

(Buy, TP PLN19.9)

Bloomberg: PHN PW, Reuters: PHN

CEE Equity Research

Real Estate / Poland

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## WSE support program for research coverage 1Q21 Results review

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Below we present 1Q21 Results Review for PHN:

- PHN delivered sales of PLN165.2mn, which came in line with our expectations;
- Sales from residential business came in above our forecast due to higher than expected average revenue per residential unit;
- Gross profit from residential segment rose to PLN25mn from PLN13.4mn in 1Q20 on higher handovers volume and margin. Gross margin from residential segment was strong at 32% and above our estimate;
- Gross profit from rental segment declined q/q but increased y/y to PLN26.7mn. Gross margin from rental segment declined q/q to 56% from 59% which surprised negatively;
- Gross profit from construction segment increased to PLN3.8mn from PLN2.2mn in 1Q20;
- Revaluation gain of PLN4.8mn was broadly in line with our forecast (EUR/PLN q/q appreciation impact);
- Administration costs settled at PLN14.1mn in 1Q21 vs. PLN15mn in 4Q20 and PLN12.4mn in 1Q20;
- Overall, we view the results as positive due to higher than expected contribution of residential segment on strong gross margin and higher than expected avg. revenue per residential unit.

Fig. 1. PHN: 4Q20 Results Review

PLNmn	1Q20	2Q20	3Q20	4Q21	1Q21	y/y	q/q	SANE
Sales	164.5	100.7	116.4	352.1	165.2	0%	-53%	162.5
Rental business	46.6	46.2	47.8	48.3	47.3	2%	-2%	48.3
Residential business	78.5	5.8	15.5	227.9	78.7	0%	-65%	68.3
Construction	37.1	46.6	50.1	70.0	36.9	-1%	-47%	40.0
Other	2.3	2.1	3	5.9	2.3	0%	-61%	5.9
Gross profit	40.2	27.1	34.0	102.5	50.7	26%	-51%	42.4
Rental business	25.6	25.6	25.5	28.7	26.7	4%	-7%	28.7
Residential business	13.4	0.7	4.4	78.7	25.0	87%	-68%	15.7
Construction	2.2	2.8	4.4	1.5	3.8	73%	153%	2.0
Other	-1.0	-2.0	-0.3	-6.4	-4.8	n.m.	n.m.	-4.0
Revaluation gain/loss	11.0	-70.7	6.9	11.2	4.8	-56%	-57%	5.0
EBIT	36.3	-54.2	30.3	82.5	46.8	29%	-43%	32.4
EBIT margin	22.1%	-53.8%	26.0%	23.4%	28.3%	6.3	4.9	19.9%
Adj EBIT*	25.3	16.5	23.4	71.3	42.0	66%	-41%	27.4
Net profit	29.2	-54.3	10.8	59.9	31.9	9%	-47%	19.8
Net profit margin	17.8%	-53.9%	9.3%	17.0%	19.3%	1.6	2.3	12.2%

Source: Company data, Santander Brokerage Poland estimates, adj for revaluations

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EBITDA – earnings before interest, taxes, depreciation, and amortization

P/E – price-earnings ratio

EV – enterprise value (market capitalisation plus net debt)

PEG - P/E to growth ratio

EPS - earnings per share

CPI – consumer price index

WACC - weighted average cost of capital

CAGR – cumulative average annual growth

P/CE – price to cash earnings (net profit plus depreciation and amortisation) ratio

NOPAT – net operational profit after taxation

FCF - free cash flows

BV - book value

ROE - return on equity

P/BV – price-book value

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Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.

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