

# Warimpex

Real Estate, Hotels | Austria

TP: EUR 0.86

## Company update

- 4Q15 P/NNNAV at 0.32x with 54% discount to European peers.
- We forecast EBITDA of EUR 14.3m in 2016E and EUR 15.9m in 2017E.

19 May 2016

## Higher SOTP valuation on successful asset disposals

In 2015, Warimpex's NNNAV was reduced by 39% to EUR 1.8/share mainly due to weaker RUB and therefore weaker operating results of Russian hotels. On the other hand, the company managed to improve KPI's in the remaining hotels (NOP per available room up by 10% YoY excluding Russian and Dvorak hotels) and strengthen the balance sheet as a result of successful asset disposals (Jupiter office project, Andel's in Berlin and two Russian hotels). In the coming quarters, we assume further improvement of occupancy rates and profitability as well as further deleveraging due to potential disposal of two hotel assets in Paris. We are lowering our GAV estimate to EUR 6.4/share but due to lower net debt forecasts, we increase our SOTP valuation to EUR 0.82/share from EUR 0.77/share. We maintain our 12M TP at EUR 0.86/share (PLN 3.75/share).

**Potential NNNAV recovery on improving occupancy rates and ADRs.** In 2015 Warimpex's NNNAV decreased by 39% from EUR 3.0/share to EUR 1.8/share. We note that in 2015 the company has reported the average occupancy rate of 70% (vs. 68% in 2014) and RevPAR of EUR 55 (vs. EUR 53 in 2014). In the coming quarters we expect further improvement of key operating figures (we assume increase of average occupancy rates by ca. 1pp YoY and growth of NOPPAR by 1.7% YoY in 2016E). Given the abovementioned and stronger RUB we point at the potential recovery of company's NNNAV in the coming quarters.

**We forecast EBITDA of EUR 14.3m in 2016E and EUR 15.9m in 2017E.** We expect Warimpex to report revenues of EUR 63.1m in 2016E and EUR 65.8m in 2017E (+2% YoY and +4% YoY, respectively) and forecast Warimpex to report net profit of EUR 21.7m in 2016E (assuming positive impact of reversal of impairment at EUR 6.0m and result from disposal of Paris hotels and Parkur Tower of ca. EUR 10m) and EUR 0.7m in 2017E.

**Asset disposals.** As of end-4Q15 the company reported net debt position of EUR 279m (-24% YoY), with holding level debt of EUR 62m. In 1Q16 the company has sold its stake in Parkur Tower in Warsaw (we expect net cash inflow of ca. EUR 2.5m). We point at the potential for further deleveraging due to possible disposals. During the conference call after FY15 results, the management informed that in the coming quarters it expects to sell its two hotels in Paris and one in Prague (in our forecasts we assume the disposal of Paris hotels mid-2016 with potential net cash inflow of ca. EUR 15m).

**Valuation.** We value Warimpex using SOTP valuation (90% weighting) and P/NNNAV peer-comparison valuation (10% weighting). Based on current information given for company's properties, our SOTP-method valuation amounts to EUR 0.82/share. At the same time, the company currently trades with 68% discount to its 4Q15 NNNAV and with 54% discount to European peers. We maintain the 12M TP for Warimpex at EUR 0.86/share (PLN 3.75/share).

**Figure 1. Warimpex: Forecasts and ratios (EURm)**

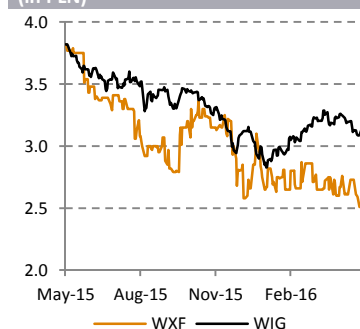
	2013	2014	2015	2016E	2017E	2018E
Revenues	90.2	73.8	61.9	63.1	65.8	73.2
EBITDA	18.8	17.1	29.3	14.3	15.9	21.1
Net profit	3.0	-20.7	-17.8	21.7	0.7	3.1
GAV	508.0	498.0	371.0	343.0	370.7	374.0
P/BV	0.35	0.43	0.58	0.42	0.41	0.40

Source: Bloomberg, Vestor DM estimates

Company data	
Target price (EUR)	0.86
Target price (PLN)	3.75
Share price (EUR)	0.58
Share price (PLN)	2.51
Upside/downside potential	48%
Min (PLN, 52T)	2.50
Max (PLN, 52T)	3.85
No. of shares (m)	54.0
Market cap. (EURm)	31.3
Net debt (4Q2015, EURm)	279.3
EV (EURm)	310.6
Avg. 3M turnover (EURm)	0.02

Shareholders	
Franz Jurkowskich	14%
Georg Folian	14%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
Aviva OFE	>5%
Amplico OFE	>5%
ING OFE	4%
Free float	36%

**Company description**  
Warimpex is the real estate company that develops and operates properties itself as an asset manager and property owner until the time at which the highest added value can be realized through sale. Warimpex has one of the largest hotel portfolio in CEE, consisting of 15 hotels as of end-4Q15 with over 3,700 rooms (2,672 proportionate stake) and six office buildings (total NRA of 43,100) located in 7 countries (Czech Republic, Poland, Romania, Russia, France, Hungary, Austria).

**Warimpex vs. WIG: relative performance (in PLN)**

Source: Bloomberg, Vestor DM

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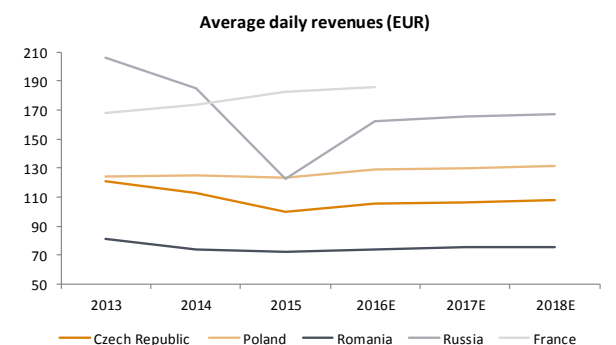
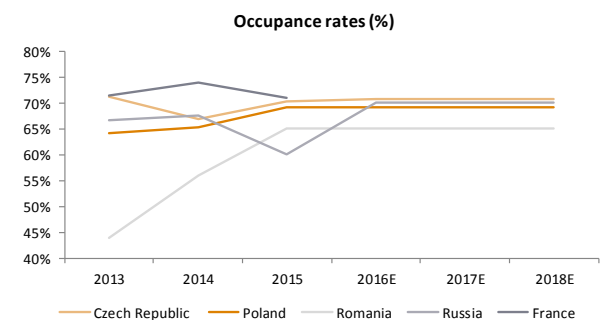
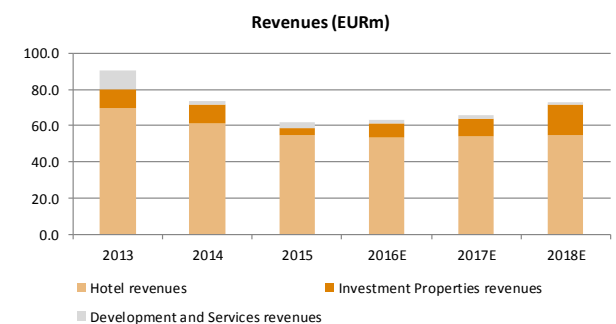
**Warimpex**

P&L (EURm)	2013	2014	2015	2016E	2017E	2018E
<b>Revenues</b>	<b>90.2</b>	<b>73.8</b>	<b>61.9</b>	<b>63.1</b>	<b>65.8</b>	<b>73.2</b>
Hotel revenues	69.4	61.6	54.5	53.6	54.3	54.8
Investment Properties revenues	10.7	9.8	4.4	7.8	9.8	16.6
Development and Services revenues	10.0	2.5	3.1	1.7	1.7	1.7
<b>Gross income from revenues</b>	<b>29.8</b>	<b>28.3</b>	<b>23.4</b>	<b>25.0</b>	<b>26.6</b>	<b>31.6</b>
Result from disposal of properties	2.0	0.0	14.2	0.0	0.0	0.0
Administrative costs	-9.9	-8.2	-9.4	-9.4	-9.4	-9.5
Other operating costs, net	-3.1	-2.9	1.1	-1.3	-1.3	-1.0
<b>EBITDA</b>	<b>18.8</b>	<b>17.1</b>	<b>29.3</b>	<b>14.3</b>	<b>15.9</b>	<b>21.1</b>
Depreciation, amortization and remeasurement	16.8	-22.3	-39.2	-2.4	-5.7	-6.1
Scheduled D&A	-11.9	-11.5	-8.9	-8.4	-8.4	-8.4
Impairments and remeasurements	28.7	-10.8	-30.3	6.0	2.7	2.3
<b>EBIT</b>	<b>35.6</b>	<b>-5.2</b>	<b>-9.9</b>	<b>11.9</b>	<b>10.2</b>	<b>15.1</b>
EBIT adj.*	7.0	5.6	20.4	5.9	7.6	12.8
Finance income	1.0	4.2	2.4	1.3	1.3	1.2
Finance expenses	-23.2	-23.0	-24.4	-15.8	-16.3	-16.3
Exchange rate changes	-3.7	-14.4	-19.5	0.0	0.0	0.0
Result from JV after tax	2.2	1.5	9.6	12.6	0.6	0.6
<b>Pre-tax profit</b>	<b>12.1</b>	<b>-36.8</b>	<b>-41.8</b>	<b>10.0</b>	<b>-4.2</b>	<b>0.5</b>
Income tax	-5.0	1.4	-0.6	1.9	0.0	0.1
Minorities	4.1	-14.7	-24.5	-9.8	-4.9	-2.4
<b>Net income</b>	<b>3.0</b>	<b>-20.7</b>	<b>-17.8</b>	<b>21.7</b>	<b>0.7</b>	<b>3.1</b>
<b>Growth (%)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
Revenues growth (%)	-	-18%	-16%	2%	4%	11%
EBITDA growth (%)	-	-9%	71%	-51%	12%	33%
EBIT adj. growth* (%)	-	-19%	261%	-71%	29%	69%
<b>Profitability (%)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
Gross margin (%)	33.0%	38.3%	37.7%	39.7%	40.5%	43.2%
EBITDA margin (%)	20.9%	23.2%	47.3%	22.6%	24.2%	28.9%
Operating margin adj.* (%)	7.7%	7.6%	32.9%	9.3%	11.5%	17.4%
<b>Balance sheet (EURm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
<b>Fixed assets</b>	<b>403.8</b>	<b>389.2</b>	<b>323.0</b>	<b>353.1</b>	<b>374.9</b>	<b>372.3</b>
PP&E	281.8	249.1	195.7	196.4	193.8	190.8
Investment properties	73.1	87.8	84.6	125.3	150.3	151.3
Goodwill and intangible assets	1.0	1.0	1.0	1.0	1.0	1.0
Net investment in JV (at equity)	36.8	36.2	24.1	13.4	13.4	13.4
Other fixed assets	11.2	15.2	17.6	17.0	16.4	15.8
<b>Current assets</b>	<b>102.2</b>	<b>104.2</b>	<b>27.3</b>	<b>40.4</b>	<b>28.7</b>	<b>32.1</b>
Inventories	1.0	0.8	0.6	0.6	0.6	0.6
Trade receivables	10.5	21.1	8.7	14.7	14.8	15.0
Cash and cash equivalents	6.5	9.8	7.4	14.5	2.7	5.9
Other current assets	84.2	72.5	10.6	10.6	10.6	10.6
<b>Total assets</b>	<b>506.1</b>	<b>493.4</b>	<b>350.2</b>	<b>393.5</b>	<b>403.6</b>	<b>404.4</b>
<b>Equity</b>	<b>90.2</b>	<b>72.1</b>	<b>53.8</b>	<b>75.4</b>	<b>76.1</b>	<b>79.2</b>
Minorities	-1.4	-14.5	-32.0	-41.8	-46.7	-49.2
<b>Long-term liabilities</b>	<b>340.1</b>	<b>352.4</b>	<b>286.7</b>	<b>304.9</b>	<b>291.0</b>	<b>328.4</b>
LT debt	313.2	330.4	258.5	278.0	265.3	304.1
Other LT liabilities	26.8	22.1	28.3	27.0	25.7	24.4
<b>Short-term liabilities</b>	<b>77.3</b>	<b>83.3</b>	<b>41.8</b>	<b>54.9</b>	<b>83.2</b>	<b>45.9</b>
ST debt	54.2	47.0	28.2	29.8	57.5	18.7
Trade and other payables	16.4	35.3	11.5	23.1	23.7	25.2
Other ST liabilities	6.7	1.1	2.0	2.0	2.0	2.0
<b>Equity and liabilities</b>	<b>506.1</b>	<b>493.4</b>	<b>350.2</b>	<b>393.5</b>	<b>403.6</b>	<b>404.4</b>
<b>Cash flow statement (EURm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
<b>Cash flow from operating activities</b>	<b>18.4</b>	<b>20.6</b>	<b>12.9</b>	<b>22.4</b>	<b>12.3</b>	<b>18.4</b>
Net profit	3.0	-20.7	-17.8	21.7	0.7	3.1
D&A	11.9	11.5	8.9	8.4	8.4	8.4
Impairments and remeasurements	-28.7	10.8	30.3	-6.0	-2.7	-2.3
Change in working capital	-9.6	8.5	-11.2	5.6	0.5	1.3
Change in inventories	1.2	0.3	0.2	0.0	0.0	0.0
Change in trade receivables	0.6	-10.6	12.4	-6.0	-0.2	-0.1
Change in trade payables	-11.5	18.9	-23.7	11.6	0.6	1.5
Other	41.9	10.4	2.7	-7.3	5.5	7.9
<b>Cash flow from investing activities</b>	<b>-1.0</b>	<b>-7.2</b>	<b>38.8</b>	<b>-25.2</b>	<b>-27.5</b>	<b>-3.5</b>
Cash receipts from the disposals	-53.1	10.5	91.8	18.6	0.6	0.6
Capex on PP&E and investment properties	78.2	-4.3	17.4	-43.8	-28.1	-4.1
Other	-26.0	-13.4	-70.4	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-18.9</b>	<b>-8.8</b>	<b>-54.4</b>	<b>9.9</b>	<b>3.3</b>	<b>-11.7</b>
Change of debt	-1.6	9.9	-90.7	21.1	15.0	0.0
Interest paid	-15.9	-15.9	-15.9	-11.1	-11.7	-11.7
Other	-1.3	-2.8	52.2	0.0	0.0	0.0
Cash position at the beginning of the period	8.4	6.6	9.8	7.4	14.5	2.7
Net change in cash position	-1.8	3.2	-2.4	7.1	-11.9	3.3
<b>Cash position at the end of the period</b>	<b>6.6</b>	<b>9.8</b>	<b>7.4</b>	<b>14.5</b>	<b>2.7</b>	<b>5.9</b>

Valuation ratios (x)	2013	2014	2015	2016E	2017E	2018E
Number of shares (m)	54.0	54.0	54.0	54.0	54.0	54.0
P/BV (x)	0.35	0.43	0.58	0.42	0.41	0.40
GAV (EURm)	508.0	498.0	371.0	343.0	370.7	374.0
NNNAV (EURm)	169.4	160.5	98.4	n.a.	n.a.	n.a.
P/NNNAV (x)	0.18	0.20	0.24	n.a.	n.a.	n.a.

Credit ratios (EURm)	2013	2014	2015	2016E	2017E	2018E
Gross debt	367.5	377.4	286.7	307.7	322.7	322.7
Net debt	360.9	367.6	279.3	293.2	320.1	316.8
Net debt/Assets (x)	0.71	0.75	0.80	0.75	0.79	0.78
Net debt/Equity (x)	4.00	5.10	5.19	3.89	4.20	4.00
Interest coverage ratio (x)	1.33	1.26	2.52	1.62	1.70	2.26

Hotels - main assumptions	2013	2014	2015	2016E	2017E	2018E
Number of rooms	3,220	3,169	2,672	2,260	2,260	2,260
Occupancy rate (%)	66.4%	67.1%	68.6%	69.5%	69.5%	69.5%
Gross margin (%)	27.6%	28.8%	29.6%	31.9%	33.5%	33.5%
ADR (EUR)	145.1	138.9	120.3	135.8	120.5	121.7
NOPPAR (EUR)	38.9	39.7	35.6	36.2	40.3	40.7



**Risk factors**

As the major risk factors to our forecasts we point at: (1) Lower occupancy levels and deteriorating ADR in hotel properties, (2) Losing tenants in the office projects, (3) Potential negative remeasurements and impairments of the existing portfolio, (4) Difficulties in refinancing debt, (5) Difficulties and delays in related to disposal of assets.

Source: Company data, Vestor DM estimates, \*Adjusted for impairments and remeasurements

## Investment summary

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Warimpex is one of the largest hotel companies, that carries out projects itself as asset manager and property owner. As of end-4Q15 the company owned, co-owned or leased 15 hotels with over 3,700 rooms (2,672 stake adjusted) and six office buildings (total NRA of 43,100) located in 7 countries (Czech Republic, Poland, Romania, Russia, France, Hungary, Austria). In recent quarters, Warimpex's share price and its NNNAV were under pressure due to Ukrainian crisis resulting in weaker RUB and therefore lower average daily revenues and occupancy rates in Russian assets and Dvorak Hotel in Karlovy Vary. On the other hand, the company has managed to improve key operating figures in the remaining hotels (improvement of Net Operating Profit per available room by 10% YoY excluding Russian and Dvorak assets) and strengthen its balance sheet (decrease of net debt by 24% YoY to EUR 279m as of end-4Q15, mainly due to the disposal of assets). In the coming quarters, we assume further improvement of occupancy rates and profitability. We maintain the 12M TP at EUR 0.86/share.

**Potential NNNAV recovery on improving occupancy rates and ADRs.** In 2015 Warimpex's NNNAV decreased by 39% from EUR 3.0/share to EUR 1.8/share, mainly due to weaker RUB and therefore weaker operating results of Russian hotels. We note that in 2015 the company has reported the average occupancy rate of 70% (vs. 68% in 2014) and RevPAR of EUR 55 (vs. EUR 53 in 2014). In the coming quarters we expect further improvement of key operating figures (we assume increase of average occupancy rates by ca. 1pp YoY and growth of NOPPAR by 1.7% YoY in 2016E). Given the abovementioned and a stronger RUB we point at the potential recovery of company's NNNAV in the coming quarters.

**Development projects in progress.** The management has informed that it is currently in course of development of office project in Łódź (GLA of ca. 29k sqm) and two office buildings in Cracow (Mogilska Office with GLA of ca. 20k sqm and Chopin Office with GLA of ca. 20k sqm). In our forecasts we assume the development only of the office project in Łódź, as the company has already received the building permit (we assume capex on the project at ca. EUR 45m).

**We expect EBITDA of EUR 14.3m in 2016E and EUR 15.9m in 2017E.** Given the abovementioned, we expect Warimpex to report revenues of EUR 63.1m in 2016E and EUR 65.8m in 2017E (+2% YoY and +4% YoY, respectively). At the same time we assume improvement of gross profitability from 37.7% in 2015 to 39.7% in 2016E and 40.5% in 2017E. Additionally, we expect Warimpex 2016E result to be positively affected by reversal of impairment of EUR 6.0m and result from disposal of Paris hotels of ca. EUR 10m. As a result, we expect Warimpex to report net profit of EUR 21.7m in 2016E and EUR 0.7m in 2017E.

**Improved investment demand allows for successful asset disposals.** As of end-4Q15 the company reported net debt position of EUR 279m (-24% YoY), with holding level debt of EUR 62m. We remind that in 2015 the company has successfully disposed of Jupiter 1&2 office project, as well as Andel's hotel in Berlin and two Russian hotels. Additionally, in 1Q16 the company has sold its stake in Parkur Tower in Warsaw (we expect net cash inflow of ca. EUR 2.5m). We point at the potential for further deleveraging due to possible disposals. During the conference call after FY15 results, the management informed that in the coming quarters it expects to sell its two hotels in Paris and one in Prague (in our forecasts we assume the disposal of Paris hotels mid-2016 with potential net cash inflow of ca. EUR 15m).

**Valuation.** We value Warimpex using SOTP valuation (90% weighting) and P/NNNAV peer-comparison valuation (10% weighting). Based on current information given for company's properties, our SOTP-method valuation amounts to EUR 0.82/share. At the same time, we

note that the company currently trades with 68% discount to its 4Q15 NNNAV and with 54% discount to European peers. We maintain the 12M TP for Warimpex at EUR 0.86/share (PLN 3.75/share).

**Figure 2. Warimpex: Hotel asset portfolio**

Hotel	City	Country	Rooms (stake adj.)	Status
InterContinental	Warsaw	Poland	207	Operating lease (50%)
Chopin	Cracow	Poland	220	Core asset
Andel's	Cracow	Poland	159	Operating lease
Andel's	Łódź	Poland	278	Core asset
Angelo	Katowice	Poland	102	Core asset (50%)
Amber Baltic	Międzyzdroje	Poland	191	Non-core asset
Angelo	Prague	Czech Rep.	168	For sale
Diplomat	Prague	Czech Rep.	398	Core asset
Dvorak	Karlovy Vary	Czech Rep.	126	Operating lease
Angelo	Plzen	Czech Rep.	72	Core asset (50%)
Angelo Airporthotel	Ekaterinburg	Russia	126	Sold 4Q15
Liner	Ekaterinburg	Russia	97	Sold 4Q15
Crowne Plaza	St. Petersburg	Russia	162	Core asset (55%)
Angelo Airporthotel	Bucharest	Romania	177	Core asset
Andel's	Berlin	Germany	279	Sold 3Q15
Dream Castle	Paris	France	199	For sale (50%)
Magic Circus	Paris	France	198	For sale (50%)
Palais Hansen Kempinski	Vienna	Austria	15	Core asset (10%)

Source: The company, Vestor DM

## Valuation

We value Warimpex using two valuation methods: SOTP (*sum-of-the-parts*, 90% weighting) and comparable method (based on P/NNNAV multiple, 10% weighting). Using the SOTP method we value Warimpex at EUR 0.82/share, while P/NNNAV comparative method implies EUR 1.25/share. A blended target price amounts to EUR 0.86/share (PLN 3.65/share), implying 48% upside potential.

**Figure 3. Warimpex: Valuation summary**

	Valuation (EUR/share)	Weighting (%)
SOTP method	0.82	90%
P/NNNAV comparative method	1.25	10%
<b>Weighted target price</b>	<b>0.86</b>	
Current price (EUR)	0.58	
Upside/downside potential	48%	

Source: Vestor DM estimates

### SOTP valuation

As far as SOTP method is concerned, we value each company's asset GAV as of end-2016 given their current results. In our valuation we assume the disposal of two hotels in Paris (please note that previous valuation included Angelo hotel and Liner hotel in Ekaterinburg, that were sold in 4Q15). We base our calculations on the following assumptions:

**Figure 4. Warimpex: Valuation of owned hotel projects (as of end-2016E)**

Hotel	Rooms (stake adj.)	Occ. rate (%)	ADR (EUR)	NOI (EURm)	Yield (%)	Current	Previous
						GAV est. (EURm)	GAV est. (EURm)
Chopin, Cracow	220	75%	88	2.0	7.00%	28.1	23.5
Andel's , Łódź	278	70%	143	4.1	6.75%	60.7	48.3
Angelo , Katowice	102	65%	111	1.1	7.25%	14.8	12.8
Amber Baltic, Międzyzdroje	191	60%	110	1.4	10.00%	13.8	13.6
Angelo, Prague	168	76%	104	1.9	7.25%	26.9	23.5
Diplomat, Prague	398	75%	104	4.6	7.25%	62.8	63.7
Dvorak, Karlovy Vary***	126	-	-	-	-	0.0	12.6
Angelo, Plzen	72	70%	71	0.3	7.75%	3.4	3.2
Angelo Airporthotel, Ekaterinburg*	126	-	-	-	-	0.0	11.2
Liner, Ekaterinburg*	97	-	-	-	-	0.0	9.8
Crowne Plaza, St. Petersburg	162	75%	162	1.8	10.00%	18.0	18.9
Angelo Airporthotel, Bucharest	177	65%	74	0.9	8.00%	11.7	10.9
Dream Castle, Paris**	199	-	-	-	-	0.0	29.5
Magic Circus, Paris**	198	-	-	-	-	0.0	26.4
<b>Total</b>						<b>240.2</b>	<b>307.8</b>

Source: Company data, Vestor DM, \*Projects sold in 4Q15, \*\*Assuming disposal in 2016E, \*\*\*Project deconsolidated since end-4Q15

**Figure 5. Warimpex: Valuation of investment properties (as of end-2016E)**

Office	Country	NRA (sqm)	Stake (%)	Rental rate EUR/sqm	Occ. rate (%)	NOI (EURm)	Yield (%)	Current	Previous
								GAV est. (EURm)	GAV est. (EURm)
Parkur Tower	Poland	9,700	50%	-	-	-	-	0.0	7.5
Erzsebet 1	Hungary	7,500	100%	12.3	90%	0.8	8.5%	9.2	9.2
Dioszegi	Hungary	800	100%	11.0	100%	0.1	10.0%	1.0	1.0
Sajka	Hungary	600	100%	11.0	100%	0.1	10.0%	0.7	0.7
Airport City (Zeppelin)	Russia	16,500	55%	29.0	100%	4.0	8.5%	26.0	26.0
Erzsebet 2	Hungary	8,000	100%	9.0	100%	0.7	8.5%	8.0	8.0
<b>Total</b>								<b>45.0</b>	<b>52.4</b>

Source: Company data, Vestor DM

**Figure 6. Warimpex: Valuation of development projects (as of end-2016E)**

Project	Country	NRA (sqm)	Stake (%)	Current	Previous
				GAV (EURm)	GAV (EURm)
Airportcity, St. Petersburg	Russia	60,000	55%	16.6	7.3
Mogilska Office, Cracow	Poland	20,000	100%	7.5	7.5
Chopin Office, Cracow	Poland	20,000	100%	5.0	5.0
Landplot, Budapest	Hungary	n.a.	100%	3.8	3.8
Landplot, Bialystok	Poland	n.a.	100%	2.4	2.4
Landplot, Łódź	Poland	29,000	100%	22.5	1.7
<b>Total</b>				<b>57.8</b>	<b>31.2</b>

Source: Company data, Vestor DM

**Figure 7. Warimpex: SOTP valuation summary**

Hotel properties*	240.2
Investment properties*	45.0
Development projects*	57.8
<b>GAV (EURm, end-2016E)</b>	<b>343.0</b>
Net debt (EURm, end-2016E)*	303.8
SOTP (EURm, end-2016E)	39.2
Number of shares (m)	54.0
<b>SOTP/share (EUR)</b>	<b>0.73</b>
<b>12M TP (EUR)</b>	<b>0.82</b>
<b>12M TP (PLN)</b>	<b>3.43</b>

Source: Company data, Vestor DM, \*including JV projects

### Peer comparison (P/NNNAV)

For the valuation purpose, we compare Warimpex to the companies operating on similar geographical markets, i.e. Immofinanz, Atrium European, CA Immobilien, GTC, Echo Investment. The average P/NNNAV ratio for the peer group implies the market capitalization of Warimpex at EUR 67.6m. Due to high leverage of Warimpex, we set 10% weighting to the peer comparison method.

**Figure 8. Warimpex: P/NNNAV valuation**

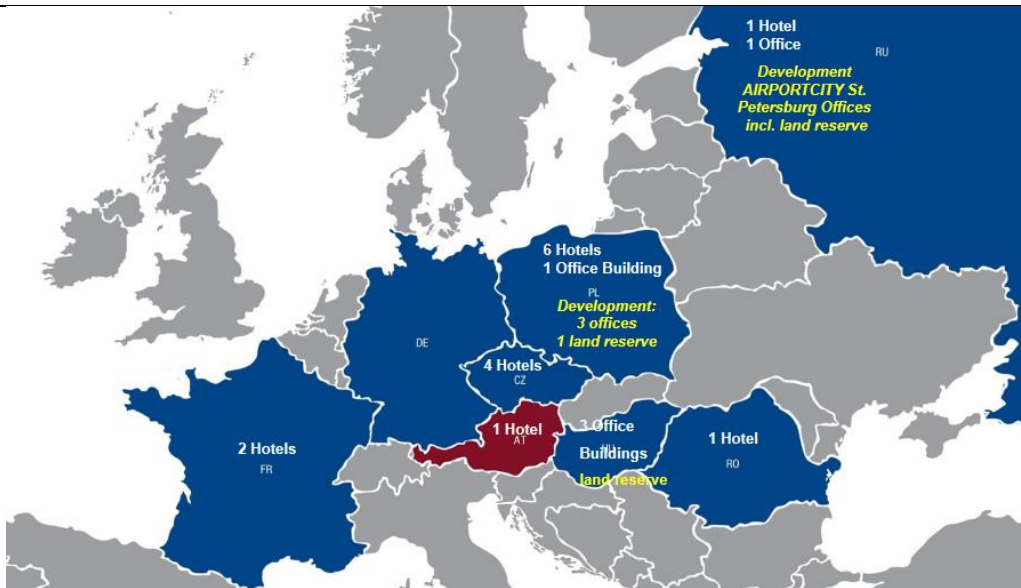
Company	Price (EUR)	#shares (m)	mCap (EUR)	BV (EURm)	4Q15 NNNAV (EURm)	P/NNNAV* (x)
Immofinanz	2.02	976	1,971	3,306	3,639	0.54
Atrium European	3.67	376	1,381	2,032	2,010	0.69
CA Immo	16.38	97	1,586	2,054	2,196	0.72
GTC	1.58	460	728	658		1.11
Echo Investment	1.59	413	656	748		0.88
<b>Median</b>						<b>0.69</b>
Warimpex	0.58	54	31	53.8	98.4	0.32
Discount/Premium						-54%
Implied WXF mCap (EURm)						67.6
<b>Implied WXF price/share (EUR)</b>						<b>1.25</b>
Implied WXF price/share (PLN)						5.46

Source: Company data, Vestor DM, \*BV reported as of end-1Q16, P/BV for GTC and Echo Investment

## Company description

The company operates in the following segments: Hotels, Investment Properties and Development & Services. In 2015 Hotels segment generated over 88% of total revenues. Investment Properties segment including rental income from office projects was responsible for ca. 7% of 2015 revenues. Development & Services (services in the area of development and profit from the disposal of real estate projects) generated ca. 5% of revenues, however we note that this segment is highly dependent on asset disposals, thus is subject to significant fluctuations in YoY terms.

**Figure 9. Warimpex: Number of hotel rooms by countries (as of end-4Q15)**

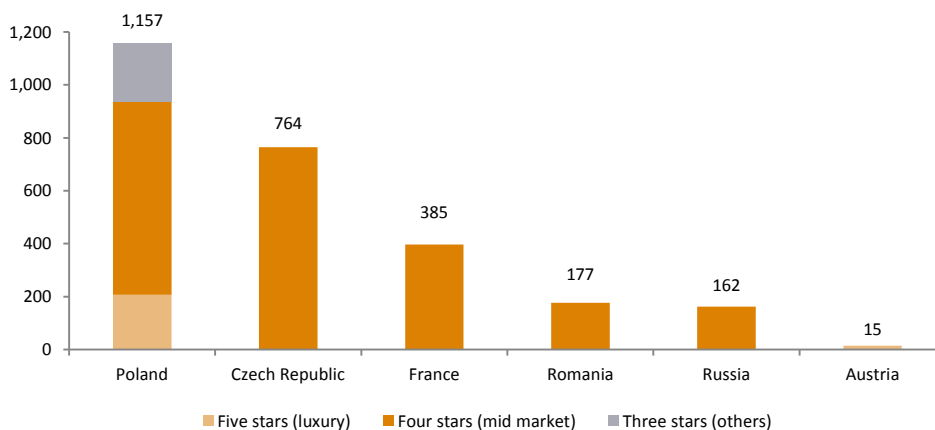


Source: Company data, Vestor DM

## Hotel segment

In 2015 hotel segment generated majority of Warimpex revenues at EUR 54.5m (nearly 88% of FY15).

**Figure 10. Warimpex: Number of hotel rooms by countries (as of end-4Q15)**



Source: Company data, Vestor DM, \*The company has sold Andel's project in Berlin in Sep-2015.

**Figure 11. Warimpex: Hotel portfolio details (as of end-4Q15)**

Hotel	City	Country	Standard	WXF's stake	Rooms total
InterContinental *	Warsaw	Poland	*****	50.0%	404
Chopin	Cracow	Poland	***	100.0%	220
Andel's *	Cracow	Poland	****	100.0%	159
Andel's	Łódź	Poland	****	100.0%	278
Angelo	Katowice	Poland	****	50.0%	203
Amber Baltic	Międzyzdroje	Poland	****	100.0%	191
Angelo	Prague	Czech Republic	****	100.0%	168
Diplomat	Prague	Czech Republic	****	100.0%	398
Dvorak *	Karlovy Vary	Czech Republic	****	100.0%	126
Angelo	Plzen	Czech Republic	****	50.0%	144
Crowne Plaza	St. Petersburg	Russia	****	55.0%	294
Angelo Airpothotel	Bucharest	Romania	****	100.0%	177
Dream Castle	Paris	France	****	50.0%	397
Magic Circus	Paris	France	****	50.0%	396
Palais Hansen Kempinski	Vienna	Austria	*****	9.9%	152

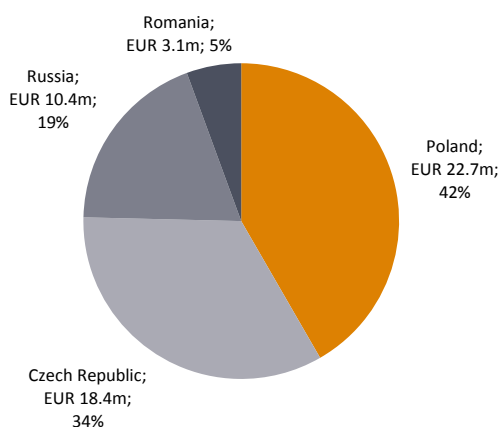
Source: Company data, Vestor DM, \*Operating lease

In FY15 hotel segment generated revenues at EUR 54.5m (-11.5% YoY). The deterioration of revenues was mainly related to the disposal of hotel properties: Andel's hotel in Berlin (557 rooms, 279 attributable to WXF, property sold in Sep-15) and two hotels located in Ekaterinburg: Angelo (211 rooms, 126 attributable to WXF) and Liner (151 rooms, 97 attributable to WXF), both sold in Nov-15. As a result, as of end-4Q15 the number of rooms operated by Warimpex amounted to 2,672 (vs. 3,169 as of end-4Q14).

Additionally, we note that FY15 results were negatively affected by FX changes, especially as far as Russian hotels are concerned. Although revenues of Russian hotels nominated in RUB remained relatively stable, the revenues nominated in EUR decreased by 41% YoY (we note that Ukrainian crisis resulted also in decrease of occupancy rates in Russia from 67.6% in FY14 to 60.2% in FY15).

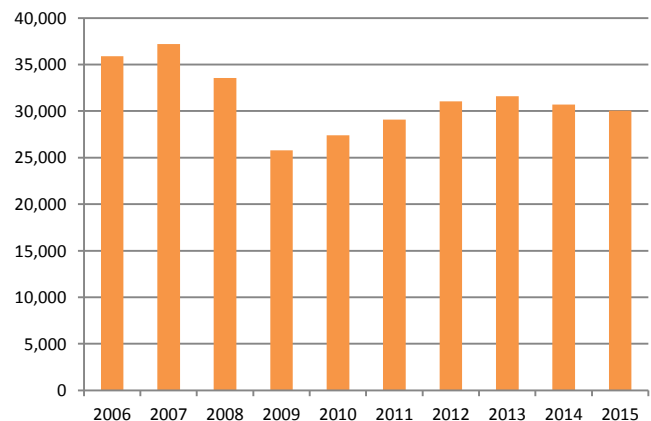
At the same time occupancy rates in Dvorak hotel in Karlovy Vary decreased from 60% in FY14 to 54% in FY15. Although occupancy rates in the remaining hotels in Czech Republic improved (from 68% in FY14 to 76% in FY15 in Angelo hotel and from 69% in FY14 to 73% in FY15 in Diplomat hotel in Prague), the revenues in Czech Republic decreased by 11% to EUR 18.4m.

**Figure 12. Warimpex: Revenues geographical breakdown in hotel segment in 2015 (excluding JV projects)**



Source: Company data, Vestor DM

**Figure 13. Warimpex: Hotel segment – RevPAR per year (EUR)**



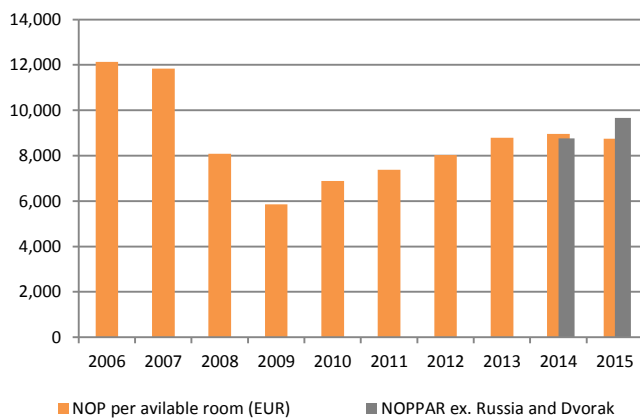
Source: Company data, Vestor DM



As far as hotel properties in Poland are concerned, we note that both occupancy rates and average daily revenues improved in FY15 (occupancy rate increased from 61.7% in FY14 to 67.1% in FY15 on average).

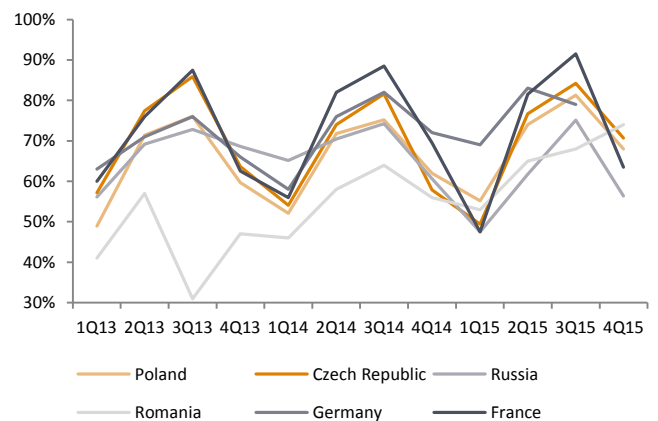
At the same time, the company has managed to improve the profitability of its hotel activity. In FY15 gross margin of the segment amounted to 33.2% vs. 32.1% in FY14. We note that the improvement of profitability mainly resulted from the increase of average occupancy rate by 2pp YoY to 70% in FY15 and increase of RevPAR from EUR 53 in FY14 to EUR 55 in FY15. As a result net operating profit reached EUR 28.1m (vs. EUR 31.0m in FY14). Given the disposal of several hotel assets, the NOP per available room deteriorated slightly by 2% YoY. However adjusting the result with the negative impact of Russian and Dvorak assets, NOPPAR improved by 10% YoY in FY15.

**Figure 14. Warimpex: Net operating profit per available room**



Source: Company data, Vestor DM

**Figure 15. Warimpex: Hotel segment – occupancy rates (%)**



Source: Company data, Vestor DM

In the coming quarters, the company plans further disposals of hotel assets. In 2015 the company has completed the disposal of Andel’s Hotel in Berlin and two hotels in Ekaterinburg. During the conference call after FY15 results, the management informed that in the coming quarters it expects to sell its two hotels in Paris (Dream Castle with 397 rooms and Magic Circus with 396 room, with 50% stake of Warimpex in each one) and one hotel in Prague (Angelo hotel with 168 rooms). Although the potential date of disposal still remains unknown, in our forecasts we assume the disposal of Paris hotels mid-2016.

## Investment properties

Investment properties segment consists of office buildings managed by Warimpex. As of end-4Q15, the company had six completed office projects with total NRA of 43,100 sqm located in Russia, Hungary and Poland. We note that in 1Q16 the company has disposed of its remaining 50% stake in Parkur Tower in Warsaw (NRA of 9,700sqm). As we assume GAV of the project at EUR 7.5m (BV at EUR 2.2m in Net Investment in JV) and debt of ca. EUR 2.7m, we expect net cash inflow from the disposal of ca. EUR 2.5m.

- **Airportcity, St. Petersburg** – Currently it is the major commercial project of Warimpex. In 1H15 the company has completed Zeppelin office building with NRA of 16,500sqm (project fully leased to Gazprom). Additionally, the company owns landplots allowing for construction of another phases with NRA of up to 170,000sqm and car park with ca. 560 car parking spaces (19,500sqm leasable area). In our forecasts we assume completion of carpark in 1Q17 and annual revenues of ca. EUR 4m.

**Figure 16. Warimpex: Airportcity in St. Petersburg**


Source: Company data, Vestor DM

**Figure 17. Warimpex: Development pipeline of Airportcity in St. Petersburg**


Source: Company data, Vestor DM

- **Erzsebet, Budapest** – The project consists of two office buildings offering NRA of nearly 14,500sqm. As of end-4Q15 the occupancy rate of the complex amounted to ca. 85% (12,250sqm let to Hungarian insurance company Groupama).
- **Dioszegi, Budapest** – The project with NRA of ca. 800sqm is almost fully let.
- **Sajka, Budapest** – Office building with ca. 600sqm of NRA (fully let).

In FY15 Investment Properties segment generated revenues of EUR 4.4m (vs. EUR 9.8m in FY14). We note that the decrease of revenues in this segment was related mainly to the disposal of Jupiter 1&2 office building (we estimated revenues of the project at ca. EUR 8m annually). At the same time, in 2H15 the company has completed the development of Zeppelin office building in St. Petersburg (NRA of 16,500sqm) and refurbishment of Erzsebet 2 office tower in Budapest (NRA of 8,000sqm). As a result we expect the revenues of the segment to increase to nearly EUR 8m in 2016E. We note that Investment Properties segment generated 2015 EBITDA of EUR 3.2m (vs. EUR 6.0m in FY14), implying EBITDA margin of 62% (vs. 57% in FY14).

**Figure 18. Warimpex: Office projects completed and planned**

	City	Country	NRA (sqm)	WXF's stake (%)	Occupancy rate (%)
<b>Completed projects</b>					
Parkur Tower*	Warsaw	Poland	9,700	50%	90%
Zeppelin	St. Petersburg	Russia	15,600	55%	100%
Erzsebet Office	Budapest	Hungary	14,500	100%	90%
Dioszegi Office	Budapest	Hungary	800	100%	100%
Sajka Office	Budapest	Hungary	600	100%	100%
<b>Pipeline</b>					
Airport Car Park	St. Petersburg	Russia	20,000	55%	-
Mogilska Office	Cracow	Poland	20,000	100%	-
Ogrodowa Office	Łódź	Poland	26,000	100%	-
Chopin Office	Cracow	Poland	20,000	100%	-
Airportcity phase III	St. Petersburg	Russia	40,000	55%	-
Hotel	Budapest	Hungary	170 rooms	100%	-
Land reserves in Bialystok and St. Petersburg	-	-	Up to 110,000	-	-

Source: Company data, Vestor DM, \*project sold in 1Q16

## Development and Services

Development and Services segment is related to services in the area of development as well as disposals of properties. We note that results of this segment are strongly related to the sale of real estate properties, thus are subject to fluctuations in YoY terms. We note that in 4Q15 the company has disposed of Jupiter 1&2 office buildings and two hotels in Ekaterinburg (EUR 14.2m income from the disposal of properties) as well as Andel's hotel in Berlin (EUR 10.0m income from sale). In 1Q16 the company has also sold Parkur Tower office building in Warsaw (we expect net cash inflow of ca. EUR 2.5m). Additionally, in our forecasts we assume the disposal of two hotels located in Paris: Dream Castle (397 rooms, 199 attributable to Warimpex) and Magic Circus (396 rooms, 198 attributable to Warimpex). We forecast profit of ca. EUR 10m and net cash inflow of ca. EUR 15m.

During the recent conference call after 4Q15 results, the company has informed, that in the coming quarters it might potentially start the development of the following projects:

- **Office project in Łódź** (NRA of ca. 29k sqm) – the company has already received the building permit and plans to start the development in summer 2016, however start of development depends on project financing and signing prelease agreements,
- **Mogilska Office in Cracow** (NRA of ca. 20k sqm) – the company expects to receive the building permit in 2H16,
- **Chopin Office in Cracow** (NRA of ca. 20k sqm) – the company plans to start the development no earlier than in 2017.

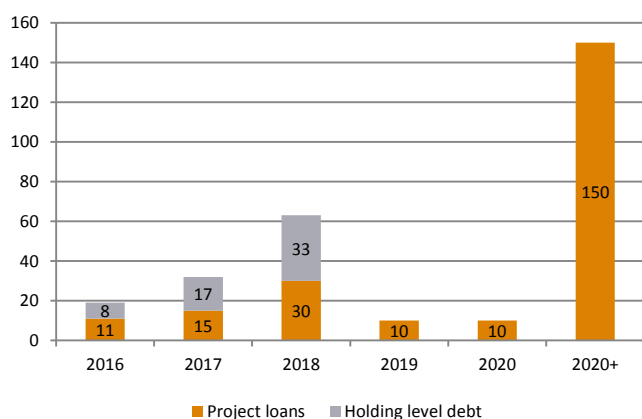
In our forecasts we assume only the development of the office project in Łódź, as the company has already received the building permit. We note that the value of landplot amounts to ca. EUR 3m. Additionally, we assume capex on the project at EUR 45m.

## Company's balance sheet

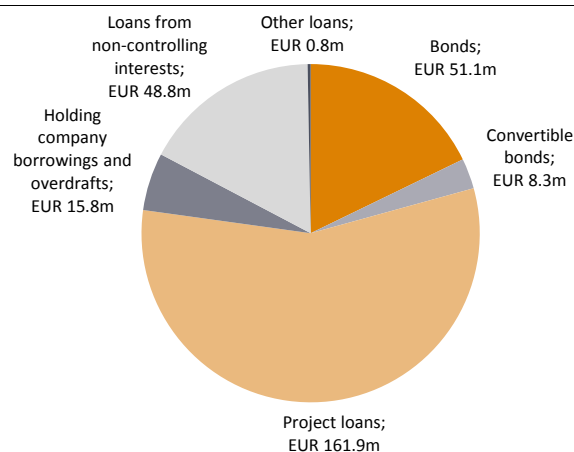
As of end-4Q15 total assets of Warimpex amounted to EUR 350m and mainly consisted of PP&E (EUR 196m, 56% of total assets), investment property (EUR 85m, 24%) and net investment in JV (EUR 24m, 7%). Under Property, Plant & Equipment the company presents mainly assets related to hotel activity. According to IAS 16, Warimpex recognises its PP&E assets at amortised cost. Investment properties stand for office projects and land for development of new projects. Investment properties are accounted at their fair value (changes in FV are recognized as gain/loss on remeasurement).

As of end-4Q15 gross debt amounted to EUR 286.7m (vs. EUR 377.4m as of end-4Q14), with EUR 227.3m related to project loans, EUR 8.3m related to convertible bonds and EUR 51.1m related to bonds. Given the cash position of EUR 7.4m, net debt amounted to EUR 279.3m as of end-4Q15 (vs. EUR 367.6m as of end-4Q14), implying ND/Assets ratio at 0.8x.

At the same time, we note that holding level debt amounted to EUR 62m (vs. EUR 79m as of end 4Q14), while project level debt amounted to EUR 225m (debt held by SPVs, secured on project assets, mainly non-recourse to Warimpex). We note that on the holding level debt, EUR 8m is to be repaid in 2016E, EUR 17m in 2017E and EUR 33m in 2018E. Additionally, in 1Q16 the company has repaid EUR 9.4m ST holding level bonds and issued EUR 3.4m bonds maturing 03.2017 and EUR 2.2m maturing 01.2019.

**Figure 19. Warimpex: Debt maturity schedule (as of end-4Q15 assuming major changes in 1Q16)**


Source: Company data, Vestor DM

**Figure 20. Warimpex: Debt structure (as of end-4Q15)**


Source: Company data, Vestor DM

**Figure 21. Warimpex: Bonds maturity table**

Bonds	Value outstanding (end-4Q15, EURm)	Issue date	Maturity date	Coupon	Conv. Price
Convertible bond 06/2014 – 06/2017	4.2	2014-06-30	2017-06-30	4.0%	EUR 1.80
Convertible bond 11/2015 – 11/2018	4.1	2015-11-06	2018-11-03	2.5%	PLN 5.94
Bond 03/2013 – 03/2016*	9.5	2013-03-04	2016-03-31	6MWIBOR+7.0%	n.a.
Bond 03/2015 – 03/2017	6.5	-	-	-	n.a.
Bond 10/2013 – 10/2017	0.4	2013-12-06	2017-10-29	6MWIBOR+6.4%	n.a.
Bond 02/2014 – 02/2018	0.7	2014-02-24	2018-02-24	6MWIBOR+6.0%	n.a.
Bond 03/2015 – 03/2018	5.7	-	-	-	n.a.
Bond 10/2015 – 10/2018	2.5	-	-	-	n.a.
Bond 12/2015 – 12/2018	25.8	2015-12-10	2018-12-10	6M EURIBOR+3.75%	n.a.
Bond 01/2016 – 01/2019**	2.2	2016-01-25	2019-01-25	6M WIBOR+5.0%	n.a.
Bond 03/2016 – 03/2017**	3.4	2016-03-14	2017-03-14	6M WIBOR+7.0%	n.a.

Source: Company data, Vestor DM, \* Bonds repaid in 1Q16, \*\*Bonds issued in 1Q16

## 1Q16 results preview

- **We forecast 1Q16 revenues of EUR 11.1m** (+1% YoY). We expect revenues of EUR 8.7m in Hotel segment (-14% YoY due to the disposal of hotel properties in Ekaterinburg in 4Q15) and EUR 1.9m in Investment Properties segment (vs. EUR 0.4m, increase YoY resulting from completion of two office buildings Zeppelin and Erzsebet 2 in 2H15).
- **We expect gross profit of EUR 3.4m** (+42% YoY). We assume gross margin of hotel segment at 20.4% (flat YoY) and 70.5% in Investment Properties segment (improvement from 55.5% in 1Q15).
- **We forecast EBITDA of EUR 1.3m** (vs. EUR 1.6m in 1Q15). In our forecasts we do not assume any result from the disposal of properties or other operating income (in 1Q15 the company has reported EUR 3.1m other operating income related to foreign exchange translation gain from operations).
- As we assume scheduled D&A of EUR 2.1m and no impairments, we expect operating loss of EUR 0.8m in 1Q16 in comparison to EUR -0.5m in 1Q15.
- **On the bottom line we expect net loss of EUR 1.7m** (vs. EUR -6.3m in 1Q15). In our forecasts we do not assume any profit from the disposal of Parkur Tower in Warsaw in 1Q16.

Figure 22. Warimpex: 1Q16 results preview

	1Q15	2Q15	3Q15	4Q15	1Q16E	% YOY
<b>Revenues</b>	<b>11.0</b>	<b>17.0</b>	<b>18.2</b>	<b>15.8</b>	<b>11.1</b>	<b>1%</b>
Hotel revenues	10.1	15.7	15.8	12.8	8.7	-14%
Investment Properties revenues	0.4	0.3	2.1	1.5	1.9	425%
Development and Services revenues	0.5	0.9	0.2	1.4	0.4	-19%
Expenses	-8.5	-9.7	-9.8	-10.5	-7.6	-11%
<b>Gross income from revenues</b>	<b>2.4</b>	<b>7.3</b>	<b>8.3</b>	<b>5.3</b>	<b>3.4</b>	<b>42%</b>
Result from disposal of properties	-1.4	0.0	4.0	11.7	0.0	-100%
Administrative costs	-1.9	-2.5	-2.1	-2.9	-1.9	0%
Other operating income	3.1	0.2	1.0	-0.5	0.3	-90%
Other operating costs	-0.6	-0.7	-0.8	-0.6	-0.6	0%
<b>EBITDA</b>	<b>1.6</b>	<b>4.3</b>	<b>10.4</b>	<b>13.0</b>	<b>1.3</b>	<b>-22%</b>
Depreciation, amortization and remeasurement	-2.2	-22.9	-4.2	-9.9	-2.1	-3%
<b>EBIT</b>	<b>-0.5</b>	<b>-18.6</b>	<b>6.2</b>	<b>3.1</b>	<b>-0.8</b>	<b>n.m.</b>
Finance income	1.1	0.4	0.4	0.5	0.3	-71%
Finance expenses	-6.0	-5.9	-5.3	-7.3	-4.0	-34%
Exchange rate changes	1.1	3.4	-19.5	-4.4	0.0	n.m.
Result from JV after tax	-0.2	2.6	9.2	-1.9	0.3	n.m.
<b>Pre-tax profit</b>	<b>-4.4</b>	<b>-18.2</b>	<b>-9.2</b>	<b>-10.0</b>	<b>-4.1</b>	<b>n.m.</b>
Income tax	-0.9	-1.4	2.4	-0.7	0.0	n.m.
Minorities	1.0	-10.0	-9.1	-6.4	-2.4	n.m.
<b>Net income</b>	<b>-6.3</b>	<b>-9.5</b>	<b>2.3</b>	<b>-4.3</b>	<b>-1.7</b>	<b>n.m.</b>

Source: Company data, Vestor DM

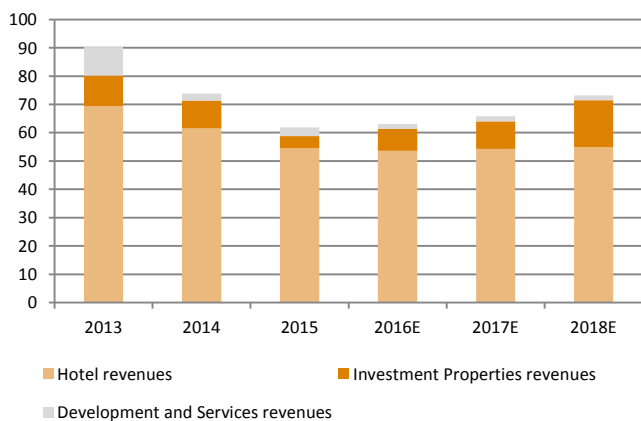
# Financial forecasts

## Revenues

We forecast revenues of EUR 63.1m in 2016E (+2% YoY). We expect revenues in hotel segment at EUR 53.6m in 2016E (flat YoY) and EUR 54.3m in 2017E (flat YoY). First of all, we point at the hotel disposal of two hotels in Ekaterinburg in FY15 with 223 rooms attributable to Warimpex (the disposal of Angel's hotel in Berlin would not affect reported revenues as the JV project was consolidated at equity method). On the other hand, we point at the improvement of occupancy rates in FY15 by 2pp YoY to 70% in total (+4pp to 69% in Poland, +3pp to 70% in Czech Republic and +9pp to 65% in Romania) and RevPAR in EUR by 4% YoY to EUR 55. Given the abovementioned combined with slight improvement of ADR, we forecast revenues in hotel segment to remain at the similar YoY level of ca. EUR 54.0m.

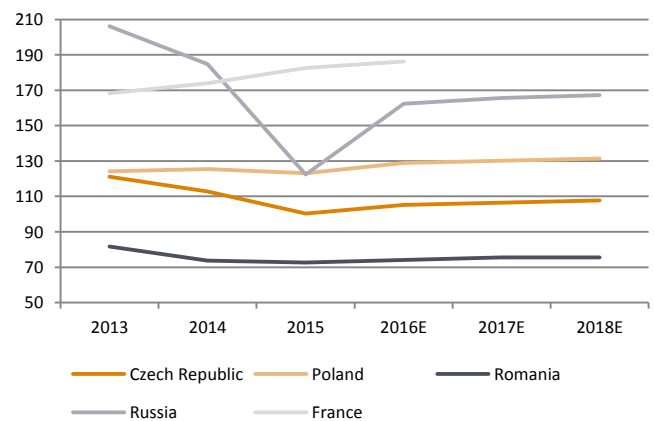
As far as Investment Properties segment is concerned, we expect increase from EUR 4.4m in 2015 to EUR 7.8m in 2016E (due to the completion of Zeppelin and Erzsebet 2 office buildings in 2H15) and EUR 9.8m in 2017E (assuming completion of Airportcity Cap Park in St. Petersburg).

**Figure 23. Warimpex: Revenues forecast by segments (EURm)**



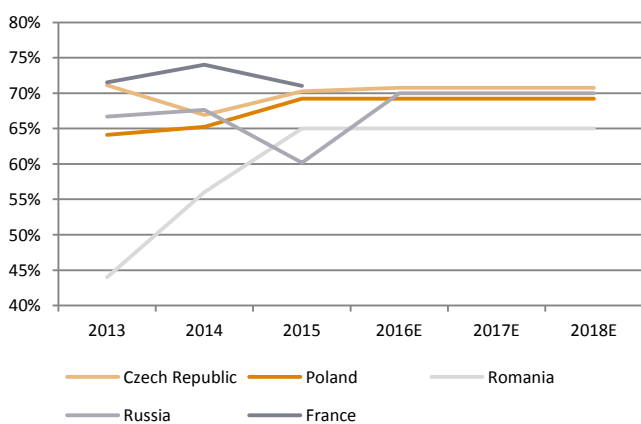
Source: Company data, Vestor DM

**Figure 24. Warimpex: Average daily revenue in hotel segment (EUR)**



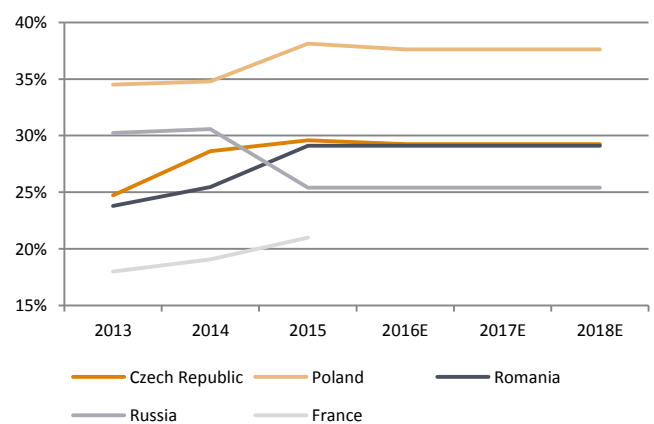
Source: Company data, Vestor DM

**Figure 25. Warimpex: Occupancy rates assumptions (%)**



Source: Company data, Vestor DM

**Figure 26. Warimpex: Gross margin assumptions (%)**



Source: Company data, Vestor DM

## Operating profit

We assume gross margin of 39.7% in 2016E (+2.0pp YoY) and 40.5% in 2017E (+0.8pp YoY). On one hand, we point at the potential for improvement of gross margin in hotel segment

due to improving occupancy rates and ADRs (we expect gross profitability of segment to increase from 33.2% in 2015 to 34.2% in 2016E). On the other hand, we expect slight deterioration of profitability in Investment Properties segment from 71.1% in 2015 to 70.5% in 2016E. As a result we forecast gross profit of EUR 25.0m in 2016E and EUR 26.6m in 2017E (gross margin of 39.7% and 40.5%, respectively).

We expect EBITDA of EUR 14.3m in 2016E (-51% YoY) and EUR 15.9m in 2017E (+12% YoY). In our forecasts we do not assume any impact of result from the disposal of properties (profit from the disposal of hotel properties in Paris would affect result from JVs). At the same time we assume reversal of impairment of EUR 6.0m in 2016E and EUR 2.7m mainly on the back of improving occupancy rates. Given the abovementioned, we forecast EBIT of EUR 11.9m in 2016E and EUR 10.2m in 2017E (EBIT adj. for impairments and remeasurements of EUR 5.9m and EUR 7.6m, respectively).

## **Net profit**

As in our forecasts we assume the disposal of two hotel projects in Paris in mid-2016, we expect result from JV at EUR 12.6m in 2016E. Additionally, due to deleveraging in recent quarters we expect financial costs of EUR 15.8m in 2016E and EUR 16.3m in 2017E (vs. EUR 24.4m in FY15). We note that in our forecasts we assume refinancing of investment loans and other loans. On the bottom line, we forecast net income of EUR 21.7m in 2016E and EUR 0.7m in 2017E.

## Appendix: Forecasts and assumptions

**Figure 27. Warimpex: P&L**

	2013	2014	2015	2016E	2017E	2018E
<b>Revenues</b>	<b>90.2</b>	<b>73.8</b>	<b>61.9</b>	<b>63.1</b>	<b>65.8</b>	<b>73.2</b>
Hotel revenues	69.4	61.6	54.5	53.6	54.3	54.8
Investment Properties revenues	10.7	9.8	4.4	7.8	9.8	16.6
Development and Services revenues	10.0	2.5	3.1	1.7	1.7	1.7
<b>Gross income from revenues</b>	<b>29.8</b>	<b>28.3</b>	<b>23.4</b>	<b>25.0</b>	<b>26.6</b>	<b>31.6</b>
Result from disposal of properties	2.0	0.0	14.2	0.0	0.0	0.0
Administrative costs	-9.9	-8.2	-9.4	-9.4	-9.4	-9.5
Other operating costs, net	-3.1	-2.9	1.1	-1.3	-1.3	-1.0
<b>EBITDA</b>	<b>18.8</b>	<b>17.1</b>	<b>29.3</b>	<b>14.3</b>	<b>15.9</b>	<b>21.1</b>
Depreciation, amortization and remeasurements	16.8	-22.3	-39.2	-2.4	-5.7	-6.1
Scheduled D&A	-11.9	-11.5	-8.9	-8.4	-8.4	-8.4
Impairments and remeasurements	28.7	-10.8	-30.3	6.0	2.7	2.3
<b>EBIT</b>	<b>35.6</b>	<b>-5.2</b>	<b>-9.9</b>	<b>11.9</b>	<b>10.2</b>	<b>15.1</b>
EBIT adj.	7.0	5.6	20.4	5.9	7.6	12.8
Finance income	1.0	4.2	2.4	1.3	1.3	1.2
Finance expenses	-23.2	-23.0	-24.4	-15.8	-16.3	-16.3
Exchange rate changes	-3.7	-14.4	-19.5	0.0	0.0	0.0
Result from JV after tax	2.2	1.5	9.6	12.6	0.6	0.6
<b>Pre-tax profit</b>	<b>12.1</b>	<b>-36.8</b>	<b>-41.8</b>	<b>10.0</b>	<b>-4.2</b>	<b>0.5</b>
Income tax	-5.0	1.4	-0.6	1.9	0.0	0.1
Minorities	4.1	-14.7	-24.5	-9.8	-4.9	-2.4
<b>Net income</b>	<b>3.0</b>	<b>-20.7</b>	<b>-17.8</b>	<b>21.7</b>	<b>0.7</b>	<b>3.1</b>

Source: Company data, Vestor DM

**Figure 28. Warimpex: Balance sheet**

	2013	2014	2015	2016E	2017E	2018E
<b>Fixed assets</b>	<b>403.8</b>	<b>389.2</b>	<b>323.0</b>	<b>353.1</b>	<b>374.9</b>	<b>372.3</b>
PP&E	281.8	249.1	195.7	196.4	193.8	190.8
Investment properties	73.1	87.8	84.6	125.3	150.3	151.3
Goodwill and intangible assets	1.0	1.0	1.0	1.0	1.0	1.0
Net investment in JV (at equity)	36.8	36.2	24.1	13.4	13.4	13.4
Other fixed assets	11.2	15.2	17.6	17.0	16.4	15.8
<b>Current assets</b>	<b>102.2</b>	<b>104.2</b>	<b>27.3</b>	<b>40.4</b>	<b>28.7</b>	<b>32.1</b>
Inventories	1.0	0.8	0.6	0.6	0.6	0.6
Trade receivables	10.5	21.1	8.7	14.7	14.8	15.0
Cash and cash equivalents	6.5	9.8	7.4	14.5	2.7	5.9
Other current assets	84.2	72.5	10.6	10.6	10.6	10.6
<b>Total assets</b>	<b>506.1</b>	<b>493.4</b>	<b>350.2</b>	<b>393.5</b>	<b>403.6</b>	<b>404.4</b>
<b>Equity</b>	<b>90.2</b>	<b>72.1</b>	<b>53.8</b>	<b>75.4</b>	<b>76.1</b>	<b>79.2</b>
Minorities	-1.4	-14.5	-32.0	-41.8	-46.7	-49.2
<b>Long-term liabilities</b>	<b>340.1</b>	<b>352.4</b>	<b>286.7</b>	<b>304.9</b>	<b>291.0</b>	<b>328.4</b>
LT debt	313.2	330.4	258.5	278.0	265.3	304.1
Other LT liabilities	26.8	22.1	28.3	27.0	25.7	24.4
<b>Short-term liabilities</b>	<b>77.3</b>	<b>83.3</b>	<b>41.8</b>	<b>54.9</b>	<b>83.2</b>	<b>45.9</b>
ST debt	54.2	47.0	28.2	29.8	57.5	18.7
Trade and other payables	16.4	35.3	11.5	23.1	23.7	25.2
Other ST liabilities	6.7	1.1	2.0	2.0	2.0	2.0
<b>Equity and liabilities</b>	<b>506.1</b>	<b>493.4</b>	<b>350.2</b>	<b>393.5</b>	<b>403.6</b>	<b>404.4</b>

Source: Company data, Vestor DM



**Figure 29. Warimpex: Cash flow statement**

	2013	2014	2015	2016E	2017E	2018E
<b>Cash flow from operating activities</b>	<b>18.4</b>	<b>20.6</b>	<b>12.9</b>	<b>22.4</b>	<b>12.3</b>	<b>18.4</b>
Net profit	3.0	-20.7	-17.8	21.7	0.7	3.1
D&A	11.9	11.5	8.9	8.4	8.4	8.4
Impairments and remeasurements	-28.7	10.8	30.3	-6.0	-2.7	-2.3
Change in working capital	-9.6	8.5	-11.2	5.6	0.5	1.3
Change in inventories	1.2	0.3	0.2	0.0	0.0	0.0
Change in trade receivables	0.6	-10.6	12.4	-6.0	-0.2	-0.1
Change in trade payables	-11.5	18.9	-23.7	11.6	0.6	1.5
Other	41.9	10.4	2.7	-7.3	5.5	7.9
<b>Cash flow from investing activities</b>	<b>-1.0</b>	<b>-7.2</b>	<b>38.8</b>	<b>-25.2</b>	<b>-27.5</b>	<b>-3.5</b>
Cash receipts from the disposals	-53.1	10.5	91.8	18.6	0.6	0.6
Capex on PP&E and investment properties	78.2	-4.3	17.4	-43.8	-28.1	-4.1
Other	-26.0	-13.4	-70.4	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-18.9</b>	<b>-8.8</b>	<b>-54.4</b>	<b>9.9</b>	<b>3.3</b>	<b>-11.7</b>
Change of debt	-1.6	9.9	-90.7	21.1	15.0	0.0
Interest paid	-15.9	-15.9	-15.9	-11.1	-11.7	-11.7
Other	-1.3	-2.8	52.2	0.0	0.0	0.0
Cash position at the beginning of the period	8.4	6.6	9.8	7.4	14.5	2.7
Net change in cash position	-1.8	3.2	-2.4	7.1	-11.9	3.3
<b>Cash position at the end of the period</b>	<b>6.6</b>	<b>9.8</b>	<b>7.4</b>	<b>14.5</b>	<b>2.7</b>	<b>5.9</b>

Source: Company data, Vestor DM

**Figure 30. Warimpex: Hotel segment assumptions**

	2013	2014	2015	2016E	2017E	2018E
<b>Occupancy rates (%)</b>						
Czech Republic	71%	67%	70%	71%	71%	71%
Poland	64%	65%	69%	69%	69%	69%
Romania	44%	56%	65%	65%	65%	65%
Russia	67%	68%	60%	70%	70%	70%
France	72%	74%	71%			
<b>ADR (EUR)</b>						
Czech Republic	121.2	112.9	100.3	105.2	106.4	107.7
Poland	124.1	125.4	123.2	128.8	130.1	131.4
Romania	81.6	73.7	72.6	74.1	75.6	75.6
Russia	206.2	184.7	122.5	162.4	165.6	167.3
France	168.4	173.9	182.6	186.2		
<b>Gross margin (%)</b>						
Czech Republic	25%	29%	30%	29%	29%	29%
Poland	35%	35%	38%	38%	38%	38%
Romania	24%	25%	29%	29%	29%	29%
Russia	30%	31%	25%	25%	25%	25%
France	18%	19%	21%			

Source: Company data, Vestor DM

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In preparing this document Vestor applied at least two of the following valuation methods:

- 1) discounted cash flows (DCF),
- 2) comparative,
- 3) target multiple,
- 4) scenario analysis,
- 5) dividend discount model (DDM),
- 6) NAV,
- 7) Sum of the parts,
- 8) Discounted residual income model.

The discounted cash flows (DCF) valuation method is based on discounting expected future cash flows. The main advantage of the DCF valuation is the fact that this method takes into account all cash streams the issuer is expected to reach and the cost of money over time. From the other hand, DCF valuation method requires a number of assumptions and is very sensitive to changes in parameters used in the model. Small changes in inputs can result in large changes in the value of a company.

The comparative valuation method is based on the rule of "one price". The advantages of this method are small number of parameters that need to be estimated, the fact that there is a relatively large number of indicators for companies being compared, the method is well-known among investors and the valuation is based on current market conditions. From the other hand a valuation derived from the comparative valuation method is considerably sensitive to the valuation of the companies classified as peers and can lead to simplification of the picture of the company.

The target multiple valuation approach is based on the assumption that the value of the company should be equal to pre-specified values of selected price multiples. The advantage of this method is its applicability to each company. From the other hand the target multiple approach is a highly subjective method.

The scenario analysis approach is based on the probability weighted valuation for three sets of assumptions: Bear case (20% probability), base case (60% probability) and bull case (20% probability). The base case is based on the assumptions and estimates which we have included in our financial forecasts and DCF valuation. In the bear/bull case scenarios we have analyzed the valuation sensitivity towards negative/positive changes in various assumptions including market size, market shares, profitability, growth, capex, valuation multiples etc. The advantage of this method is presentation of various scenarios and valuation sensitivity. As an disadvantage we find its complication and sensitivity towards probability weights assumption.

The dividend discount model (DDM) valuation uses predicted dividends that are expected to be paid out by the company and discounts them back to present value. The advantages of the DDM valuation method are its applicability to companies with long-term dividend payout history and the fact that it takes into account real cash streams that are expected to receive by equity-owners. From the other side the DDM valuation method requires a number of assumptions regarding dividend payouts.

The net asset value approach considers the underlying value of the company's individual assets net of its liabilities. Some of the advantages of the NAV approach are its applicability to asset holding companies and the fact that data required to perform the valuation are usually easily available. From the other hand the valuation derived from net asset value approach does not take into account future changes in sales or income and can understate the value of intangible assets.

The sum of the parts approach values a company by determining what its divisions would be worth if it was broken up and spun off or acquired by another company. The advantage of this method is a possibility to apply different valuation methods to different divisions. As an disadvantage we find scarcity of comparable basis for the respective business lines.

The discounted residual income model valuation is based on discounted excess equity flows the company is able to deliver. The main advantage of this method is that it is based on return on equity adjusted by cost of equity. The important disadvantage is that it is based on the income statement so does not include actual cash flows, but may fluctuate depending on accounting method.

Terminology used in the recommendation:

P/E – price-earnings ratio

PEG - P/E to growth ratio

EPS - earnings per share

P/BV – price-book value

BV – book value

EV/EBITDA – enterprise value to EBITDA

EV – enterprise value (market capitalization plus net debt)

EBITDA – earnings before interest, taxes, depreciation, and amortization

EBIT – earnings before interest and tax

NOPAT – net operational profit after taxation

FCF - free cash flows

ROE – return on equity

WACC - weighted average cost of capital

CAGR – cumulative average annual growth

CPI – consumer price index

COE – cost of equity

L-F-L – like for like

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