

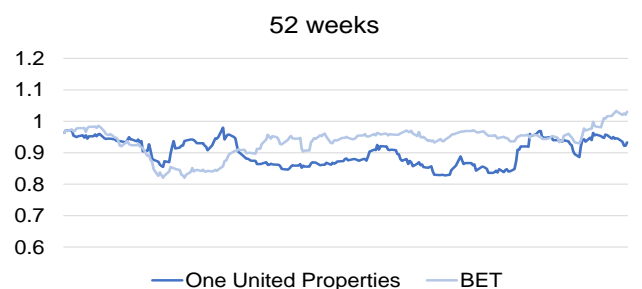
COMPANY REPORT

One United Properties

Initiated with Buy

RON mn	2022	2023e	2024e	2025e
Net sales	853.6	1,179.4	1,643.8	2,163.7
EBITDA	576.1	644.7	627.9	888.3
EBIT	576.1	644.7	627.9	888.3
Net result after min.	442.0	478.3	462.6	657.1
EPS (RON)	0.16	0.13	0.12	0.18
CEPS (RON)	0.08	0.07	0.11	0.13
BVPS (RON)	0.55	0.66	0.75	0.90
Div./share (RON)	0.02	0.03	0.03	0.04
EV/EBITDA (x)	6.8	6.6	7.2	5.5
P/E (x)	5.4	7.1	7.4	5.2
P/CE (x)	10.8	13.5	8.2	7.0
Dividend Yield	2.3%	3.3%	3.3%	4.3%

Share price (RON) close as of 26/07/2023	0.9220
Number of shares (mn)	3,702.8
Market capitalization (RON mn / EUR mn)	3,414 / 693
Enterprise value (RON mn / EUR mn)	4,276 / 868



Performance	12M	6M	3M	1M
on RON	-3.1%	6.5%	9.9%	1.4%

Reuters	ROONE.BX	Free float	33.9%
Bloomberg	ONE RO	Shareholders	OA Liviu (27.6%)
Div. Ex-date	11/05/23		Vinci Ver (27.6%)
Target price	1.30	Homepage:	www.one.ro

Analyst:

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Yes, development of real estate can still make fun

We initiate our coverage with a **Buy** recommendation and a **target price of RON 1.30**. Our valuation is based on a DCF model suggesting an upside of more than 40% to the current share price. A peer group comparison and – in particular – a regression analysis based on ROE and P/B strongly support our positive view on the stock.

One United Properties is a **leading developer of residential real estate** focusing on the mid- to (ultra) high-end market in Bucharest. The built-to-sale **pipeline consists of roughly 5,700 apartments** under construction with a GDV of around EUR 1.5bn and a further EUR 850mn in planning.

The company (in deep contrast to many European peers) is acting in a **highly attractive market environment** with a huge deficit in housing stocks (reflected in Europe's second-highest over-crowded ratio) and an **average loan/salary growth that has constantly surpassed the average growth of housing costs** in the recent past. Increasing interest rates have not impacted the company's business so far; still, more than 50% of the market transactions are purely financed with equity.

One United Properties also successfully entered the **commercial market**. The self-developed, Grade A offices One Cotroceni Parks I + II as well as One Tower (all in Bucharest) are the flagships of the company, providing the majority of the total of around **145,000 sqm commercial GLA** the company currently has on its books.

Its experienced management, with a strong track record, a proven business model with **outstanding margins on cost of far above 30%** and strong cash flows from **pre-payments of customers** in combination with the already existing **land bank** should provide the company with a bright future.

Investment story

Leading developer and investor in Bucharest, strong focus on quality

One United Properties is a leading developer and investor of residential, mixed-use and commercial real estate in Bucharest with a clear focus on high-quality, green and sustainable assets and buildings.

Projects with roughly 5,700 units under construction, acting in highly attractive market

The company currently has residential projects (built for sale) with roughly 5,700 apartments and a gross development value (GDV) of almost EUR 1.5bn under construction and a further EUR ~850mn in planning. One United Properties is in the comfortable position of acting in a highly attractive market with (1) significantly higher GDP growth than the EU average, with the Bucharest-Ilfov region clearly exceeding the EU average GDP per capita; (2) average loan/salary growth that has surpassed average growth of housing costs in the past and continues to do so; and (3) a deficit of housing stock of roughly 200,000 units, which is reflected in the second-highest over-crowded ratio in the EU-27 of 41% (just slightly behind Latvia with 41.3%) and only 434 housing units for 1,000 inhabitants.

Higher interest rates with only minor impact

One United Properties is traditionally focused on the (ultra) high-end market and has just recently started to tap the mid-income market, with the consequence that increased financing costs (as a result of several interest rate hikes by the central bank) have not impacted the company's business at all so far. Impressively, more than 50% of market transactions are still purely financed with equity.

Further 3,000 apartments in planning phase

Hence, it cannot be assumed that the company would stop now and slow down its business plans for residential, which include more than 3,000 units currently in the planning phase. One United Property Group therefore has already secured a land bank of around 106,000 sqm for a total of above-ground gross building rights of around 435,000 sqm in Bucharest.

Outstanding margins and highly cash flow-generative, pre-payments to reduce risks

One United Properties relies on its experienced management with a strong track record and a proven business model, which delivered outstanding margins on a cost of 38% on average in the period 2020-22. High pre-sales volumes, in combination with the pre-payments of customers, deliver strong cash flows. Despite our high growth assumptions, we do not see any need for additional financing. Indeed, the opposite is the case - we expect the company to steadily increase its dividend.

Diversification by entering commercial segment, substantial growth of rental income expected

Although the residential development market has not been too cyclical in the recent past, One United Group's management opted to diversify its business by entering commercial, with a clear focus on high-quality, green office buildings. The self-developed, Grade A offices One Cotroceni Parks I + II as well as One Tower are the flagships of the company, providing the majority of a total of around 145,000 sqm commercial GLA the company has currently on its books. This number should increase to some 222,000 sqm by 2025 and will substantially lift the rental income.

Strong brand, focus on sustainability

"ONE" is a high-end brand and represents quality, design, community, sustainability, and very desirable locations. All of the group's residential developments and a vast majority of the commercial portfolio hold superior certifications in sustainability, energy efficiency and wellness.

Balance sheet in excellent shape

One United Properties' balance sheet is in excellent shape. As of December 2022, the equity attributable to owners of the group amounted to RON 2.02bn, including minorities, while total equity reached RON 2.53bn, corresponding to an equity ratio of close to 60%. Net debt amounted to RON 267mn, while the net debt / EBITDA ratio stood at a ridiculous 0.4x.

SWOT

Strengths / Opportunities

- Leading position in the development of premium real estate projects in Bucharest
- Strong brand - solid reputation for quality of products and services as basis to attract new customers
- Outstanding track record; history of excellence in execution, proven ability to develop high-scale projects in both asset classes, residential and office – in time and in within budget lines
- Long-time experience and excellent knowledge of customers and their needs
- The architectural concept and valuation creation chain comprises all steps, starting with the investment decision and project planning to the sale of the assets, including after-sale services
- Favorable business environment, with wages/salaries growing faster than costs for acquiring/renting residential properties, causing high demand for local premium housing; contrary to most other European real estate markets
- Entering the office market diversifies risks and reduces cyclicity, with regular rental income to support revenue
- Land bank to secure future business, strong project pipeline in both residential and office segments
- Highly experienced management, both founders as main shareholders
- Strong development of financials, fast growing top line in combination with outstanding margins
- Strong balance sheet with relatively low level of debt, strong cash flows
- Appealing combination of growth fantasy and dividend play, with around one third of the group's distributable net income earmarked to be paid out
- Strong commitment to green and sustainable project development, various certificates ("LEED", "WELL"), relatively new and green office assets

Weaknesses / Threats

- Costs and duration of the development of projects may exceed the company's initial estimates and diminish margins
- The company is to a certain extent dependent on its suppliers, which could try to impose uncompetitive prices on the company or choose not to renew contracts
- The company may encounter difficulties in purchasing land bank or assets that meet its strategic investment criteria
- Demand for higher or medium-priced assets might fall if economy contracts or inflation/interest remain at a high level for a certain period of time
- Hybrid working models could force companies to reduce office space, which could lead to increased vacancy ratios
- Real estate development might be hampered by the relationship with public authorities and by decisions with regards to town planning and other aspects

Company profile

Company description

Premium developer with outstanding reputation

One United Properties is a leading developer of residential and commercial properties in Bucharest. The company was established in 2007 by Victor Capitanu and Andrei-Liviu Diaconescu and rapidly emerged as the leading force in mixed-use development in Romania. Aside from its development activities, which focus on medium, medium-high, high, and very high-income clients, the company also holds a portfolio of roughly 117,000 sqm GLA office and around 28,000 sqm GLA retail rental portfolio, not including projects currently under development.

“ONE” as high-end brand

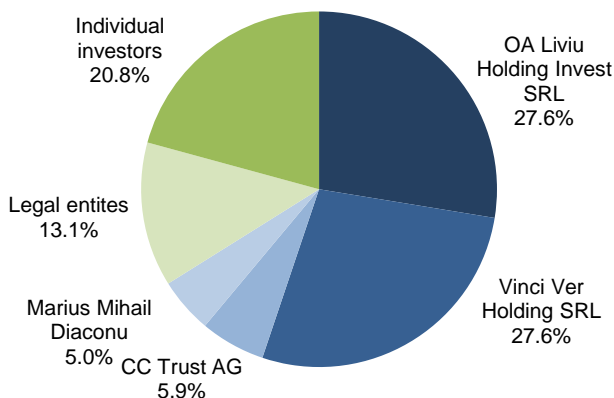
“ONE” is a high-end brand and represents quality, design, community, sustainability, and very desirable locations. All of the group’s residential developments and a vast majority of the commercial portfolio hold superior certifications in sustainability, energy efficiency and wellness. One United Properties is a member of the Romanian Green Building Council (RoGBC), advocating for environmental responsibility and energy efficiency.

Group structure

One United Properties S.A. is the holding company of the group, which consists of currently some 42 project-related real estate development companies, two companies responsible for the renting of offices in Bucharest, one for the lease of retail space, one for architectural services, another one for real estate brokerage and a management services company.

Shareholder structure

Shareholder structure as of Dec. 2022



Source: One United Properties

The company went public in 2021 and has been listed on the Main Market of the Bucharest Stock Exchange since then. The main shareholders are the founders Andrei-Liviu Diaconescu through OA Liviu Holding Invest SRL and Victor Capitanu through Vinci Ver Holding SRL, both holding a 27.58% stake each. Claudio Cisullo, the Chairman of the Board of Directors of One United Properties, is the third largest single shareholder, holding a 5.91% stake through CC Trust AG. Legal entities and individual shareholders, accounting together currently for roughly 33.9%, represent the free float.

As of December 31, 2022, the share capital of the company was RON 740.6mn divided into 3,702.8mn shares with a nominal value of RON 0.2 per share.

Dividend policy

The management board is targeting in general to distribute up to 35% of the consolidated net distributable profit obtained by the group. In the years 2019-22, One United Properties Group distributed dividends in the amount of RON 41mn, RON 49.2mn, RON 75mn and RON 73.1mn, respectively. The company intends to pay out dividends on a semi-annual basis.

ESG

The real estate sector is one of the industries that is particularly challenged to achieve a reduction in carbon emissions in order to minimize the impact on climate change. It is equally important to pay attention that the quality of developed buildings is also maintained for years after completion.

Looking for best environmental and sustainability practices

One United Properties always strives to develop projects that comply with the best environmental and sustainability practices. As the aspects of sustainability are also becoming more and more important in the real estate industry, One United Properties aims to develop projects that receive prestigious certifications in the field of sustainability and environmental protection. One United Properties' sustainability strategy is anchored on the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global goals that aim to be a blueprint for a better and more sustainable future for all. The company's sustainability strategy is based on the following principles, which have the most significant environmental, social and governance implications.

Environmental

Innovative energy solutions

One United Properties invests in innovative energy solutions, such as geothermal heat pumps, to guarantee the highest possible degree of energy independence. In accordance with the applicable regulations, the company ensures that all projects are supplied with at least 30% energy from renewable sources.

Concepts with alternatives to cars

The company builds modern and barrier-free housing projects and strives to improve the existing infrastructure. Building well-connected communities where residents can give up their cars in favor of alternatives such as walking, biking and scooters represents a major goal for the company. Innovative green energy and technology solutions are designed to help save energy, such as energy recuperating elevators in office buildings.

Focus on waste management

High-quality materials are to guarantee the longevity of the buildings. Innovative solutions in the areas of waste and wastewater are to ensure responsible waste management, not only after handover to the client, but already during the construction phase.

Reduction of CO2 and minimizing water consumption

Another focus is on the reduction of CO2 emissions and a minimizing of water consumption during the construction phase. The company also invests in the training of staff, clients and business partners to build knowledge and capacity to address the challenges and opportunities of climate change.

One United Properties has defined so called “e-targets” summarizing the company’s ambitions in the field of environment:

- Build 100% Green Homes certified residential developments
- Develop 100% LEED and WELL certified offices
- Reduce CO2 emissions at the development stage and after delivery
- Use the best materials for the environment
- Lower waste production at the construction level
- Protect trees and green spaces
- Optimize water and energy usage
- Prevent uncontrolled urban sprawl
- Develop according to the “15-minute city concept”, lowering traffic congestion

Social

Interconnected community in mixed-used buildings and developments

One United Properties calls itself a pioneer in the field of mixed-use development concepts in Romania, working against the trend of sprawling cities. Instead, the company seeks to create an inclusive and interconnected community. In the mixed-use buildings and developments, residents will find flats, restaurants, services, schools, green spaces, cultural and entertainment facilities and much more. The key vision for One United Properties' developments has always been a focus on customer intimacy, community building, urban regeneration, sustainability and environmental protection. In its land acquisition strategy, One United Properties always focuses on identifying large plots of land where multifunctional projects can be designed on an urban scale.

Safe environment for all employees and workers

The company's efforts as an employer, business partner and public company have always focused on ensuring a safe environment for all employees and workers, advocating for equality. As part of its sustainability strategy, One United Properties is committed to ensuring that not only the company itself, but also all of its suppliers comply with human rights, the highest occupational health and safety and ethical standards.

The “s-targets” defined by the company summarize the main focus areas in the field of social:

- 100% commitment to respect the Code of Conduct for Suppliers as of 2024
- Ensure employee health and safety
- Promote equality and diversity
- Ensure tenant and client health and safety by providing the best indoor & outdoor environment
- Deliver good community relations for clients, tenants, and local communities, offering safe and healthy surroundings
- Regenerate and revitalize urban areas, delivering landmark developments that are incorporated into the cityscape
- Invest EUR 70mn over the next two years in restoring historical landmarks
- Engage with environmentally responsible behaviors within the communities
- Provide charitable support to those in need

Governance

Meeting all needs of shareholders with regards to governance

As a listed company, management of One United Properties is fully committed to meet the needs of all shareholders looking for governance, accountability and integrity. The company is deeply engaged in managing risks related to ESG aspects to ensure the resilience of its business. The so-defined “g-targets” include:

- Ensuring ethical business conduct
- Setting high standards in business for subcontractors
- Implementing strong anti-corruption rules
- Educating and enabling stakeholders to achieve sustainability goals
- Allowing all shareholders to participate remotely in General Shareholder Meetings
- Medium-risk assessment to be provided by ESG rating agency
- Measuring and transparently disclosing sustainability performance

Board of Directors

Claudio Cisullo (Independent Chairman of the Board of Directors)



- Born in 1964, Claudio Cisullo is the founder and Chairman of CC Trust Group AG, an internationally active family office invested in the biotech, private aviation, leisure, pharmaceuticals, professional services, real estate, and technology sectors
- More than 30 years of experience in corporate finance, M&A, venture capital and private equity
- Active investor on the Romanian residential and commercial property market, holding indirectly a 5.9% stake in One United Properties

Victor Capitanu, CFA (Executive Member of the Board of Directors)



- Born in 1979, Victor Capitanu is the co-founder and Executive Member of the Board of Directors at One United Properties, coordinating sales, leasing, marketing, and investments
- Victor is a CFA charter holder with a degree in Financing & Banking from Bucharest Academy of Economic Studies, and has attended an Executive Private Equity Program at Harvard University and an Executive Program at Singularity University in Silicon Valley
- Victor Capitanu was appointed as Member of the Board of Directors at One United Properties on 09.05.2016; he currently holds indirectly a stake of 27.6% in the company

Andrei-Liviu Diaconescu (Executive Member of the Board of Directors)



- Born in 1975, Andrei-Liviu Diaconescu is the co-founder and Executive Member of the Board of Directors of One United Properties, coordinating operations, financial and legal
- Andrei holds an EMBA from ASEBUSS and an International Law Degree from the University of Macedonia, Thessaloniki
- Andrei Diaconescu was appointed as Member of the Board of Directors at One United Properties on 09.05.2016; he currently holds indirectly a stake of 27.6% in the company

The **non-executive** Members of the Board of Directors also include:

- **Marius-Mihail Diaconu** (independent, born in 1973, active investor and executive with projects covering animal health, real estate, IT, agriculture, entertainment and industrial services, founder and CEO of Altius SRL, holding directly and indirectly a total stake of 5% in One United Properties)
- **Augusta-Valeria Dragic** (independent, co-founder of Superbet Group, holding indirectly almost 2.5mn shares in One United Properties)
- **Dragos-Horia Manda** (independent, born in 1960, Chairman of Patria Bank's Board of Directors and Managing Partner of Axxess Capital, holding roughly 28.5mn shares in One United Properties)
- **Magdalena Souckova** (independent, former Country Managing Partner for EY in Czech Republic and Central Cluster, member of the Chamber of Auditors of the Czech Republic)

Hence, the Board of Directors is composed of seven members, out of which five are independent, including two women.

Further executives are:

- **Cosmin Samoila, CFO** (more than 17 years experience, former CFO of Sixt Romania Group and 10 years at Adama Holding/Immofinanz)
- **Beatrice Dumitrascu, CEO Residential** (joined One United Properties in 2013, long-term experience at various residential developers)
- **Mihai Paduroiu, CEO Office** (joined One United Properties in 2019, long-term careers in the local real estate market and international consulting companies)
- **Victor Savi-Nims, Chief Legal Officer** (joined One United Properties in 2019, seasoned lawyer with a focus on integrated real estate, M&A, banking & financing and corporate & commercial legal services)

One United Properties is rated by Sustainalytics; the 2022 ESG report can be seen by clicking this [link](#). The 2022 Sustainability Report will be published soon. Until then, investors can refer to the 2021 Sustainability Report, which can be found [here](#).

Abbreviated company history

2012-2018

- Focus on high-end and ultra-high-end developments
- Project sizes rather small
- With the acquisition of ONE North Gate, the company also entered the commercial business

2019-2021

- With the projects One Timpuri Noi and One Cotroceni Park, the company tapped the mid-income market for the first time
- First large-scale high-rise developments
- Start of the development of top-quality office buildings
- Increasing focus on sustainability and urban regeneration

From 2022 on

- Scaling projects with a clear focus on large to very large developments
- Concentration on quality and brand recognition
- Consolidation of the position on the office market
- Entry onto retail market, adding to standing assets
- Historical landmark regeneration focus

Residential segment

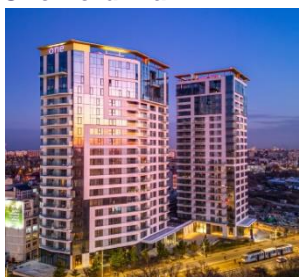
Architectural concept covering whole value chain

With regards to the development of residential units, the company's architectural concept covers the whole value chain of a developer, including (1) investment decision and project planning, (2) land acquisition, (3) design, (4) execution of construction work (including selection of service providers, work and materials), (5) the process of selling units, (6) the delivery and handover of housing units, and (7) after sale services. In parallel, the company secures the financing of projects and steering cash flows, which is backed up by a solid balance sheet and own funds, a business model which is based on down-payments received from buyers, as well as – in some cases – loans from credit institutions.

The company has a track record of roughly 1,000 residential units built. The current pipeline (still including Verdi Park, which was completed in 2Q23) comprises 13 projects with almost 5,700 units and a gross development value of around EUR 1.5bn or RON >7bn.

Selected residential projects

One Verdi Park



Source: One United Properties

One Verdi Park

(Nov. 19 - 1H23)

Residential units	325
Parking places	492
GBA (sqm)	62,722
Saleable (sqm)	38,282
- Apartments	35,155
- Commercial	3,127
GDV (EURmn)	125.3
Sqm per unit	108.2
GDV per unit (EUR)	354,046
GDV per sqm (EUR)	3,273

One Floreasca Vista

(2Q20 - 2023)

Residential units	63
Parking places	73
GBA (sqm)	11,719
Saleable (sqm)	9,232
- Apartments	9,232
- Commercial	
GDV (EURmn)	31.45
Sqm per unit	146.5
GDV per unit (EUR)	499,206
GDV per sqm (EUR)	3,407

One Timpuri Noi

(Apr. 19 - 2023)

Residential units	147
Parking places	173
GBA (sqm)	18,372
Saleable (sqm)	14,113
- Apartments	13,148
- Commercial	964
GDV (EURmn)	26.45
Sqm per unit	89.4
GDV per unit (EUR)	167,629
GDV per sqm (EUR)	1,874

One Peninsula



Source: One United Properties

One Cotroceni Park

(June 21 - 4Q23)

Residential units	868
Parking places	1,361
GBA (sqm)	132,978
Saleable (sqm)	82,359
- Apartments	64,651
- Commercial	17,708
GDV (EURmn)	155.9
Sqm per unit	74.5
GDV per unit (EUR)	140,991
GDV per sqm (EUR)	1,893

One Peninsula

(Oct. 20 - 4Q23)

Residential units	168
Parking places	287
GBA (sqm)	52,959
Saleable (sqm)	36,087
- Apartments	36,087
- Commercial	
GDV (EURmn)	143
Sqm per unit	214.8
GDV per unit (EUR)	851,190
GDV per sqm (EUR)	3,963

One Modrogan

(Oct. 20 - 2024)

Residential units	48
Parking places	90
GBA (sqm)	14,803
Saleable (sqm)	9,739
- Apartments	9,739
- Commercial	
GDV (EURmn)	68.7
Sqm per unit	202.9
GDV per unit (EUR)	1,431,250
GDV per sqm (EUR)	7,054

One Lake Club



Source: One United Properties

One Herastrau Vista

(3Q 22 - 3Q24)

Residential units	117
Parking places	179
GBA (sqm)	18,031
Saleable (sqm)	13,575
- Apartments	11,463
- Commercial	2,112
GDV (EURmn)	38.1
Sqm per unit	98.0
GDV per unit (EUR)	274,978
GDV per sqm (EUR)	2,807

One Lake Club

(July 22 - 3Q25)

Residential units	663
Parking places	853
GBA (sqm)	122,479
Saleable (sqm)	59,290
- Apartments	67,704
- Commercial	2,012
GDV (EURmn)	219.6
Sqm per unit	102.1
GDV per unit (EUR)	378,226
GDV per sqm (EUR)	3,704

One Floreasca Towers

(Nov. 22 - 2Q25)

Residential units	208
Parking places	254
GBA (sqm)	44,000
Saleable (sqm)	21,210
- Apartments	20,237
- Commercial	973
GDV (EURmn)	61.8
Sqm per unit	97.3
GDV per unit (EUR)	283,485
GDV per sqm (EUR)	2,914

One Lake District



Source: One United Properties

One High District

(4Q22 - 4Q25)

Residential units	786
Parking places	1,134
GBA (sqm)	146,045
Saleable (sqm)	73,016
- Apartments	66,992
- Commercial	6,024
GDV (EURmn)	154.2
Sqm per unit	85.2
GDV per unit (EUR)	179,998
GDV per sqm (EUR)	2,112

One North Lofts

(2Q23 - 2Q24)

Residential units	137
Parking places	237
GBA (sqm)	20,000
Saleable (sqm)	20,000
- Apartments	20,000
- Commercial	
GDV (EURmn)	30
Sqm per unit	146.0
GDV per unit (EUR)	218,978
GDV per sqm (EUR)	1,500

One Lake District

(2Q23 - 1Q27)

Residential units	2,076
Parking places	2,616
GBA (sqm)	251,663
Saleable (sqm)	178,047
- Apartments	177,068
- Commercial	979
GDV (EURmn)	322.2
Sqm per unit	85.3
GDV per unit (EUR)	154,349
GDV per sqm (EUR)	1,810

Further 3,000 units in planning phase

Projects with more than 3,000 units and gross development value (GDV) of EUR 850mn are currently in the planning phase. As of March 2023, One United Properties had almost 106,000 sqm of land plots for further residential developments in Bucharest with a total of above-ground gross building rights of around 435,000 sqm. The most prominent project currently in the planning phase could be One Cotroceni Towers with an estimated GDV of approx. EUR 400mn. According to the company's plans, it will accommodate almost 1,300 residential units spread over five towers.

Commercial segment

Office

One United Properties currently has four office assets in its portfolio with a total gross lettable area (GLA) of around 117,000 sqm (not including Eliade Tower which was acquired as landbank for future projects). The biggest three assets in terms of GLA were developed by the company itself. One United Properties plans to increase its portfolio of standing office assets to a minimum of 183,000 sqm by the end of 2025 with the already announced One Cotroceni Office Parks III and IV totaling 66,000 sqm in the planning phase. The market value of the company's office portfolio should exceed EUR 560mn by the end of 2025.

Current office portfolio

	GLA (sqm)	dev./acqu.	since
One Cotroceni Park I	46,252	developed	2021
One Cotroceni Park II	34,456	developed	2022
One Tower	24,039	developed	2020
One Victoriei Plaza	12,000	acquired	2022
	116,747		

Source: Company data

The company's office portfolio is part of its business rationale and strategy. The future development of this segment is supposed to be based on three factors and trends, as follows:

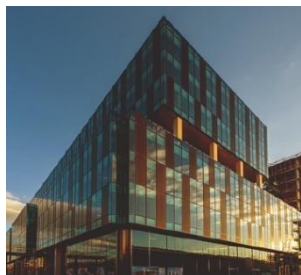
- The trend of corporates taking the opportunity of the pandemic to resize and relocate to modern office buildings
- The need of providing employees modern office space including all kinds of comforts to attract them back to the office
- The trend to a hub and spoke office distribution throughout the city with new satellite offices to reduce commute time

One United Properties offices are either fully let or close to fully let, with one exception to be the just-completed One Cotroceni Park II, whose occupancy rate reached 54% in 1Q23. The other exception is the Eliade Tower, close to One Tower, which was an opportunistic acquisition, with plans to develop new office and hotel space in this area. The company envisages rental terms of a minimum of five years, preferring 7-10-year contracts.

Retail

One United Properties entered the retail market in February 2022 when it acquired Bucur Obor, with French retailer Auchan as main tenant of a total of 26,000 sqm retail GLA. The just-completed One Verdi Park rents 2,000 sqm and 85 parking places to Bucharest's newest Lidl branch. One Gallery is another project that began development in 3Q22; it will be completed in 4Q24, according to current company plans. It will offer 13,500 sqm of retail GLA to multiple high-end tenants.

One Cotroceni Park I



Source: One United Properties

One Tower



Source: One United Properties

Strong focus on certification, e.g., LEED and WELL

Focus on long-term contracts

Retail as (minor) part of commercial segment

Market

Economy

High inflation expected to come down, real GDP growth of 2.1% forecasted for FY23

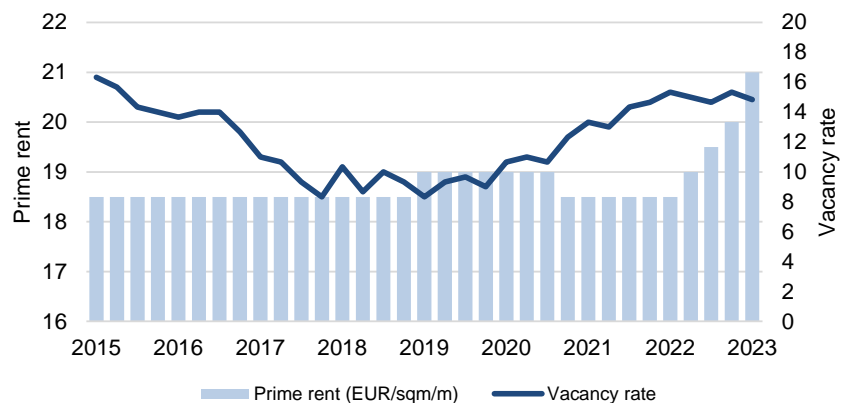
Despite y/y inflation of 14.9% in 1Q23, prices have been trending down since the beginning of the year, with single-digit numbers in sight, to be reached before the end of the year. The unemployment rate stands at 5.8% in Romania and 3.4% in Bucharest; both ridiculously low numbers are forecasted to remain stable or only slightly increase in the next 12 months. Romania is predicted to record real GDP growth around 2.1% in 2023, according to Erste Group estimates, which would be one of the highest rates in the European Union.

Office

Two offices hit market in 1Q23 including One Cotroceni Park

Two office buildings were added to the Bucharest market in 1Q23, the second building of One Cotroceni Park (34,500 sqm GLA) in the Center West market and the Muse building (7,500 sqm GLA) in the Expozitiei area, which lifted the office stock in Bucharest to 3.35mn sqm. Demand fell below market expectations, with transactions of just 55,800 sqm, corresponding to the lowest level since 1Q21 (-31% y/y). However, market participants were optimistic for 2Q23 in which leasing activities should pick up again, based on a strong market segment, with a series of large deals currently under negotiation.

Bucharest office vacancy and prime rent



Source: Cushman & Wakefield Echinox

Increase of prime rents, vacancy rate slightly declined

Net absorption reached almost 40,000 sqm, making the vacancy rate ease to 14.8% in 1Q23. Prime rents climbed to EUR 21/sqm/m in the CBD area (translating into 13.5% y/y growth), with submarkets experiencing similar increases, in particular for prime assets. As of now, office projects amounting to 139,400 sqm are under construction in Bucharest, according to Cushman & Wakefield Echinox. The prime yield currently stands at 6.75%.

Demand rather weak in 1Q23, expected to pick up in 2Q

Key lease transactions in 1Q23 included 3,100 sqm in Crystal Tower (CBD) taken up by Nuclearelectrica as new lease, 2,800 sqm in Oregon Park (Floreasca – Barbu Vacarescu) renegotiated/renewed by Alten, 2,600 sqm in Platinum Business and Convention Center (North) renegotiated/renewed by Pfizer and 2,300 sqm in AFI Park Floreasca (Floreasca – Barbu Vacarescu) leased by AdsWizz.

Bucharest office market overview

	Stock (sqm)	Availability (sqm)	Vacancy (%)	Qu. takeup (sqm)	YTD compl. (sqm)	Under cons. (sqm)	Prime rent (EUR/sqm/m)
CBD	357,300	32,000	9.0%	10,800			19.0 - 21.0
Center	412,500	33,100	8.0%	19,800		39,500	16.0 - 18.0
Floreasca – Barbu Vacarescu	589,600	62,200	10.5%	11,000		27,500	15.5 - 17.5
Expozitiei	297,300	74,300	25.0%	4,400	7,500	28,000	15.0 - 16.5
Center - West	614,100	96,200	15.7%	2,500	34,500	44,400	15.5 - 16.5
North	182,700	36,700	20.1%	3,400			12.0 - 15.0
Dimitrie Pompeiu	440,700	53,300	12.1%	3,100			11.0 - 13.0
Pipera North	201,300	77,700	38.6%	800			9.0 - 11.0
West	165,900	11,500	6.9%				12.0 - 13.5
East	51,100	15,700	30.7%				9.0 - 12.0
South	41,800	2,800	6.7%				9.0 - 12.0
Bucharest	3,354,300	495,500	14.8%	55,800	42,000	139,400	21.0

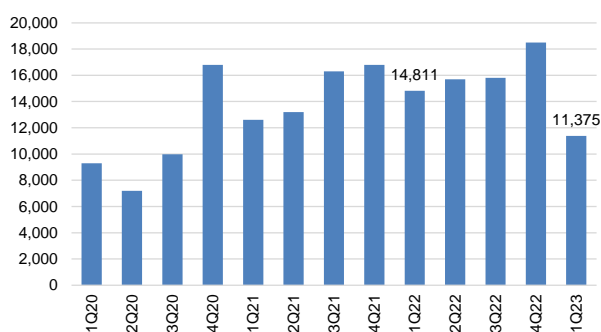
Source: Cushman & Wakefield Echinox

Residential

Number of transactions substantially declined in 1Q23

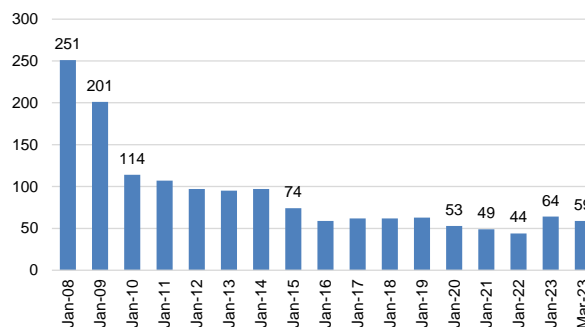
In 1Q23, approx. 11,375 residential units were sold in Bucharest and Ilfov, a decline of 23.2% compared to the corresponding period of the previous year. This comes in line with a 23.5% drop of home sales registered in 1Q23 at the national level. This was the lowest sales result in Bucharest/Ilfov since 3Q20; however, it should be considered that 2021 (+37% y/y) and 2022 (+8.8% y/y) were both record years. The reasons for the strong home sales increases in the past two years and the limited decline in 1Q23 are the general improvement in terms of affordability, which is reflected in a higher increase of average wages than average apartment prices and the fact that more than 50% of the transactions were purely financed with equity.

Quarterly home transactions Bucharest and Ilfov



Source: SVN Romania based on ANCPPI

Instalment in % of national net wage ratio



Source: SVN Romania, calculated for a 50 sqm one-bedroom apartment and 25y mortgage

Increase of financing costs lifts instalments in % of wages

The main reason for the decline was obviously the access to mortgage financing, which continued to worsen, burdening in particular transactions on the new market. The average interest rate for mortgages in Bucharest increased to 8.15% in 1Q23 (from 6.81% in the previous quarter and from 4.8% a year ago), according to calculations done by SVN Romania and Credit & Financial Solutions. Higher financing costs led to a rise in average instalments for purchasing residential units, here calculated for a 50 sqm one-bedroom apartment and a 25-year mortgage as a percentage of the average wage at the national level.

Wage increases eased this ratio again in March

This number increased to 64% at the beginning of the year, which was the highest level for roughly eight years. Wage increases depressed this number to 59% again in March. We would also mention the higher average level in Bucharest, which revises this number to 46% in Romania's capital city (instalments of EUR 548 and an average income of EUR 1,182, according to National Commission for Strategy and Prognosis data).

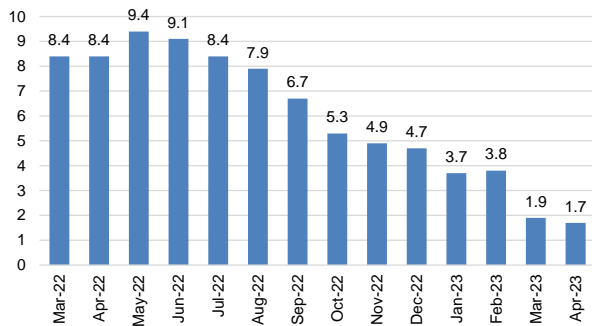
IRCC as benchmark indicates stable mortgage rates until autumn

The development of mortgage rates has to be seen in the context with the consumer credit benchmark IRCC (“*indicele de referință pentru creditele acordate consumatorilor*”), which climbed from 4% in the previous year to 5.71% in January and 5.98% in April. Taking into account the current values of Romania’s National Bank’s policy with regards to monetary policy, this rate should come in at 5.94% in 3Q23 and drop towards roughly 5% in 2024.

Prices for apartments built in 1980-1990 only marginally increasing in March and April

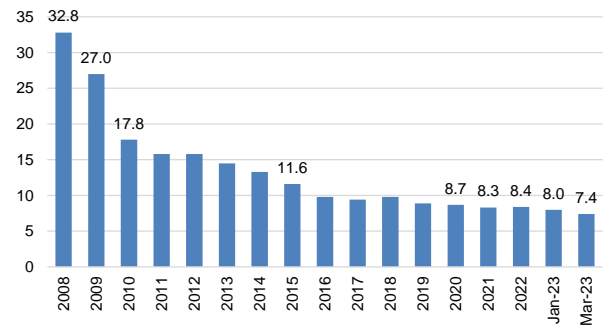
When it comes to affordability, aside from the level of average wages and financing costs, the average price of apartments is the third crucial factor. The average price for a two-bedroom apartment delivered in Bucharest between 1980 and 1990 increased by just 1.9% in March 2023, further declining to 1.7% in April 2023, according to the profile index calculated by SVN Romania together with Ziarul Financiar. This number dropped from levels of 8.4-9.4% recorded in the period March-July 2022. Considering the current inflation rates, the development of real estate prices in Bucharest is already negative in real terms, at least for this kind of apartment coming to the market roughly 40 years ago.

Annual residential price increase Bucharest (%)



Source: SVN Romania, calculated for a two-bedroom apartment built in 1980-1990

No. of years necessary for purchasing apartment



Source: SVN Romania, calculated for a 50 sqm one-bedroom apartment and 25y mortgage

Increasing affordability of buying new apartments

The current trend of rising wages and a decline of apartment prices in real terms increases the affordability of buying new apartments, as the right-hand graph above shows. The number of years necessary for purchasing a one-bedroom apartment in Bucharest has declined to 8.0 in January and fell further to 7.4 in March, which is the lowest level ever recorded.

19,000 units expected to be delivered in Bucharest in 2023

According to the “Romanian Residential Market Genome” report released by SVN Romania, approx. 19,000 residential units could be added to the market in 2023, which would correspond to a decline of around 11% compared to 2022. However, it has to be stated that the past three years were – by far – the strongest in terms of home deliveries in Bucharest’s history.

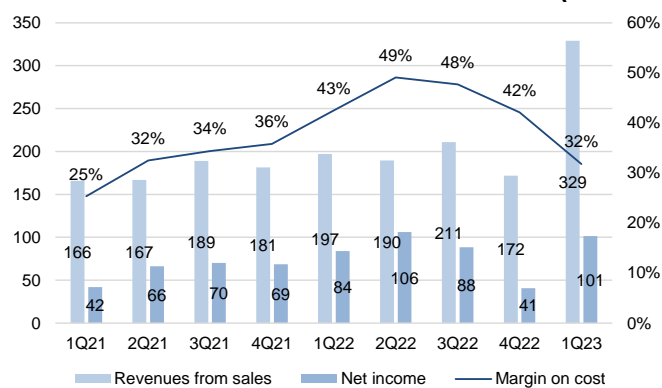
Financials

1Q23 figures review

Revenues from residential sales up 67% y/y

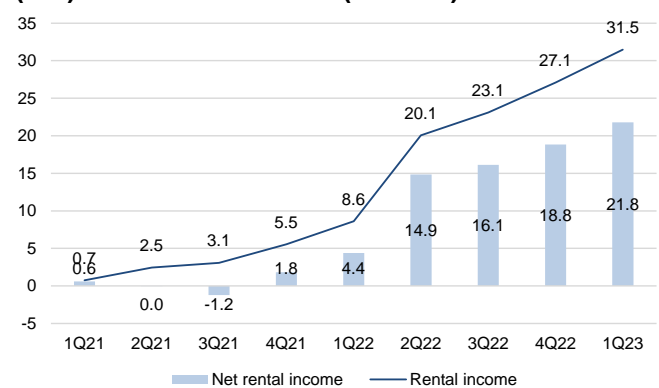
One United Properties Group presented an outstanding set of 1Q23 figures, including revenues from residential sales amounting to RON 329mn, representing 67% growth compared to the corresponding period of the previous year. Net income, however, increased by just 24% to RON 101.5mn, pushing the margins down to 32%. While the residential segment's top line benefitted from developments that were already sold and have now been completed or are close to being completed (in particular, One Verdi Park and One Cotroceni Park, respectively), margins suffered from smaller revenue recognition of new developments that began between 4Q22 and 1Q23 (e.g. One High District).

Revenues and net income residential sales (RONmn)



Source: Company data, Erste Group Research

(Net) rental income office (RONmn)



Source: Company data, Erste Group Research

Rental income curve heading north

Rental income (including revenues for tenant services) more than tripled compared to the previous year's 1Q, climbing to RON 31.5mn, driven mainly by the largest developments One Tower (>24,000 sqm, 100% occupied) and Cotroceni Park I (>46,000 sqm, 88% leased out as of March 31, 2023). The delivery of One Cotroceni Park II in 1Q23 (54% leased out as of March 31, 2023) will further strengthen the rental income of the commercial segment, but it should be considered that most tenants in the latter project are still in the fit-out phase during 2Q. Just as in 1Q22, there were no gains from office buildings under development booked in 1Q23, due to a lack of reclassifications and extraordinary events (all other gains normally booked twice a year in 2Q and 4Q since appraisals are done on a half-year basis). In contrast to 1Q22, in which a one-off gain from the bargain purchase of a majority stake in Bucur Obor was accounted for, no gains from office buildings under development or gains for further development were recorded in 1Q23.

Gains from completed investment property

Gains from completed investment property amounted to RON 78.2mn (after RON 43.8mn in 1Q22) and represent the reclassification of apartments held for rental purpose (at One Mircea Eliade and One Herastrau Towers), the start of operations of the commercial space of 2,000 sqm within One Verdi Park, rented long-term to Lidl on a 9-9-year term.

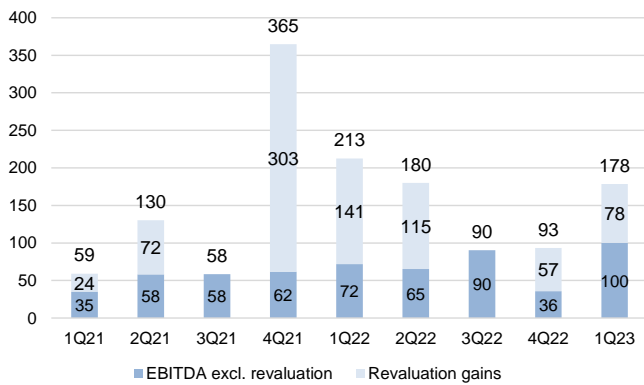
SOP impacts admin expenses

Administrative expenses increased by 84% to RON 18.5mn, mainly because of the recognition of expenses related to the Stock Option Plan to be granted to executive members of the Board of Directors following the meeting of the performance criteria set out in the SOP program for the FY21 performance (with a total non-cash value of the SOP of RON 6.3mn). EBITDA came in at RON 178.4mn, which corresponds to a decline of 16% compared to the number of the previous year. This was due to the former mentioned one-off gain for Bucur Obor.

"Clean" EBITDA surpassed RON 100mn for first time

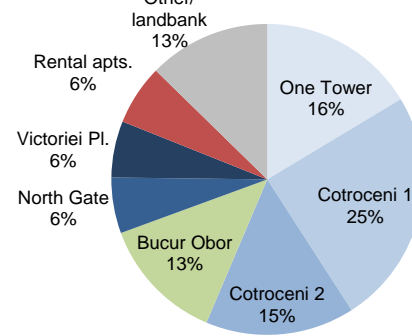
Excluding any revaluation gains, EBITDA amounted to RON 100.1mn, which was not only a rise of 39% compared to 1Q22, but also represented the highest level in the company's history. The net result (attributable to shareholders) dropped by 11% to RON 146.8mn.

EBITDA development (RONmn)



Source: Company data, Erste Group Research

Investment properties, RON 2.36bn as of 3/23



Source: Company data, Erste Group Research

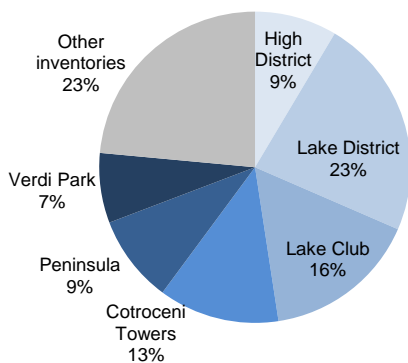
Office and landbank already account for almost RON 2.4bn

Total assets grew by 7% q/q to RON 4.5bn in 1Q23, with office and landbank accounting for RON 2.36bn (RON 2.25bn in 4Q22). Changes in the valuation were due to (1) the inclusion of One Cotroceni Office 3 in the landbank (RON 48mn), (2) the above-mentioned commercial space of One Verdi Park rented to Lidl (RON 37mn) and (3) the appreciation of the apartments held for rental purposes (RON +48mn).

Inventories up due to One Cotroceni Towers and One High District

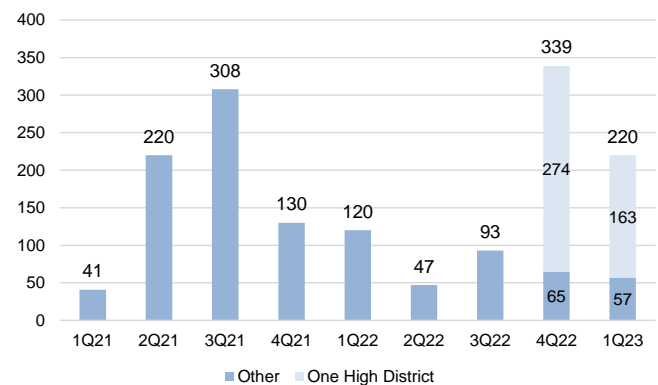
Inventories increased by 27% q/q to RON 0.84bn in 1Q23, strongly supported by the addition of One Cotroceni Towers (RON 105mn) following the acquisition of the already permitted land plot for development and the appreciation of One High District (RON +68mn).

Residential properties, RON 0.84bn as of 3/23



Source: Company data, Erste Group Research

Residential units sold



Source: Company data, Erste Group Research

220 apartments sold (vs. 120 in 1Q22)

220 apartments with a total surface of 18,490 sqm and 488 parking spaces were sold and pre-sold for a total of EUR 90.5mn in 1Q23. As already registered in 4Q22, the sales number was heavily driven by the One High district project (the sale of which started in 4Q22), contributing 163 units sold to this number. In 1Q23, sales were kicked off for One Lake Club Phase 1, a high-end development of a total of 586 residential units.

Main assumptions

Pipeline with GDV of RON 7bn under construction or to be started soon

One United Properties currently has 13 residential projects under construction (or close to the start of construction or just completed), with a gross development value of EUR 1.5bn (RON >7.0bn), which we included in our model. We assume that all projects can be split into three phases with a rough allocation of 25%-45%-30%. With this data, we calculate a kind of minimum output, assuming that no further projects will be started until the end of FY24.

Main projects overview, estimated development output by quarter

	GDV (EURmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
One Mamaia Nord (2)	23.3	1.9	2.6	2.6	2.6	2.6	2.3	2.3	2.3
One Timpuri Noi	26.5	1.3	1.3	1.3	1.3				
One Verdi Park	125.3	7.5	7.5						
One Floreasca Vista	31.5	2.4	2.4						
One Modrogan	68.7	6.2	6.2	6.2	4.1	4.1	4.1	4.1	4.1
One Peninsula	143.0	8.6	8.6	8.6	8.6				
One Cotroceni Park	155.9	11.7	11.7	11.7	11.7				
One Floreasca Towers	61.8	4.4	4.4	6.2	7.9	7.9	7.9	6.6	5.3
One Herastrau Vista	38.1	3.2	5.7	5.7	5.7	3.8	3.8	3.8	
One Lake District	322.2		16.1	16.1	16.1	16.1	16.1	24.2	24.2
One High District	154.2	9.6	9.6	9.6	17.3	17.3	17.3	17.3	11.6
One Lake Club	219.6	13.7	13.7	13.7	13.7	24.7	24.7	24.7	24.7
One North Lofts	30.0		3.8	3.8	6.8	6.8	4.5	4.5	
in EURmn	1,400.0	70.5	93.6	85.5	95.9	83.4	80.9	87.6	72.2
in RONmn	7,000.0	352.7	468.1	427.6	479.7	417.1	404.4	438.0	360.9

Source: Company data, Erste Group Research

The output is either recognized as revenue according to the development progress of units already sold before or accounted for in the balance sheet under change in inventories. The revenues line additionally includes the accumulated development progress of residential units sold in the respective quarter.

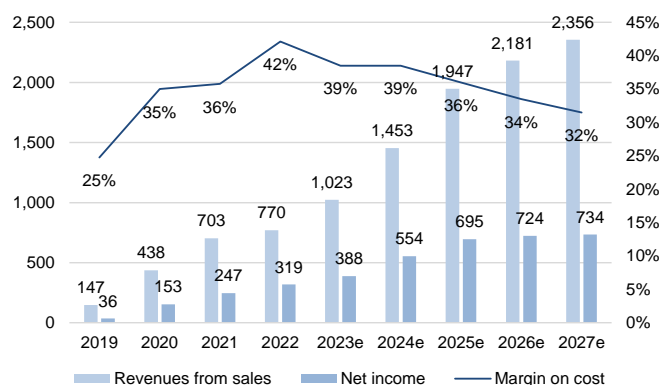
Output to be significantly increased, fuelled by mega project One Lake District

According to our model, the company's output will increase substantially from the second quarter on, supported by the start of projects such as One Lake District and One North Lofts and the entrance of others into a more intensive construction phase (as we forecast for One Mamaia Nord 2 and One Herastrau Vista). Our calculated output could peak in 4Q23, as shown in the table, still not including any start of other projects. Following this logic and the assumptions that the number of units sold will permanently increase (also due to the sales start of the mega project One Lake District), we forecast a substantial rise of revenues from sales of residential property in FY24 and FY25 (by 42% and 34%, respectively) to continue the impressive growth path seen in recent years.

Outstanding residential margins assumed to decline somewhat

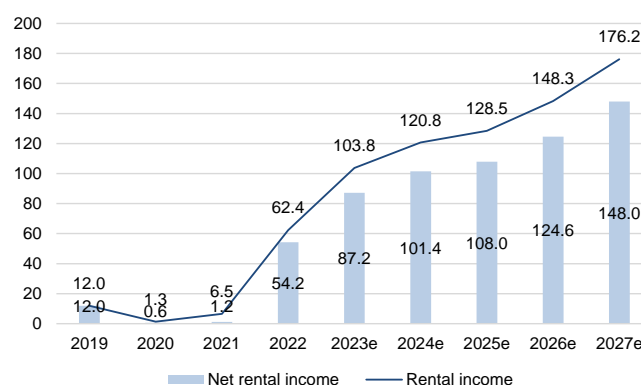
One United Properties has posted outstanding margins on costs, reaching 42.1% in FY22 (after 35% in FY20 and 35.8% in FY21). Although this number came down a little bit (to 31.8%) in 1Q23, due to the already mentioned smaller revenue recognition of new developments, margins should continue to come in at the upper end of a range of 30-40%, at least in the next two years. Our estimates include a steady decline in margins from 38.5% in FY24e to 31.5% in FY27e.

Revenues and net income residential sales (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

(Net) rental income office (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Increasing office GLA leading to rising rental income

With the completion and delivery of One Cotroceni Park Office II in December 2022 and February 2023, respectively, the company increased its number of gross lettable area (GLA) to roughly 117,000 sqm (not including 8,000 sqm of Eliade Tower which is held as landbank and 4,500 sqm of North Gate which has been sold in 2Q23). With the steady lease out of Cotroceni Park Office II (occupancy reached 54% as of March 2023), One United Properties should be able to lift its rental income to more than RON 100mn already this year. We assume that the company will be cautious with regards to the start of the construction of Cotroceni Park Office 3 and carefully observe the market concerning demand. We therefore see the next substantial increase of rental income only for the year 2026e, in which we expect Cotroceni Park Office III to significantly contribute to the office segment's earnings.

Gains from investment property dependent on project phases

For each of the years 2023 and 2024, we assume gains from investment property under development of roughly RON 50mn. This number should increase to RON 150mn with the construction phase for Cotroceni Park Office III peaking in 2025, according to our calculation. Gains from completed investment property should substantially rise with an increasing occupancy in Cotroceni Park Office II in FY23e. Our forecasts comprise a RON 195mn contribution in the current fiscal year, RON 35mn in FY24e and an increase again to RON 90mn, due to some pre-leases of Cotroceni Park Office III.

Furthermore, our earnings-related forecasts are based on the following assumptions:

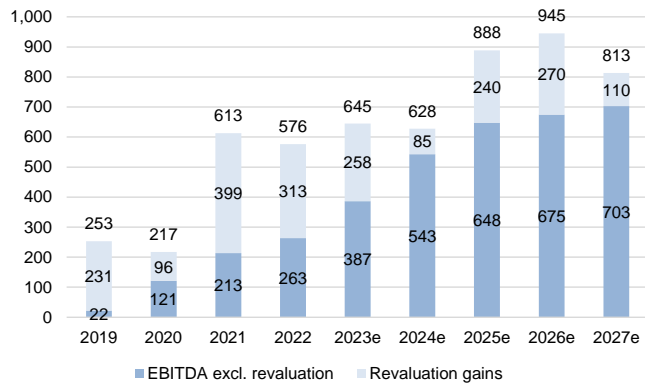
- Steady commissions for brokerage of 1.2% of residential sales
- Administrative expenses of 4.8% of turnover
- Other operating expenses of 1.4% of turnover
- Other operating income of 0.6% of turnover
- Effective tax rate of 13.5%
- Minority share of 10% of net result of period

(With turnover defined as revenue from sales of residential property + gains from investment property + rental income + revenues from services to tenants + other operating income.)

Payout ratios assumed to remain stable in mid-twenties

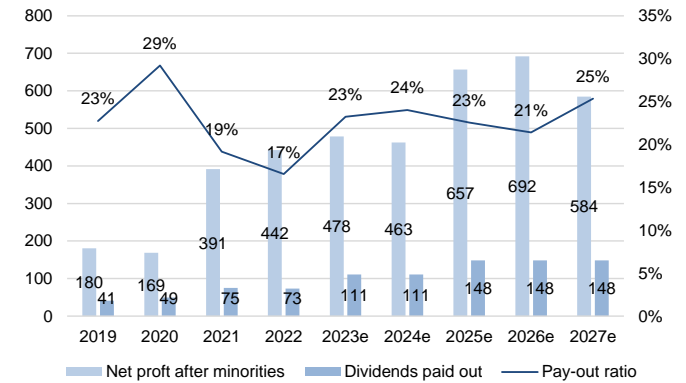
Our estimates with regards to dividends are based on assumed payout ratios in the range 22-25% in the period of detailed consideration. Our DPS forecasts are RON 0.03 for each year FY23e and FY24e, with an increase to RON 0.04 for FY25e.

Revenues and net income residential sales (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Net profit and dividends paid out (RONmn)

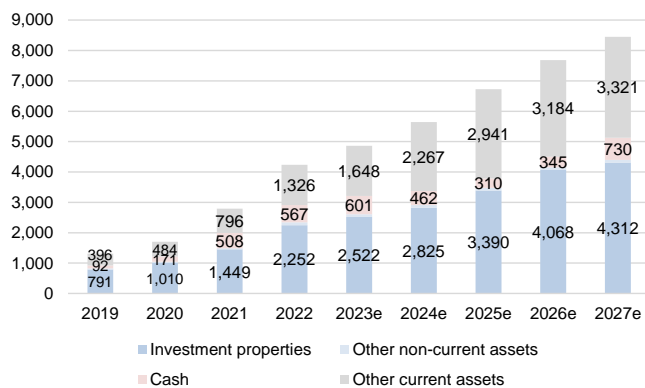


Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Expansion of office segment and increasing residential business as main driver for balance sheet

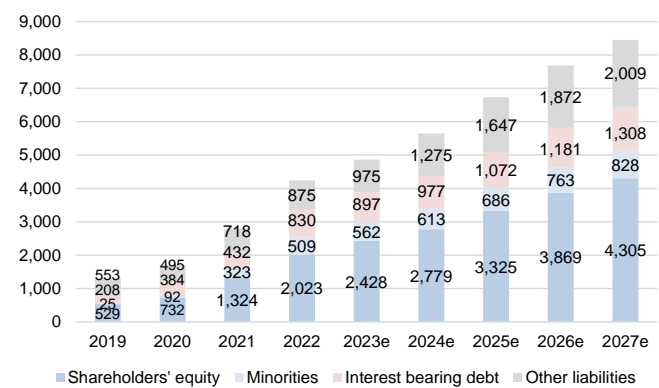
One United Properties' balance sheet grew substantially over the last three years with a CAGR of almost 48% in the period 2019-22. We anticipate a further expansion to RON 4.86bn in FY23e (from RON 4.24bn in FY22). We identify two main drivers for total asset growth, (1) the increase in investment properties, due to the diversification of the portfolio towards office business (the company is aiming to strengthen its portfolio of standing office assets to a minimum of 183,000 sqm by the end of 2025), and (2) the increase of the residential segment, with a rising number of projects coming to the market in combination with a shift to larger projects. This leads to a rise of inventories, but also to an increase of advance payments to suppliers and trade receivables. Other non-current assets play only a subordinate role, which is why we refrained from labelling them in the chart below.

Non-current, current assets (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Equity and liabilities (RONmn)

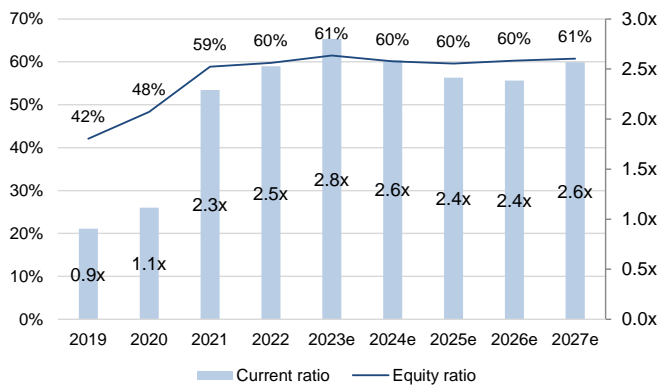


Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Strong increase of equity expected

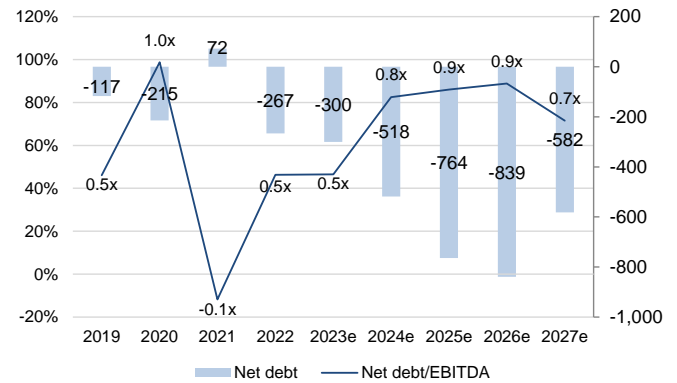
One United Properties has a strong equity ratio, and we expect the company to maintain this in the coming years, since its business is highly profitable and net income (cash) is rather invested in further growth than being paid out as a dividend. We estimate the shareholders' equity to increase to RON 2.43bn in FY23e and to exceed the RON 3bn mark in FY25e. Interest-bearing debt should also rise, but to a much lower extent, due to the company's business model, which is heavily based on pre-sales. As a result, advance payments from customers should substantially rise and therefore lift other liabilities to almost RON 1bn already in FY23.

Equity ratio, current ratio



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Net debt (RONmn), Net debt/EBITDA



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

According to our model, the company’s net debt could increase with the increased CAPEX, needed in particular for the further expansion of the office portfolio. However, net debt/EBITDA is expected to stay below 1x, according to our estimates, a number which seems anything but stressed.

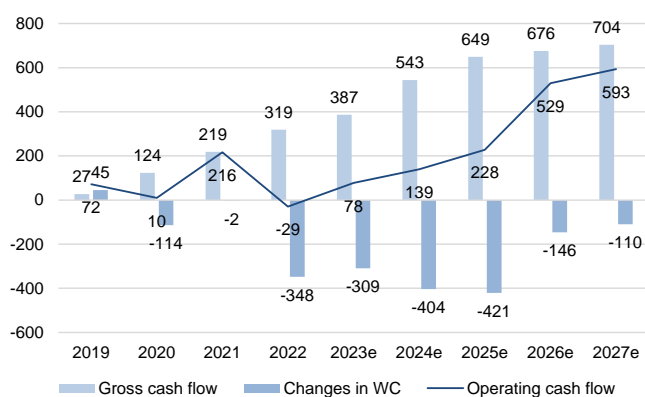
With regards to working capital, our main assumptions include:

Mains assumptions on working capital

- Inventories in % of revenue of 85% in FY23e, with steady declines of 5%p each year until FY27e
- Advance payments to suppliers of 12.5% of revenue for all years under consideration
- Trade receivables of 45% of revenue for all years under consideration
- Other receivables of 15% of revenue for all years under consideration
- Pre-payments of 3.5% of revenue for all years under consideration
- Trade payables of 20% of revenue for all years under consideration
- Payments from customers of 42% of revenue for all years under consideration

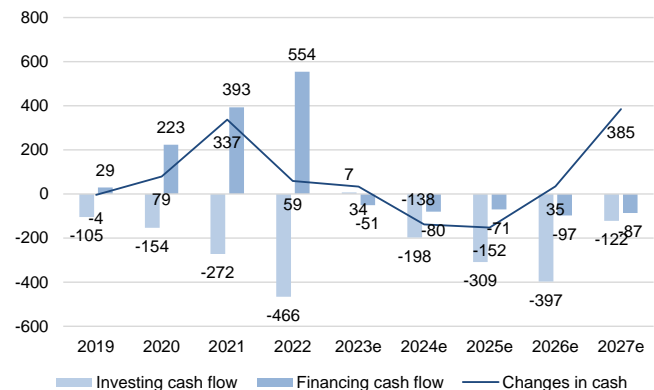
The expected increase in revenue will also lift the working capital, which could impact the operating cash flow. Once the company’s top line growth slows down, operating cash flows should strongly increase, according to our model.

Operating cash flow (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Changes in cash and cash equivalents (RONmn)



Source: Company data for 2019-22, Erste Group Research for 2023e-27e

Valuation

Valuation based on DCF model

The valuation is based on our DCF model. Reflecting the current yields of sovereign debt in Romania, we incorporate a risk-free rate assumption for the explicitly forecast period of 2024-28 of 7.1% (which is the average yield of the last three months and slightly exceeds the current yield of 6.6%), while using 5.2% for perpetuity (which represents the average of the last five years).

Our risk premium assumption includes a base equity risk premium of 6% as well as 0.25pp and 0.20pp per notch investment grade of the country of activity for the detailed period under consideration and perpetuity, respectively. Since the company is exclusively acting in Romania with a BBB- rating (and stable outlook), the equity premiums derive at 8.3% for the period of detailed consideration and 7.8% for perpetuity.

WACCs of 12.4% (detailed period under consideration) and 9.5% (perpetuity)

We take an unlevered beta of 0.82 for Real Estate Developers according to Damodaran and lever it by using interest-bearing debt of RON 0.89bn, the equity of RON 2.43bn (both as of December 2022) and an effective tax rate of 13.5%, deriving a levered beta of 1.08x. We assume an equity weight of 60% for the detailed period under consideration and 50% for perpetuity. With a generally assumed debt premium of 1%, we compute WACCs of 12.4% for the period until 2028e and 9.5% for perpetuity.

TV growth of 3% based on annual growth capex of RON 90mn

Other main parameters include:

- EBITA margin of 27.5% for perpetuity (down from 37.8% which we assume for 2023e)
- RON 90mn CAPEX for perpetuity and a computed free cash flow to the firm of RON 492mn for the terminal value
- Terminal value growth of 3% (based on CAPEX of RON 90mn)

We deduct the net debt and minorities from the enterprise value of almost RON 5.3bn and derive an equity value of RON 4.4bn as of December 2023.

Buy, target price of RON 1.30

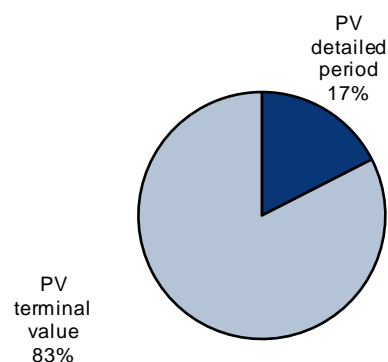
With a target price of RON 1.30 and upside potential of more than 40%, we initiate our coverage with a Buy recommendation.

WACC calculation

	2024e	2025e	2026e	2027e	2028e	TV
Risk free rate	7.1%	7.1%	7.1%	7.1%	7.1%	5.2%
Equity risk premium	8.3%	8.3%	8.3%	8.3%	8.3%	7.8%
Beta	1.08	1.08	1.08	1.08	1.08	1.08
Cost of equity	16.0%	16.0%	16.0%	16.0%	16.0%	13.6%
Cost of debt	8.1%	8.1%	8.1%	8.1%	8.1%	6.2%
Effective tax rate	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
After-tax cost of debt	7.0%	7.0%	7.0%	7.0%	7.0%	5.4%
Equity weight	60%	60%	60%	60%	60%	50%
WACC	12.4%	12.4%	12.4%	12.4%	12.4%	9.5%

DCF valuation

(EUR mn)	2024e	2025e	2026e	2027e	2028e	TV
<i>Sales growth</i>	42.0%	34.0%	12.0%	8.0%	6.0%	3.0%
EBITA	542.9	648.3	675.0	703.1	706.8	707.3
<i>EBITA-margin</i>	37.4%	33.3%	30.9%	29.8%	28.3%	27.5%
<i>Tax rate</i>	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
Taxes on EBITA	-73.3	-87.5	-91.1	-94.9	-95.4	-95.5
NOPLAT	469.6	560.7	583.9	608.1	611.4	611.8
+/- Change in working capital	-43.3	-59.6	-68.5	-32.0	-23.7	-9.7
- Capex	-217.7	-325.0	-408.0	-134.1	-148.7	-90.0
Free cash flow to the firm	208.7	176.2	107.4	442.0	439.0	492.0
<i>Terminal value growth</i>						3.0%
Terminal value						7,804.8
Discounted cash flows - 31.12.2023	185.7	139.5	75.7	277.2	245.0	4,356.1
Enterprise value - 31.12.2023	5,279.3					
Minorities	562.0					
Mezzanine / hybrid capital	0.0					
Net debt	299.9					
Non-operating assets	0.0					
Equity value - 31.12.2023	4,417.4					
Number of shares outstanding (mn)	3,702.8					
Cost of equity	16.0%					
12M target price per share (RON)	1.30					
Current share price (RON)	0.92					
<i>Up/Downside</i>	41%					

Enterprise value breakdown

Sensitivity (per share)

	Terminal value EBITA-margin				
	21.5%	24.5%	27.5%	30.5%	33.5%
8.9%	1.05	1.24	1.43	1.62	1.81
9.2%	1.00	1.18	1.36	1.54	1.72
9.5%	0.95	1.12	1.30	1.47	1.65
9.8%	0.91	1.08	1.24	1.41	1.57
10.1%	0.87	1.03	1.19	1.35	1.51

	Terminal value growth				
	2.0%	2.5%	3.0%	3.5%	4.0%
8.9%	1.22	1.32	1.43	1.56	1.72
9.2%	1.17	1.26	1.36	1.48	1.62
9.5%	1.12	1.21	1.30	1.41	1.54
9.8%	1.08	1.16	1.24	1.34	1.46
10.1%	1.04	1.11	1.19	1.28	1.39

Source: Erste Group Research

Peer group

Substantial discounts when looking at P/E and EV/EBITDA

Our peer group consists of 13 real estate developers with a clear focus on the residential sector. We included Barrat Developments and Berkeley Group Holdings (both UK), Nexity and Kaufman & Broad (both France), DOM Development, Develia and Atal (all Poland), JM AB (Sweden), Immoel and Atenor (both Belgium), Peach Property Group (Switzerland), Instone Real Estate Group (Germany) as well as UBM (Austria).

A peer group comparison reveals that One United Properties is traded at discounts in the range of 17-32% when looking at the P/E ratio and 16-26% when approaching the EV/EBITDA multiple, both strongly supporting our positive view of the company.

Peer group comparison

EUR	MC (mn)	P/E			EV/EBITDA		
		2023e	2024e	2025e	2023e	2024e	2025e
Barratt Developments PLC	5,261	6.8x	15.1x	12.1x	4.0x	8.1x	6.5x
Berkeley Group Holdings PLC	5,447	12.3x	13.0x	12.1x	8.6x	8.6x	7.9x
Nexity SA	919	6.3x	6.6x	6.3x	5.7x	5.6x	5.5x
Dom Development SA	823	9.0x	12.3x	8.4x	7.0x	7.7x	6.7x
JM AB	942	10.6x	13.7x	11.4x	19.0x	22.4x	19.1x
Kaufman & Broad SA	524	8.8x	9.6x	9.0x	3.6x	3.9x	3.7x
Develia SA	471	9.6x	8.8x		9.6x	9.4x	
Atal SA/Poland	498	7.8x	9.0x	6.9x	7.2x	8.7x	6.9x
Immoel SA	357	9.6x	6.0x	4.9x	15.0x	10.2x	8.9x
Peach Property Group AG	268			43.7x	56.8x	39.4x	21.1x
Instone Real Estate Group SE	296	6.1x	5.8x	4.6x	7.1x	6.9x	5.6x
Atenor	200	4.8x	3.4x	4.3x	22.4x	15.4x	17.2x
UBM Development AG	184	8.9x	5.8x	2.7x	16.4x	12.4x	9.2x
MEDIAN		8.9x	8.9x	7.6x	8.6x	8.7x	7.4x
One United Properties SA	695	7.2x	7.4x	5.2x	6.6x	7.2x	5.5x

EUR	Country	P/B			ROE		
		2023e	2024e	2025e	2023e	2024e	2025e
Barratt Developments PLC	Britain	0.8x	0.8x	0.8x	12%	6%	7%
Berkeley Group Holdings PLC	Britain	1.4x	1.3x	1.2x	11%	10%	11%
Nexity SA	France	0.5x	0.5x	0.5x	8%	7%	7%
Dom Development SA	Poland	2.4x	2.4x	2.1x	29%	24%	25%
JM AB	Sweden	1.3x	1.2x	1.2x	12%	10%	11%
Kaufman & Broad SA	France	2.1x	2.0x	1.9x	23%	21%	22%
Develia SA	Poland	1.4x	1.3x		14%	15%	
Atal SA/Poland	Poland	1.5x	1.5x	1.4x	23%	19%	20%
Immoel SA	Belgium	0.7x	0.6x	0.6x	2%	1%	9%
Peach Property Group AG	Switzerland	0.2x	0.2x	0.3x	-9%	-4%	0%
Instone Real Estate Group SE	Germany	0.5x	0.5x	0.4x	8%	8%	10%
Atenor	Belgium	0.6x	0.6x	0.6x	4%	3%	1%
UBM Development AG	Austria	0.5x	0.5x	0.4x	5%	7%	14%
MEDIAN		0.8x	0.8x	0.7x	11%	8%	10%
One United Properties SA	Romania	1.4x	1.2x	1.0x	21%	18%	22%

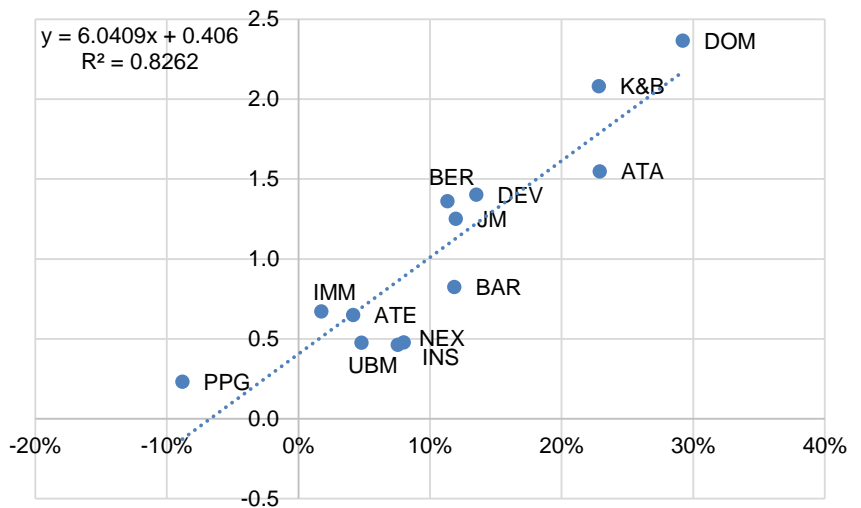
Source: Data Provider, Erste Group Research

More than 20% discount based on ROE – P/B regression analysis

Regression analysis

We look at the ROE and P/B consensus multiples for One United Properties peers for 2023e and derive a regression line with an R^2 of 0.83. We calculate a target price book multiple of 1.69x when putting United Properties Group’s estimated ROE of 21.5% on the regression line of its peers. Multiplying the target price book multiple with our equity estimate of RON 2,428mn leads us to a target equity value of RON 4,109mn, suggesting an upside of more than 20% compared to its current market cap of RON 3,410mn.

ROE – P/B regression analysis



Source: Data provider

Income Statement	2020	2021	2022	2023e	2024e	2025e
(IFRS, RON mn, 31/12)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Net sales	441.18	721.36	853.58	1,179.38	1,643.80	2,163.66
Cost of goods sold	-320.11	-507.90	-590.30	-792.66	-1,100.87	-1,515.40
Gross profit	217.33	612.66	576.12	644.73	627.93	888.25
SG&A	0.00	0.00	0.00	0.00	0.00	0.00
Other operating revenues	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expenses	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	217.33	612.66	576.12	644.73	627.93	888.25
Depreciation/amortization	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	217.33	612.66	576.12	644.73	627.93	888.25
Financial result	-10.67	-8.24	-3.22	-26.22	-29.14	-38.28
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	206.66	604.42	572.91	618.50	598.79	849.98
Income taxes	-29.72	-94.73	-70.43	-87.04	-84.77	-119.91
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-8.26	-118.36	-60.46	-53.15	-51.40	-73.01
Net result after minorities	168.68	391.33	442.01	478.32	462.62	657.06
Balance Sheet	2020	2021	2022	2023e	2024e	2025e
(IFRS, RON mn, 31/12)						
Intangible assets	19.42	19.85	34.52	34.67	34.82	34.98
Tangible assets	1,027.71	1,470.01	2,305.80	2,574.99	2,876.63	3,440.60
Financial assets	1.44	2.97	3.37	3.40	3.44	3.47
Total fixed assets	1,048.57	1,492.83	2,343.69	2,613.06	2,914.89	3,479.05
Inventories	257.35	343.98	662.99	869.94	1,162.65	1,460.58
Receivables and other current assets	226.86	452.00	663.11	777.83	1,104.52	1,480.05
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	170.97	508.35	566.96	600.72	462.40	310.31
Total current assets	655.18	1,304.33	1,893.06	2,248.49	2,729.57	3,250.94
TOTAL ASSETS	1,703.75	2,797.16	4,236.75	4,861.55	5,644.46	6,729.99
Shareholders'equity	731.77	1,323.75	2,022.50	2,427.69	2,779.22	3,325.19
Minorities	92.26	323.21	508.82	561.97	613.37	686.38
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	190.74	400.46	660.38	744.72	840.26	948.41
Other LT liabilities	101.64	180.54	296.27	324.32	357.24	422.69
Total long-term liabilities	292.38	581.00	956.65	1,069.04	1,197.50	1,371.09
Interest-bearing ST debts	194.84	35.63	173.25	155.89	140.28	126.24
Other ST liabilities						
Total short-term liabilities	587.35	569.20	748.77	802.85	1,054.36	1,347.33
TOTAL LIAB. , EQUITY	1,703.75	2,797.16	4,236.75	4,861.55	5,644.46	6,729.99
Cash Flow Statement	2020	2021	2022	2023e	2024e	2025e
(IFRS, RON mn, 31/12)						
Cash flow from operating activities	9.95	216.49	-29.43	77.97	139.28	227.80
Cash flow from investing activities	-153.76	-272.12	-466.19	6.80	-197.57	-309.33
Cash flow from financing activities	223.03	393.01	554.22	-51.01	-80.02	-70.56
CHANGE IN CASH , CASH EQU.	79.22	337.38	58.61	33.76	-138.32	-152.09
Margins & Ratios	2020	2021	2022	2023e	2024e	2025e
Sales growth		63.5%	18.3%	38.2%	39.4%	31.6%
EBITDA margin	49.3%	84.9%	67.5%	54.7%	38.2%	41.1%
EBIT margin	49.3%	84.9%	67.5%	54.7%	38.2%	41.1%
Net profit margin	40.1%	70.7%	58.9%	45.1%	31.3%	33.7%
ROE		38.1%	26.4%	21.5%	17.8%	21.5%
ROCE		35.8%	20.9%	16.5%	13.7%	16.1%
Equity ratio	48.4%	58.9%	59.7%	61.5%	60.1%	59.6%
Net debt	214.6	-72.3	266.7	299.9	518.1	764.3
Working capital	67.8	735.1	1,144.3	1,445.6	1,675.2	1,903.6
Capital employed	1,140.3	1,755.2	3,094.3	3,613.9	4,268.0	5,198.6
Inventory turnover		1.7	1.2	1.0	1.1	1.2

Source: Company data, Erste Group estimates

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Company description

One United Properties is a leading developer of residential real estate focusing on the mid- to (ultra) high-end market in Bucharest. The built-to-sale pipeline consists of roughly 5,700 apartments under construction with a GDV of around EUR 1.5bn and a further EUR 850mn in planning. One United Properties also successfully entered the commercial market. The self-developed, Grade A offices One Cotroceni Parks I + II as well as One Tower (all in Bucharest) are the flagships of the company, providing the majority of the total of around 145,000 sqm commercial GLA the company currently has on its books.

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