

# Impact Developer & Contractor

## 3Q22 Results Review

*Opinion: Impact Developer & Contractor (Impact) reported after the close on Nov 15 its 3Q22 results which were a mixed bag. Net income at 3Q22 was RON 1.0mn (-90% y/y and -87% q/q), 61% below our estimates while revenue from real estate inventories reached RON 66.0mn, (+62.6% y/y and +25% q/q), with 24% above our estimates. 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.*

For 9M22 (**Figure 2**) the group's net profit reached RON 14.9mn (+99% y/y) while revenue was RON 156.2mn (+42.7% y/y) as Impact sold 173 apartments with a total value of RON 129.4mn, a 19% increase compared with the same period of the previous year.

As of 30 of Sep 2022, Impact contracted 516 "pre-sales" of apartments, with a total value of RON 272.8mn. Those pre-sales will generate revenues in the next period.

**Outlook:** Beginning pre-sales for next projects phases with building permits (total volume of 899 units) estimated to begin construction in 2023-2024. Closing sales and recognising revenue for 195 apartments for Luxuria Expozitiei and completed phases of Greenfield Baneasa (98 units - Panoramic) and Boreal Plus (16 units). Impact plans the completion of 732 apartments in Greenfield Baneasa and 209 apartments in Boreal Plus (sales are estimated to start in 4Q22). The group intends to obtain building permits and begin the works for additional phases in Greenfield Baneasa and Greenfield Copou.

Impact intends to obtain financing for its ongoing projects, through a share capital increase of up to EUR 25mn.

**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).

Real Estate Developer, Romania

## Impact Developer & Contractor

BUY

FV RON 0.54

38% upside

Price as of 15 Nov 2022 RON 0.39

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Figure 1. 3Q 2022 results

Type of expense/revenue (RON '000)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	Y/Y	Q/Q	Prel.	Actual
															3Q22 vs Prel.
<b>Revenue from real estate inventories</b>	<b>23,062</b>	<b>42,746</b>	<b>69,541</b>	<b>69,048</b>	<b>39,397</b>	<b>29,544</b>	<b>40,595</b>	<b>28,049</b>	<b>37,491</b>	<b>52,777</b>	<b>66,010</b>	<b>62.6%</b>	<b>25.1%</b>	<b>53,000</b>	<b>24.5%</b>
Gross profit	10,924	15,384	24,971	12,111	11,393	10,090	14,645	13,718	16,961	18,267	<b>21,138</b>	44.3%	15.7%	15,900	<b>32.9%</b>
Gross margin (%)	47.4%	36.0%	35.9%	17.5%	28.9%	34.2%	36.1%	48.9%	45.2%	34.6%	32.0%				30.0%
Operating expenses, net	6,678	4,554	14,818	83,554	7,310	6,610	10,744	12,952	8,767	7,542	<b>16,338</b>	52.1%	116.6%	15,900	<b>2.8%</b>
Operating expenses % of revenue	29.0%	10.7%	21.3%	121.0%	18.6%	22.4%	26.5%	46.2%	23.4%	14.3%	24.8%				30.0%
EBITDA	4,767	12,931	11,041	69,868	4,228	2,556	4,205	2,132	8,475	10,961	<b>6,568</b>	56.2%	-40.1%	5,300	<b>23.9%</b>
EBITDA margin	20.7%	30.3%	15.9%	101.2%	10.7%	8.7%	10.4%	7.6%	22.6%	20.8%	10.0%				10.0%
<b>EBIT</b>	<b>4,486</b>	<b>12,666</b>	<b>10,392</b>	<b>69,323</b>	<b>4,083</b>	<b>2,260</b>	<b>12,314</b>	<b>-6,560</b>	<b>8,085</b>	<b>10,772</b>	<b>4,800</b>	<b>-61.0%</b>	<b>-55.4%</b>	<b>4,770</b>	<b>0.6%</b>
EBIT margin	19.5%	29.6%	14.9%	100.4%	10.4%	7.6%	30.3%	-23.4%	21.6%	20.4%	7.3%				9.0%
<b>Net Profit (Loss)</b>	<b>626</b>	<b>8,030</b>	<b>4,622</b>	<b>61,578</b>	<b>-1,305</b>	<b>-1,466</b>	<b>10,278</b>	<b>-15,358</b>	<b>6,049</b>	<b>7,907</b>	<b>1,012</b>	<b>-90.2%</b>	<b>-87.2%</b>	<b>2,659</b>	<b>-61.9%</b>
Net income margin	2.7%	18.8%	6.6%	89.2%	nmf	nmf	25.3%	nmf	16.1%	15.0%	1.5%				5.0%

Source: Company, IPOPEMA Research

Figure 2. Results at 9M

Type of expense/revenue (RON '000)	9M21	9M22	Y/Y
<b>Revenue from real estate inventories</b>	<b>109,536</b>	<b>156,278</b>	<b>42.7%</b>
Costs of real estate inventories	-73,408	-99,912	36.1%
<b>Gross profit</b>	<b>36,128</b>	<b>56,366</b>	<b>56.0%</b>
<b>Net rental income</b>	<b>591</b>	<b>3,452</b>	<b>484.1%</b>
General and administrative expenses	-16,241	-26,406	62.6%
Marketing expenses	-4,388	-3,722	-15.2%
Other income/ (expenses)	-4,965	-3,624	-27.0%
Depreciation and amortization	-881	-2,347	166.4%
Gains from investment property	8,413	-62	-100.7%
<b>Operating profit</b>	<b>18,657</b>	<b>23,657</b>	<b>26.8%</b>
Finance income	1,510	7,381	388.8%
Finance cost	-10,592	-11,172	5.5%
Finance result net (loss)	-9,082	-3,791	-58.3%
<b>Profit before income tax (PBT)</b>	<b>9,575</b>	<b>19,866</b>	<b>107.5%</b>
Income tax credit (charge)	-2,068	-4,898	136.8%
<b>Profit for the period</b>	<b>7,507</b>	<b>14,968</b>	<b>99.4%</b>
Profit margin	6.8%	9.4%	

Source: Company, IPOPEMA Research

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## Impact Developer & Contractor

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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	29	44%
Hold	20	30%
Sell	17	26%
Total	66	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
08/30/2022	BUY	RON0.52	RON0.45	Florin-Adrian Ciocoi