construction & delivery	**4 908**
Value of properties in the pipeline (till 2027)	**1 274**
Cost for properties in the pipeline (till 2027)	**965**
Terminal value for development business (beyond 2027)	2 752
TOTAL	**4 643**
PV of TOTAL	**3 812**
Estimated value of secured land bank	1 031
Investment property	75
Tax liability	-33
ENTERPRISE VALUE (PLN mn)	**4 952**
Net debt	944
Minority interest	0.3
Dividend paid	238
EQUITY VALUE (PLN mn)	**3 770**
Per fully diluted number of shares (PLN)	87.15
12M Target Price (PLN)	**96.30**

Source: Company data, Erste Group Research

Sensitivity analysis

We present a sensitivity analysis of our target price to changes in residential prices and construction costs. A +/-5% change in residential prices vs. our original expectations applied to the valuation of Atal's portfolio of under-construction and pipeline properties increases/decreases our equity valuation by some 9%. At the same time, a 5% increase/decrease in the level of construction costs applied to the valuation of the firm's portfolio of under-construction and pipeline real estate schemes decreases/increases our target price by around 11%.

Valuation sensitivity to residential prices and construction costs (PLN)

Construction costs evolution \ Residential prices evolution	-5.0%	-2.5%	0%	2.5%	5.0%
-5.0%	70.14	73.40	76.66	79.93	**83.21**
-2.5%	66.63	69.87	73.12	76.38	79.65
0%	63.04	66.26	**69.50**	72.75	76.02
2.5%	59.37	62.58	65.81	69.05	72.30
5.0%	**55.64**	58.83	62.04	65.26	68.50

Source: Erste Group Research

Peer comparison

On a 2025E/26E/27E P/Es Atal trades at 12/36/34% discount to its closest peers from our coverage, which we perceive as not justified.

Atal vs. peers (on current market values; *priced at COB 4 August 2025)

	BBG ticker	COB (PLN)	12M TP (PLN)	Upside	Rating	P/BV 2025E	P/BV 2026E	P/BV 2027E	P/E 2025E	P/E 2026E	P/E 2027E	DY 2025E	DY 2026E	DY 2027E	ROE 2025E	ROE 2026E	ROE 2027E
Archicom	ARH PW	46.8	43.0	-8.1%	Hold	2.05	1.62	1.35	13.6	5.4	4.6	4.5%	5.9%	9.3%	15.5%	33.9%	32.2%
Atal	**1AT PW**	**54.2**	**69.5**	**28.2%**	**Buy**	**1.30**	**1.13**	**1.02**	**8.0**	**4.6**	**4.6**	**10.1%**	**10.0%**	**11.9%**	**16.6%**	**26.6%**	**23.3%**
Develia	DVL PW	8.3	7.7	-7.7%	Hold	2.08	1.92	1.87	9.9	9.0	10.2	6.9%	7.3%	8.4%	21.6%	22.3%	18.5%
Dom	DOM PW	242.0	251.9	4.1%	Accumulate	3.22	2.84	2.55	9.8	8.9	8.4	6.4%	7.1%	7.9%	34.9%	34.0%	31.9%
Lokum	LKD PW	22.5	22.1	-1.7%	Hold	0.69	0.68	0.65	6.4	10.3	8.6	2.2%	7.8%	7.8%	11.3%	6.6%	7.7%
Murapol	MUR PW	40.2	48.9	21.8%	Buy	2.56	2.18	1.97	6.6	4.9	5.3	13.0%	13.4%	14.2%	40.2%	47.7%	39.1%
Average						**1.98**	**1.73**	**1.57**	**9.0**	**7.2**	**7.0**	**7.2%**	**8.6%**	**9.9%**	**23.4%**	**28.5%**	**25.5%**
Versus average																	
Archicom						3%	-6%	-14%	50%	-25%	-34%	-38%	-32%	-6%	-34%	19%	27%
Atal						**-34%**	**-35%**	**-35%**	**-12%**	**-36%**	**-34%**	**41%**	**17%**	**20%**	**-29%**	**-7%**	**-9%**
Develia						5%	11%	19%	10%	25%	47%	-3%	-16%	-16%	-8%	-22%	-27%
Dom						62%	64%	63%	8%	24%	21%	-11%	-17%	-21%	50%	19%	25%
Lokum						-65%	-61%	-59%	-29%	44%	24%	-69%	-9%	-21%	-52%	-77%	-70%
Murapol						29%	26%	26%	-27%	-31%	-24%	81%	56%	43%	72%	67%	54%

Source: Bloomberg, Erste Group Research

Business model

With over 30 years of experience in the residential market, Atal S.A. is a leading housing developer on the Polish market. Since 2015, it has been a public company listed on the WSE. Atal S.A. is the dominant entity within its capital group, the structure of which is presented below.

It is also noteworthy that the firm is part of a different capital group, which belongs to Atal's CEO and founder, Mr Zbigniew Juroszek (Juroszek Holding Sp. z o.o.). This is clearly reflected in the company's s/holder structure. Mr Juroszek with his affiliated entities hold around 77% of Atal's capital and a similar percentage of votes at the General Meeting. This makes him a key figure in the company's management. Apart from the president of the management board, only funds managed by Nationale-Nederlanden PTE S.A. hold a significant block of shares, exceeding 5% of the capital.

Atal S.A.'s main area of business activity is the development of residential properties in eight key urban agglomerations in Poland.

- Warsaw,
- Kraków,
- Łódź (including Piotrków Trybunalski),
- Wrocław,
- Silesian agglomeration,
- Poznań (including Swarzędz),
- Tricity (including Reda),
- Szczecin.

The capital group also carries out residential projects on a smaller scale outside of Poland, specifically in Dresden, Germany. This type of activity is the responsibility of the company's associate, Atal Development GmbH Germany.

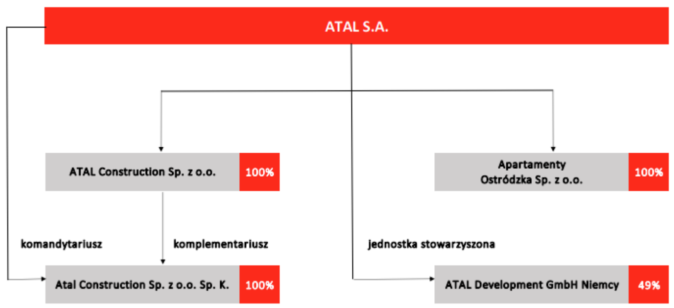
All of the group's projects are carried out directly by Atal S.A. In the case of projects in Warsaw and Kraków, Atal Construction - the group's internal general contractor - ensures that the company's investments are completed on time. Construction services are outsourced to subcontractors.

Atal also generates revenue through complementary activities related to the sale of apartments, such as fit-out services. The company offers its customers the Atal Design program, consisting of turnkey apartment finishing services. There are three packages to choose from, which differ in terms of the quality of materials and additional amenities. However, each option provides buyers with assistance in selecting the right materials, installation services, designs with visualisations and wall painting services. Importantly, costs of these services are added into the apartment price, enabling interested parties to finance them as part of a mortgage.

In addition to its development and interior finishing activities, the company leases warehouse and office space. In 2024, Atal leased properties in three Polish cities: Cieszyn, Wrocław and Kraków. It should be noted, however, that this business segment remains complementary for the company, contributing only 0.77% to total operating revenue in 2024. Atal Group's primary client base consists of individual consumers, with business entities representing a comparatively smaller segment of its customer portfolio. The range of apartments on offer is primarily focused on medium- and high-standard properties, with the company's catalogue tailored to meet the specific requirements and needs of each market. Atal sells through its own direct sales offices, enabling close contact with customers and an accurate assessment of their preferences and expectations.

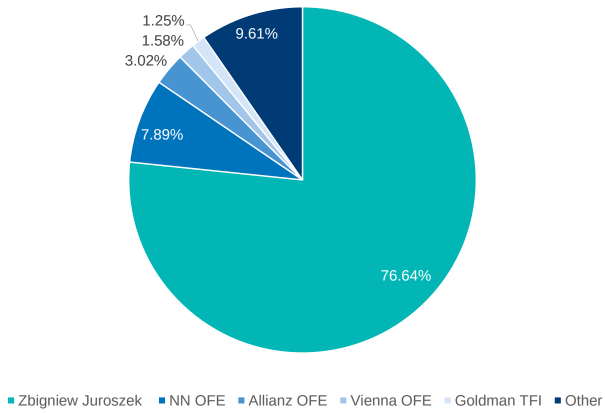
The group coordinates its own purchases and material orders needed for investments, thereby maximising their economic profitability. Orders are placed by individuals responsible for specific projects, while prices and terms are negotiated at head office. Most of the material suppliers are Polish companies - mainly manufacturers or large wholesalers - that are well-known and respected on the market.

Organizational structure



Source: Company data

Shareholding structure



Company data

Strategy

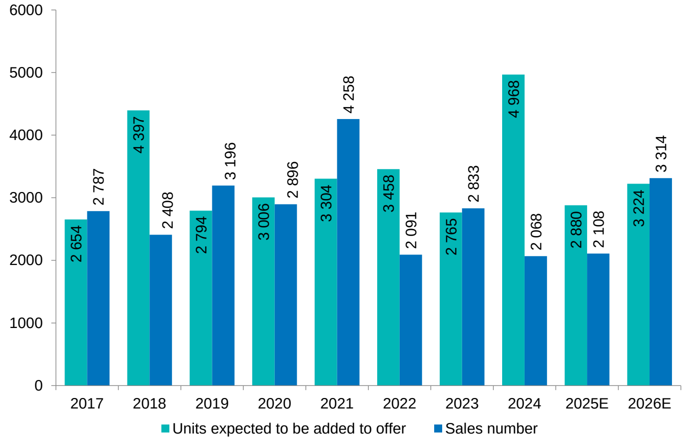
Atal has a well-defined growth strategy that is focused on a strong presence in the eight largest residential markets in Poland. This makes it one of the few developers with nationwide operations. The company's strategic focus on residential projects in the mid-range and premium segments enables it to effectively meet the diverse requirements of a broad customer base while sustaining profitable margins. The group's operational capacity to carry out large-scale investments in a geographically diversified manner is confirmed by the planned completion of 16 projects in 2025, comprising over 3,100 units and 182,000 m² of usable floor space. Atal's key asset remains its extensive land bank, which will enable it to develop over 577,000 m² of usable floor space by 2028, ensuring operational stability and securing the company's activities for the coming years. The company's strategy, based on maximizing shareholder value through effective project portfolio management and cost control, is in line with current market trends and strengthens its position as one of the leaders in the development sector in Poland.

Financial forecasts: old vs. new

Forecast changes in PLN mn	2025E Old	2025E New	2025E Δ	2026E Old	2026E New	2026E Δ	2027E Old	2027E New	2027E New
TOTAL REVENUES	**1 592.7**	**1 537.3**	*-3.5%*	**2 709.5**	**2 592.4**	*-4.3%*	**2 517.9**	**2 630.5**	*4.5%*
Cost of goods sold	1 163.0	1099.2	***-5.5%***	1 982.6	1878.7	***-5.2%***	1 857.7	1917.9	***3.2%***
GROSS PROFIT	**429.8**	**438.2**	***2.0%***	**726.9**	**713.7**	*-1.8%*	**660.2**	**712.7**	***7.9%***
Selling costs	23.6	22.2	***-6.0%***	26.1	23.5	***-10.1%***	27.1	26.3	***-3.0%***
G&A expenses	37.7	35.5	***-6.0%***	41.7	37.5	***-10.1%***	43.4	42.1	***-3.0%***
Other operating result	1.7	1.7	***-3.2%***	2.8	2.7	***-4.1%***	2.7	2.8	***4.2%***
EBIT (excl. revaluation)	370.2	382.2	***3.3%***	662.0	655.5	***-1.0%***	592.4	647.0	***9.2%***
Revaluation result	0.0	0.0	***n.a.***	0.0	0.0	***n.a.***	0.0	0.0	***n.a.***
EBIT (incl. revaluation)	**370.2**	**382.2**	*3.3%*	**662.0**	**655.5**	*-1.0%*	**592.4**	**647.0**	*9.2%*
Net financial result	4.5	-21.1	***n.a.***	1.5	-16.1	***n.a.***	4.3	-13.7	***n.a.***
Pre-tax profit	**374.7**	**361.1**	*-3.6%*	**663.5**	**639.4**	*-3.6%*	**596.7**	**633.4**	*6.1%*
Tax	71.2	66.8	***-6.2%***	129.4	124.7	***-3.6%***	119.3	123.5	***3.5%***
Minority interest	0.2	0.1	***n.a.***	0.3	0.3	***n.a.***	0.2	0.3	***n.a.***
Net income after minorities	**303.4**	**294.1**	*-3.0%*	**533.9**	**514.5**	*-3.6%*	**477.1**	**509.6**	*6.8%*

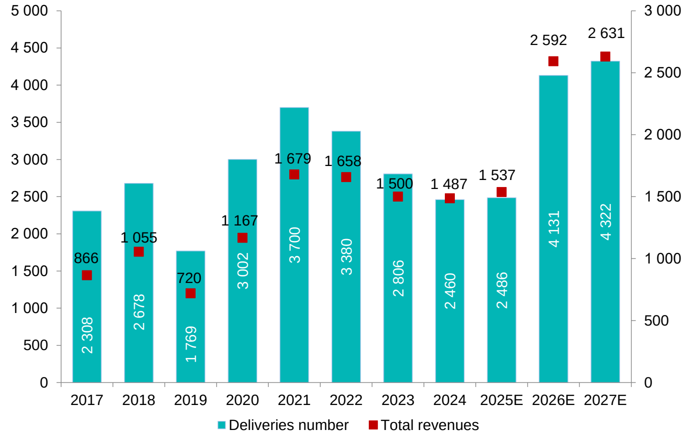
Source: Erste Group Research

Sales volume development (housing units)



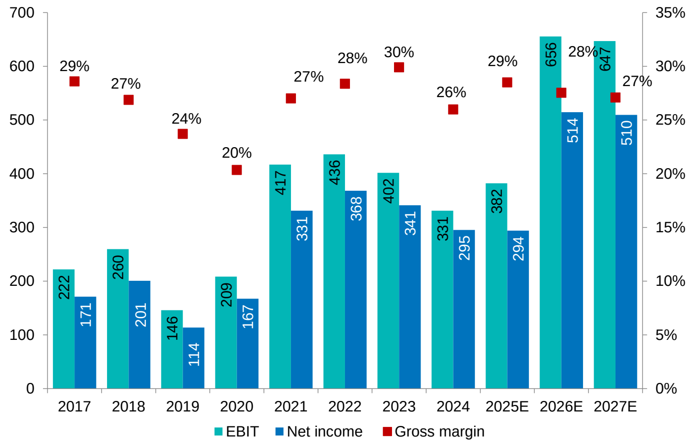
Source: Company data, Erste Group Research

Deliveries volume (housing units) & top line evolution (PLN mn)



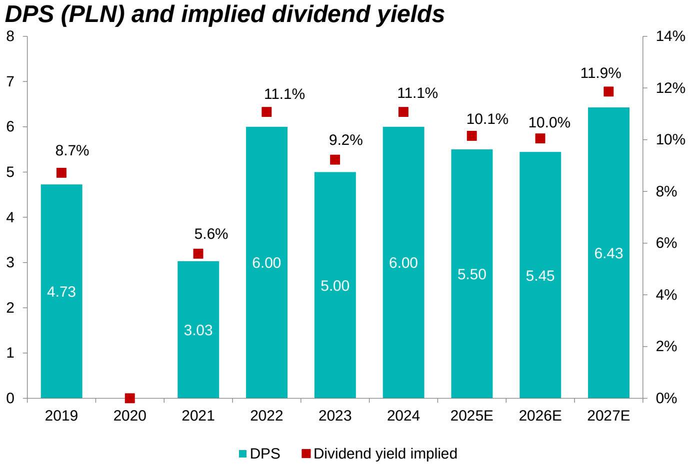
Company data, Erste Group Research

EBIT, net income (PLN mn) and gross margin (%)



Source: Company data, Erste Group Research

DPS (PLN) and implied dividend yields



Company data, Erste Group Research

Polish primary housing market outlook

The volume of residential sales in six key domestic cities fell by 31% y/y to around 40tsd units in 2024, according to JLL, primarily influenced by the confusion around the mortgage subsidy scheme for first-time buyers, which has not been finally introduced, and the elevated interest rate environment, we envisage.

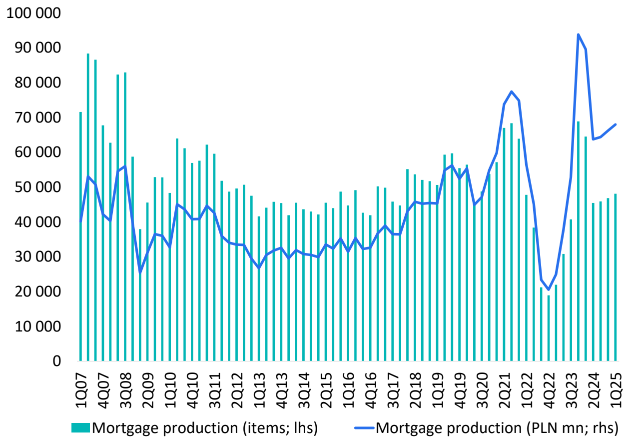
1Q25 came unimpressive in this regard, as expected, with combined volume of sales at the above-mentioned markets hitting slightly above 9ths units, or 9% below the 4Q24 level, but the initial reaction on the broad market to early-May, 50bps, cut to domestic base rate was a bit weaker than we anticipated, which in the end resulted the 1H25 volume, at around 19.4ths units (down 7% y/y and roughly flat h/h), fell some 10% below our end-April assumption.

That said, June already witnessed a m/m sales recovery at the broad domestic primary market, and the July was even stronger in this respect, according to otoDom (new apartment sales up 32% m/m and 59% y/y), following unexpected 25bps softening to Polish reference rate. Moreover, we would now look for another two cuts to base rate by end-25E, both by 25bps, which would push it down by a total of 125bps this year to 4.50% (vs. 100bps assumed previously, to 4.75%).

Accompanied by an anticipated pickup of real wages and recovering macro growth (losses of the Polish economy linked to the tariff war are expected to be limited), as well as assuming further activation of deferred demand, this made us raise our expectations for sales recovery in 2H25E (to 23ths units, up around 20% y/y). As a final result, we now look for FY25E sales at approx. 42ths units, still up some 6% y/y and not far from our end-April assumption (at around 45ths units). Here we also note, most of established housebuilders we cover clearly outperformed the broad market sales dynamics in both 1Q and 2Q25.

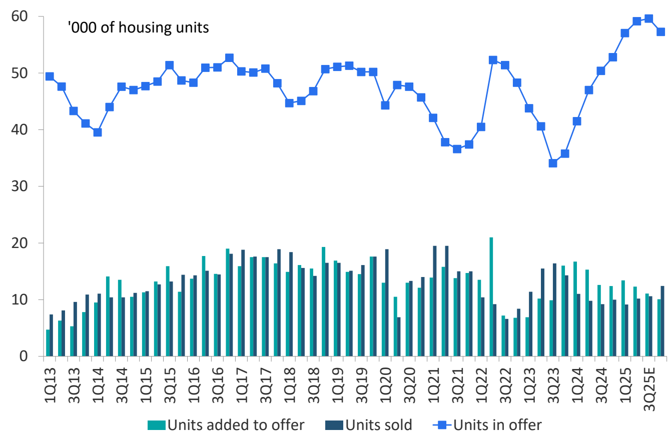
At the same time, as we look for the base rate to hit lower than earlier assumed level at end-25E and continuously assuming further decisive reduction in 2026E (of 100bps in total to 3.50%), we expect the number of dwellings sold on the main domestic primary markets over this period to jump by some 27% y/y, to around 54ths units, or nearly in line with our original estimate.

Number/ value of newly granted mortgage loans



Source: BIK

Units added to offer, sold, in offer (6 main domestic markets)



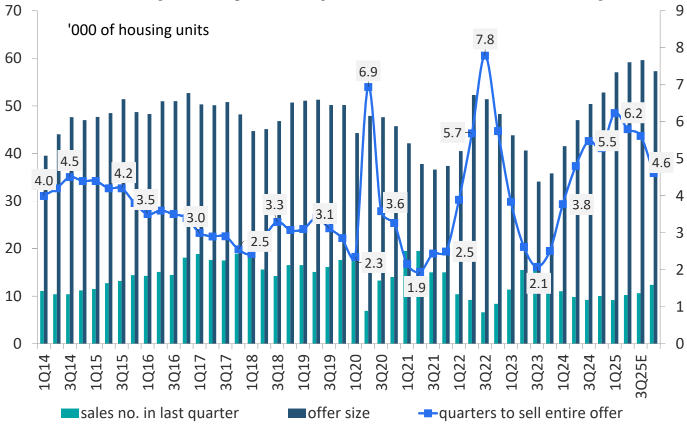
JLL, Erste Group Research for estimates

On the wave of the announced intention for a new mortgage buyer support program's implementation, initially scheduled for launch mid-24, the supply of new dwellings in six key domestic cities showed a 33% y/y jump to around 57tsd units last year, according to JLL.

1Q25 witnessed an 8% q/q increase in this respect, to 13.4ths units, ahead of our original assumptions. However, 2Q25 already brough visible q/q decline, to slightly above 12ths units, with clear slowdown observed at end of the quarter. Taking this into account and having in mind the volume of available dwellings on the main markets stood a relatively high level in general at end-H1, as well as given prohibitive access to external funding by smaller players in the sector, their limited land banks secured in most cases, as well as considering a likely complete lack of any type of demand stimulus from the potential new government program in the years ahead, we look for further q/q decline in the number of offer additions on the broad primary market in 3Q/4Q25E. This in overall results, we continue to expect the level of new supply to decline by some 18% y/y in FY25E (to around 47tsd units), roughly in line with end-April assumptions, with 2H25E volume already falling some 8% below the anticipated sales level.

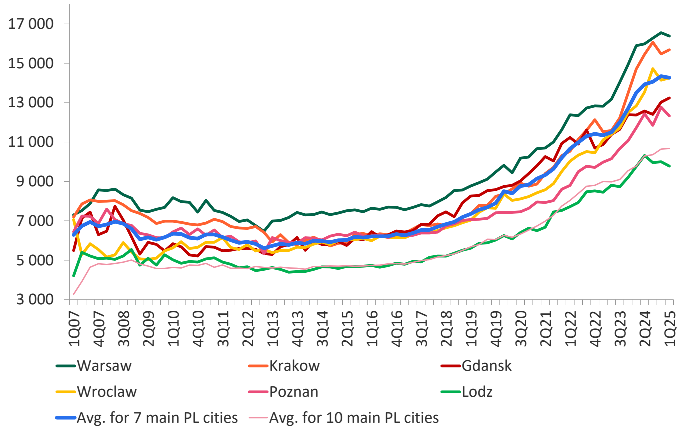
At the same time, following now expected 10-12% y/y increase of new additions to the offer on the broad primary market next year, driven primarily by a forecast housing sales recovery, we continue to look for demand surplus over supply in the period - now, though, in the amount of some 1-2ths units vs. 3-4ths before.

Offer size vs. quarterly sales (6 main domestic markets)



Source: JLL, Erste Group Research for estimates

Average transaction prices on primary market (PLN/ sqm)



NBP

Given the above, while we maintain our original assumptions for rough y/y flattening to comparable housing transaction prices on the broad primary market for FY25E (despite clear supply surplus over demand, 1H25 brough no y/y softening in this respect on average, according to JLL), we slightly trim our expectations for their y/y increase in 2026E – we now look for a 3-5% y/y pickup on average, as compared to 4-6% growth assumed originally. At this point we note, though, with their attractively located land parcels (in relation to some smaller competitors) and highly comfortable liquidity positions, the leading sector representatives we cover, should be able to achieve above-average price increases on the fastest-to-sell schemes in 2026E.

Moreover, factoring in only gradual rebound in domestic general construction activity, we still expect construction costs in the residential sector to remain roughly flat until late-25E, before their moderate y/y pickup only in 2026E (in line with original expectations).

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