One United Properties

1Q '23 Earnings Review

15 May '23

The Company published its 1Q '23 results on 12 May, before market open. A live presentation of the Company's results took place on 15 May at 11:00 a.m. (local time).

Residential units sales surge, while the margin declines y/y

The Group's revenues from sales of residential property soared in 1Q '23, rising by 67% y/y and 92% q/q to RON 329m, somewhat higher than we had anticipated (+8.2% vs. est.). According to the earnings release, this was owed to an 'enlarged and more diverse residential offering.' Meanwhile, the margin declined by almost 11pp to 31% (4.3pp below our estimate, but rising 7.2pp q/q) considering the sales kickoff at a number of new developments in 4Q '22 and 1Q '23 (early sales tend to be lower-margin). As such, the Group's net income from residential property rose 24% y/y and 2.5x q/q to RON 101.5m (-5.1% vs. est.).

The real estate developer also booked RON 78.2m in gains from completed investment property. Thus, total gains declined 44% y/y and rose 37% q/q.

Total rental income increased 3.6x y/y and 16.1% q/q to RON 31.5m (-24% vs. est.), primarily from One Tower, One Cotroceni Park Office 1, One Victoriei Plaza, and Bucur Obor. As One Cotroceni Park was delivered in Feb, it is expected to contribute more significantly to rental income later this year. Net rental income increased 5x y/y to RON 21.8m (+15.7% q/q), standing 38% below our estimate.

Net income a.m. down 10.6% y/y, mainly on base effect

Administrative expenses drove Opex 54% higher y/y, as the former rose 84% y/y and 23% q/q to RON 18.5m, mostly due to the non-cash SOP allocation. Nevertheless, Opex declined by 4.7% q/q and was in line with our estimate, at RON 23.7m. Considering other, less significant items, the operating profit came in at RON 178.4m (+48% vs. est.), down 16.1% y/y, yet up 91% q/q. However, excluding the gain on the acquisition of Bucur Obor, which was booked in 1Q '22, the operating profit was up 54% y/y.

The Group's net finance expense declined 3.3% y/y to RON 5.2m (compared to net finance income of RON 0.83m in 4Q '22).

The consolidated net income decreased by 8.8% versus 1Q '22, but was 86% higher compared to 4Q '22 and 48% above our estimate. Excluding the aforementioned gain, the bottom line increased 2.2x y/y.

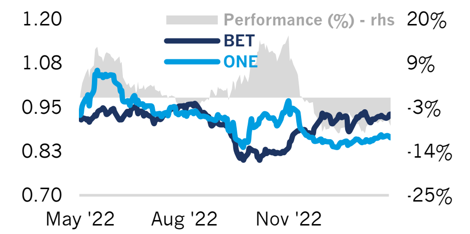
The net income a.m. amounted to RON 146.8m (-10.6% y/y, 2.3x q/q, +83% vs. est.).

Summary data

Share price (RON)	0.841
Shares in issue (m)	3,702.8
Market cap (RON'm)	3,114
Market cap (USD'm)	689
Free float	34.1%
3m average daily traded volume (EUR'k)	172
Absolute change 3month	-8.0%
Absolute change 12month	-11.8%
Change% 3m (vs BET)	-5.2%
Change% 12m (vs BET)	-11.1%
Target price (RON)	**0.998**
Rating	**Neutral**
Upside	**+18.7%**
Benchmark	BET
BET weighting (%)	1.8%
BET one-year return (%)	-0.8%
Bloomberg	ONE RO
Refinitiv RIC	ROONE.BX

Source: BT Capital Partners, EquityRT

ONE vs. BET (rebased @ 12 May '22)



Source: EquityRT

Key ratios / multiples

	6M '22	9M '22	FY '22	3M '23
EPS (RON) LTM	0.154	0.164	0.119	0.115
EPS (RON) QTLY	0.039	0.019	0.017	0.040
P/E (x) LTM	5.4	5.1	7.0	7.3

Source: BT Capital Partners

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Financial data (RON'm)

	1Q '23	1Q '23f	*act. vs. est.*	1Q '22	*y/y*	*4Q '22*	*q/q*
Revenues from sales of residential property	329.0	304.1	+8.2%	197.2	+66.9%	171.8	+91.5%
Cost of sales of residential property	-224.4	-187.7	+19.6%	-113.4	+98.0%	-132.7	+69.1%
Gross profit	104.6	116.4	-10.2%	83.8	+24.8%	39.1	2.7x
Gross profit margin	30.8%	35.1%	-4.3pp	41.6%	-10.7pp	23.6%	+7.2pp
Net rental income	21.8	35.1	-38.0%	4.4	5.0x	18.8	+15.7%
EBIT	178.4	120.2	+48.4%	212.7	-16.1%	93.2	+91.4%
Net profit excl. gains from investment property	73.4	102.7	-28.5%	25.6	2.9x	24.3	3.0x
Net profit incl. gains from investment property	151.7	102.7	+47.7%	166.4	-8.8%	81.4	+86.3%
Net profit a.m.	146.8	80.5	+82.5%	164.2	-10.6%	63.8	2.3x

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	0.4680	0.6520
Andrei Ciobotaru	SNG	Romgaz	OUTPERFORM	38.30	50.4
Andrei Ciobotaru	TGN	Transgaz	NEUTRAL	19.1	15.43
Vlad Podea	BRD	BRD Societe Generale	NEUTRAL	12.00	11.49
Vlad Podea	DIGI	Digi Communications	UNDER REVIEW	36.4	UNDER REVIEW
Andrei Ciobotaru	EL	Electrica	UNDERPERFORM	8.71	7.38
Andrei Ciobotaru	SNN	Nuclearelectrica	UNDERPERFORM	47.40	35.23
Vlad Podea	SIFs	Lion Capital; Evergent Investments; Transilvania Investments Alliance; SIF Muntenia; SIF Oltenia	RESTRICTED	-	RESTRICTED
Adrian Hornea	WINE	Purcari Wineries	OUTPERFORM	9.56	12.26
Adrian Hornea	SFG	Sphera Franchise Group	OUTPERFORM	17.15	18.44
Adrian Hornea	M	MedLife	UNDER REVIEW	17.02	UNDER REVIEW
Vlad Podea	ONE	One United Properties	NEUTRAL	0.841	0.998
Adrian Hornea	AQ	Aquila Part Prod Com	NEUTRAL	0.728	0.607

Source: EquityRT, BT Capital Partners

Rating history | One United Properties

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

Type	Date	Price	TP	Rating

Source: BT Capital Partners

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UNDERPERFORM	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).
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Outperform	4	16%
Neutral	4	16%
Underperform	2	8%
Under Review	2	8%
Restricted	6	24%
Not rated	7	28%
In transition	0	0%
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