

# One United Properties

## 1Q '23 Earnings Preview

08 May '23

The Company will publish its 1Q '23 results on Fri, 12 May. A live presentation of the Company's results will be available on 15 May at 11:00 (local time); registration is required.

### Anticipating net income on the residential segment to climb 28% y/y

We expect the real estate developer to have sold 414 apartments in 1Q '23, a significantly higher number compared to 1Q '22 (when 120 apartments were sold), and slightly better than 4Q '22 (363 apartments sold), due to sales kickoff for newly permitted developments such as One High District, One Floreasca Towers and One Mamaia Nord - Phase II. Therefore, we envisage revenues from sales of residential properties to reach RON 304m (+54% y/y and +77% q/q), with the cost of sales moving higher by 66% y/y and 42% q/q. These imply a net income from residential property of RON 106.9m (+28% y/y and 2.6x q/q), and a 35% gross profit margin. The margin is lower than the 1Q '22 figure of 43%, under the assumption that the newly permitted projects should drag the margin down, as cheaper apartments (which have a lower margin) tend to be sold faster than the more expensive units, thus dampening early gross profitability. However, we note that this effect is temporary, and we expect margins to pick up once the projects will become more mature.

### Net rental income to reach RON 35.1m, 8x higher y/y

For the office segment, the prior acquisition of One Bucur Obor, One Victoriei Plaza, One Eliade Tower, along with the probable end of fit-out periods for One Cotroceni Park - Phase I, lead to a rental income estimate of RON 37.2m for 1Q '23 (5.6x y/y, +79% q/q). Considering other operating expenses of RON 2m (-9.2% y/y, +9% q/q), the net rental income should rise eightfold y/y to RON 35.1m (+86% q/q).

### Bottom line to surge versus adjusted 1Q '22 and 4Q '22 figures

We expect Opex to increase 30% y/y to RON 23.9m (-4.1% q/q) and other operating income to amount to RON 2.1m. Thus, we estimate EBIT of RON 120.2m excluding potential gains from investment property (+67% y/y and 3.3x q/q versus comparable numbers). Taking into account the estimated net finance income of RON 3.2m, we forecast the real estate developer's net income to decrease 38% y/y and stand 26% higher q/q at RON 103m. However, the 1Q '23 net income estimate is four times higher than the 1Q '22 earnings and 4.2x the 4Q '22 net profit if the latter are adjusted by deducting gains on investment property, allowing for a better comparison since we didn't forecast gains. Moreover, we anticipate the net income attributable to the Company's shareholders to reach RON 80.5m, down 51% y/y and 26% higher q/q (against unadjusted historical figures).

### Summary data

Share price (RON)	0.838
Shares in issue (m)	3,702.8
Market cap (RON'm)	3,103
Market cap (USD'm)	695
Free float	34.1%
3m average daily traded volume (EUR'k)	192
Absolute change 3month	-4.2%
Absolute change 12month	-12.7%
Change% 3m (vs BET)	-4.1%
Change% 12m (vs BET)	-12.4%

**Target price (RON) 0.998****Rating Neutral**  
**Upside +19.1%**

Benchmark	BET
BET weighting (%)	1.8%
BET one-year return (%)	-0.3%
Bloomberg	ONE RO
Refinitiv RIC	ROONE.BX

Source: BT Capital Partners, EquityRT

### ONE vs. BET (rebased @ 09 May '22)



Source: EquityRT

### Key ratios / multiples

	6M '22	9M '22	FY '22	3M '23f
EPS (RON) LTM	0.154	0.164	0.119	0.097
EPS (RON) QTLY	0.039	0.019	0.017	0.022
P/E (x) LTM	5.4	5.1	7.0	8.7

Source: BT Capital Partners

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## Financial data (RON'm)

	1Q '23f	1Q '22	y/y	4Q '22	q/q
Revenues from sales of residential property	304.1	197.2	+54.2%	171.8	+77.0%
Cost of sales of residential property	-187.7	-113.4	+65.6%	-132.7	+41.5%
Gross profit	116.4	83.8	+38.9%	39.1	3.0x
Gross profit margin	35%	43%	-7.4pp	24%	+11.5pp
Net rental income	35.1	4.4	8.0x	18.8	+86.4%
EBIT	120.2	212.7	-43.5%	93.2	+28.9%
Net profit excl. gains from investment property	102.7	25.6	4.0x	24.3	4.2x
Net profit incl. gains from investment property	102.7	166.4	-38.3%	81.4	+26.1%
Net profit a.m.	80.5	164.2	-51.0%	63.8	+26.1%

Source: BT Capital Partners, Company data

### Analyst coverage universe

Analyst	Ticker	Company	Recommendation	Current price (RON)	Target price (RON)
Andrei Ciobotaru	SNP	OMV Petrom	OUTPERFORM	0.4928	0.6520
Andrei Ciobotaru	SNG	Romgaz	OUTPERFORM	38.20	50.4
Andrei Ciobotaru	TGN	Transgaz	NEUTRAL	19.1	246.84
Vlad Podea	BRD	BRD Societe Generale	NEUTRAL	12.12	11.49
Vlad Podea	DIGI	Digi Communications	UNDER REVIEW	36.5	UNDER REVIEW
Andrei Ciobotaru	EL	Electrica	UNDERPERFORM	8.60	7.38
Andrei Ciobotaru	SNN	Nuclearelectrica	UNDERPERFORM	46.80	35.23
Vlad Podea	SIFs	Lion Capital; Evergent Investments; Transilvania Investments Alliance; SIF Muntenia; SIF Oltenia	RESTRICTED	-	RESTRICTED
Adrian Hornea	WINE	Purcari Wineries	OUTPERFORM	9.95	12.26
Adrian Hornea	SFG	Sphera Franchise Group	OUTPERFORM	17.25	18.44
Adrian Hornea	M	MedLife	UNDER REVIEW	17.38	UNDER REVIEW
Vlad Podea	ONE	One United Properties	NEUTRAL	0.838	0.998
Adrian Hornea	AQ	Aquila Part Prod Com	NEUTRAL	0.704	0.607

Source: EquityRT, BT Capital Partners

### Rating history | One United Properties

Type	Date	Price	TP	Rating	Type	Date	Price	TP	Rating
Coverage Initiation	02 Mar '23	0.895	0.998	Neutral					

Source: BT Capital Partners

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Rating	General Equities
<b>OUTPERFORM</b>	The stock is expected to yield absolute returns in excess of 15% over a 12-month investment horizon in terms of price and we recommend increased exposure relative to its blue-chip benchmark peers (BET index).
<b>NEUTRAL</b>	The stock is expected to yield absolute returns ranging from -15% to 15% over a 12-month investment horizon in terms of price and we recommend maintaining current exposure relative to its blue-chip benchmark peers (BET index).
<b>UNDERPERFORM</b>	The stock is expected to yield negative absolute returns of more than -15% over a 12-month investment horizon in terms of price and we recommend reduced exposure relative to its blue-chip benchmark peers (BET index).
<b>RESTRICTED</b>	The rating of the stock is restricted from disclosure owing to compliance or other regulatory/legal reasons.
<b>NOT-RATED</b>	The stock is not currently rated by BTCP Equity Research.
<b>COVERAGE IN TRANSITION</b>	The rating of the stock is temporarily suspended due to changes in the research team.

## Rating distribution for Romanian listed equities rating

As at 08 May '23 Recommendation	Total BT Capital Partners	
	Count	% of Total
Outperform	4	16%
Neutral	4	16%
Underperform	2	8%
Under Review	2	8%
Restricted	6	24%
Not rated	7	28%
In transition	0	0%
<b>Total</b>	<b>25</b>	<b>100%</b>

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