



## Return to the faster growth path (SUMMARY)

At the turn of 2023/2024, the MLP Group's development platform started to regain momentum after several weaker quarters. The company commenced the construction of a long-awaited project in Vienna, as well as several projects in Poland. Altogether, space under construction increased to almost 200k sqm GLA, compared to only 61k sqm GLA a year ago. We remain positive on the logistics property market and believe in the MLP Group's growth potential in the coming years. At the same time, we are downgrading our forecasts for the company by 21% on FFO'24-26 and by 11% on NAV'24-26, to reflect 1) the slower growth of the portfolio in 2023 and 2) higher than expected finance costs. We maintain a BUY recommendation, cutting our TP by 4% to PLN 110 per share.

### Strategic goals for 2024-2028

At the beginning of April, the MLP Group announced its strategic goals for 2024-2028, implying 5Y CAGR of 21% for FFO and 18% for NAV per share. We perceive those goals as ambitious. Our TP discounts a slightly less optimistic, though still challenging scenario of 18% FFO 5Y-CAGR and 12% NAV 5Y-CAGR.

### Breakthrough on foreign markets

In 1Q24, the MLP Group finally started the construction of the city logistics project in Vienna of 54k sqm (expected completion by the end of 2024). In 2Q24, the company expects to obtain a building permit for approx. 55k sqm for another city logistics project in Gelsenkirchen (the old buildings have already started to be demolished).

### Poland – high development activity and high competition

Poland remains one of the fastest growing markets in Europe in terms of industrial and logistics supply. There were 2.3m sqm of logistics space under construction in Poland as of 1Q24, but only 0.36m sqm of space started construction last quarter. The take-up in 1Q24 was 17% lower y/y and the vacancy increased to 8.1% (+2.0 p.p. y/y). In this competitive market environment, prime rents remained roughly stable y/y and 35-40% above the level seen 3 years ago.

PLN mn	2022	2023	2024F	2025F	2026F
Revenues	279	361	407	517	618
Gross profit on sales	177	225	240	314	372
Gross margin	63%	62%	59%	61%	60%
Revaluation of IP	456	-258	154	294	344
EBIT	590	-80	349	562	668
FFO	87	93	91	119	158
Net Profit (loss)	422	-52	216	335	410
P/E	4.0	nm	8.9	5.7	4.7
P/BV	0.7	0.8	0.7	0.7	0.6
FFO yield	4.5	4.9	4.7	6.2	8.2
Dividend yield	0.00	0.00	0.00	0.00	0.00
EPS	17.60	-2.17	8.98	13.95	17.09
FFOPS	3.62	3.89	3.78	4.94	6.59
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	104.10	99.84	108.85	122.80	139.89

Key data	
Market price (PLN)	80.00
Upside	38%
No. of shares (mn)	23.99
Market Cap (PLNm)	1,919.60
Free float	32%
Free float (PLNm)	605
Free float (USDmn)	154
EV (PLNm)	4,065.25
Net debt (PLNm)	2,145.66

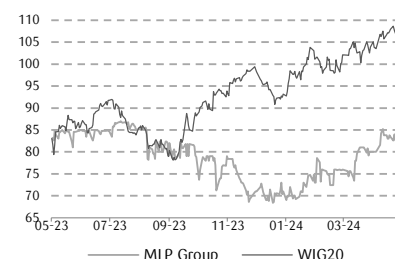
ESG	
ESG	5.8

Dividend	
Div yield	0.0%
Ex-div	-

Major Shareholders	% of shares
Cajamarca Holland B.V.	42.69
ILDC	12.57
Thesinger Limited	7.38
OFE Allianz Polska	7.14

Previous recomm.	Date & target price	
Buy	08-09-23	115.00
Buy	28-04-23	103.00

### Price performance



	WIG20	Company
1 month	2.1%	0.0%
3 months	2.9%	7.0%
6 months	14.6%	4.2%
12 months	27.8%	-5.9%
Min 52 weeks PLN		68.40
Max 52 weeks PLN		87.00
Av. turnover/day PLN mn		0.04

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## Basic parameters

Ratio	2024F
EPS, GAAP (PLN)	8.98
Revenue (PLN m)	406.6
Gross Margin %	59.0%
EBIT (PLN m)	348.6
EBITDA (PLN m)	196.0
Net Income, GAAP (PLN m)	215.6
Net Debt (PLN m)	2 135.3
BPS (PLN)	108.85
DPS (PLN)	0.00
Return on Equity %	9.0%
Return on Assets %	4.2%
Depreciation (PLN m)	1.7
Amortization (PLN m)	0.0
Free Cash Flow (PLN m)	-307.1
CAPEX (PLN m)	448.1

Source: PKO BP securities

## Valuation

Our valuation is based on the Residual Income Model. According to our calculations, the MLP Group's target price is **PLN 110.0** per share, 38% above the current market price.

### Residual Income Model assumptions:

- **FFO growth** in 2024-2029 at 17% CAGR.
- **Revaluation profit** of average PLN 278m annually in 2024-2029.
- **EUR/PLN** of 4.30 in 2024-2029.
- **CAPEX** of PLN 450m in 2024, PLN 650-750m annually in 2025-2026, followed by an average of PLN 450m annually in 2027-2029.
- **Target LTV** of 45% in 2026+.
- **Dividend**: No dividend in 2024-2026. From 2026, a payout at 40% of FFO.
- **Average ROE** of 11.8% in 2024-2028.
- **Target ROE** of 10.9% (ROE as at 2029).
- **Equity cost**: Risk-free rate: 5.0%, equity risk premium: 5.5%, beta: 1.20.



Residual Income Model							
PLN (mn)	2 023	2024F	2025F	2026F	2027F	2028F	2029F
Investment properties	4 542	5 145	6 189	7 183	7 943	8 615	9 397
Income generating	3 734	4 677	5 711	6 662	7 492	8 222	8 983
In preparation	808	468	478	522	451	394	414
Restricted cash & loans granted	98	104	104	104	104	104	104
Cash	344	501	404	415	396	415	404
Other assets	106	122	145	165	183	198	213
<b>Total assets</b>	<b>5 090</b>	<b>5 873</b>	<b>6 843</b>	<b>7 868</b>	<b>8 626</b>	<b>9 333</b>	<b>10 118</b>
Debt	2 114	2 647	3 184	3 689	4 056	4 384	4 726
<b>Equity</b>	<b>2 396</b>	<b>2 612</b>	<b>2 947</b>	<b>3 357</b>	<b>3 701</b>	<b>4 032</b>	<b>4 388</b>
Net profit	-52	216	335	410	408	406	440
<b>ROE</b>	<b>-2.1%</b>	<b>9.0%</b>	<b>12.8%</b>	<b>13.9%</b>	<b>12.1%</b>	<b>11.0%</b>	<b>10.9%</b>
<b>FFO (after tax)</b>	<b>93</b>	<b>91</b>	<b>119</b>	<b>158</b>	<b>186</b>	<b>211</b>	<b>235</b>
<b>Dividend</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63</b>	<b>75</b>	<b>85</b>
<b>Equity cost</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>
Risk-free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Discount ratio	1.00	0.90	0.80	0.72	0.64	0.58	0.52
<b>Valuation</b>							
Sustainable ROE (ROE 2029)	10.9%						
Cost of Equity	11.6%						
<b>Implied fair P/B (x)</b>	<b>0.94</b>						
2029 Equity	4 388						
2029 Equity Fair Value	4 131						
NPV of FV 2029	2 138						
NPV of dividends	128						
<b>Fair Value</b>	<b>2 266</b>						
Number of shares (million)	24.0						
Fair Value per share as at 12'23 (PLN)	94.4						
<b>Target price in 12 mths (PLN)</b>	<b>110.0</b>						
Current price	80.0						
Expected rate of return	38%						

Source: forecasts of PKO BP Securities



## Comparative valuation

### Multiple valuation

Company	Stock Price (local)	Market Cap (EUR m)	P/E			P/B		
			2023	2024F	2025F	2023	2024F	2025F
CTP NV	16.50	7 395	8.0	8.4	8.6	1.20	1.08	0.99
Warehouses De Pauw CVA	26.72	5 980	19.0	18.3	17.6	1.28	1.26	1.20
KMC Properties ASA	7.26	265	66.0	16.3	20.1	0.91	0.96	0.93
Catena AB	532.00	2 531	25.9	24.7	21.9	1.63	1.46	1.38
Sagax AB	286.00	8 776	28.3	25.4	23.6	2.78	2.76	2.53
Segro PLC	897.20	14 099	27.9	26.1	24.4	0.97	0.97	0.92
Tritax Big Box REIT PLC	155.40	4 527	19.7	18.5	17.3	0.86	0.81	0.77
Prologis Inc	104.75	89 294	33.6	33.2	30.1	1.73	1.75	1.77
Rexford Industrial Realty Inc	43.68	8 760	39.6	39.6	29.0	1.16	1.14	1.14
Goodman Group	34.45	40 042	36.6	32.2	28.7	3.56	3.57	3.15
<b>Median</b>			<b>28.1</b>	<b>25.0</b>	<b>22.8</b>	<b>1.24</b>	<b>1.20</b>	<b>1.17</b>
<b>MLP Group</b>	<b>80.00</b>	<b>446</b>	-	<b>8.9</b>	<b>5.7</b>	<b>0.80</b>	<b>0.73</b>	<b>0.65</b>
Premium/disc.			-	-64%	-75%	-35%	-39%	-44%
Weight			0%	25%	25%	0%	25%	25%
<b>Valuation per share (PLN)</b>	<b>184.6</b>							

Source: forecast of PKO BP Securities, \*Bloomberg

## Financial Forecasts

Profit and loss account	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Revenues	140	191	201	279	361	407	517	618	707
Costs of sold products, goods and materials	59	80	79	102	136	167	203	246	282
Gross profit on sales	81	111	121	177	225	240	314	372	425
General administrative expenses	19	28	29	35	35	43	45	46	48
Other operating income	1	3	2	3	2	5	1	1	1
Other operating costs	4	1	3	11	13	8	2	2	2
EBITDA	60	85	92	135	179	196	270	326	377
Revaluation of IP	121	213	540	456	-258	154	294	344	308
EBIT	180	298	632	590	-80	349	562	668	683
Net financial gain (loss)	-17	-88	-33	-61	19	-77	-133	-142	-161
Pre-tax profit	163	210	599	529	-61	272	429	526	523
Income tax	-34	-40	-119	-107	9	-56	-94	-116	-115
Net profit (loss) attributable to non-controlling interest	0	0	0	0	0	0	0	0	0
Net Profit (loss)	129	170	480	422	-52	216	335	410	408
FFO	33	47	55	87	93	91	119	158	186
Balance Sheet	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Fixed assets	1,838	2,392	3,457	4,575	4,668	5,277	6,320	7,314	8,074
Investment property	1,810	2,331	3,395	4,433	4,542	5,145	6,189	7,183	7,943
Other long-term assets	28	61	63	142	126	131	131	131	131
Current assets	236	291	328	415	422	596	522	553	552
Trade receivables	67	89	74	92	64	80	103	124	141
Other short-term assets	67	39	77	8	13	15	15	15	15
Cash and cash equivalents	102	163	177	315	344	501	404	415	396
Total Assets	2,074	2,683	3,786	4,990	5,090	5,873	6,843	7,868	8,626
Equity	939	1,212	1,825	2,498	2,396	2,612	2,947	3,357	3,701
Non-controlling interests	0	0	0	0	0	0	0	0	0
Long-term liabilities	971	1,375	1,722	2,220	2,352	2,790	3,401	3,994	4,442
Loans and borrowings	780	1,132	1,370	1,764	1,908	2,300	2,837	3,342	3,709
Trade liabilities and other	45	62	58	55	79	82	82	82	82
Short-term liabilities	164	96	239	272	342	471	495	517	483
Loans and borrowings	54	34	121	92	206	347	347	347	347
Trade liabilities and other	110	62	117	180	136	124	148	170	136
Total Liabilities	2,074	2,683	3,786	4,990	5,090	5,873	6,843	7,868	8,626
Cash flow statement	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Cash flow on operating activity	86.1	92.7	164.7	164.7	176.9	141.0	250.1	299.8	292.6
Cash flow on investment activity	-208.1	-393.4	-569.8	-508.6	-486.9	-453.2	-751.8	-651.8	-453.8
Cash flow on financial activity	178.2	355.0	421.5	477.3	335.7	465.9	404.6	362.7	142.3
Indicators	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
ROE	14.8%	15.8%	31.6%	19.5%	-2.1%	8.6%	12.0%	13.0%	11.6%
ROA	6.2%	6.4%	12.7%	8.5%	-1.0%	3.7%	4.9%	5.2%	4.7%
Number of shares	18.11	19.72	21.37	23.99	23.99	23.99	23.99	23.99	23.99
EPS	7.14	8.64	22.48	17.60	-2.17	8.98	13.95	17.09	16.99
FFOPS	1.81	2.37	2.56	3.62	3.89	3.78	4.94	6.59	7.76
DPS	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.64
BVPS	51.82	61.45	85.36	104.10	99.84	108.85	122.80	139.89	154.25
Net debt	732.9	1,003.5	1,313.9	1,541.3	1,769.4	2,145.7	2,780.3	3,274.6	3,659.9
Net debt/Equity	78.1%	82.8%	72.0%	61.7%	73.9%	82.1%	94.4%	97.6%	98.9%

Source: forecasts of PKO BP Securities

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min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit  
 EBITDA: operating profit + depreciation and amortization  
 EPS: earnings per share  
 DPS: dividend per 1 share  
 CEPS: sum of net profit and depreciation and amortization per 1 share  
 P/E: quotient of share market price and EPS  
 P/BV: quotient of share market price and book value of one share  
 EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA  
 Gross sales margin: relation of gross sales profit to net sales proceeds  
 EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds  
 EBIT margin: relation of operating profit to net sales proceeds  
 Net profitability: relation of net profit to net sales proceeds

#### Valuation methods applied

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A HOLD recommendation means that the recommendation author thinks that company shares have the potential for growth between 0 and a 10%.

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- PKO BP's net short position exceeds 0.5% of the issuer's share capital.
- Employees involved in drafting the recommendation have a net long position or a net short position exceeding 0.5% of the issuer's share capital.

Excluding the above, no other contractual relations exist between the Issuer and DM PKO BP that could influence the objectivity of this Recommendation.

#### Disclosures

The recommendation has not been disclosed to the Issuer.

#### Other disclosures

No person involved in preparing the report or any of their next of kin hold any functions on the governing bodies of the Issuer or a managerial position in the Issuer's organisation and no such person or their next of kin are party to any agreement with the Issuer concluded under the terms different from other agreements concluded between the Issuer and consumers. There are no people holding shares in the Issuer or financial instruments whose value is connected in any significant manner with the value of financial instruments issued by the Issuer among persons involved in drafting the recommendation or persons who were not involved in drafting it, but who had or could have access to it.

PKO Bank Polski, its subsidiaries, representatives or employees may occasionally conclude transactions or be interested in purchasing financial instruments of companies which are indirectly or directly connected with the analysed company.

PKO BP Securities is bound by internal regulations managing conflicts of interests; in particular, these regulations determine internal organisational solutions and limitations regarding information flow to prevent uncontrolled information flow between respective organisational entities or PKO BP Securities' employees in order to prevent and avoid conflicts of interests regarding recommendations; in particular, the Chinese wall procedure has been implemented. The internal organisational structure of PKO BP Securities ensures that respective kinds of brokering operations are executed separately.

This Recommendation has been drafted subject to due diligence to the best knowledge of the Recommending Entity; there exist no other connections between PKO BP Securities and the analyst drafting this Recommendation on one part and the Issuer on the other.

The time and date stipulated on the front page of the report are the time and date of completing the process of drafting the Recommendation.

The date of the first distribution of the Recommendation is identical with the date stipulated on the front page. The time of the first distribution is 7:40.  
Whenever this Recommendation quotes a price for the financial instrument, it will be understood as the closing price from the last trading day.

The list below sets out all the recommendations drafted by PKO BP Securities in the last 12 months, within the scope of the "Analytic Coverage Support Pilot Programme".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2023	2024F	2025F	2023	2024F	2025F	
Oponeo	Buy	2023-08-23	51,00	43,00	6 10,5							Piotr Łopaciuk
MLP Group	Buy	2023-09-08	115,00	78,20	1876,4							Piotr Zybała
Oponeo	Hold	2024-05-10	61,00	44,70	707,9	14,8	8,8	13,6	5,9	7,1	7,9	Piotr Łopaciuk
MLP Group	Buy	2024-05-28	110,00	80,00	1919,6	nm	8,9	5,7	19,4	20,7	17,4	Piotr Zybała

\*at the time of publication