

Impact Developer & Contractor

3Q23 Results Review

Opinion: After the close on Nov 15, Impact Developer & Contractor (Impact) reported its results for 3Q23. We consider the results were decent as the company derived revenues of RON 47.5mn (-28.0% y/y and +26.4% q/q) and a net income of RON 29.3mn with a 61.8% margin. We continue to monitor the way the company readjusts to increased costs of construction materials and workforce.

In 3Q23 (per Figure 1) as of 30 Sep 2023, Impact had a balance of 381 pre-sale and reservation contracts, in total value of EUR 43.2mn which should translate into sales, as apartments will be finalized in the following periods. At the end of the previous quarter, at June 30, 2023, Impact had a balance of 403 pre-sale and reservation contracts, in total value of EUR 46.2mn.

As of 30 Sep 2023, Impact had 2,693 units under construction (with building permit) of which 982 in different stages of construction. YTD as of 30 Sep, out of the total of 954 recently finalized dwellings, 72% were contracted.

In 3Q23 Impact maintained a solid gross margin of 30.3% (2Q23: 31.6%) as costs of construction materials and workforce moderated. The company recorded a gross profit of RON 14.4mn (-31.9% y/y and +21.1% q/q).

In 9M23 (Figure 2) derived revenues of RON 106.8mn (-31.6% y/y) and a gross profit of RON 32.7mn (-41.8%). EBIT was RON 65.8mn (+178% y/y) due also to the gain in investment property of RON 44.6mn (a change in fair value) during 2Q23 which increased EBIT, and net profit accordingly. Net income was RON 63.8mn (+326% y/y).

Outlook. Impact has several on-going projects. It will continue the sales for completed dwellings in Luxuria Residence, Greenfield Baneasa and Boreal Plus. Also commissioning of 732 apartments in Greenfield Baneasa (Teilor Project).

Impact's area of focus - Bucharest metropolitan area - is the best performing region of the country. 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.

Real Estate Developer, Romania

Impact Developer & Contractor

BUY

FV RON 0.322

38% upside

Price as of 15 Nov 2023 RON 0.233

Important disclosure

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Figure 1. 3Q23 results

Type of expense/revenue (RON '000)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	Y/Y (%)	Q/Q (%)
Revenue from real estate inventories	39,397	29,544	40,595	28,049	37,491	52,777	66,010	55,435	21,759	37,602	47,530	-28.0%	26.4%
Gross profit	11,393	10,090	14,645	13,718	16,961	18,267	21,138	17,557	6,502	11,887	14,401	-31.9%	21.1%
Gross margin (%)	28.9%	34.2%	36.1%	48.9%	45.2%	34.6%	32.0%	31.7%	29.9%	31.6%	30.3%		
Gains from investment property	0	0	0	86,651	0	0	0	90,057	0	44,637	17	nmf	-100.0%
EBITDA	4,228	2,556	4,205	88,783	8,475	10,961	6,568	100,491	-2,772	55,584	16,161	146.1%	-70.9%
EBITDA margin	10.7%	8.7%	10.4%	316.5%	22.6%	20.8%	10.0%	181.3%	nmf	nmf	34.0%		
EBIT	4,083	2,260	12,314	80,091	8,085	10,772	4,800	100,629	-4,281	55,019	15,056	213.7%	-72.6%
EBIT margin	10.4%	7.6%	30.3%	285.5%	21.6%	20.4%	7.3%	181.5%	nmf	nmf	31.7%		
Net Profit (Loss)	-1,305	-1,466	10,278	71,293	6,049	7,907	1,012	84,755	-8,099	42,563	29,384	2803.6%	-31.0%
Net income margin	nmf	nmf	25.3%	nmf	16.1%	15.0%	1.5%	152.9%	nmf	nmf	61.8%		

Source: Company, IPOPEMA Research

Impact's investment properties were valued at 30 June 2023 by independent professionals Colliers Valuation and Advisory SRL. They determined a gain in investment property of RON 44.6mn (a change in fair value). As a result, the gains from investment property at 9M23 include that value.

Figure 2. Impact 9M23 vs 9M22 results summary

Type of expense/revenue (RON '000)	9M22	9M23	Y/Y
Revenue from real estate inventories	156,278	106,891	-31.6%
Gross profit	56,366	32,790	-41.8%
Gross margin (%)	36.1%	30.7%	
Gains from investment property	-62	44,654	nmf
EBITDA	26,004	68,973	165.2%
EBITDA margin	16.6%	64.5%	
EBIT	23,657	65,794	178.1%
EBIT margin	15.1%	61.6%	
Net Profit (Loss)	14,968	63,848	326.6%
Net income margin	9.6%	59.7%	

Source: Company, IPOPEMA Research

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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	7	87.5%
Hold	1	12.5%
Sell	0	0.0%
Total	8	100.0%

Rating History – Impact Developer & Contractor

Date	Recommendation	Fair Value	Price at recommendation	Author
03/29/2021	BUY	RON3.40	RON2.88	Florin Ciocoi
07/19/2021	BUY	RON0.61	RON0.52	Florin Ciocoi
02/27/2022	BUY	RON0.87	RON0.65	Florin Ciocoi
08/30/2022	BUY	RON0.52	RON0.45	Florin Ciocoi
12/12/2022	HOLD	RON0.41	RON0.387	Florin Ciocoi
06/31/2023	BUY	RON0.322	RON0.276	Florin Ciocoi