

Research

CEE | Equity Research

Residential Real Estate

Another strong(ish) year ahead, though valuations have mostly caught up with fundamentals

Since the beginning of last year, the Monetary Policy Council has cut interest rates seven times, and the NBP reference rate has fallen by 2.25 percentage points since then. The primary market has responded to the growing mortgage loans expansion with great enthusiasm - apartment sales in the TOP6 markets in 2H25 exceeded 22,000 and were nearly 20% higher than in 1H25. This year's rate cut also boosted sales - we expect sales in the same markets to have exceeded 12,000 in 1Q26E and to have been the highest in over two years. At the same time, events in the Middle East, while ultimately unlikely to destabilize the domestic economy to the same extent as the outbreak of war in Ukraine, appear to be leaving their mark on this year's interest rate trajectory; and while we do not expect any rate hikes until the end of 3Q27, there is no point in counting on cuts, at least this year.

The largest developers are therefore in a very comfortable position. Market supply, which exceeded a record 63,000 units in the TOP 6 markets at the end of December, now appears to be normalizing, and the historically high share of completed apartments available for sale (currently over 20% of the offer) has not become a problem for the largest players (with the exception of Atal), who manage their capital much more effectively. At the same time, not all volume is created equal, and the conscious decision by major players such as Dom Development and Develia - namely, a noticeable reduction in the size of their apartments and an increased focus on the mass market (for example, the total value of apartments sold by Dom Dev in FY25 was 1% lower yoy, despite a 4% increase in sales volumes) should be more clearly visible in this year's results. Furthermore, developers have already handed over to customers the apartments sold during the "Safe Credit 2%" period, and rising land prices in inventory should negatively impact margins. In the base case scenario, all developers we cover (with the exception of Archicom) should report lower gross margins in FY26E.

We therefore believe that in FY26E, the time has come for the "smaller of the big players" among developers, who have underperformed Dom Development and Develia over the past two years. Both earnings momentum and valuations (based on both P&L and cash flow metrics such as DY) are currently, in our view, more attractive for Archicom, Atal, and Murapol (BUY rating) than for Dom Development and Develia (HOLD rating) - even when accounting for the premium resulting from greater scale, a more mass-market/mid-market (recurring) product, and the historical trajectory of earnings and dividends.

Top Picks, O/W, Neutral. From our perspective, the two largest developers - **Dom Development** and **Develia** - are facing a transitional year, during which the shift in their product mix toward even more mid-market (and, in reality, smaller...) apartments will be reflected in their results. We expect Dom Dev/Develia's EPS to grow by 1/2%, respectively, this year; consequently, next year's dividends may also fall short of historical market expectations - so we turn **NEUTRAL** on both companies. At the same time, given the lack of a clear monetary stimulus later this year, we are increasingly emphasizing earnings/FCF/DY growth as the primary argument for re-rating smaller players. Our **TOP PICK** remains **Archicom**, which should improve its EPS nearly fivefold this year and, additionally, should record one of the highest sales growth rates among the leaders. We are **O/W** on **Atal** and **Murapol**, though for different reasons. At Atal, we like the EPS growth (nearly +100% yoy) and the sharp increase in sales (over 3,000 units vs. under 2,000 a year ago), while at Murapol, we appreciate the attempt to increase exposure to the largest markets, combined with the lowest valuation and highest dividend.

Risk factors. For detailed description please see p.37.

PLNm	ROE			Dividend Yield			adj. EPS growth		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Archicom	26.9%	28.7%	30.6%	5.2%	10.4%	14.5%	490%	21%	16%
Atal	20.9%	20.2%	19.8%	7.6%	12.6%	12.7%	81%	1%	2%
Develia	21.8%	22.0%	21.4%	6.6%	7.1%	7.7%	2%	8%	3%
Dom Development	29.2%	28.3%	26.7%	5.8%	6.8%	7.6%	1%	8%	3%
Murapol	36.6%	35.6%	34.8%	11.7%	11.7%	12.0%	8%	7%	10%

Source: Companies, Trigon

Archicom
Buy

(Previous: Buy 60 PLN)

Target Price: PLN 65

Upside: +35%

Atal
Buy

(Previous: Buy 70 PLN)

Target Price: PLN 75

Upside: +27%

Develia
Hold

(Previous: Buy 10 PLN)

Target Price: PLN 11.5

Upside: +13%

Dom Development
Hold

(Previous: Buy 300 PLN)

Target Price: PLN 295

Upside: +14%

Murapol
Buy

(Previous: Buy 50 PLN)

Target Price: PLN 52.5

Upside: +25%

ANALYST

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares
 free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
 min/max 52 wks – lowest/highest share price over the previous 52 weeks
 average turnover – average volume of share trading over the previous month

EBIT – operating profit

EBITDA – operating profit before depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

CAPEX – sum of investment expenditures on fixed assets

OCF – cash generated through a company's operating activities

FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets

ROA – rate of return on assets

ROE – rate of return on equity

ROIC – rate of return on invested capital

NWC – net working capital

cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services

gross profit margin – ratio of gross profit to net revenue

EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – ratio of operating profit to net revenue

net margin – ratio of net profit to net revenue

EPS – earnings per share

DPS – dividend per share

P/E – ratio of market price to earnings per share

P/BV – ratio of market price to book value per share

EV/EBITDA – ratio of a company's EV to EBITDA

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, ratio of dividends paid to share price

RFR – risk free rate

WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – Archicom S.A., Atal S.A., Develia S.A., Dom Development S.A., Murapol S.A.

BUY – we expect the total return on an investment to reach at least 15%

HOLD □ we expect the price of an investment to be largely stable, with potential upside of up to 15%

SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: David Sharma

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: DCF and DDM models.

The valuation, methodology or underlying assumptions have not changed since the date when this Document was completed and first disseminated.

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