

Friday, December 19, 2014 | special comment

BBI Development – BBD Sells Plac Unii

current price: PLN 1.15

BBD PW; BBDWA | Real Estate, Poland

Analyst: Piotr Zybała +48 22 438 24 04

BBI Development sold its interests in the Plac Unii commercial development in Warsaw to Invesco Real Estate yesterday for a maximum price set at EUR 226.05 million. The actual price and the payment schedule over the next three years is conditioned upon the rate at which the vacant spaces in the building are filled and on the financial performance of the retail spaces. Invesco agreed to pay the bulk of the price upon signing, with BBI getting about PLN 100m. This means a loss of PLN 20m max to be recognized against the profits for Q4 2014, which is of minor importance in light of the cash that the sale frees up for future projects. We maintain an overweight rating for BBD.

The EUR 226m maximum price that the parties agreed upon implies ca. EUR 4000 per square meter, but it does not say much about how exactly the Plac Unii divestment will impact BBI's profits and cash flow over the three-year payment period. After debt of EUR 105m incurred to finance the construction of Plac Unii, the amount to be divided between

BBI Development and Plac Unii's 60% co-owner Liebrecht & Wood can be estimated at EUR 121m. At 40%, this makes for a maximum gain for BBI at EUR 48+ million (PLN 206m at today's exchange rate), though the actual gain will be smaller after adjustment for all other claims and transaction costs. Moreover, the amount of cash flow from the deal depends on the rate of vacancy filling in Plac Unii.

All in all, the end-result of the Plac Unii sale on BBI's financials will be negative. The Plac Unii NAV was ca. PLN 190m at 30 September 2014, but we believe BBD will take a 10% loss with a final price of about PLN 170m (of which PLN 100m will most likely be paid in December and the rest will be effected over the next three years).

BBD's plans with respect to the Plac Unii proceeds is first to pay off L&W with ca. PLN 48m, and use the rest to repay bond and loan debt and to finance downpayment required by lenders when starting new projects.

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

This publication of Dom Maklerski mBanku S.A. in Warsaw, ul. Wspólna 47/49 (the "Publication") is a commercial communication provided for information purposes only and it does not constitute a recommendation within the meaning of the Polish Finance Minister's Regulation of 19 October 2005 on information constituting recommendations pertaining to financial instruments and their issuers (Polish Official Journal of Laws Dziennik Ustaw No. 206 of 2005), nor does it constitute an offer to sell or purchase the securities referred to herein or provide a basis for any contract or obligation.

This Publication expresses the knowledge and opinions of the authors as of the day it was prepared. This Publication was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of information disclosed by the issuer of the securities referred to herein and other publicly available information which Dom Maklerski mBanku S.A. considers reliable. In no event does Dom Maklerski mBanku S.A. guarantee the accuracy or completeness of the information provided herein including where such information has proven to be inaccurate, incomplete or not factual. Any opinion, prediction, calculation, and estimate herein reflects the subjective assessment of the authors as of the date hereof and is subject to change without notice.

Dom Maklerski mBanku S.A. is not required to update or change this Publication or notify any of the recipients in the event that any issue addressed or opinion, forecast, calculation, or estimate expressed herein changes or becomes out of date.

This Publication does not constitute an offer or an invitation to subscribe for or purchase any securities. It is being furnished to you for information purposes only and it may not be copied or shared with any third parties. This Publication or any copies hereof is not to be distributed directly or indirectly in the United States, Australia, Canada, or Japan.

Investing in shares entails a number of risks including but not limited to economic risks, regulatory risk, or risk of changes in commodity markets. Full elimination of such risks is virtually impossible.

Dom Maklerski mBanku S.A. is not liable for any investment decisions taken on the basis of this Publication or any losses incurred in the wake of such decisions.

Dom Maklerski mBanku S.A. can, has, and will in the future provide services to the companies and other entities mentioned in this Publication. Dom Maklerski mBanku S.A. may offer brokerage services to the issuer of the securities referred to in this Publication. Information about potential conflicts of interest (if any) that may arise out of or in relation to this Publication is provided below.

This Publication was not sent to the Issuer prior to release.

Dom Maklerski mBanku S.A., its shareholders and employees may hold long or short positions in shares and other securities connected with the shares of the issuers referred to in this Publication.

Copying or republishing any part of this Publication and distribution of any information contained herein without the prior consent of Dom Maklerski mBanku S.A. is strictly prohibited.

This Publication is addressed to all clients of Dom Maklerski mBanku S.A.

The activities of Dom Maklerski mBanku S.A. are subject to supervision by the Polish Financial Supervision Authority *Komisja Nadzoru Finansowego*.

Dom Maklerski mBanku S.A. acts as animator for the following issuers: Asseco Business Solutions, Bakalland, BOŚ, Capital Park, Energa, Erbud, Es-System, Kruk, Magellan, Mieszkowski, Neuca, Oponeo, Pemug, Polimex Mostostal, Polna, Solar, Tarczyński, Vistal, ZUE.

Dom Maklerski mBanku S.A. acts as market maker for the following issuers: Asseco Business Solutions, Bakalland, BOŚ, Capital Park, Erbud, Es-System, KGHM, Kruk, LW Bogdanka, Magellan, Mieszkowski, Neuca, Oponeo, Pekao, PKN Orlen, PKO BP, Polimex Mostostal, Polna, Solar, Tarczyński, Vistal, ZUE.

Dom Maklerski mBanku S.A. receives compensation for services provided to the following issuers: AB, Agora, Alior Bank, Alchemia, Ambra, Bakalland, BNP Paribas, Boryszew, BPH, mBank, BZ WBK, Deutsche Bank, Elzab, Enea, Energoaparatúra, Erbud, Erste Bank, Es-System, Farmacol, Ferrum, Getin Holding, Grupa o2, Handlowy, Impexmetal, ING BSK, Interagroclín Auto, Ipopema, Koelner, Kruk, LW Bogdanka, Magellan, Mennica, Mercor, Mieszkowski, Millennium, Mostostal Warszawa, Netia, Neuca, Odratrans, Oponeo, Orbis, OTP Bank, Paged, PA Nova, Pekao, Pemug, PGE, PGNiG, PKO BP, Polimex-Mostostal, Polnord, Prochem, Projprzem, PZU, RBI, Robyg, Rubikon Partners NFI, Seco Warwick, Solar, Sygnity, Tarczyński, Techmex, Unibep, Vistal, Work Service, ZUE.

In the last 12 months Dom Maklerski mBanku S.A. was an offering agent in the public share offerings of Capital Park and Vistal. Asseco Poland provides IT services to Dom Maklerski mBanku S.A.

Dom Maklerski mBanku S.A. has a cash service agreement in place with Pekao and a telecommunications service agreement in place with Orange Polska S.A. (formerly TP S.A.).

Individuals who did not participate in the preparation of this publication are employees of Dom Maklerski mBanku S.A. authorized to access spaces where publications are prepared and/or individuals given access to such spaces based on their corporate roles, other than the analysts named as the authors of this Publication.

Michał Marczak
member of the management board
tel. +48 22 438 24 01
michal.marczak@mdm.pl
strategy, resources, metals

Research Department:

Kamil Kliszc
deputy director
tel. +48 22 438 24 02
kamil.kliscz@mdm.pl
energy, chemicals, power generation

Michał Konarski
tel. +48 22 438 24 05
michal.konarski@mdm.pl
banks

Jakub Szkopek
tel. +48 22 438 24 03
jakub.szkopek@mdm.pl
industrials

Paweł Szpigel
tel. +48 22 438 24 06
pawel.szpigel@mdm.pl
media, IT, telco

Piotr Zybała
tel. +48 22 438 24 04
piotr.zybała@mdm.pl
construction, real-estate development

Piotr Bogusz
tel. +48 22 438 24 08
piotr.bogusz@mdm.pl
retail

Sales and Trading:

Piotr Gawron
director
tel. +48 22 697 48 95
piotr.gawron@mdm.pl

Piotr Dudziński
deputy director
tel. +48 22 697 48 22
piotr.dudzinski@mdm.pl

Marzena Łempicka-Wilim
deputy director
tel. +48 22 697 48 95
marzena.lempicka@mdm.pl

Foreign Institutional Sales:

Łukasz Wójtowicz, CAIA
tel. +48 22 697 48 47
lukasz.wojtowicz@mdm.pl

Dom Maklerski mBanku S.A.
Research Department
ul. Senatorska 18
00-075 Warszawa
www.mDomMaklerski.pl

Traders:

Krzysztof Bodek
tel. +48 22 697 48 89
krzysztof.bodek@mdm.pl

Michał Jakubowski
tel. +48 22 697 47 44
michal.jakubowski@mdm.pl

Tomasz Jakubiec
tel. +48 22 697 47 31
tomasz.jakubiec@mdm.pl

Szymon Kubka, CFA, PRM
tel. +48 22 697 48 16
szymon.kubka@mdm.pl

Anna Łagowska
tel. +48 22 697 48 25
anna.lagowska@mdm.pl

Paweł Majewski
tel. +48 22 697 49 68
pawel.majewski@mdm.pl

Adam Mizera
tel. +48 22 697 48 76
adam.mizera@mdm.pl

Adam Prokop
tel. +48 22 697 47 90
adam.prokop@mdm.pl

Michał Roźmiej
tel. +48 22 697 49 85
michal.rozmiej@mdm.pl

"Private Broker"

Jarosław Banasiak
director, active sales
tel. +48 22 697 48 70
jaroslaw.banasiak@mdm.pl