

# Impact Developer & Contractor

## 1Q22 Results Review

**Results in 1Q 22 met our expectations.** Impact recorded a positive RON 6.0mn in net income vs a loss in 1Q 21. It sold fewer apartments/dwellings, 50 in 1Q22 (vs. 62 in Q1 2021), yet the average selling price for Luxuria and Grenfield increased 16% YoY from EUR 1,242.40/sqm built sealable in Q1 2021 to EUR 1,439.80/sqm built sealable in Q1 2022. In 1Q we continued to witness an increase of prices in construction materials yet with the increased prices of apartments, EBITDA increased 100% YoY to RON 8.5mn.

**Outlook:** Impact has a strong land bank of 89.6 ha of land, land mainly intended for the development of new projects and related to infrastructure. Of this, c.73.5 ha represent the land bank on which new projects are to be developed.

**Impact's area of focus - Bucharest metropolitan area - is the best performing region of the country. Also expanding in the country-side.** Bucharest's metropolitan area economy is growing, and generates 26% of Romania's GDP. Impact focuses on the development of large residential complexes, both for the middle- and high-income segment. Per management, these housing concepts will be replicated in other major cities in Romania.

**Romania has the highest overcrowding ratio of the EU-28 countries therefore the demand for residential should continue.** The average number of rooms per capita ranged from a high of 2.2 in Belgium, down to 1.1 rooms per person in Croatia, with the lowest average recorded in Romania (1.0 room per person).

**Opinion:** Positive. Impact continues to be well positioned in a growing sector. We continue to monitor the way the company readjust to increased costs of construction materials and workforce.

Real Estate Developer, Romania

## Impact Developer & Contractor

BUY

FV RON 0.87

40% upside

Price as of 16 May 2022 RON 0.62

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# 1Q 2022 results

A reminder: Revenues are recorded when the sale-purchase agreement is in place and the apartment can be handed over to the customer. Amounts collected from pre-sales are recorded as advance payments from customers and are not recognised as revenues.

Therefore sales recorded and recognized as income in Q1 2022 reflect the new development cycle of Impact's projects, as such projects under development and future developments will contribute to revenues as they are completed and sales are made.

- In Q1 2022, 68 apartments were pre-sold (6,134 sqm, built saleable area); Impact sold 50 apartments/dwellings (vs. 62 in Q1 2021) in relation to which revenues were booked, of which 27 units in Luxuria Expozitie (vs 47 in Q1 2021) and 22 units in Greenfield Baneasa (vs 14 in Q1 2021).
- In terms of revenue structure, in Q1 2022, the number of apartments sold for the upper-class segment Luxuria represents 54% (78% in Q1 2021), while those in Greenfield contributed 44% (23% in Q1 2021).
- The average selling price for Luxuria and Grenfield increased 16% YoY from EUR 1,242.40/sqm built sealable in Q1 2021 to EUR 1,439.80/sqm built sealable in Q1 2022.

## Land owned:

- As of 31 March 2022, Impact owns 89.6 ha of land with a book value of RON 691mn, land mainly intended for the development of new projects and related to infrastructure. Of this, c.73.5 ha represent the land bank on which new projects are to be developed.
- The EPRA value of the land was estimated based revaluations performed by Colliers Valuation and Advisory as at 31 December 2021 was of RON 799.2mn, 16% higher than the IFRS book value at the same date.

Figure 1. 1Q 2022 results

Type of expense/revenue RON '000	1Q 2021	4Q 2021	1Q 2022	QoQ (%)	YoY (%)	2020	2021	YoY (%)	Comments
Revenue from real estate inventories	39,397	28,049	37,491	33.7%	-4.8%	204,397	137,585	-32.7%	
Gross profit	11,393	13,718	16,961	23.6%	48.9%	63,390	49,846		
Gross margin (%)	28.9%	48.9%	45.2%			31.0%	36.2%		During Q1 2022 the gross margin improved up to 45% compared to 29% in Q1 2021
Operating expenses, net	7,310	13,176	8,767	-33.5%	19.9%	107,528	39,060	-63.7%	To support Impact's development strategy, operating expenses increased 20% due to group's team consolidation
Operating expenses % of revenue	18.6%	47.0%	23.4%			52.6%	28.4%		
Gains on investment property and impairment of assets						64,328	86,651		Gains on investment property and impairment of assets are presented only at year end
EBITDA	4,228	1,908	8,475	344.2%	100.4%	98,607	99,684	1.1%	EBITDA increased 100% YoY
EBITDA margin	10.7%	6.8%	22.6%			48.2%	72.5%		
<b>EBIT</b>	<b>4,083</b>	<b>-6,560</b>	<b>8,085</b>	nmf	98.0%	<b>96,869</b>	<b>98,748</b>	<b>1.9%</b>	
EBIT margin	10.4%	-23.4%				47.4%	71.8%		
NET PROFIT (LOSS)	-1,305	-15,358	6,049	nmf	nmf	74,856	78,800	5.3%	
Net income margin	nmf	nmf	16.1%			36.6%	57.3%		

Gains on investment property and impairment of assets						64,328	86,651		Based on EPRA revaluations performed by Colliers Valuation and Advisory as at 31 December 2021
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Source: Company, IPOPEMA Research

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## Impact Developer & Contractor

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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	Number	%
Buy	12	71%
Hold	3	18%
Sell	2	12%
Total	17	100%

### Rating History - Impact Developer & Contractor

Date	Recommendation	Fair Value	Price at recommendation	Author
03/29/2021	BUY	RON3.40	RON2.88	Florin-Adrian Ciocoi
07/19/2021	BUY	RON0.61	RON0.52	Florin-Adrian Ciocoi
02/27/2022	BUY	RON0.87	RON0.65	Florin-Adrian Ciocoi