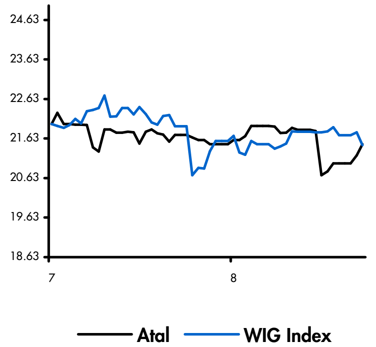
Company Report
Atal

September 24, 2015 — Real Estate/Poland

Buy (Initiation)

Price 23.09.15*	21.48
Price target	26.50
Volatility risk	medium
Year high/low	22.28/20.70
Currency	PLN
PLN/EUR	4.20
GDR rate	n.a.
Shares outstanding eoy in mn	38.72
Market capitalisation (total shares) in EUR mn	198.2
Free float	16.8%
Free float in EUR mn	33.3
Avg. daily turnover (12 m) in EUR mn	0.03
Index	WIG
ISIN code	PLATAL000046
Bloomberg	1AT PW
Reuters	1AT.WA



Source: Raiffeisen Centrobank

Impressive margin maintained

We initiate coverage of Atal, the most profitable among the largest Polish homebuilders and set a target price of PLN 26.5 which yields 23% upside and implies a BUY recommendation. Atal operates as a residential developer in southern and central Poland. It has completed more than 30 projects in 5 cities since the year 2006. Thanks to efficient land acquisitions, its integrated business model (there is a construction company within the group) and quick investment processes all of the projects realised to date have been profitable. We like the company due to superior margins compared with peers, higher return on equity, successful track record in the largest cities in Poland and attractive project pipeline based on secured land plots.

Atal maintained impressive profitability in 1H 15 despite a lower number of apartment handovers booked in that period and reported a gross profit margin of 29%. In the first eight months of 2015 the number of flats sold reached 1,057, up by 49% yoy. We expect that Atal may generate average yearly sales of PLN 550 mn and net profit of PLN 98 mn in 2015-2017e. It has secured land plots for residential projects comprising nearly 450k sqm to be completed in 2015-2018 (we estimate that this may translate into over 7,000 apartments). The structure of the above-mentioned projects is focused on Kraków (33% of total sqm) and Warsaw (28% share), but the pipeline is diversified and includes also other large cities in Poland. Land plots currently held by Atal were purchased at very attractive prices and allow for the realisation of high margins on currently realised and planned projects.

Atal issued 6.5 mn shares (17% of its current equity capital) in the recent IPO (June 2015) to finance land acquisition in Warsaw (25% of the issue) and Kraków (25%) as well as the planned residential projects in Warsaw, Kraków, Katowice and Wrocław. The company focuses on premium and middle-class apartments, targeting the largest market segment. The strategic target is to sell approx. 1,500-1,800 flats per year in 2015e-2107e and 2,000-2,500 flats in 2018e-2020e. Due to the higher margin generated by Atal compared with the largest competitors that sell almost 2k flats per year we believe that it may reach the scale of activity of companies like Robyg or Dom Development and still remain a superior player in terms of margin. Atal is a family-run business – the management keeps the majority stake. Its long-term dividend policy assumes a pay-out ratio of 40-50% leading to the dividend yield of mid-single digit in the upcoming years. We value the company employing a DCF methodology based on a detailed planning model for 2015e-2019e (75% weighting) and a peer comparison (P/E and P/BV multiples, 25% weighting). The peer valuation yields PLN 27.1 per share, while our DCF model implies 12-month value of PLN 26.3 – our blended valuation amounts to PLN 26.5.

Key figures and ratios

PLN	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Sales (mn)	234	577	294	481	876
Gross profit from sales (mn)	56	186	86	137	238
Gross profit margin	23.7%	32.3%	29.4%	28.5%	27.2%
EBIT (mn)	42	167	68	113	205
Net profit a.m. (mn)	33	135	51	85	160
Earnings per share (adj.)	n.a.	4.18	1.42	2.20	4.12
Adjusted PE ratio	n.a.	n.a.	15.2	9.8	5.2
DPS	n.a.	0.00	0.65	1.10	2.06
Dividend yield	n.a.	n.a.	3.0%	5.1%	9.6%
EV/EBITDA	n.a.	n.a.	13.9	9.2	4.6
Price book value	n.a.	n.a.	1.3	1.2	1.0

Source: Atal, Raiffeisen Centrobank estimates

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Disclosures: www.rcb.at
Supervisory authority: Financial Market Authority

* The indicated price is the last price as available at 6.30 AM on 24.09.15, Source: Reuters/Bloomberg

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Share price triggers

Trigger	Momentum	Explanation
Margins on completed projects	positive	▪ In 1H 15 Atal handed over flats in less attractive markets with Łódź, Wrocław and Katowice accounting for most of the handovers – nevertheless, it reached a gross margin of 29% which makes us optimistic regarding profitability in the upcoming quarters.
Pipeline of handovers	positive	▪ Strong positive dynamics is anticipated in the upcoming years with the year 2017e expected to show the highest profits for Atal due to accumulation of handovers in Kraków and other cities.
Interest rates and mortgage loans availability	neutral	▪ No changes have taken place in interest rates and loan availability – conditions remain favourable for buyers of apartments.
Market regulations	neutral	▪ Some of the company's projects qualify for the MdM support programme, but the majority of projects is not co-financed ▪ Escrow account regulations have resulted in higher working capital needs

Source: Raiffeisen Centrobank

Investment case

Initiation of coverage with a BUY recommendation

We initiate Atal with a BUY recommendation - we like the company due to:

1. Superior gross margin from sales compared with the largest peers
2. Above-average return on equity based on historical projects and expected in 2015-2018e
3. Low G&A costs (no need to hire external management board, headquarters in a small city) and low selling costs (no intermediaries in the sales process)
4. Attractive project pipeline secured for 2015-2018e with land plots often purchased at prices already not available on the market
5. Solid track record – only profitable projects, high margin generated across the country also in the cities where other developers realised losses
6. Attractive multiple valuation vs. market leaders
7. Vertical integration – the company does not need to hire a general constructor for its projects as there is a construction company within the group (only subcontractors are hired)

The most profitable among the largest homebuilders

Atal is the most profitable among the largest Polish homebuilders and is active as a residential developer in southern and central Poland. The company purchases land, develops residential projects and sells flats directly to clients – these activities generate over 90% of the group's revenues. A smaller share of activity is related to commercial real estate (Atal owns a number of office buildings/warehouses that are rented to business clients) - however, this represents less than 5% of revenues. Atal also owns a 100% stake in a subsidiary active in the construction segment that operates as a general contractor and coordinates building works related to development projects conducted by the group. Atal has been involved in real estate projects since the year 2003. It completed more than 30 projects with over 300,000 sqm in 2006 – 1H 15, that included over 5,000 units sold. In 2011 the company acquired a number of land plots in Krakow, where it soon obtained a leadership position. In 2012 Atal entered the market in Warsaw, which represents a growing share of the company's residential projects. The market share of Atal in 2013 was highest in Kraków (about 20% in 2013), Łódź (6%), Wrocław (3%) and Katowice (3%). Currently the company is in the process of entering the Tricity market.

Atal reported net profit after minorities of PLN 135 mn and sold 1,093 apartments in 2014

Atal reported revenues of PLN 577 mn in FY 2014 and gross profit from sales of PLN 186 mn. Gross margin amounted to 32%, while selling and administrative costs accounted for only 2% of revenues. Net profit a.m. amounted to PLN 135 mn. Atal sold 1,093 apartments in 2014 - mainly in Krakow, Wrocław, Warsaw and Łódź. Sales in 1H 15 reached 806 units, while in Jan-Aug 2015 the number of apartments sold amounted to 1,057 (vs. 711 in the corresponding period in 2014).

Project pipeline comprising nearly 450,000 sqm on secured land plots acquired at attractive prices

Atal has secured land plots for residential projects ca 450k sqm to be completed in 2015-2018. The structure of projects to be completed in 2015-2018 is focused on Kraków (33% of total sqm) and Warsaw (28% share), but the pipeline is diversified and includes also other large cities in southern Poland. Land plots currently held by Atal were purchased at very attractive prices and allow for realisation of high margins on currently realised and planned projects.

Strategy – growth in Warsaw and Wrocław, retaining position in other cities

The strategy of Atal assumes gradual expansion on the Warsaw market, maintaining the leadership position in Kraków, increasing the of market share in Wrocław and retaining the current position in Katowice and Łódź. Atal intends to maintain a land reserve to secure a stable realisation of projects and the continuation of developing activity. The company focuses on the premium and middle-class apartments, targeting the largest market segment.

Strategic target is to sell 1,500-1,800 flats per year in 2015e-2017e and 2,000-2,500 in 2018e-2020e

The strategic target is to sell approx. 1,500-1,800 flats per year in 2015e-2017e and 2,000-2,500 flats in 2018e-2020e. Due to the higher margin generated by Atal compared with the largest competitors that sell almost 2k flats per year we believe it may reach the scale of activity of companies like Robyg or Dom Development and still remain a superior player in terms of margin.

General contractor within the group – higher margin, quicker completion of projects

The integrated business model allows to generate margins that are higher than those of its competitors. Atal fully owns a construction company that performs construction works related to the development projects. Contrary to some of the competitors who often share their margins with construction companies, Atal is able to keep the gross margin within the group. The company finds it easier to control the investment process and accelerate building works when possible. The model also diminishes the risk of delays and makes cooperation with financing banks easier. Centralised procurement of construction materials leads to economies of scale. The timespan of currently realised and planned investments usually amounts to 7 or 8 quarters compared with an average of 8 quarters for flats for sale or rent constructed in Poland.

Full control of projects, own sales offices

Atal always performs investment projects without sharing profit with external parties (it avoids JVs, SPVs) in order to keep the structure simple and transparent and to have full control of the investment process. The model lowers costs of management, reduces tax risks and allows for a better negotiating position with subcontractors, suppliers and financing institutions. Own sales offices located in the area where investment projects are conducted enable the group to keep part of the margin that is usually often given away to intermediaries and ensure direct access to clients to obtain up-to-date information about their needs.

All recent projects were profitable, over 90% of flats already sold

The company completed 20 projects in 5 cities after the year 2011. Thanks to effective land acquisitions, its integrated business model and quick investment processes all of the projects realised to date were profitable. Out of the projects completed after the year 2011 and finalised before 1Q 15, only 5% of flats were still unsold in 1Q 15 – the constructed flats are smoothly sold and cash reinvested.

Atal Design programme as a complex interior design programme

Atal offers an interior design programme for its clients that features a custom bathroom design, tiling, floor installation work, wall painting and door assembly. Varying prices are charged depending on the quality of the design – the solution is beneficial for both clients and Atal as the company receives discounts from suppliers and subcontractors due to higher scale, while clients save time and money. Atal has worked for years to fine-tune the concept and logistics of the system, and currently the programme is applied to approx. half of apartments sold.

IPO in June 2015

Atal issued 6.5 mn shares and obtained PLN 143 mn in order to finance land acquisition in Warsaw (25% of the issue) and Kraków (25%) as well as to finance the planned residential projects in Warsaw, Kraków, Katowice and Wrocław.

The CEO is a main shareholder, no sale of existing shares in the IPO

Atal is a family-run business – the management intends to keep the majority stake after the IPO. There is no sale of existing shares in the transaction. Moreover, owners have committed to a 12-month lock-up following the public offering.

Dividend policy assumes pay-out ratio of 40-50% of net profit

Starting from the year 2016 the company intends to pay out approx. 40-50% of net profit as dividend, which would lead to the yield of mid-single digit in the upcoming years. First payment is to take place after repayment of the bond B series, due to included covenants, based on net profit from the year 2015e to be paid out in 4Q 16e.

Valuation

We value the company employing a DCF methodology based on a detailed planning model for 2015e-2019e and a peer group comparison based on P/E and P/BV multiples. Our DCF valuation implies fair value of PLN 26.3. Average P/E valuation yields PLN 29.7, average P/BV implies PLN 24.5. In our TP calculation we attribute 75% weight to DCF and 25% weight to the peer group comparison with the largest Polish developers, which implies target price of PLN 26.5 and a BUY recommendation.

SWOT analysis

Strengths

- Business model enables group to generate higher margin than its local competitors
- Market leader in Krakow, active in the largest cities in southern Poland, strong project pipeline in Warsaw
- Family run business – the management is to keep the majority stake
- Growing scale of activity has helped to improve net margin
- Vertically integrated – a fully owned subsidiary of Atal serves as a general contractor responsible for construction works supervision in real estate projects, helping to keep the margin within the group
- Low level of sales costs due to lack of intermediaries in the sales process – Atal has its own sales outlets located in the proximity of realised investments
- Effective prepayments policy implying small share of withdrawals in sales agreements (clients usually pay 25% of the sales price at the signing of the apartment purchase agreement)
- Small share of G&A costs compared to the largest developers in Poland
- Land plots currently held by Atal were purchased at very attractive prices and allow for realisation of high margins on currently realised and planned projects

Weaknesses

- Growing scale of activity means higher working capital requirements in the following years
- The number of inhabitants is falling in Katowice and Łódź – two cities where Atal is present

Opportunities

- Historically low interest rate in Poland to support apartment purchases also for investment purposes
- Growing scale of activity to reduce share of selling and G&A costs to revenues, implying higher operating margin
- Growing share of single-person households in Poland
- Shortage of flats in Poland to support demand from buyers – lower number of flats per capita compared to Western Europe

Threats

- State-run fund that plans to build rental apartments (project intended to reduce costs of living and support access to cheap flats in Poland), risk of further regulation or unfavourable initiatives

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- Demography in Poland – threat of emigration and falling number of young people in the long term

- Costs of construction materials and labour costs may grow faster than prices of flats

- Escrow accounts – prepayments from clients have to be kept in an escrow account, implying higher working capital needs. The recently introduced regulation may increase financing costs but should also support market shares of the largest players (including Atal) with easier access to financing

- Availability of attractive land plots in the largest cities in Poland is limited – high competition among developers may trigger price hikes and limit the number of projects where high margins may be generated

- Volatility of development activity (uncertain dates of project completion) and construction cost overruns (largely mitigated by the integrated structure of Atal)

Company description

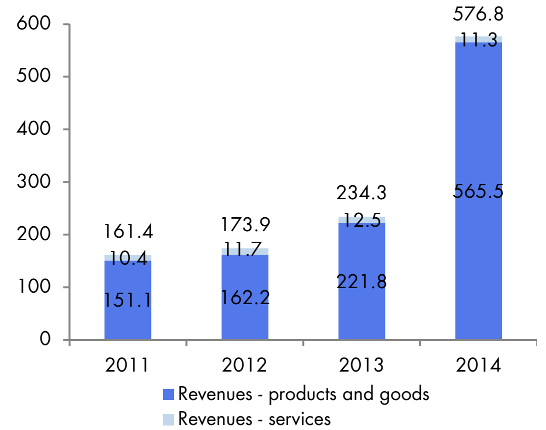
Residential developer with a very high profit margin

Atal is mainly active as a residential developer in southern and central Poland. The company purchases land, develops residential projects and sells flats directly to clients. A smaller share of activity is related to commercial real estate – Atal owns a number of office buildings/warehouses which are rented to business clients (this business represents less than 5% of revenues). Atal also owns a subsidiary in the construction segment that operates as a general contractor and coordinates building works related to development projects conducted by the group. Atal has been involved in real estate projects since the year 2003. It more than 30 projects with over 300,000 sqm and more than 5k flats in 2006 – 1H 15. In 2011 it acquired a number of land plots in Krakow, where it soon obtained a leadership position. In 2012 Atal entered the market in Warsaw, which represents a gradually growing share of the company's residential projects.

Residential projects development accounted for 98% of revenues in 2014

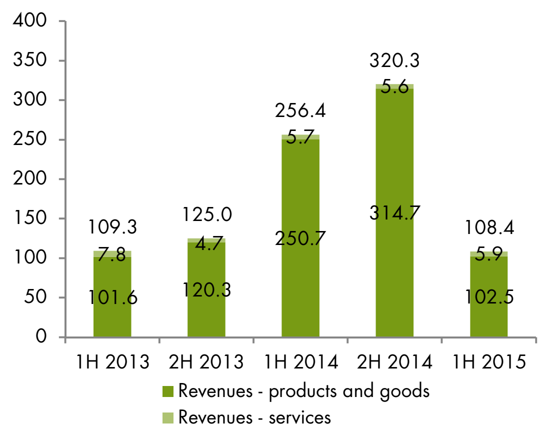
Atal reported revenues of PLN 577 mn in 2014 including sales of products and goods of PLN 566 mn (mainly development activity) and services sales of PLN 11 mn (mainly rental). Rental revenues amounted to PLN 9 mn in 2014 and were stable in the range of PLN 9-10 mn in 2011-2013. Residential projects development accounted for 95% of sales in 2013 and 98% in 2014.

Full-year revenues in PLN mn



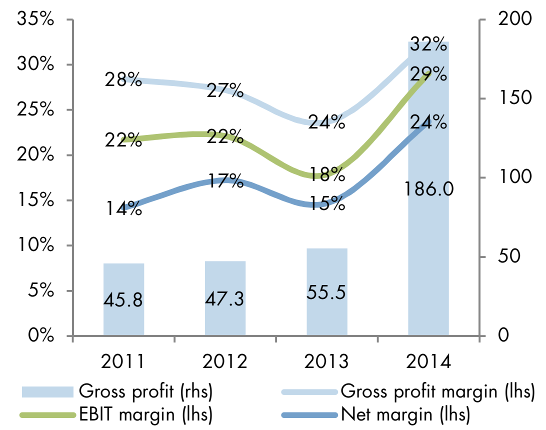
Source: Atal, Raiffeisen

Half-year revenues in PLN mn



Source: Atal, Raiffeisen

Full-year gross profit from sales (PLN mn) and margins



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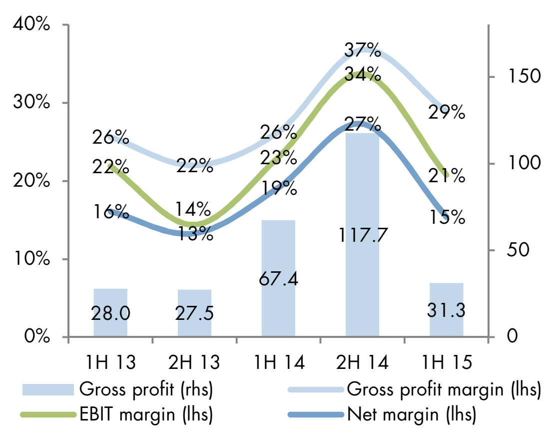

Source: Atal, Raiffeisen

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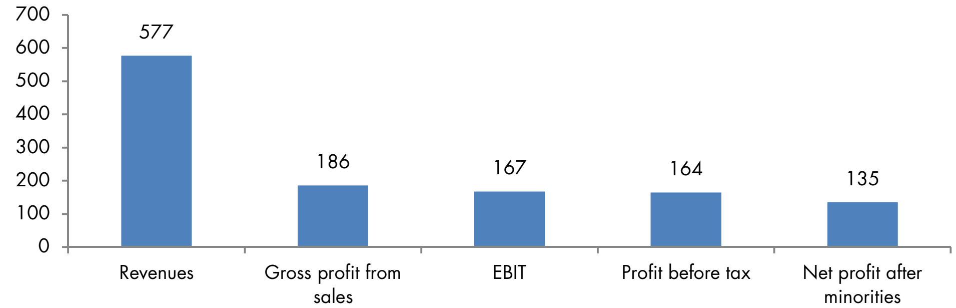
High gross profit margin realised

Atal generated net profit after minorities of PLN 135 mn and sales of PLN 577 mn in 2014, more than doubling the result of the prior year owing to growth in handovers of completed projects. Gross profit margin realised on projects in 2011-2012 amounted to 27-28%, dropped to 24% in 2013 and recovered to 32% in 2014. The decline in the margin in 2013 was partly linked to a less profitable contract in Wrocław (necessity to drain the land plot and relocate high voltage lines).

Strong results in 2014

Atal generated net profit after minorities of PLN 135 mn in 2014, driven by the realisation of projects in Kraków and Wrocław. Due to the increased scale of activity the share of general costs to revenues was smaller than in the previous years – as a result, the company was able to generate an operating margin of 29% and a net margin of 24% (on lower financing costs).

2014 results in PLN mn

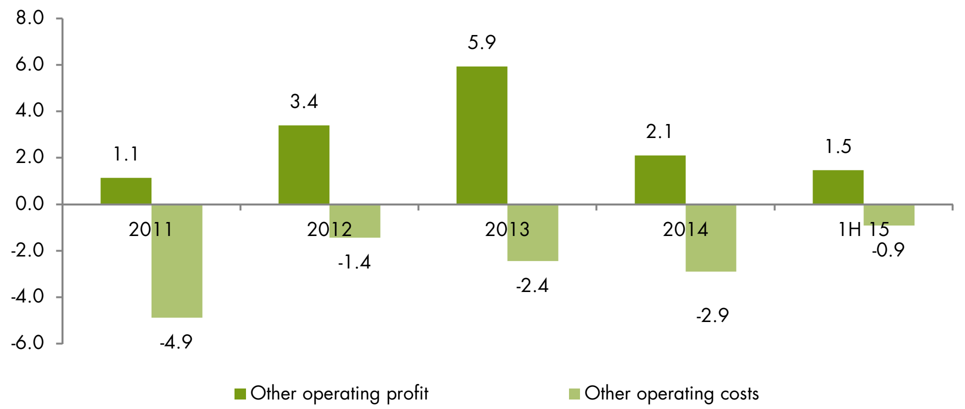


Source: Atal, Raiffeisen

Other operating income and costs

The growth of other operating income in 2012 was largely related to a release of provisions, while in 2013 it was due to a one-off accounting gain on an acquisition. In 2011 the high level of operating costs was linked to unexpected losses of PLN 2.5 mn stemming from the sale of access roads to the local government in one of the projects.

Other operating profit/loss in PLN mn



Source: Atal, Raiffeisen

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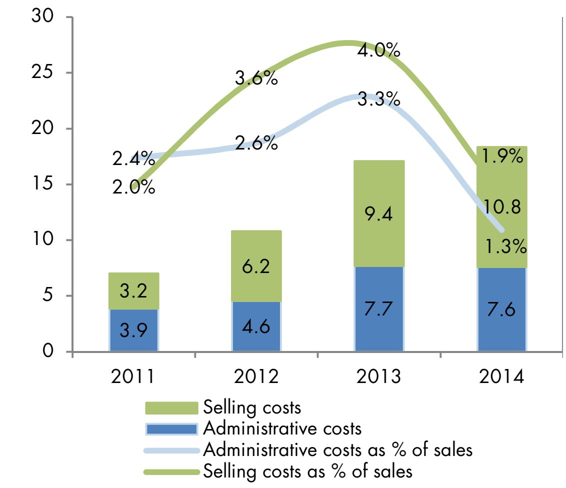
Selling and G&A expenses

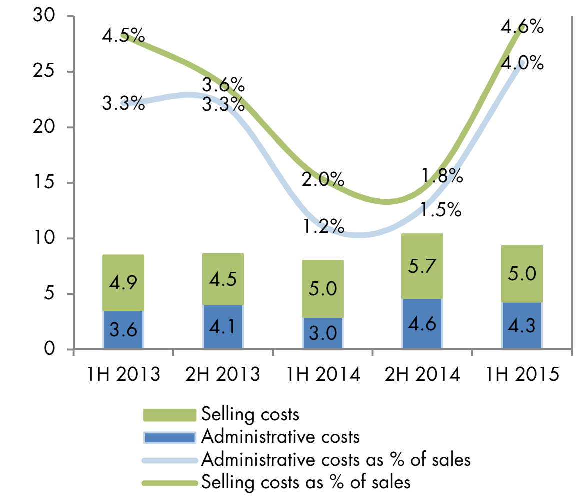
Administrative and selling costs amounted to 7.3% of revenues in 2013 as the company already increased the number of projects and entered the Warsaw market (expenses for renting a sales office and hiring new salesforce related to projects in Warsaw), but dropped in relation to sales to 3.2% in 2014 owing to a higher number of dwelling handovers. The growth of selling and administrative costs in nominal terms was only minor in 2014 vs. the corresponding period in 2013.

Full-year G&A and selling costs vs. revenues (PLN mn)



Source: Atal, Raiffeisen

Half-year G&A and selling costs vs. revenues (PLN mn)

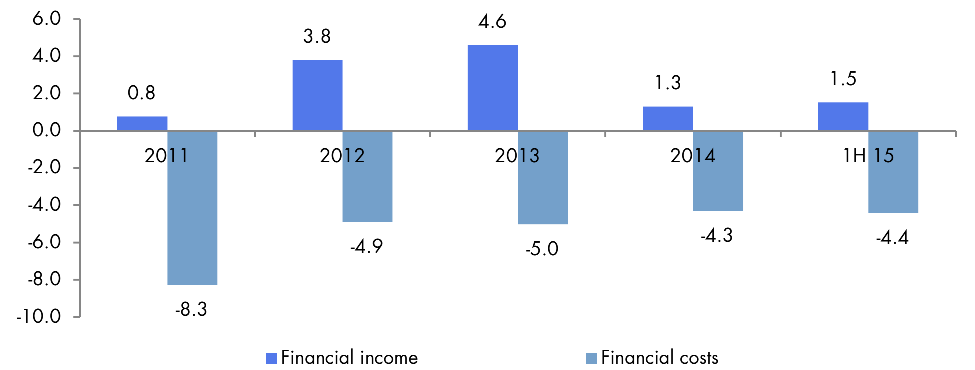


Source: Atal, Raiffeisen

Low costs of financing owing to quicker loan repayment

Owing to a lower interest rate and increased investor trust (bond issues) Atal managed to gradually reduce its financial costs. Net financial income dropped in 2014 on lower interest income and owing to new investments (launch of new projects, acquisitions of land plots).

Financial income and costs (PLN mn)



Source: Atal, Raiffeisen

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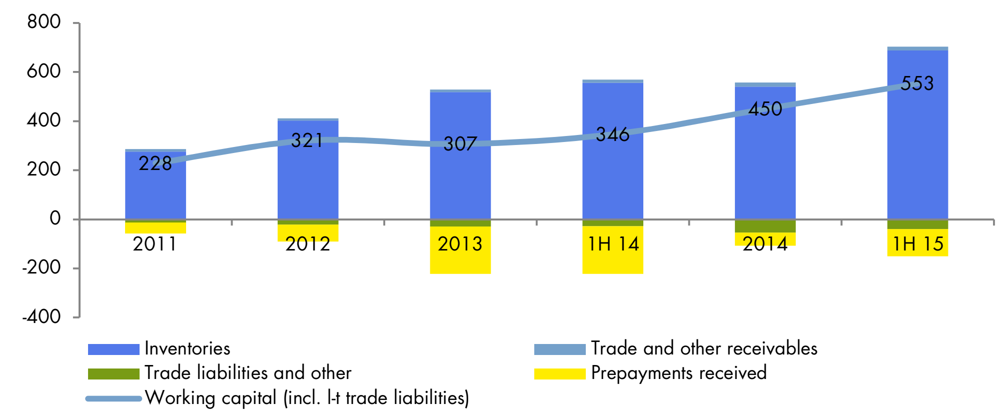
Working capital composition

The inventories level peaked out in 1H 2014 (PLN 566 mn) before handovers that fuelled the group's strong financial performance in 3Q 14. Average net working capital is on the rise as a result of the growing number of developed projects. At the end of 2013 inventories amounted to PLN 518 mn and grew to PLN 540 mn in 2014. In 1-3Q 14 Atal conducted significant investments in land plots – it purchased land worth PLN 137 mn in order to secure its project portfolio for the following years.

Working capital in PLN mn

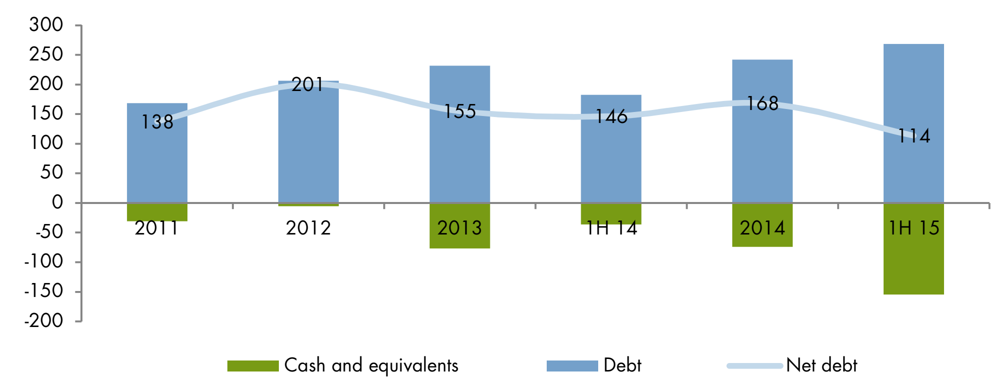


Source: Atal, Raiffeisen

Cash kept at optimal level

Atal had net debt of PLN 168 mn at the end of 2014. Debt reached PLN 242 mn including short-term debt of PLN 99 mn and long-term financing of PLN 143 mn. Cash and equivalents amounted to PLN 74 mn, including PLN 14 mn held in escrow accounts. Net debt dropped in 1H 15 following the IPO.

Cash and indebtedness in PLN



Source: Atal, Raiffeisen

1,180 dwellings in 9 projects were introduced for sale in 2014

In 2014 Atal introduced 1,180 dwellings for sale in 9 projects that included Nowe Bemowo, Walewska Residence and Oaza Wilanów in Warsaw, Bronowice Residence IV, City Towers Czyżyny II and Bagry Park I in Kraków, Stara Odra Residence and Dmowskiego 19 in Wrocław and Chojny Park in Łódź.

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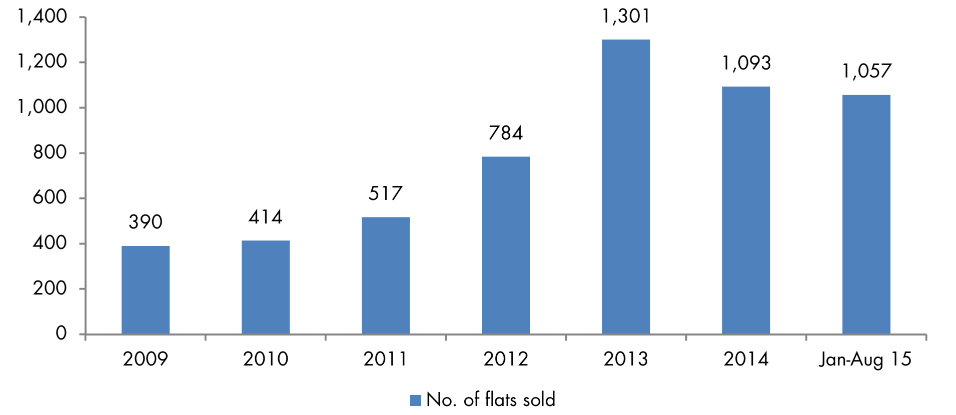
Sales of apartments amounted to 1,093 in 2014 - we believe the figure will gradually grow in 2015-2017e and may exceed 2,000 of apartments sold per year

The number of apartments sold in 2013 exceeded the threshold of 1,000 units as new projects peaked in Kraków, while the year 2014 ended with 1,093 flats. In 2014 withdrawals accounted for 4.2% of flats sold (2.5% in 1Q 15).

Number of apartments sold

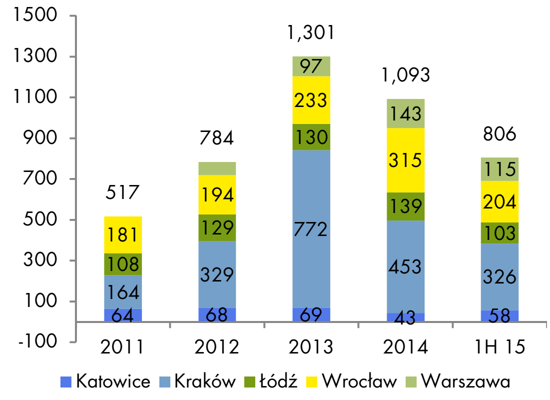


Source: Atal, Raiffeisen

Sales of flats

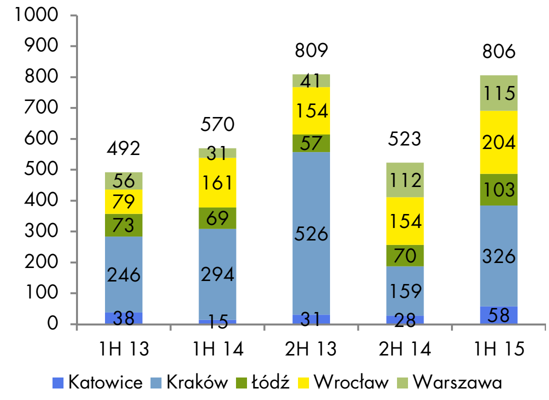
Historically, the highest number of apartments sold was recorded in Kraków with a 59% share of total flats sold in 2013 and 42% of the number of units sold in 2014. In 2014 Atal sold 453 units in Kraków, 315 apartments in Wrocław, 143 dwellings in Warsaw and 139 in Łódź. 4Q 14 brought sales of 78 flats in Warsaw, 89 units in Kraków, 76 in Wrocław and 43 in Łódź. While Kraków remains the most important city for Atal, we highlight the gradual increase of dwelling sales in Warsaw (78 units were sold in Warsaw in 4Q 14 – the best quarter on that market to date). In 1H 15 the structure was similar to previous quarters with Kraków again on top, followed by Wrocław and Warszawa.

Sales of apartments by city (2011-2014)



Source: Atal, Raiffeisen

Sales of apartments by city



Source: Atal, Raiffeisen

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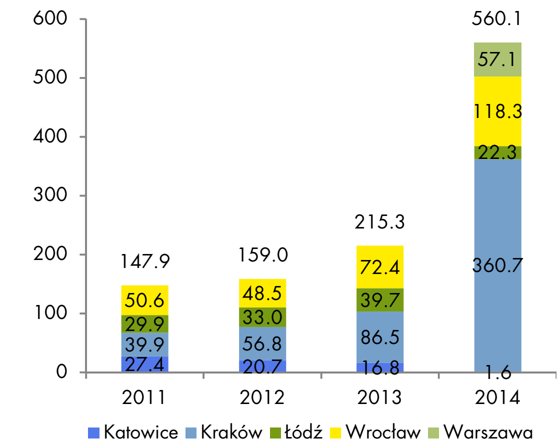
Revenues from apartment sales – as recognised

In 2014 Atal recognised revenues of PLN 361 mn on projects in Kraków (64% of total revenues from apartment sales). Due to the high margins of projects in Kraków (e.g. the large project City Towers Czyżyny and the start of handovers in the premium+ segment project Nadwiślańska 11 Apartamenty) the company realised an outstanding gross margin.

Revenues from apartment sales - split by city



Source: Atal, Raiffeisen

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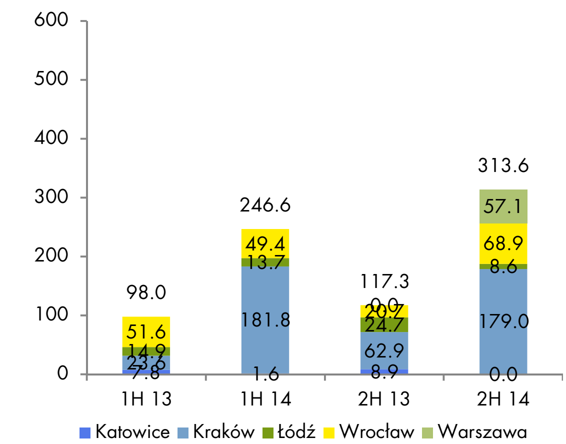
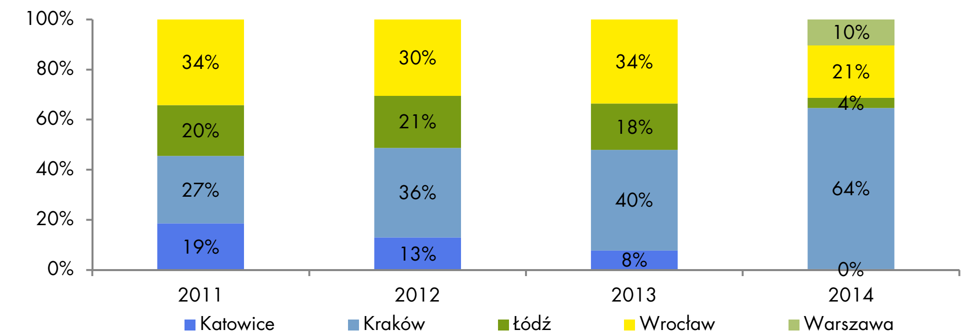


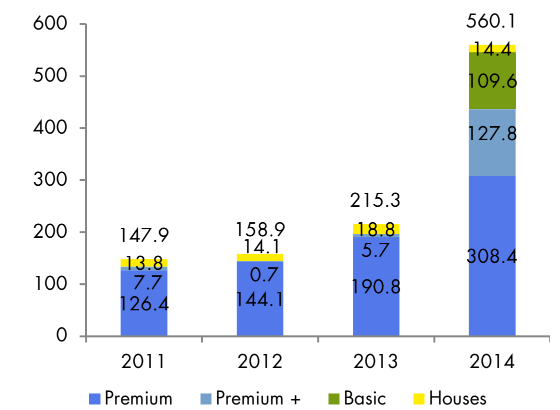
Source: Atal, Raiffeisen

Revenues from apartment sales – split by city in % of total



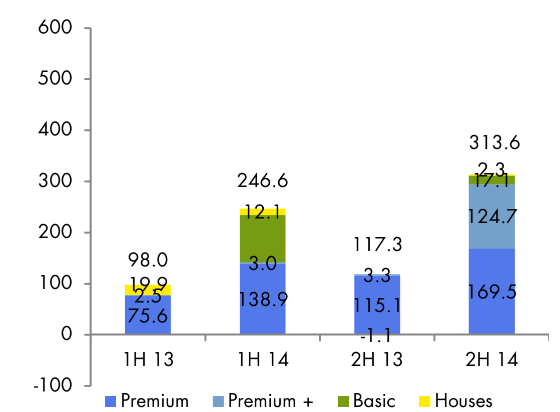
Source: Atal, Raiffeisen

Revenues from flat sales - split by segment



Source: Atal, Raiffeisen

Revenues from flat sales - split by segment



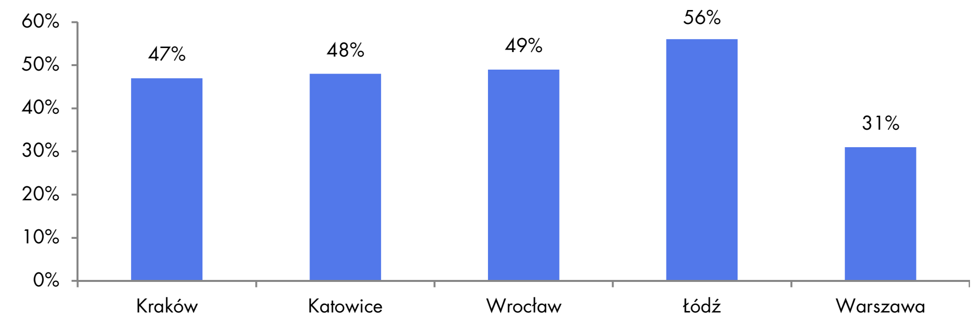
Source: Atal, Raiffeisen

Important: Please read the references at the end of this report to possible conflicts of interest and disclaimers/disclosures.

Atal focuses on the premium market

The majority of revenues in 2011-2014 was realised in premium segment projects. In 2014 premium+ projects represented a higher share than in the past (including the Nadwiślańska 11 Apartamenty project in Kraków). The classification of flats as presented by the company assumes 3 segments: 1) premium+: located in a city centre or a prestigious district with the highest standard and quality of materials used, 2) premium: located close to city centres or with good connection to the city centre and with the standards of architectural projects and building materials exceeding the basic segment, 3) basic: located mainly outside of the city centre but close to recreation areas and shopping centres with lower prices per sqm. Clients of each of the segment have an option to participate in Atal's interior design programme.

Share of flats completed within Atal design programme handed over in 2014

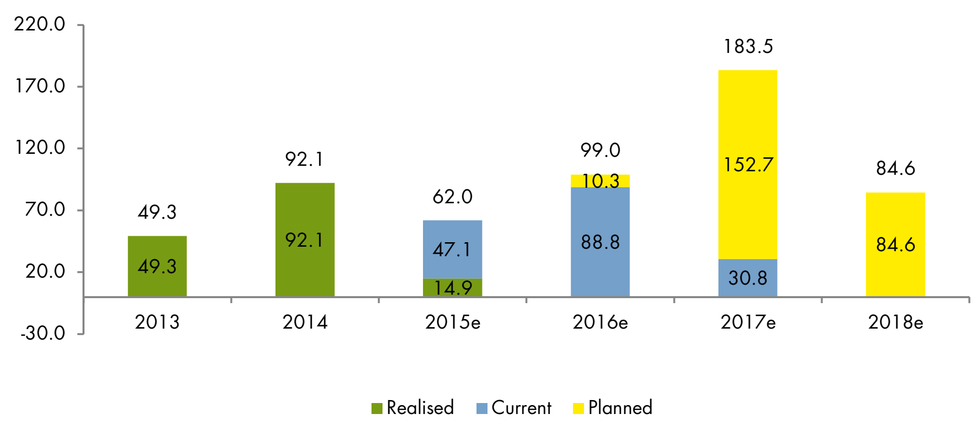


Source: Atal, Raiffeisen

Pipeline of existing projects assumes strong years in 2016 and 2017, further land purchases planned to boost sales in 2018 and afterwards

Atal has secured land plots for all of its currently planned projects (recently the company has finalised payment for Targówek project in Warsaw). It intends to complete projects comprising 62k sqm in 2015e (by "completion" of a project we understand the start of flats handovers – the pace of handovers is largely dependent on the pace of flat sales, but handovers and recognition of revenues cannot start before the completion of construction works and obtaining required permissions afterwards). Projects expected to be completed in 2016e are over 2.0x higher yoy in terms of sqm, while even stronger growth is expected in 2017e. As for the year 2018e and afterwards the company will simultaneously work on new land plot acquisitions in order to maintain the high number of apartments to be built. The strategic target is to sell approx. 1,500-1,800 flats per year in 2015e-2107e and 2,000-2,500 flats in 2018e-2020e. Due to the much higher margin generated by Atal compared with its largest competitors who sell almost 2k flats per year, we believe that the company may increase the scale of its activity and still remain a superior player in terms of margin.

Split by projects at expected project completion date (in thousand sqm)



Source: Atal, Raiffeisen

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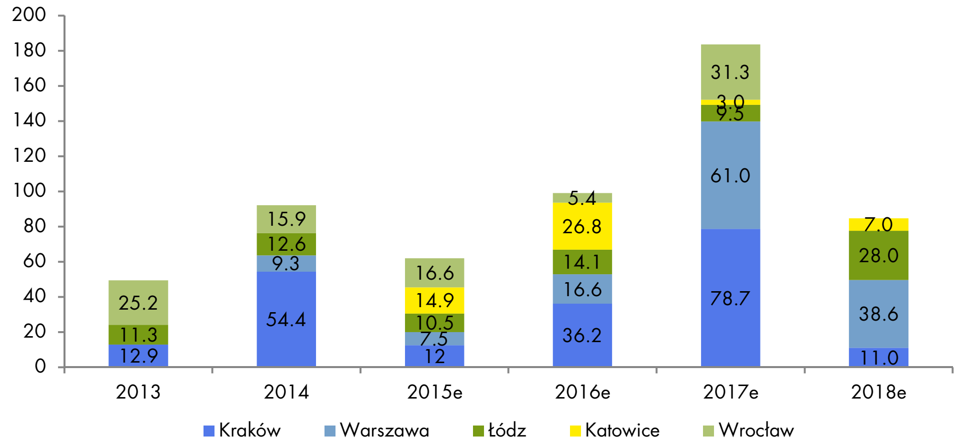
Structure of pipeline to peak in 2017, new plots to be acquired for projects to be completed in 2018 and afterwards

While the year 2015e may be weaker vs. 2014 in terms of project completion, the company plans a record-high level of sqm to be completed in 2016e and an even higher level in 2017e. As the planned projects include only investments where land is already secured the structure of projects to be completed in 2018e may change along with the new plot acquisitions.

City split by project at expected project completion date (in thousand sqm)

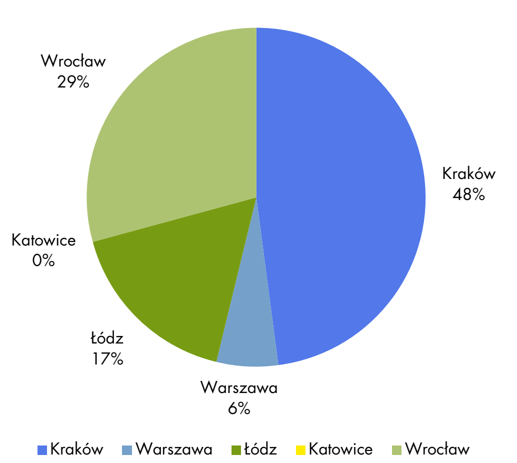


Source: Atal, Raiffeisen

Growing share of Warsaw in the project pipeline

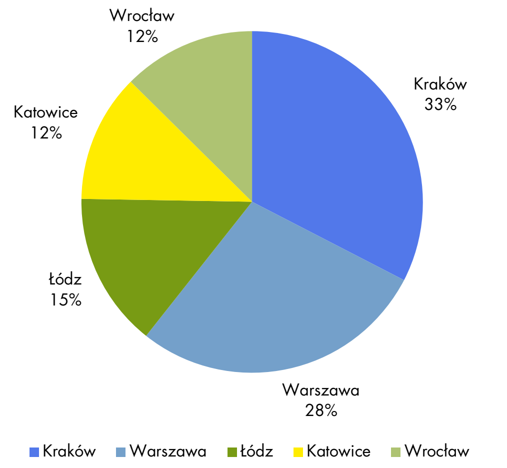
The structure of planned projects may change in 2015-2019e vs. the past two years (based only on the currently planned projects). The share of completed projects in Warsaw is to jump by 21%p to 28%, Kraków share may fall by 14%p to 32%, Wrocław is to drop by 17%p to 13%, Katowice may grow by 12%p, while the share of Łódź should stay roughly unchanged.

Structure of realised projects by sqm (completion in 2013-2014)



Source: Atal, Raiffeisen

Structure of planned projects by sqm (completion in 2015-2018e)



Source: Atal, Raiffeisen

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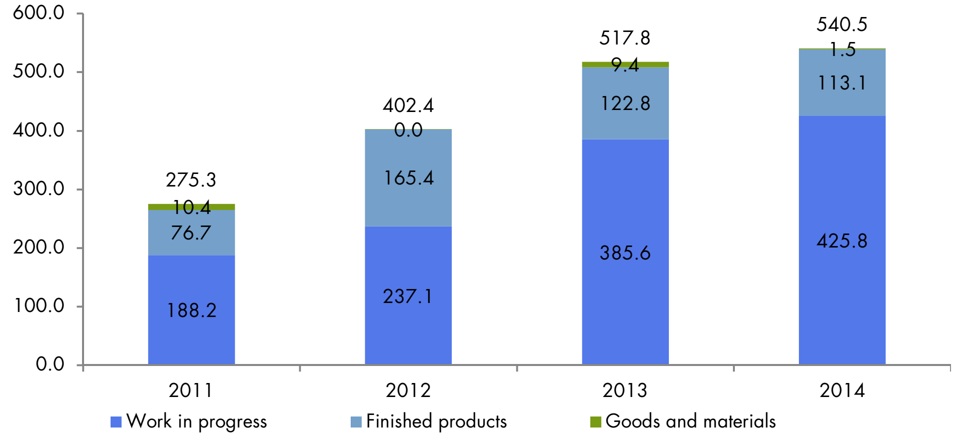
Inventories growth reflects increasing scale of activity

Atal increased its value of inventories from PLN 275 mn in 2011 to PLN 541 mn in 2014. Despite extraordinarily high handovers in 2014 compared with previous years, the level of inventories did not fall thanks to massive land purchases.

Development of inventories (PLN mn)

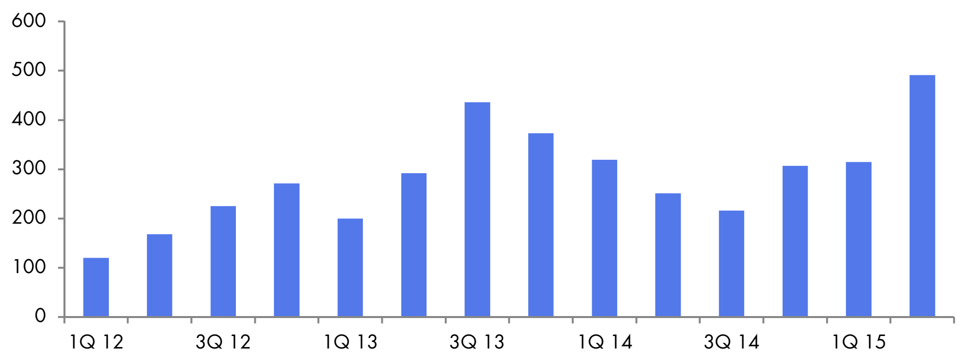


Source: Atal, Raiffeisen

Stable quarterly sales of flats

Atal sold between 216 and 319 flats depending on quarter in 2014, 315 in 1Q 15 and 491 in 2Q 15.

Dwellings sold on a quarterly basis



Source: Atal, Raiffeisen

No. of flats for sale in started investments

Atal had 2,240 flats unsold in started investments at the end of 2014 and 1,748 on June 30, 2015. At the end of August the number grew to 2,271 flats including 691 in Wrocław, 429 in Kraków, 425 in Łódź, 371 in Warszawa and 355 in Katowice.

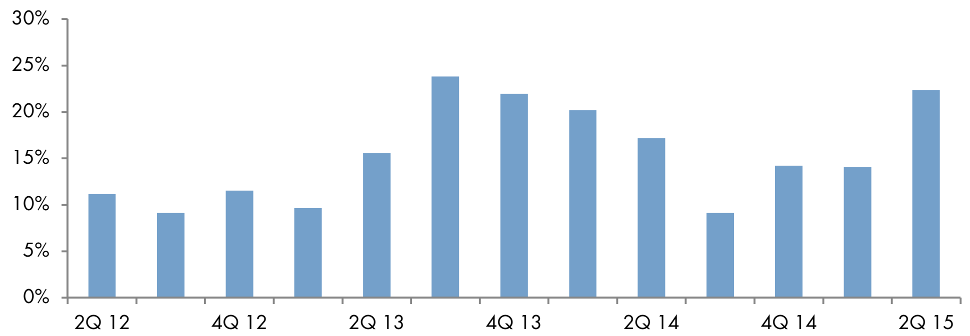
No. of flats unsold in started investments

Source: Atal, Raiffeisen

Share of offer sold per quarter

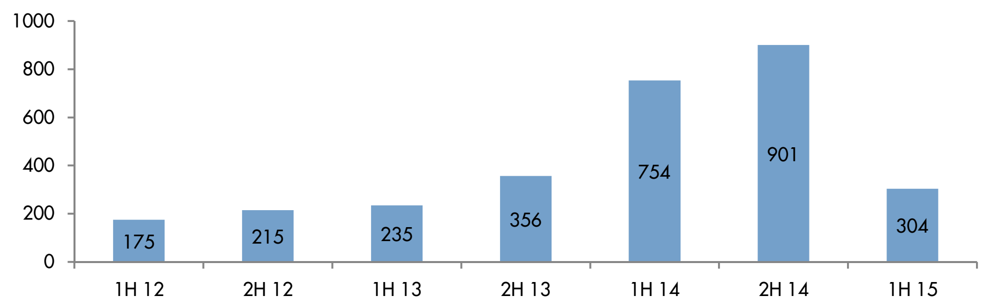
Atal was historically selling between 9% and 24% of its offer per quarter.

Share of offered flats sold per quarter



Source: Atal, Raiffeisen

Handovers of flats



Source: Atal, Raiffeisen

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Interior design programme

Atal Design

In order to meet the expectations of its customers Atal developed a comprehensive interior design programme for its clients who can select their desired standard, colour as well as type of finishing materials and fittings. A team of professionals takes care about details including a custom bathroom design, tiling, floor installation work, wall painting and door assembly. Varying prices are charged depending on the quality of the design – the solution is beneficial for both clients and Atal as a company receives discounts from suppliers and subcontractors due to the higher scale and could offer a wider choice for its customers, while clients save time and money – Atal has worked for years to fine-tune the concept and logistics of the system, and currently the programme is applied to approx. half of apartments sold.

3 finish standards in the programme

Atal offers three types of turnkey standards - 1) Standard Finish – there are 7 different bathroom tile arrangements to choose from along with a wide array of fittings which include various taps, bathtubs, sinks and shower cabins. The flooring solution includes different types of floor tiles and floor panels. In addition, there is a comprehensive catalogue of door types and colours, 2) Standard Plus Finish – a standard offer including extra bathroom tile collections, fixtures, panels, floor tiles, door types, 3) VIP Finish - designed for the most demanding customers, includes materials of the highest standard. An example of the price range assumes an extra fee of PLN 300 to PLN 500 per sqm of flat depending on the finish standard applied.

Example of interior design by Atal - Standard

Source: Atal

Example of interior design by Atal - VIP

Source: Atal

First dividend payment planned in 2016e from profits generated in 2015e

Dividend policy

The management plans dividend payments starting from the year 2016 (based on net profit from the year 2015e to be paid out in 2016e, after repayment of the bond B series, due to included covenants), subject to the current environment and financial standing of the company. A dividend in the amount of 40-50% is intended to be paid out on a yearly basis, which implies a yield of mid-single digit in the upcoming years.

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Commercial real estate owned in Katowice and Wrocław

Commercial activity

Commercial projects revenues accounted for 4% of consolidated sales in 2013 and 2% of sales in 2014. Atal does not plan to increase the scale of its activity in the segment and continues to book stable rental income with average vacancy rates of below 10%. Atal owns three objects including 2 in Wrocław and 1 in Katowice. The business centre in Wrocław (ul. Krakowska) is an office and warehouse complex with 10.2k sqm (13% of currently rented space is office space, 87% warehouse space, book value of PLN 22 mn). The second property located in Wrocław (ul. Armii Krajowej) has 11.6k sqm (39% is office space, 61% warehouse space, book value of PLN 49 mn) and a 91% commercialisation rate. In Katowice Atal has two buildings (ul. Porcelanowa) with 3.1k sqm of office space, 2.7k sqm of warehousing space and 130 parking places (book value of PLN 8 mn). The book value of the investment real estate in Atal amounted to PLN 85 mn at the end of 2014 (it included the above-mentioned real estate generating rental revenues as well as company's headquarters in Cieszyn city).

Real estate – Wrocław

Source: Atal

Real estate - Katowice

Source: Atal

The management board

Zbigniew Juroszek – CEO

Mr. Zbigniew Juroszek is the founder of Atal Group and has been its sole shareholder since 1990. He is responsible for the strategy development and its implementation as well as ongoing business management. Mr. Juroszek has 25-years of entrepreneurial experience including 15 years in the real estate business. At the beginning of his career Zbigniew Juroszek was involved in the wholesale textile and clothing industry as a supplier for leading Polish manufacturers. He is also the creator of the success of Star-Typ-Sport, the leading Polish sports betting company with 460 outlets across the country. Mr. Juroszek started his investments in the residential real estate market in Wrocław followed by other cities in southern Poland. Mr. Juroszek has been regularly listed among the 100 richest people in Poland, according to Forbes and Wprost magazines.

Mateusz Juroszek – deputy CEO

Mr. Mateusz Juroszek has 8 years of experience in real estate. He is responsible for strategic planning and implementation of marketing and PR activities for Atal Group. Mateusz Juroszek graduated from the top Polish business school - Kozminski University - and has a master's degree in strategic management. He gained experience in consulting companies including Horus Investment and BAA.

Description of major projects

Major projects – historical, present, planned

Below we present a brief list of the main projects realised by Atal followed by a description of projects under development and a list of planned projects. We also provide a short description of selected projects (investments where handovers have not been completed yet).

Projects realised in 2011 - 1H 15

Project	City	Purchase of land	Start of investment	End of investment	Sqm	Realised margin*
Ligota Park Apartamenty III	Katowice	Apr-07	3Q 09	1Q 11	11,402	44%
Nowe Polesie Apartamenty II	Łódź	Dec-10 - Oct 12	1Q 10	1Q 12	7,720	28%
Bronowice Residence I	Kraków	Apr-10	2Q 10	1Q 12	8,532	35%
Osiedle Mieszczańskie II (A&B)	Wrocław	Mar-11	2Q 10	1Q 13	11,618	27%
Bronowice Apartamenty II	Kraków	Nov-09	2Q 10	4Q 11	4,997	39%
Ville Murano Etap I-III	Wrocław	2006	2Q 10	1Q 13	17,818	11-12%
Bronowice Residence II	Kraków	Nov-11	4Q 10	4Q 12	8,322	32%
Apartamenty Agrestowa Aleja	Wrocław	Jul-10	1Q 11	4Q 12	7,070	18%
Nowe Polesie Apartamenty IIIA	Łódź	2010 - 2012	4Q 11	2Q 13	8,451	22%
Zielone Wojszyce	Wrocław	Mar-11	4Q 11	4Q 13	7,539	6%**
Nowy Żabiniec Apartamenty	Kraków	Feb-11	1Q 12	4Q 13	4,618	23%
Lindego Park Bronowice	Kraków	Oct-11	1Q 12	4Q 13	8,220	28%
City Towers Czyżyny	Kraków	2Q - 4Q 11	1Q 12	1Q 14	19,539	37%
Bronowice Residence III	Kraków	Jul-05	2Q 12	2Q 14	15,895	36%
ATAL Marina Apartamenty I	Warszawa	Jun-11	2Q 12	3Q 14	9,255	20%
Nadwiślańska 11 Apartamenty	Kraków	Jan-12	2Q 12	3Q 14	18,927	41%
Apartamenty Dyrekcyjna 33	Wrocław	Jan-12	3Q 12	3Q 14	12,197	33%
Ville Murano Etap IV	Wrocław	Dec-09	2Q 13	1Q 14	3,680	11%
Nowe Polesie Apartamenty IIIB	Łódź	2007-2013	4Q 12	4Q 14	12,594	30%
Francuska Park I	Katowice	2Q 13	3Q 13	2Q15	14,853	n.a.

*Source: Atal, Raiffeisen, *margin based on revenues and costs already booked in P&L, margin refers to profits realised by Atal S.A. (parent company, Polish accounting standards) as of 2014, **necessity to drain the land plot and move high voltage lines*

Projects currently being realised by Atal

Atal is currently realising a total of 22 projects on all of its 5 core markets. The number of flats/houses in the projects amounts to almost 3,000 while the total size as measured by square metres amounts to 187k sqm. In 1H 15 Atal introduced 8 projects for sale.

Projects under development

Project	City	Purchase of land	Start of investment	End of investment	No. of flats	Sqm
Chojny Park Etap I	Łódź	3Q 13	4Q 13	4Q 15	172	10,519
Dmowskiego 19	Wrocław	1Q 12	4Q 13	4Q 15	173	10,273
Francuska Park II	Katowice	2Q 13	1Q 14	1Q 16	248	15,612
Walewska 4 Residence	Warszawa	2Q 13	3Q 14	3Q 15	43	2,336
City Towers Czyżyny II	Kraków	3Q 11	1Q 14	4Q 15	181	10,500
Stara Odra Residence I	Wrocław	1Q 14	3Q 13	3Q 15	89	6,335
Nowe Bemowo	Warszawa	2Q 14	2Q 14	4Q 14	90	5,180
Bagry Park I	Kraków	3Q 13	3Q 14	2Q 16	222	14,177
Oaza Wilanów I	Warszawa	1Q 14	4Q 14	2Q 16	91	6,370
Stara Odra Residence II	Wrocław	1Q 14	3Q 14	4Q 16	94	5,407
Bronowice Residence IV	Kraków	2Q 13 - 4Q 14	3Q 14	3Q 16	119	6,700
Francuska Park III	Katowice	2Q 13	1Q 14	4Q 16	171	11,223
Atal Towers I (Sikorskiego I)	Wrocław	1Q 14	4Q 14	4Q 16	179	9,937
Bronowice DOMY	Kraków	1Q 14	2Q 14	3Q 15	14	1,960
Chojny Park IIA	Łódź	3Q 14	4Q 14	4Q 16	236	14,050
Oaza Wilanów II	Warszawa	3Q 14	1Q 15	4Q 16	162	10,213
Bagry Park II	Kraków	3Q 13	1Q 15	4Q 16	233	14,240
Masarska I	Kraków	3Q 13	2Q 15	2Q 17	109	7,150
Atal Marina II	Warszawa	4Q 12	2Q 15	2Q 17	244	13,700
Bronowice Residence IVB	Kraków	1Q 14	2Q 15	2Q 16	22	1,050
Bronowice Residence V	Kraków	3Q 14	2Q 15	1Q 17	20	1,200
Lazurowy Park Bronowice (Filtrowa)	Kraków	2Q 14	1Q 16	3Q 17	149	9,000

Source: Atal, Raiffeisen estimates

Warsaw – Oaza Wilanów

The investment is located in Wilanów district and comprises 8 4-floor buildings encompassing 456 dwellings sized from 39 sqm to 116 sqm and 16 commercial outlets. The underground parking garage boast 713 parking spaces. Three stages of the project comprise nearly 30k of usable floor space.

Oaza Wilanów in Warsaw – stage I highlighted

Source: Atal, Raiffeisen

Other projects in Warsaw include the multi-stage investments Atal Marina, Walewska Residence, Nowe Bemowo, Bartycka and Targówek

Atal Marina was the first investment of Atal in Warsaw. The multi-stage project is located in Białołęka district in the proximity of Żerański channel that is directly linked with Zegrze Lake (Zalew Zegrzyński) reservoir, a popular recreation place for the residents of Warsaw. Walewska Residence is a successful project in Praga Poludnie district with a very quick connection to the city centre. Nowe Bemowo is located in Bemowo district and will be attractively connected with the new business district (numerous office skyscrapers under construction) in the Wola area. Other projects in the pipeline include the Bartycka investment and the Targówek project. Atal intends to increase its market share on the Warsaw real estate market, and further land purchases may be conducted in the upcoming years.

Nowe Bemowo - Warsaw

Source: Atal

Atal Marina - Warsaw

Source: Atal

Important: Please read the references at the end of this report to possible conflicts of interest and disclaimers/disclosures.

Kraków – Bagry

Bagry project is a multi-stage investment with about 41k sqm of floor space in a green district of Podgórze. The complex of 11 buildings is located in close proximity to Bagry reservoir. The Bagry project represents almost 30% of Atal's portfolio to be finalised in Kraków in 2015-2018.

Kraków – Nadwiślańska 11 Apartamenty

Nadwiślanska project (19k sqm) is located in close proximity to the historical city centre, next to Vistula river. The project was completed in 2014 and generated a high-margin of nearly 40% that is largely reflected FY 14 results (79% of total sqm of the project handed over in 2014).

Bagry - Kraków

Source: Atal

Nadwiślanska 11 Apartamenty - Kraków

Source: Atal

Kraków – Bronowice Residence

Bronowice Residence is a multi-phase project encompassing both flats (stages I-IV) and houses (stage V). The fourth stage is scheduled for completion in 2016e (7k sqm), while houses (2k sqm) are expected to be completed in 2015e.

Kraków – City Towers Czyżyny

The first phase of City Towers Czyżyny was completed in 2014 and the investment is almost fully sold out. The second stage of the investment comprising 10.5k sqm of usable floor area is scheduled for completion in 4Q 2015e.

Bronowice Residence - Kraków

Source: Atal

City Towers Czyżyny - Kraków

Source: Atal

Kraków – other projects include locations at Masarska, Armii Krajowej, Filtrowa, Bajeczna, Prądnicka

Kraków – other projects in the pipeline include locations at Masarska, Armii Krajowej, Filtrowa, Bajeczna and Prądnicka. Atal has secured a number of land plots in order to maintain its leadership position in the city.

Katowice – Francuska Park

Five stages of the project to be gradually completed in 2015-2018 are Atal's only investment in Katowice scheduled for completion in 2015-2019 but represent 12% of the usable floor space of projects already in the pipeline for that period (the current pipeline does not include to-be-announced projects for that period). The share in revenues may be lower given that expected average prices per sqm in Katowice are relatively cheaper compared with the largest cities. The project is located close to the largest inner-city green area in Poland and near the office complex developed by Echo Investment and newly rented by IBM, where the company planned to employ over 2,000 new staff members by the end of 2015e.

Francuska Park - Katowice

Source: Atal

Francuska Park under construction

Source: Atal

Łódź – Nowe Polesie and Chojny Park

Two projects in the city of Łódź realised by Atal are characterised by a relatively low price (investments eligible for support under the government's MdM housing subsidy programme) but also very low cost of land. Nowe Polesie flats are mostly sold out, while Chojny Park is divided into three stages to be gradually completed in 2015-2017e (total floor space of 25k sqm).

Łódź – Chojny Park

Source: Atal

Łódź – Nowe Polesie

Source: Atal

Łódź and Katowice – other projects

On top of the aforementioned multi-stage projects developed in Katowice and Łódź Atal has only one additional project in the two cities – an investment located on Pomorska street in Łódź and scheduled for completion in 2017-2018e.

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Wrocław – 2 projects to be completed in 2015e

Atal plans to complete two investments in Wrocław in 2015e - Dmowskiego 19 (10k sqm) and Stara Odra stage I (6k sqm).

Dmowskiego 19 - Wrocław

Source: Atal

Stara Odra - Wrocław

Source: Atal

Wrocław – new projects in very good locations

Atal's pipeline in Wrocław includes investments located close to the Odra river in the central area of the city. As a result, the average selling prices are higher than the company's projects in other cities with the exception of Warsaw. In 2016-2017 the company plans to complete stage II of its Stara Odra project (5k sqm) followed by the first phase of the Atal Towers project (10k sqm). On top of the projects listed below Atal already secured land plots in Kraków and is finalising transactions in other cities.

Planned projects – based on secured land plots

Project	City	Purchase of land	Start of investment	End of investment	Sqm
Bagry Park III	Kraków	3Q 14	2Q 15	1Q 17	4,500
Armii Krajowej I	Kraków	3Q 14	3Q 15	2Q 17	8,000
Masarska II	Kraków	3Q 13	3Q 15	3Q 17	6,850
Bagry Park IV	Kraków	3Q 13	4Q 15	2Q 17	8,000
Bajeczna I	Kraków	2Q 14	3Q 15	2Q 17	10,500
Atal Towers II	Wrocław	1Q 14	3Q 15	2Q 17	16,000
Atal Marina IIIA	Warszawa	1Q 14	3Q 15	2Q 17	9,000
Atal Marina IIIB	Warszawa	1Q 14	1Q 16	3Q 17	12,000
Oaza Wilanów III	Warszawa	1Q 14	4Q 15	3Q 17	13,334
Bartycka	Warszawa	2Q 13 - 4Q 14	1Q 16	4Q 17	6,200
Bajeczna II	Kraków	2Q 14	1Q 16	4Q 17	8,000
Prądnicka	Kraków	4Q 14	1Q 16	4Q 17	4,500
Nowe Żerniki	Wrocław	4Q 14	1Q 16	4Q 17	5,400
Targówek I	Warszawa	1Q 15	1Q 16	4Q 17	6,700
Armii Krajowej II	Kraków	3Q 14	1Q 16	4Q 17	11,000
Pomorska I	Łódź	2Q 14	4Q 15	4Q 17	9,500
Francuska Park IV	Katowice	2Q 14	1Q 16	4Q 17	3,000
Francuska Park V	Katowice	2Q 14	2Q 16	1Q 18	7,000
Armii Krajowej III	Kraków	3Q 14	3Q 16	2Q 18	11,000
Pomorska II	Łódź	2Q 14	2Q 16	2Q 18	16,125
Targówek II	Warszawa	1Q 15	1Q 17	4Q 18	7,100
Pomorska III	Łódź	2Q 14	1Q 17	4Q 18	11,875
Targówek III	Warszawa	1Q 15	2Q 17	4Q 18	27,000

Source: Atal, Raiffeisen estimates

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Overview of the Polish residential real estate market

Polish residential market approaches 14 mn dwellings

The number of dwellings in Poland amounted to 13.9 mn in 2013. The average number of dwellings per 1,000 population amounted to 401 in urban areas and 296 in rural areas. It was constantly growing in the period 2008-2013. The average usable floor space per dwelling is also on an upward trend - with stronger dynamics in rural areas, though. The average size of a dwelling in urban areas amounted to 64 sqm in 2013. According to the definition by the statistical office (GUS), a dwelling is a space for permanent residence - built or remodelled for residential purposes for a single family, structurally separated (by permanent walls) within a building, into which a separate entrance exits from a staircase, passage, common hall or directly from the street, courtyard or garden; consisting of premises comprising one or several rooms and auxiliary spaces (i.e.: foyers, hall, bathroom, toilet, wardrobe, pantry, closet). A dwelling in a residence for communities is understood as a unit, which is designated for the permanent residence of the owner, administrator or employees of this building and their families and which comprises separate households.

Dwellings in Poland

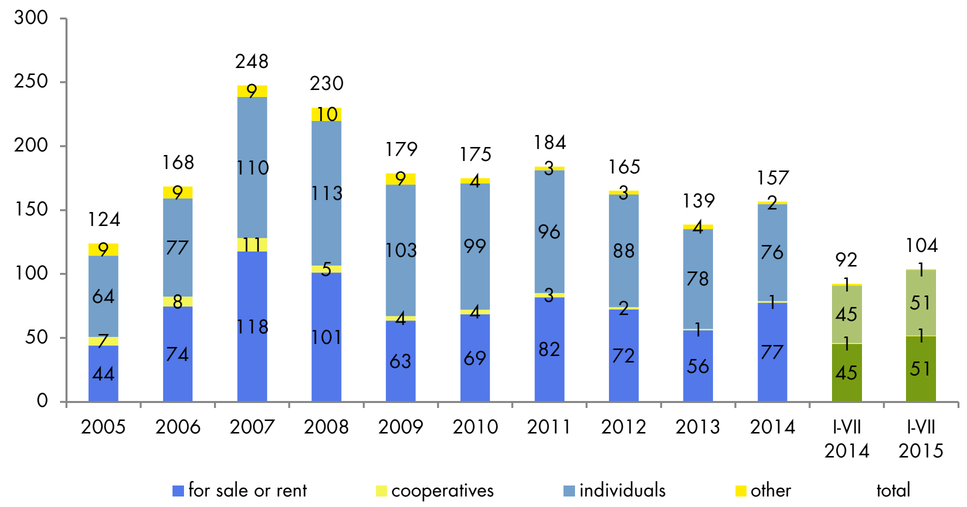
	2008*	2009*	2010	2011	2012	2013	CAGR
Dwellings in thousands	13,198	13,350	13,470	13,587	13,723	13,853	1.0%
No. of dwellings per 1,000 population	343	347	350	353	356	360	1.0%
urban areas	379	384	388	392	397	401	1.1%
rural areas	287	288	290	292	294	296	0.7%
Average useful floor space in sqm	71.6	71.9	72.3	72.6	72.8	73.1	0.4%
urban areas	63.1	63.4	63.6	63.8	63.9	64.1	0.3%
rural areas	89.2	89.7	90.3	90.8	91.3	91.8	0.6%

*Source: GUS, Raiffeisen, *figures rebased to 2010 considering the results of the national census 2011*

Building permits on the rise in 2014 and ytd in 2015

The total number of dwellings being part of investments that received building permits amounted to 139k in 2013, thereof dwellings for sale or rent amounted to 56k (residential developers). Individual, private investments obtained 78k permits, while the number of other forms of investments was rather negligible. In 2014 the number of dwellings that received construction permits grew by 16% yoy, fully driven by developers – the figure in the "for sale or rent" category jumped by 36% yoy from 56k to 77k.

Building permits granted (in '000 dwellings)



Source: GUS, Raiffeisen

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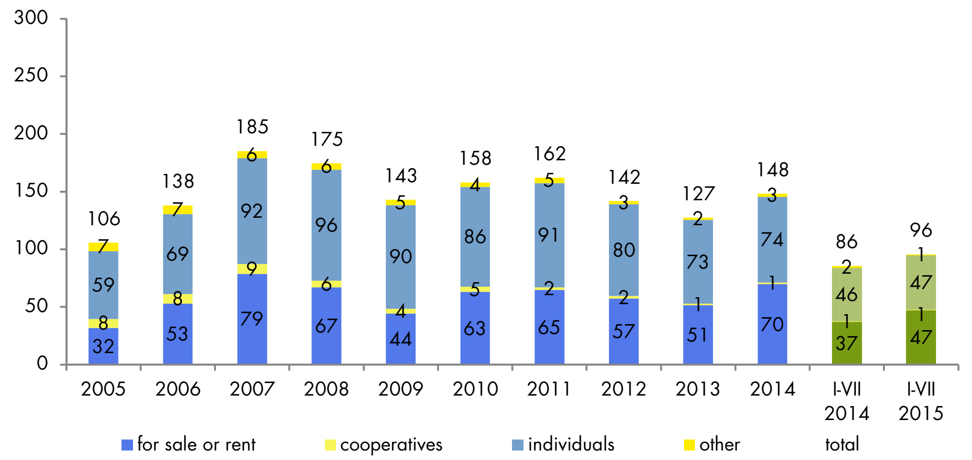
Back to growth in dwellings started after bottoming out in 2013

The number of dwelling construction starts grew by a similar amount as construction permits in 2014. The increase was again driven by residential developers. The positive trend have been unchanged in Jan-Jul 2015.

Number of dwellings started (in '000)

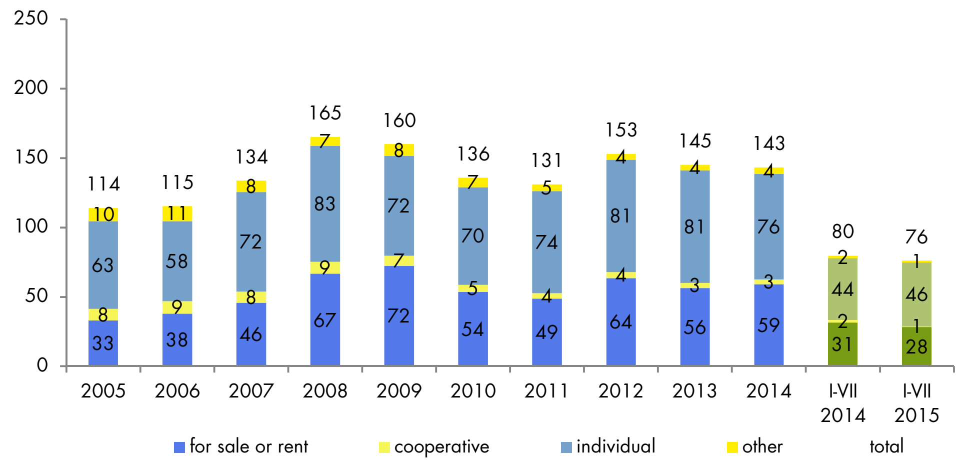


Source: GUS, Raiffeisen

Stable number of completed dwellings in 2014 vs. the previous year

Completed dwellings reflect the historical figure of started investments. The construction period for flats for sale or rent lasted on average 25 months based on statistics for flats completed in 2013. Individual investments are characterised by a much longer construction period (on average 4 to 5 years).

Completed dwellings ('000)



Source: GUS, Raiffeisen

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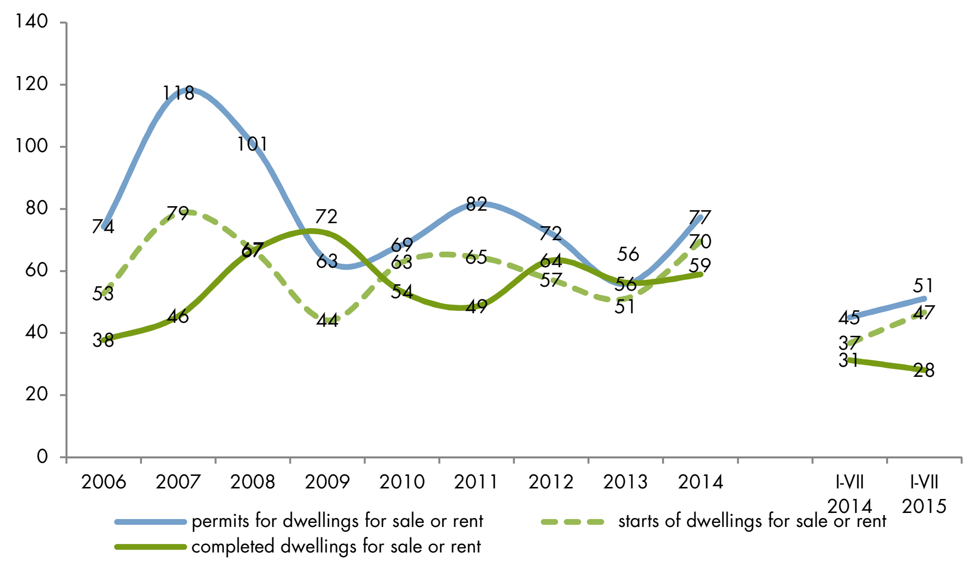
Dwellings for sale or rent – growing number of started projects

The number of dwelling construction permits and of launched investments for sale or rent increased by over 35% yoy in 2014, rebounding after the weakness in 2013.

Dwellings for sale or rent – permits granted, started and completed (in '000)

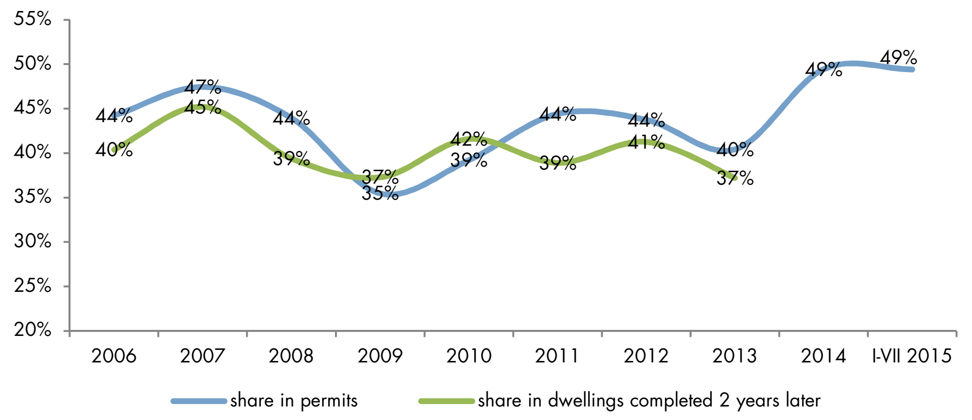


Source: GUS, Raiffeisen

Share of permits granted for developers in total number of dwellings returned to levels seen in the year 2007

The share of permits granted for flats for sale or rent grew to 49% in 2014, which implies large supply of dwellings constructed by developers in total completed dwellings in 2016 (2-year time lag).

Share of developers (dwellings for sale or rent) in total dwellings (permits granted)



Source: GUS, Raiffeisen

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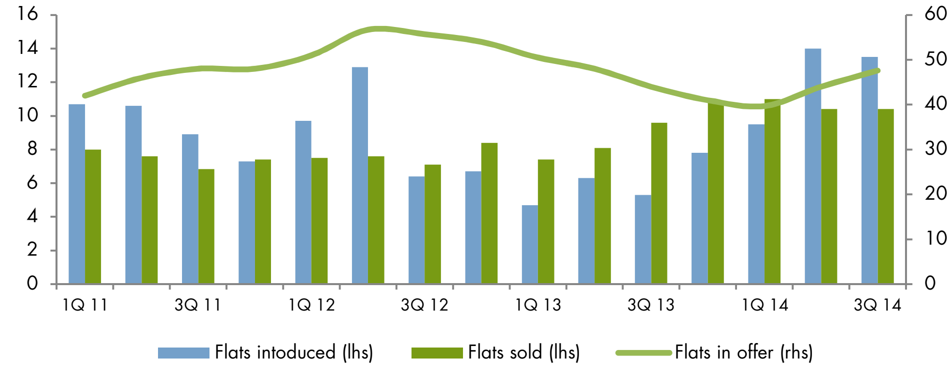
Offer of flats in major cities in Poland

The number of flats available for sale by developers (flats in offer) exceeded 50k in 2Q 14.

Flats introduced, sold and in offer in major cities in Poland (in '000)

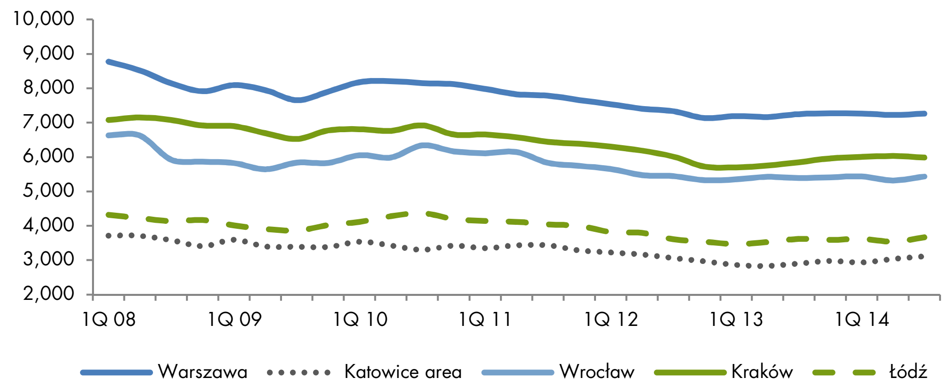


Source: Atal, Raiffeisen

Prices of apartments returned to growth

Average prices in the largest cities bottomed out at the beginning of 2013 and started to grow at a small pace afterwards.

Average transaction prices in selected cities (PLN/sqm)



Source: Atal, Raiffeisen

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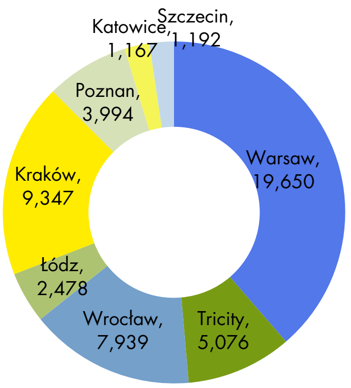
Majority of flats for sale are projects which are not yet completed

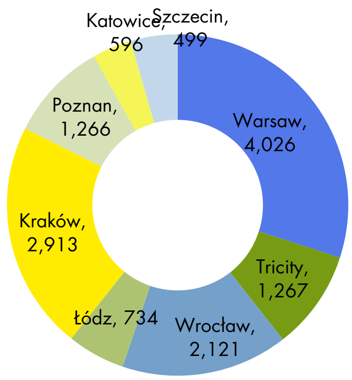
The largest choice as measured by the number of available apartments is found in Warsaw, followed by Kraków and Wrocław. The higher share of cities like Szczecin or Lódź in completed projects implies that transactions are more often conducted after investments are finished, while Warsaw is distinguished by a higher share of dwellings that are sold when construction is still under way.

Offer of flats for sale (total offer, as of November 2014)



Source: Rzeczpospolita, Raiffeisen

Offer of flats for sale (completed projects, as of November 2014)



Source: Rzeczpospolita, Raiffeisen

Falling number of dwellings completed but not sold at the end of the year denotes strong demand

According to a report published by consultancy firm REAS cited by "Puls Biznesu", developers sold 43k dwellings in Warsaw, Kraków, Tricity, Wrocław and Łódź in 2014. At the same time, they introduced 47.5k dwellings into the sale offer - nearly 50% more than in 2013. The number of dwellings completed but not sold amounts to 11k (24% of the offer), compared with 35% of the offer a year before.

The year 2014 was supported by MdM programme and banking law changes

The year 2014 was decent for developers, but partly supported by the government's MdM programme ("Mieszkanie dla Młodych" meaning "Flat for the young") that allows for a 10% to even 20% subsidy for dwellings bought on the primary market depending on the number of children for people aged below 35 (however, a number of restrictions are included, like maximum price per sqm of flats to be qualified for the programme, size of the flat, etc.). The scheme entered into force in 2014. Another supportive factor for the market in 2014 was the expected change in mortgage requirements due to a 10% down-payment prerequisite introduced in January 2015 (for mortgage loans granted by the end of 2014 the loan-to-value ratio should not exceed 95%, for loans granted in 2015 it should be capped at 90%, while for mortgages granted in 2016 it should not be higher than 85% or 90% provided that the amount exceeding 85% is adequately secured). MdM programme is scheduled to last until the year 2018.

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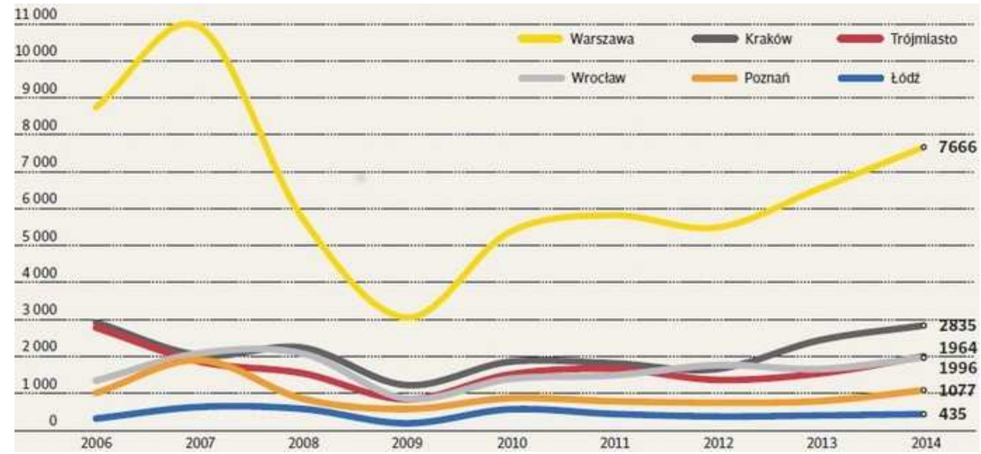
Warsaw and Kraków are the two largest markets for residential developers

A more detailed look at the Polish primary market reveals that there was a noticeable decline in the period 2008-2009 following the peak in 2007. The market accelerated in 2014 and its value remains highest in Warszaw followed by Kraków, Wrocław and Tricity (Trójmiasto - Gdańsk, Sopot, Gdynia).

Value of the primary market in the largest cities (PLN mn)

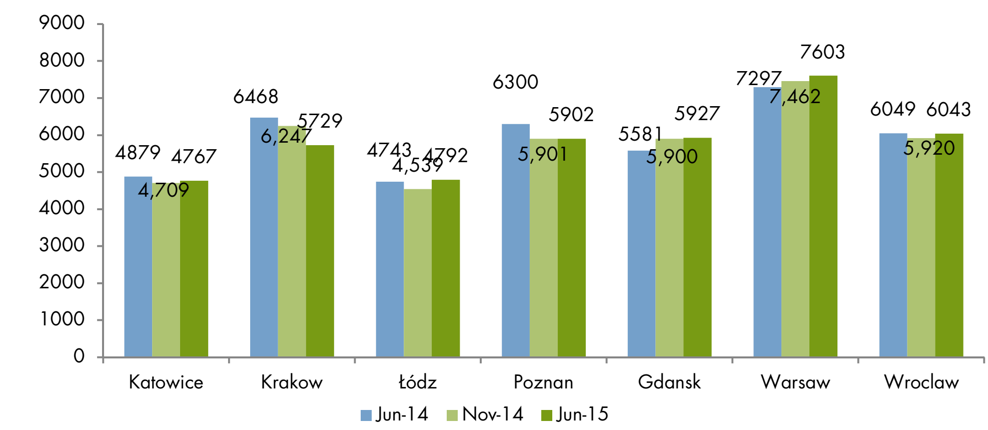


Source: REAS, Puls Biznesu

Minor changes in transaction prices noticeable in 2014-2015

The prices of flats sold on the primary market varied between the cities, with Warsaw and Kraków being the most expensive, while Katowice and Łódź the cheapest among the largest Polish cities. No major hikes of average prices occurred in most of the cities.

Average price of flats sold on the primary market (PLN/sqm)



Source: Rzeczpospolita

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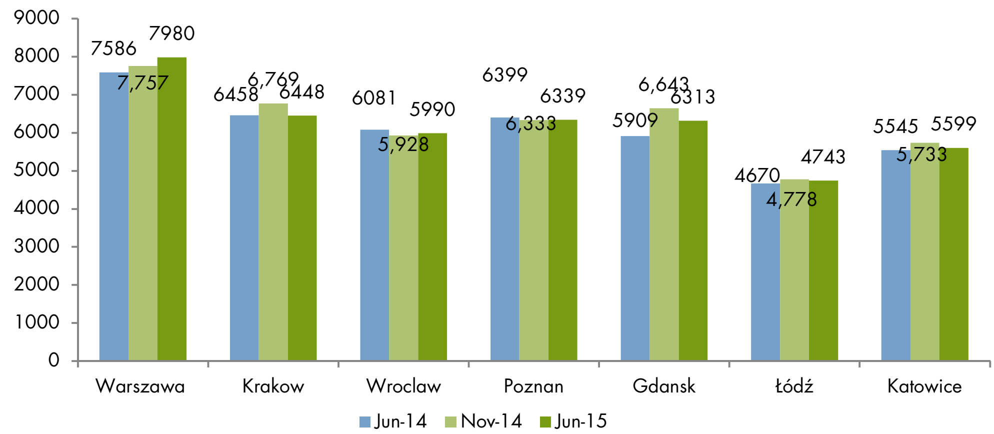
Average offer prices on the rise in Warsaw

The growth of offer prices on the primary market is not significant – only Warsaw showed considerable increase of prices, while changes on other markets were rather minor.

Average offer price of flats on the primary market (PLN/sqm)

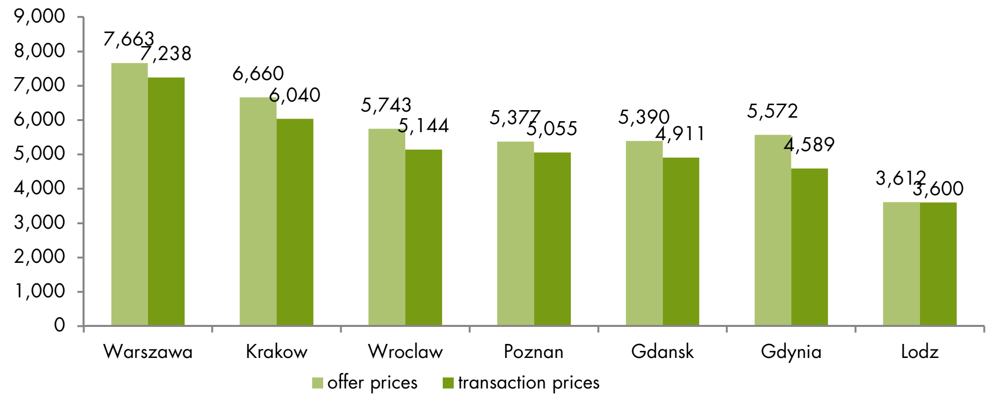


Source: Rzeczpospolita

Secondary market prices

Below we show offer and transaction prices for the secondary market transactions in selected major cities in the period September – November 2014. The smallest difference between offer and transaction prices was visible in the cheapest city of Łódź, while the largest discounts in percentage terms were offered in Gdynia and Kraków.

Average price of apartments on the secondary market (offer price vs. transaction price)



Source: Rzeczpospolita

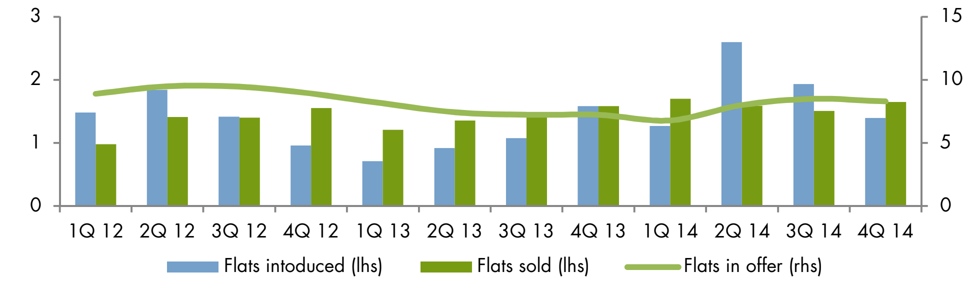
Flats introduced, sold and in offer in Warsaw (in '000)

Source: Atal, REAS, Raiffeisen

Flats introduced, sold and in offer in Kraków (in '000)

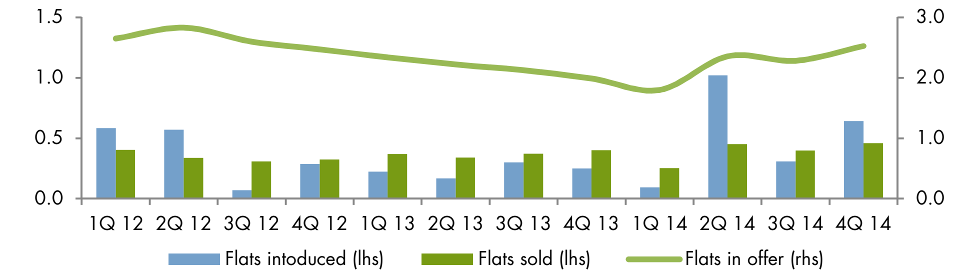
Source: Atal, REAS, Raiffeisen

Flats introduced, sold and in offer in Wrocław (in '000)



Source: Atal, REAS, Raiffeisen

Flats introduced, sold and in offer in Łódź (in '000)



Source: Atal, REAS, Raiffeisen

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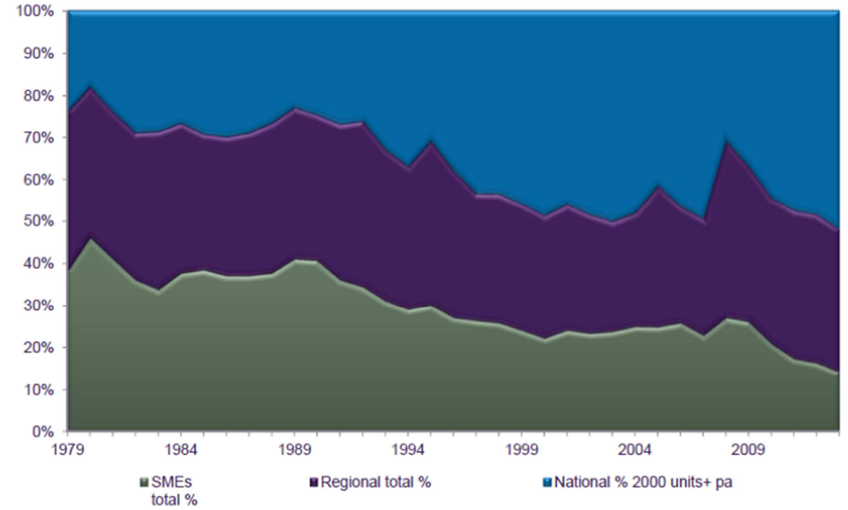
Largest players may increase market share

Market shares of the largest homebuilders were historically growing on more developed markets. Below we show an example from the UK where largest players gradually increased their shares over latest 30 years – we are therefore cautious about Atal and its market position, considering large scale and superior margins.

Market share of major developers in the UK vs. smaller players



Source: Taylor Wimpey

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Planning model

We assume a gradual acceleration in handovers in 2015e-2017e

In this section, we present our detailed planning model for the years 2015e-2019e. We included all projects currently developed and planned by Atal. We predict revenues based on assumptions of average prices per sqm for each project and size of usable floor space in the planned projects. We also estimate gross margins for each project based on approximated land costs, construction costs as well as financing and other costs.

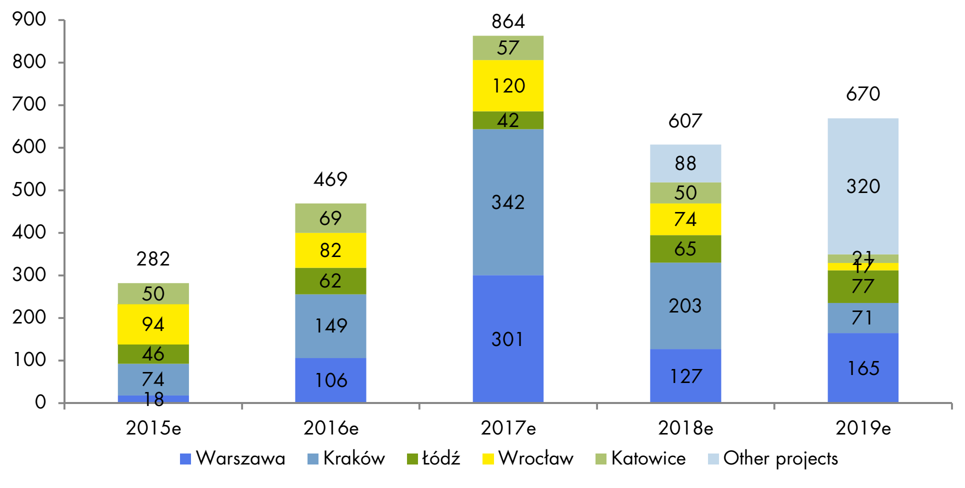
Weaker year ahead in Warsaw and Kraków followed by growing number of project completions in 2016-2017e

The structure of projects implies that the year 2015e will be weaker vs. the previous year and the following years in Warsaw and Kraków given the expected timing of handovers. We expect an acceleration to take place in 2016e and forecast an even better result in 2017e. We believe that cheaply acquired land plots and the absence of pricing pressure in terms of construction materials coupled with only a small increase of wages may help to achieve a relatively attractive gross profit margin exceeding 27% in 2016-2018e. We expect that price growth of new apartments may drop to 1% in the mid-term and reach 1.5% growth afterwards (however, we are more bullish regarding Warsaw) and reckon with 2% cost inflation in terms of materials costs as well as 4-5% growth in workforce costs. Our estimates for 2015e assume margins in FY comparable to surprisingly strong 1H 15 margins thanks to to above-average profitability of Walewska Residence (Warsaw) or projects in Łódź (low construction costs) and reckon with a still healthy margin generated on sales of remaining apartments in the Nadwiślańska Apartamenty complex in Kraków and Dyrekcyjna in Wrocław. We assume that average gross margin in 2015-2019e may vary depending on the city with the lowest average margin in Katowice (around 25%) and highest in Kraków (approx. 30%).

New projects not included in the pipeline to have an impact on figures in 2019e

We assume that Atal will continue to purchase land plots at a higher price vs. those currently held (growth by approx. 3%p vs. revenues implying a decline in profit margins in the long term) and reckon that almost half of sales in 2019e will be generated from the new projects with land purchased in 2015 or afterwards.

Revenues split by city (in PLN mn)



Source: Raiffeisen estimates

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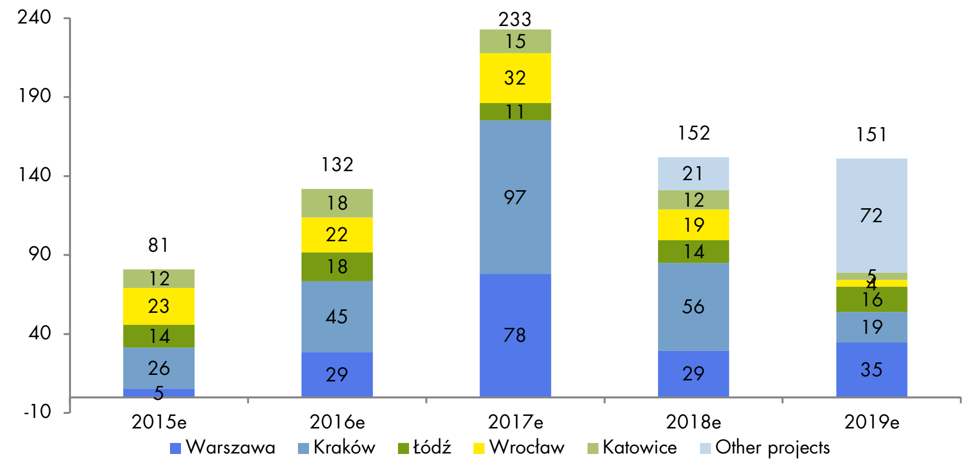
Gross profit split by city (in PLN mn)



Source: Raiffeisen estimates

Atal planning model

PLN mn	*2015e*	*2016e*	*2017e*	*2018e*	*2019e*
Revenues on development, thereof:	282	469	864	607	670
Warszawa	18	106	301	127	165
Kraków	74	149	342	203	71
Łódź	46	62	42	65	77
Wrocław	94	82	120	74	17
Katowice	50	69	57	50	21
Other projects	0	0	0	88	320
Warszawa – share in revenues	6%	23%	35%	21%	25%
Kraków – share in revenues	26%	32%	40%	33%	11%
Łódź – share in revenues	16%	13%	5%	11%	11%
Wrocław – share in revenues	33%	17%	14%	12%	2%
Katowice – share in revenues	18%	15%	7%	8%	3%
Other projects – share in revenues	0%	0%	0%	15%	48%
No. of handovers – flats recognition	942	1,381	2,367	1,750	1,929
Workforce cost inflation	4.0%	4.0%	5.0%	5.0%	5.0%
Materials cost inflation	-2.0%	2.0%	2.0%	2.0%	2.0%
Sqm price growth for new projects	2.0%	2.0%	2.0%	1.0%	1.0%
Rental and other revenues	12	12	12	12	12
Total Revenues	294	481	876	620	682
COGS	207	344	637	462	525
Gross profit from sales	86	137	238	157	157
Gross profit on development, thereof:	81	132	233	152	151
Warszawa	5	29	78	29	35
Kraków	26	45	97	56	19
Łódź	14	18	11	14	16
Wrocław	23	22	32	19	4
Katowice	12	18	15	12	5
Other projects	0	0	0	21	72
G&A costs	8	10	11	13	14
Selling costs	11	14	22	19	22
Other operating income/costs	0	0	0	0	0
EBIT	68	113	205	126	121
Net profit	51	85	160	96	91

Source: Atal, Raiffeisen estimates

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Atal planning model – revenues on development activity

PLN mn	City	Av. price*	2015e	2016e	2017e	2018e	2019e
Revenues on development activity			282	469	864	607	670
Projects realised before eof 2014			117	19	0	0	0
Current and planned projects			165	451	864	518	331
Francuska Park I	Katowice	5,050	50	19	8	0	0
Chojny Park Etap I	Łódź	4,450	5	32	11	0	0
Dmowskiego 19	Wrocław	5,720	18	33	7	2	0
Francuska Park II	Katowice	4,800	0	42	21	13	0
Walewska 4 Residence	Warszawa	7,200	16	1	0	0	0
City Towers Czyżyny II	Kraków	5,500	38	19	2	0	0
Stara Odra Residence I	Wrocław	6,100	29	8	1	1	0
Nowe Bemowo	Warszawa	5,740	1	29	0	0	0
Bagry Park I	Kraków	5,700	0	72	10	1	0
Oaza Wilanów I	Warszawa	6,200	0	40	0	0	0
Stara Odra Residence II	Wrocław	6,050	0	20	8	5	0
Bronowice Residence IV	Kraków	5,900	0	38	1	1	0
Francuska Park III	Katowice	4,800	0	8	27	15	4
Atal Towers I	Wrocław	6,348	0	16	45	3	0
Bronowice DOMY	Kraków	4,900	8	1	0	0	0
Chojny Park II	Łódź	4,400	0	17	29	14	3
Oaza Wilanów II	Warszawa	6,250	0	36	27	2	0
Bagry Park II	Kraków	5,700	0	17	54	11	2
Masarska I	Kraków	7,176	0	0	50	3	0
Atal Marina II	Warszawa	6,036	0	0	78	7	0
Bronowice Residence IVB	Kraków	5,900	0	3	3	0	0
Bronowice Residence V	Kraków	5,850	0	0	6	1	0
Bagry Park III	Kraków	5,685	0	0	21	4	1
Armii Krajowej I	Kraków	5,788	0	0	33	14	0
Bagry Park IV	Kraków	5,660	0	0	33	8	5
Masarska II	Kraków	6,976	0	0	39	8	1
Lazurowy Park (Filtrowa)	Kraków	5,838	0	0	27	19	6
Bajeczna I	Kraków	5,749	0	0	40	18	3
Atal Towers II	Wrocław	6,780	0	0	55	44	9
Atal Marina IIIA	Warszawa	6,016	0	0	44	9	2
Atal Marina IIIB	Warszawa	6,016	0	0	40	29	4
Oaza Wilanów III	Warszawa	6,280	0	0	75	9	2
Bartycka	Warszawa	6,120	0	0	15	14	7
Bajeczna II	Kraków	5,749	0	0	9	28	9
Prądnicka	Kraków	5,764	0	0	5	15	7
Nowe Żerniki	Wrocław	5,700	0	0	3	19	8
Targówek I	Warszawa	6,000	0	0	21	14	6
Armii Krajowej II	Kraków	5,500	0	0	9	37	15
Pomorska I	Łódź	4,400	0	0	2	26	11
Francuska Park IV	Katowice	4,800	0	0	1	9	4
Francuska Park V	Katowice	4,750	0	0	0	14	12
Armii Krajowej III	Kraków	5,500	0	0	0	34	22
Pomorska II	Łódź	4,405	0	0	0	22	36
Targówek II	Warszawa	6,060	0	0	0	15	24
Pomorska III	Łódź	4,410	0	0	0	3	27
Targówek III	Warszawa	6,121	0	0	0	25	102
Other to be completed in 2018		5,779	0	0	0	88	88
Other to be completed in 2019		5,837	0	0	0	0	231

*Source: Atal, Raiffeisen estimates, *average net realised price per sqm (in PLN)*

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Risks to our planning model:

Upside risks

- Prices of apartments may increase in Poland due to the favourable interest rate environment and increasing demand as the number of people per household is falling

- Superior business model with above-average profitability may allow the company to increase its scale of activity at a stronger pace than we assume

- A number of projects planned for completion in 4Q 17e may have a more pronounced positive effect on profits already in 2017 than we assume (similarly to projects scheduled for handovers in 4Q 16 and their impact on 2016e results).

Downside risks

- Prices of real estate plots may grow due to lack of sufficient attractive plots located in the cities where Atal is present – this would reduce the number of attractive projects to be conducted by the company

- Risk of delays in development projects (related to e.g. subcontractor risk, infrastructure risk)

- Costs of construction materials and labour may grow unexpectedly and result in a lower realised gross margin from sales

- Risk of failure to smoothly implement architectural projects in the planned investments due to necessary changes in projects appearing in the course of investment may result in lower usable floor space completed

- Legal risks including risk of reprivatisation demands related to ownership of land plots located in Warsaw and other cities following the nationalisation decree in 1945 or risks of new market regulations that would be unfavourable for developers

Valuation

DCF valuation

DCF valuation implies PLN 26.3 per share

We also prepared a DCF valuation based on detailed cash flow projections for the years 2015-2019e and a terminal value growth assumption afterwards. We use a discount rate based on the long-term yields of Polish government bonds and apply a risk-free rate of 3.5% in the terminal value calculation. We apply beta of 1.0, a terminal value growth assumption of 1.0%, assume a target capital structure of 70% and an equity market risk premium of 5%. Our weighted average cost of capital amounts to 7.4% in terminal value. We forecast that gross profit from sales margin will drop from average of 28% in 2015-2017e (based on projects with land already purchased and secured spending budgets) to 23% in 2019e. We afterwards reckon with a contraction of the EBITDA margin by 1%p in the terminal value (vs. 2019e) given that we assume average land plot cost to be higher and reckon with growing wage costs in the construction sector that may outpace the growth of apartment prices. Our 12-month DCF valuation including dividend implies value per share of PLN 26.3.

Peer group derived valuation

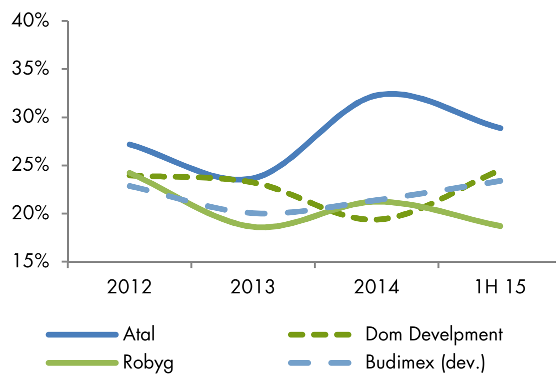
Peer group comparison – local peers and a group of European homebuilders

We employ two local peers – Dom Development and Robyg in order to derive appropriate valuation multiples. We add the group of international companies mainly for illustrative purposes as the legal environment, prices and number of flats per capita differ too widely across the EU in order to derive a fair value from a comparison with peers based in the UK or Germany. The multiple valuation is more sensitive (vs. DCF valuation) to changes in project completion timing as delays or quicker than initially planned finalisation dates may occur, resulting in different dates of projects' handovers.

When looking at past three years Atal was superior in terms of margins vs. largest competitors

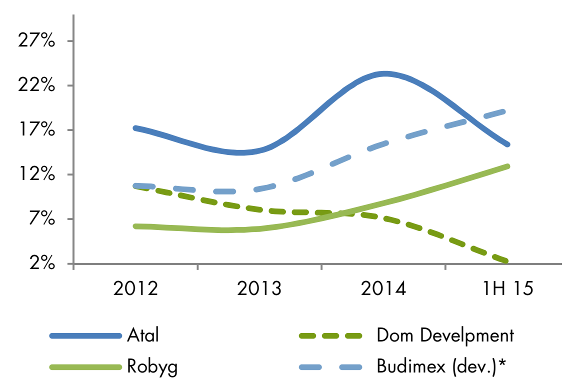
Atal has been superior in terms of margins versus its major competitors over the last three years. We present a comparison of gross profit margin from sales and net profit margin vs. two leading listed developers, Robyg and Dom Development, as well as vs. the real estate business of Budimex. Atal outperformed its peers in terms of SG&A costs in 2012-2013 and improved its advantage in 2014 given an increased scale of activity.

Gross profit from sales margin comparison



Source: Companies, Raiffeisen

Net profit margin comparison



Source: Companies, Raiffeisen, 1H 15 net margin at Budimex (dev.) inflated by approx. 7% due to other operating income

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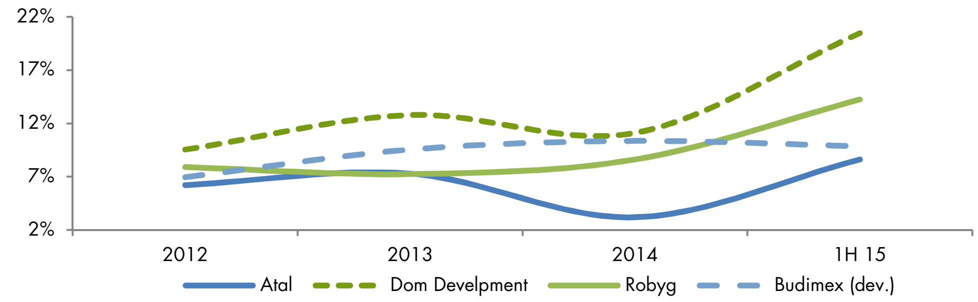
Selling and G&A costs as % of revenues



Source: Companies, Raiffeisen

European peer group – competitors operate at high margins

We present a comparison vs. European peers, mainly UK-based developers and selected peers from continental Europe.

European peer group comparison – valuation multiples

	Currency	Market cap. (LCU)	P/E		P/BV	
Name			**2015e**	**2016e**	**2015e**	**2016e**
Isaria	EUR	104	12.4	8.9	3.61	2.48
Immobel	EUR	185	12.3	8.6	0.93	0.85
Helma	EUR	135	12.7	9.2	2.27	1.97
Bovis Homes	GBp	1,377	10.3	8.4	1.42	1.27
MJ Gleeson	GBp	234	12.9	12.6	1.70	1.54
Atenor Group	EUR	233	14.4	8.7	n.a.	n.a.
Redrow Plc	GBp	1,703	9.2	8.1	1.71	1.46
Telford Homes	GBp	241	9.6	10.6	n.a.	n.a.
Kaufman & Broad	EUR	613	15.2	11.9	2.74	2.55
Persimmon PLC	GBp	6,257	13.0	11.8	2.60	2.38
Taylor Wimpey	GBp	6,396	13.3	11.6	2.28	2.09
Barratt Developments	GBp	6,354	11.9	10.8	1.68	1.52
Median - Europe			**12.5**	**9.9**	**1.99**	**1.75**
Dom Development	PLN	1,139	14.7	13.2	1.30	1.28
Robyg	PLN	642	13.6	10.2	1.36	1.28
Median - Poland			**14.1**	**11.7**	**1.33**	**1.28**
Atal	**PLN**	**832**	**15.2**	**9.8**	**1.33**	**1.21**

Source: Bloomberg, Raiffeisen estimates

European peer group comparison – dividend yield and margins

	Dividend yield		EBIT margin		Net margin	
Name	**2015e**	**2016e**	**2015e**	**2016e**	**2015e**	**2016e**
Isaria	n.a.	n.a.	22%	18%	9%	7%
Immobel	4.0%	5.7%	n.a.	n.a.	14%	67%
Helma	2.1%	2.5%	9%	9%	5%	5%
Bovis Homes	3.9%	4.5%	18%	20%	14%	15%
MJ Gleeson	1.9%	2.3%	20%	19%	16%	16%
Atenor Group	5.0%	7.0%	32%	27%	17%	14%
Redrow Plc	1.9%	2.7%	19%	19%	14%	15%
Telford Homes	3.1%	3.6%	13%	11%	10%	8%
Kaufman & Broad	4.8%	5.0%	7%	8%	4%	4%
Persimmon PLC	4.7%	4.6%	21%	21%	17%	17%
Taylor Wimpey	4.9%	5.6%	20%	21%	16%	17%
Barratt Developments	4.5%	5.3%	17%	17%	14%	14%
Median - Europe	**4.0%**	**4.6%**	**19%**	**19%**	**14%**	**14%**
Dom Development	6.1%	6.8%	12%	12%	9%	10%
Robyg	5.1%	5.9%	15%	18%	11%	13%
Median - Poland	**5.6%**	**6.3%**	**13%**	**15%**	**10%**	**11%**
Atal	**3.0%**	**5.1%**	**23%**	**24%**	**17%**	**18%**

Source: Bloomberg, Raiffeisen estimates

Important: Please read the references at the end of this report to possible conflicts of interest and disclaimers/disclosures.

P/E valuation

Valuation vs. Dom Development and Robyg based on 2015-2018e (period with detailed schedule of projects by Atal) price to earnings ratio indicates a fair value of PLN 29.7. Given the volatility of results and the fact that neither the year 2015 (below-average) nor the year 2017 (above-average) are representative for the company, we decided to base our comparison on a 4-year period of 2015-2018e.

P/E valuation vs. local peers

	2015e P/E	2016e P/E	2017e P/E	2018e P/E
Dom Development	14.7	13.2	12.6	13.2
Robyg	13.6	10.2	10.6	8.4
Average	14.1	11.7	11.6	10.8
Net profit of Atal (in PLN mn)	51	85	160	96
Implied valuation per share (in PLN)	18.5	25.7	47.7	26.8
Average valuation per share (in PLN)		**29.7**		

Source: Bloomberg, Raiffeisen estimates

P/BV valuation

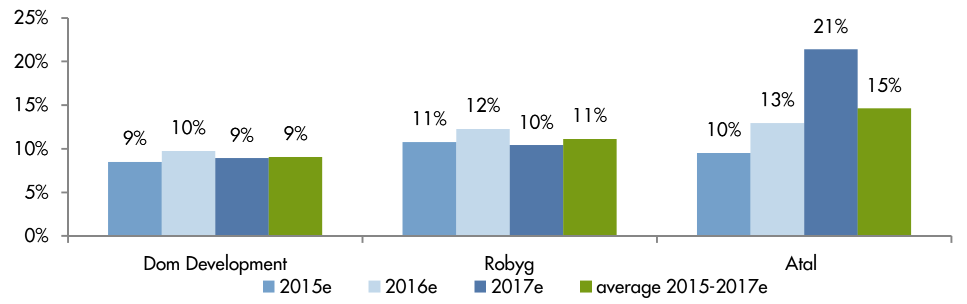
Valuation vs. Dom Development and Robyg based on 2015-2018e price to book value ratio indicates a fair value of PLN 24.5 mn. Owing to superior margins generated by Atal in 2012-2014 and a similar outperformance that is expected in 2015-2018e we believe the company may be valued at a premium to its peers.

P/BV valuation vs. local peers

	2015e P/BV	2016e P/BV	2017e P/BV	2018e P/BV
Dom Development	1.30	1.28	1.28	1.28
Robyg	1.36	1.28	1.27	1.29
Average	1.33	1.28	1.27	1.28
Book value of Atal (in PLN mn)	627	687	804	821
Implied valuation (in PLN)	21.5	22.7	26.4	27.2
Average valuation (in PLN)		**24.5**		

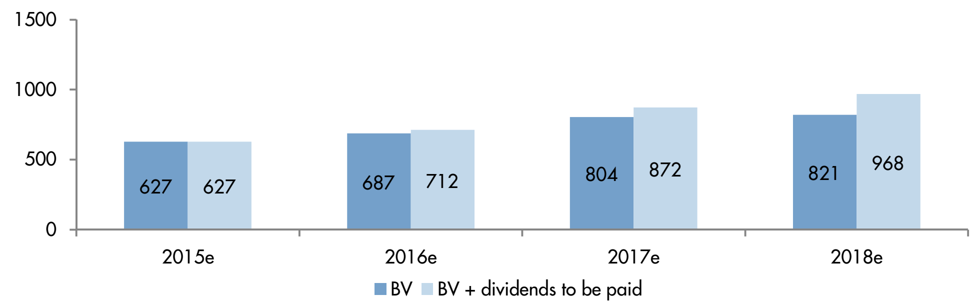
Source: Bloomberg, Raiffeisen estimates

Return on equity vs. local peers



Source: Bloomberg, Raiffeisen estimates

Book value of Atal vs. book value plus dividends to be paid-out



Source: Raiffeisen estimates

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Dividend yield implied valuation

We also compare dividend expected by us to be paid-out by Atal (in the table below, dividend in the column 2015e means dividend to be paid-out from 2015e results in 2016, etc.) with local peers. We compare dividend yields of Dom Development and Robyg and show an implied value of Atal under the assumption that investor would like to receive a similar yield on investment. We present the table only for illustrative purposes – Atal is a growth company with no accumulated capital from previous years and, in our opinion, no high yield should be expected during the growth phase that is still to take place this year. Owing to higher pay-out ratio at Robyg and Dom Development the implied valuation is lower than derived from P/E multiple. Considering that Atal has raised capital in 2015, we would focus on the years 2016-2017e that already indicate significantly higher implied valuation.

Dividend yield – implied valuation

	*2015e**	*2016e***	*2017e****
Dom Development	6.1%	6.8%	7.2%
Robyg	5.1%	5.9%	6.3%
Average	5.6%	6.3%	6.7%
Dividend forecast for Atal (in PLN mn)	25	43	80
Implied valuation based on average yield (in PLN)	11.7	17.3	30.7

*Source: Bloomberg, Raiffeisen estimates, *to be paid out from 2015e profits in 2016e, **to be paid out from 2016e profits in 2017e, ***to be paid out from 2017e profits in 2018e*

Valuation summary

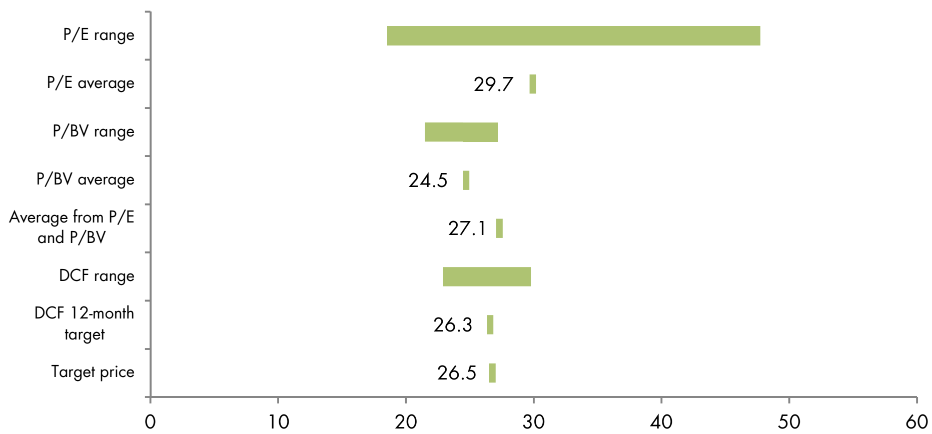
Valuation summary

We applied DCF and peer group valuation in order to derive a fair value of Atal. Our P/BV valuation based on BV in 2015e-2018e indicates a an average valuation of PLN 24.5. The P/E comparison vs. Robyg and Dom Development implies a very wide range owing to volatility of the expected figures of Atal with profits skewed toward the year 2017e and yields average valuation of PLN 29.7. We therefore apply the average valuation from the years 2015-2018e (including the below-average year 2015e), which indicates a fair value of PLN 27.1. Our DCF yields a 12-month cum dividend value of PLN 26.3.

Target price amounts to PLN 26.5

We base our TP on DCF (75% weighting) and peer group valuation (25% weighting), which implies a 12-month target price of PLN 26.5.

Atal equity valuation (in PLN)



Source: Raiffeisen estimates

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DCF Valuation

FCF projection (PLN mn)	2015e	2016e	2017e	2018e	2019e	2020e	TV CF
Consolidated sales	**294**	**481**	**876**	**620**	**682**	**634**	**640**
EBITDA	69	114	206	127	122	108	109
EBITA	68	113	205	126	121	107	108
Taxes paid on EBITDA	-11	-19	-37	-22	-21	-20	-21
NOPLAT	**57**	**94**	**168**	**103**	**100**	**87**	**88**
Adj. NOPLAT	57	94	168	103	100	87	88
Depreciation of PPE & intangibles	1	1	1	1	1	1	1
Gross investment in PPE & intangibles	-1	-1	-1	-1	-1	-1	-1
Change in working capital	-168	-142	-9	-90	-38	20	-9
NWC/Sales	216.1%	161.6%	89.9%	141.5%	134.2%	141.2%	144%
Change in LT provisions other than tax	0	0	0	0	0	0	0
Net acquisitions & disposals	0	0	0	0	0	0	0
Free cash flow to firm	-112	-48	159	13	61	107	78
Adj. free cash flow to firm	**-112**	**-48**	**159**	**13**	**61**	**107**	**78**
EV DCF, mid-year assumption	**1,093**	**1,223**					
+ MV of non-operating assets eop	0	0					
- MV of net debt eop	131	221					
- MV of minorities eop	-7	-7					
Adjustments to EV eop	0.0	0.0					
Fair value of equity	**968**	**1,009**					
Shares outstanding (mn)	39	39					
Fair value per share (in PLN)	**25.02**	**26.07**					

Value drivers	2015e	2016e	2017e	2018e	2019e	2020e	TV CF
Consolidated sales yoy	-49.0%	63.7%	82.0%	-29.2%	10.0%	-7.0%	1.0%
EBITDA margin	23.3%	23.7%	23.5%	20.4%	17.9%	17.0%	17.0%
Rate of taxes paid	-16.4%	-16.9%	-17.9%	-17.8%	-17.6%	-18.5%	-19.0%
Working capital/sales	216.1%	161.6%	89.9%	141.5%	134.2%	141.2%	144.0%
Capex/depreciation	134.9%	130.2%	126.5%	123.4%	120.9%	120.9%	105.1%
Free cash flow margin	-38.2%	-10.1%	18.1%	2.1%	9.0%	16.8%	12.2%

WACC	2015e	2016e	2017e	2018e	2019e	2020e	TV CF
Target capital structure (at MV)	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Debt/equity ratio (at MV)	42.9%	42.9%	42.9%	42.9%	42.9%	42.9%	42.9%
Risk free rate (local)	3.3%	3.5%	3.6%	3.6%	3.6%	3.6%	3.5%
Equity market premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Levered beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.3%	8.5%	8.6%	8.6%	8.6%	8.6%	8.5%
Cost of debt	5.8%	6.0%	6.1%	6.1%	6.1%	6.1%	6.0%
Tax rate	-16.4%	-16.9%	-17.9%	-17.8%	-17.6%	-18.5%	-19.0%
WACC	**7.3%**	**7.4%**	**7.5%**	**7.5%**	**7.5%**	**7.5%**	**7.4%**

Sensitivity analysis

Growth sensitivity (PLN)			Terminal growth rate				
WACC	**-0.5%**	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**
5.9%	27.3	29.6	32.3	35.5	39.5	44.5	51.0
6.4%	25.0	26.9	29.1	31.8	35.0	38.9	43.8
6.9%	23.0	24.6	26.5	28.7	31.3	34.5	38.3
7.4%	21.2	22.6	24.2	**26.1**	28.2	30.8	33.9
7.9%	19.6	20.9	22.2	23.8	25.7	27.8	30.4
8.4%	18.2	19.3	20.5	21.9	23.5	25.3	27.4
8.9%	17.0	18.0	19.0	20.2	21.6	23.1	24.9

Margin sensitivity (PLN)			FCF margin TV				
WACC	**10.6%**	**11.1%**	**11.6%**	**12.1%**	**12.6%**	**13.1%**	**13.6%**
5.9%	31.4	32.8	34.2	35.5	36.9	38.3	39.7
6.4%	28.1	29.3	30.6	31.8	33.0	34.2	35.5
6.9%	25.4	26.5	27.6	28.7	29.8	30.9	32.0
7.4%	23.1	24.1	25.1	**26.1**	27.1	28.1	29.1
7.9%	21.1	22.0	22.9	23.8	24.7	25.6	26.6
8.4%	19.4	20.2	21.1	21.9	22.7	23.6	24.4
8.9%	17.9	18.7	19.4	20.2	21.0	21.7	22.5

Source: Raiffeisen Centrobank estimates

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Income statement (PLN mn)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Consolidated sales	**174**	**234**	**577**	**294**	**481**	**876**
Cost of sales	-127	-179	-391	-207	-344	-637
Gross profit	**47**	**55**	**186**	**86**	**137**	**238**
Other operating income	3	6	2	2	2	2
Selling expenses	-6	-9	-11	-11	-14	-22
Administrative expenses	-5	-8	-8	-8	-10	-11
Other operating expenses	-1	-2	-3	-2	-2	-2
EBITDA	**39**	**43**	**168**	**69**	**114**	**206**
Adjusted EBITDA	39	43	168	69	114	206
Depreciation of PPE and intangibles	-1	-1	-1	-1	-1	-1
EBITA	**38**	**42**	**167**	**68**	**113**	**205**
Amortisation, impairment of goodwill	0	0	0	0	0	0
EBIT	**38**	**42**	**167**	**68**	**113**	**205**
Adjusted EBIT	38	42	167	68	113	205
Investment income	0	0	0	0	0	0
Net interest income	-1	-4	-3	-3	-6	-6
Other financial result	0	0	0	0	0	0
Financial result	**-1**	**-4**	**-3**	**-3**	**-6**	**-6**
Earnings before taxes	**37**	**38**	**164**	**65**	**107**	**199**
Taxes on income	-7	-4	-28	-12	-20	-38
Extraordinary result	0	0	0	0	0	0
Net profit before minorities	**30**	**34**	**137**	**53**	**87**	**162**
Minority interests	-0	-1	-2	-2	-2	-2
Net profit after minorities	**30**	**33**	**135**	**51**	**85**	**160**
Adjusted Net profit	30	33	135	51	85	160
Changes yoy	**12/2012**	**12/2013**	**12/2014**	**12/2015e**	**12/2016e**	**12/2017e**
Consolidated sales yoy	n.a.	34.8%	146.2%	-49.0%	63.7%	82.0%
EBITDA yoy	n.a.	8.7%	292.7%	-59.1%	66.4%	80.3%
EBITA yoy	n.a.	8.9%	298.9%	-59.4%	67.2%	80.9%
EBIT yoy	n.a.	8.9%	298.9%	-59.4%	67.2%	80.9%
EBT yoy	n.a.	1.5%	332.4%	-60.6%	65.7%	85.9%
Net profit after minorities yoy	n.a.	11.6%	304.8%	-62.4%	67.9%	87.6%
Margins	**12/2012**	**12/2013**	**12/2014**	**12/2015e**	**12/2016e**	**12/2017e**
Gross margin	27.2%	23.7%	32.3%	29.4%	28.5%	27.2%
EBITDA margin	22.6%	18.2%	29.1%	23.3%	23.7%	23.5%
EBITA margin	22.1%	17.9%	29.0%	23.0%	23.5%	23.4%
EBIT margin	22.1%	17.9%	29.0%	23.0%	23.5%	23.4%
EBT margin	21.5%	16.2%	28.4%	22.0%	22.3%	22.7%
Net margin	17.1%	14.2%	23.3%	17.2%	17.7%	18.2%
Profitability	**12/2012**	**12/2013**	**12/2014**	**12/2015e**	**12/2016e**	**12/2017e**
Return on assets	11.8%	5.8%	18.1%	5.8%	7.4%	12.4%
Return on equity	22.3%	11.7%	36.6%	9.5%	12.9%	21.4%
Return on capital employed	14.3%	7.8%	23.3%	7.0%	9.4%	15.6%
Cash flow statement (PLN mn)	**12/2012**	**12/2013**	**12/2014**	**12/2015e**	**12/2016e**	**12/2017e**
Earnings before taxes	**37**	**38**	**164**	**65**	**107**	**199**
Taxes paid	-4	-2	-8	-11	-19	-37
Amortisation and depreciation	1	1	1	1	1	1
Other non-cash items	1	3	3	0	0	0
Cash flow from result	**36**	**40**	**160**	**54**	**89**	**163**
Change in working capital	-89	23	-160	-168	-142	-9
Operating cash flow	**-53**	**63**	**1**	**-114**	**-53**	**154**
Capex PPE and intangible assets	-1	-1	-1	-1	-1	-1
Acquisitions	0	0	0	0	0	0
Disposal of fixed assets (total)	0	0	0	0	0	0
Other items (investments)	0	1	4	0	0	0
Investing cash flow	**-1**	**1**	**3**	**-1**	**-1**	**-1**
Dividend payments	-0	-4	-4	0	-25	-43
Other changes in equity	0	0	0	140	0	0
Change in financial liabilities	29	11	-1	-25	120	-79
Other items	-0	-1	-1	12	-9	-3
Financing cash flow	**29**	**7**	**-7**	**127**	**85**	**-124**

Source: Atal, Raiffeisen Centrobank estimates

Balance sheet (PLN mn)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Current assets	**417**	**606**	**632**	**874**	**1,153**	**1,131**
Liquid funds	6	77	74	86	116	145
Receivables	2	2	2	2	2	2
Inventories	402	518	541	770	1,017	966
Other assets	6	9	15	17	18	19
Fixed assets	**156**	**155**	**155**	**156**	**156**	**156**
Property, plant & equipment	6	6	7	7	7	8
Intangible assets	63	63	63	63	63	63
Goodwill	0	0	0	0	0	0
Financial assets	87	86	85	85	85	85
Deferred tax assets	**0**	**0**	**0**	**0**	**0**	**0**
Total assets	**573**	**761**	**787**	**1,030**	**1,309**	**1,287**
Current liabilities	**191**	**314**	**190**	**275**	**432**	**323**
Short-term borrowings	120	100	99	122	172	124
Notes & trade payables, payments received	69	208	64	147	251	186
Other current liabilities	2	6	27	6	9	14
Long-term liabilities	**105**	**141**	**161**	**126**	**189**	**157**
Long-term borrowings	86	132	143	95	165	135
Long-term provisions	0	0	0	0	0	0
Other long-term liabilities	19	8	17	31	23	22
Hybrid & other mezzanine capital	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**267**	**300**	**436**	**627**	**687**	**804**
Minority interests	**0**	**-3**	**-7**	**-7**	**-7**	**-7**
Deferred tax liabilities	**9**	**9**	**7**	**8**	**9**	**10**
Total liabilities	**573**	**761**	**787**	**1,030**	**1,309**	**1,287**

Balance sheet (PLN mn)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Net working capital	340	315	467	635	777	787
Net interest-bearing debt	201	155	168	131	221	114
Capital employed	n.a.	n.a.	n.a.	837	1,017	1,056
Market capitalisation	n.a.	n.a.	n.a.	832	832	832
Enterprise value	n.a.	n.a.	n.a.	956	1,046	939

Financing (x)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Interest cover	8.8	8.7	39.3	n.a.	n.a.	n.a.
Internal financing ratio	-69.0	100.1	0.5	-95.3	-44.2	126.2
Net gearing	75.2%	52.2%	39.2%	21.2%	32.5%	14.3%
Quick ratio	0.1	0.3	0.5	0.4	0.3	0.5
Fixed assets cover	2.4	2.8	3.8	4.8	5.6	6.1
Capex / depreciation	0.9	0.7	1.4	1.3	1.3	1.3
Equity ratio	46.6%	39.1%	54.6%	60.2%	51.9%	61.9%

Per share data (PLN)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Weighted avg. no. of shares (mn)	n.a.	n.a.	32.2	35.8	38.7	38.7
EPS reported	n.a.	n.a.	4.18	1.42	2.20	4.12
Earnings per share (adj.)	n.a.	n.a.	4.18	1.42	2.20	4.12
Operating cash flow per share	n.a.	n.a.	0.02	-3.19	-1.38	3.98
Book value per share	n.a.	n.a.	13.55	16.20	17.75	20.77
DPS	n.a.	n.a.	0.00	0.65	1.10	2.06
Payout ratio	n.a.	n.a.	0.0%	50.0%	50.0%	50.0%

Valuation (x)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
PE reported	n.a.	n.a.	n.a.	15.2	9.8	5.2
Adjusted PE ratio	n.a.	n.a.	n.a.	15.2	9.8	5.2
Price cash flow	n.a.	n.a.	n.a.	-6.7	-15.6	5.4
Price book value	n.a.	n.a.	n.a.	1.3	1.2	1.0
Dividend yield	n.a.	n.a.	n.a.	3.0%	5.1%	9.6%
Free cash flow yield	n.a.	n.a.	n.a.	-14.0%	-6.6%	18.5%
EV/sales	n.a.	n.a.	n.a.	3.3	2.2	1.1
EV/EBITDA	n.a.	n.a.	n.a.	13.9	9.2	4.6
EV/EBIT	n.a.	n.a.	n.a.	14.1	9.2	4.6
EV/operating cash flow	n.a.	n.a.	n.a.	-8.4	-19.6	6.1
Adjusted EV/CE	n.a.	n.a.	n.a.	1.2	1.1	1.0
Adjusted EV/CE vs. ROCE/WACC	n.a.	n.a.	n.a.	1.3	0.9	0.5

Source: Atal, Raiffeisen Centrobank estimates

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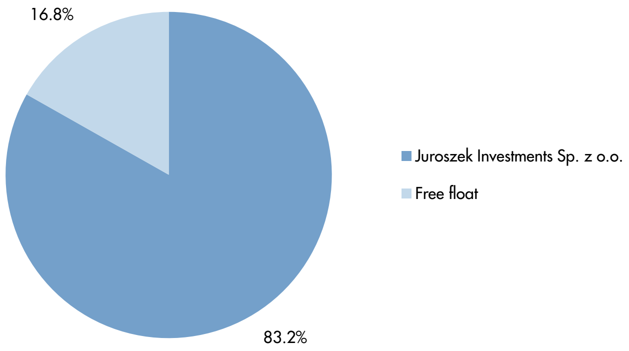
Atal

Fact Sheet

Company description

Atal is the most profitable among the largest Polish homebuilders and is active as a residential developer in southern and central Poland. The company purchases land, develops residential projects and sells flats directly to clients – these activities generate over 90% of the group's revenues. A smaller share of activity is related to commercial real estate (Atal owns a number of office buildings/warehouses that are rented to business clients) - however, this represents less than 5% of revenues. Atal also owns a 100% stake in a subsidiary active in the construction segment that operates as a general contractor and coordinates building works related to development projects conducted by the group. Atal has been involved in real estate projects since the year 2003. It completed 31 projects with over 300,000 sqm in 2006 - 2014, that included almost 5k flats. The strategy of Atal assumes gradual expansion on the Warsaw market, maintaining the leadership position in Kraków, increasing the of market share in Wrocław and retaining the current position in Katowice and Łódź. Atal intends to maintain a land reserve to secure a stable realisation of projects and the continuation of developing activity. The company focuses on the premium and middle-class apartments, targeting the largest market segment.

Shareholder structure



Strengths/Opportunities

- Business model enables to generate higher margins than local competitors
- Market leader in Krakow, active in the largest cities in southern Poland, strong project pipeline in Warsaw
- Family run business – the management keeps the majority stake
- Low level of sales costs due to lack of intermediaries in the sales process
- Historically low interest rate in Poland to support apartment purchases also for investment purposes
- Growing share of single-person households in Poland

Weaknesses/Threats

- Growing scale of activity means higher working capital requirements in the following years
- Demography in Poland – threat of emigration and falling number of young people in the long term and support access to cheap flats
- Costs of construction materials and labour costs may grow faster than prices of flats
- Escrow accounts – prepayments have to be kept in an escrow account, implying higher working capital needs
- Availability of attractive land plots in the largest cities in Poland is limited – high competition among developers

Income statement	*12/2014*	*12/2015e*	*12/2016e*	*12/2017e*
(PLN mn)				
Consolidated sales	577	294	481	876
EBITDA	168	69	114	206
EBIT	167	68	113	205
EBT	164	65	107	199
Net profit bef. min.	137	53	87	162
Net profit after min.	135	51	85	160
Balance sheet				
Total assets	787	1,030	1,309	1,287
Shareholders' equity	436	627	687	804
Goodwill	0	0	0	0
NIBD	168	131	221	114
Cash flow statement				
Operating cash flow	1	-114	-53	154
Investing cash flow	3	-1	-1	-1
Change NIBD	-13	37	-89	107

Per share data	*12/2014*	*12/2015e*	*12/2016e*	*12/2017e*
(PLN)				
EPS pre-goodwill	4.18	1.42	2.20	4.12
Adj. EPS diluted	4.18	1.42	2.20	4.12
Operating cash flow	0.02	-3.19	-1.38	3.98
Book value	13.55	16.20	17.75	20.77
Dividend	0.00	0.65	1.10	2.06
Payout ratio	0.0%	50.0%	50.0%	50.0%
Valuation (x)				
PE pre-goodwill	n.a.	15.2	9.8	5.2
Adj. PE diluted	n.a.	15.2	9.8	5.2
Price cash flow	n.a.	-6.7	-15.6	5.4
Price book value	n.a.	1.3	1.2	1.0
Dividend yield	n.a.	3.0%	5.1%	9.6%
FCF yield	n.a.	-14.0%	-6.6%	18.5%
EV/EBITDA	n.a.	13.9	9.2	4.6
EV/EBIT	n.a.	14.1	9.2	4.6
EV/operating CF	n.a.	-8.4	-19.6	6.1

Source: Atal, Raiffeisen Centrobank estimates

Publication schedule

Date	Publication
16.11.2015	3Q Earnings release

Recommendation history

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended	UR
Universe	51	57	7	4	9	4
Universe %	39%	43%	5%	3%	7%	3%
Investment banking services	12	15	4	1	3	0
Investment banking services %	34%	43%	11%	3%	9%	0%

Source: Raiffeisen Centrobank, rounding differences may occur

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