

April 25, 2023

ONE UNITED PROPERTIES (ONE RO)

BUY

Building Resilience

- **We initiate coverage with buy recommendation and a DCF-derived target price of RON1.05 per share.** We believe the company's share price has a 23% growth potential from the current price of RON0.856. ONE is the largest residential and mixed-use real estate developer in Romania.
- The business model is complemented by selected acquisitions of mainly office and retail venues in high demand locations. All ONE buildings have superior certifications of sustainability, energy efficiency and wellness, and the developer is awarded at numerous galas and conferences in the field, both internationally and locally.
- **In 2022, ONE recorded consolidated revenues of RON1.2 billion, 4% increase compared to the previous year and 2.2x greater than 2020.** Revenues from the residential segment reached RON769.5 million, 9.4% increase compared to 2021. Rental income reached RON62.4 million, 9.5 times more than in the previous year.
- For 2023 we projected for the residential segment revenues of RON1.7 billion with a gross margin of 40% based on an estimation of 1,223 units sold and a rental income of RON140 million based on an average rent level of 16.8 EUR/sqm.
- The number of completed homes in Romania increased slightly in 2022 compared to 2021, with the Bucharest-Ilfov region accounting for 30% of deliveries. However, the number of homes delivered in this region decreased by 3%. There has also been a significant decrease in the number of houses and apartments sold in the first quarter of 2023 compared to the same period of previous year. Approximately 19,000 homes are currently under construction in Bucharest, and if completed this year, will represent a decrease of almost 11% compared to 2022. Prime office rents continued to rise in Q4 2022.

- **Potential risks to our recommendation** are related to delays or difficulties in completing construction projects, fluctuations in property values, changes in the availability or cost of financing and change in demand for particular types of real estate properties. The increase in interest rates and inflation, two factors that put pressure on selling prices. Rising prices of building materials, lack or late delivery of building materials are important factors to consider.

Target price (Return %):	RON1.05 (23%)
Price:	RON0.856
Market Cap.:	RON3,170m
Avg. Daily Turnover (RON/EUR)	1.0m/0.2m

Share data

52-week price low/high	0.82 – 1.08
Dividend per share 2022 (RON)	0.0295
Shares outstanding (million)	3,702

Shareholders (%)

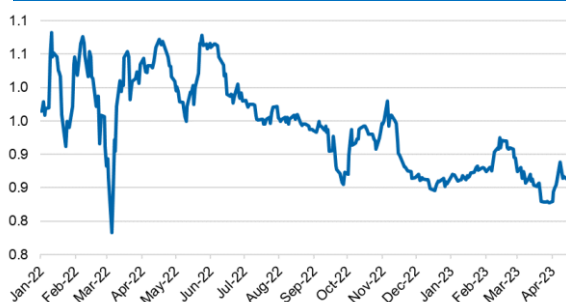
OA LIVIU HOLDING INVEST S.R.L.	27.583%
VINCI VER HOLDING S.R.L.	27.583%
Others	44.834%

Share Performance (%)

	YTD	1w	6m	1y
Variation	-0.35	-0.81	-8.28	-20.47
Relative to BET	-6.83	-0.18	-22.43	-15.97

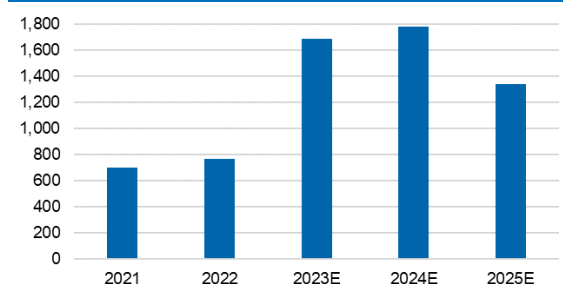
Source: BVB

ONE – share price evolution



Source: BVB

ONE – residential segment revenue (RON million)



Source: ONE, BRK

Key indicators (RON million)	2021	2022	2023E	2024E	2025E
Total revenue	1,120	1,166	1,918	2,004	1,591
Net income from residential property	252	319	678	695	512
Net rental income	2	54	120	130	146
EBITDA	613	576	689	710	575
EBITDA margin (%)	55%	49%	36%	35%	36%
Net profit margin (%)	46%	43%	30%	30%	30%
EPS	0.14	0.14	0.15	0.16	0.13
P/E	6.2	6.3	5.5	5.4	6.6

Source: Company data, BRK

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Company valuation

We initiate coverage with a buy recommendation and a target price of RON1.05 per share, calculated using the discounted cash flow method. The upside potential is 23% from the current price of RON0.856 per share.

The revenue forecast for One United Properties' residential segment from completed and under development projects extends through 2026, due to the information available at this moment regarding the future projects. We also estimate that the number of units sold by One United Properties will approach 5,000 during the forecast period (between 2023-2026). ONE's office portfolio has a GLA of approximately 130,000 sqm. The estimated level of rental income is based on our estimated average rent level (EUR/sqm) between 16.8 - 19.1.

The discount rate (WACC) used to estimate the present value of One's future cash flows is 11.7%.

Price (April 24, 2023) **RON0.856**
Target price **RON1.05**

With an estimated number of almost 5,000 units to be sold during the forecasted period the revenue could increase significantly.

Best case **RON1.50**

A more significant revenue growth and a more efficient cost management would have a significant positive impact on company margins.

Worst case **RON0.82**

Possible delays in the completion of construction projects as well as rising interest rates and inflation will put pressure on sales.

Figure 1: DCF

RON	2023E	2024E	2025E	2026E
Operating profit after tax	576,527,122	594,345,001	480,202,289	410,441,714
Plus: Depreciation and amortization	2,578,349	2,936,851	3,331,204	3,764,993
Minus: Capital Expenditures (Investments)	(8,535,779)	(9,389,357)	(10,328,292)	(11,361,122)
Minus increase/Plus decrease in working capital	(189,100,795)	(34,567,379)	165,205,311	101,657,539
FCFF	381,468,897	553,325,117	638,410,512	504,503,124
Discount rate	11.7%			
Present Value Factor	1.00	0.90	0.80	0.72
Discounted Net Cash Flow	381,468,897	495,434,760	511,814,055	362,144,695
Sum of Discounted Net Cash Flow	1,750,862,406			
Terminal Value	3,020,854,374			
FMV of Operating Capital Structure	4,771,716,779			
Plus: Cash	18,859,515			
Minus: Total debt	379,239,375			
Less: Non-controlling interests	508,822,702			
FMV of Capital Structure	3,902,514,217			
Number of shares	3,702,818,586			
Price/share	1.05			
Current price	0.856			
Potential upside	23%			

Source: BRK

Figure 2: Sensitivity analysis and terminal value calculation

WACC	Residual growth rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
9.7%	1.21	1.27	1.34	1.41	1.50
10.7%	1.09	1.13	1.18	1.23	1.30
11.7%	0.98	1.02	1.05	1.10	1.15
12.7%	0.89	0.92	0.95	0.99	1.02
13.7%	0.82	0.84	0.87	0.89	0.92

Net Operating Profit	410,441,714
x (1+ Long-term growth)	1.020
Equals: Terminal Net Oper. Profit	418,650,548
Add: Normalized Depreciation	3,840,292
Less: Normalized Capital Expenditure	4,224,322
Minus: Incremental Working Capital	10,698,280
Equals: Terminal Cash Flow	407,568,239
/ Capitalization rate	10.33
x PV factor	0.7178
Equals: Terminal value	3,020,854,374

Source: BRK

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Relative valuation

In terms of relative valuation, we looked at the trading multiples of other companies that we considered comparable to One's business and also with a market capitalization close to One's.

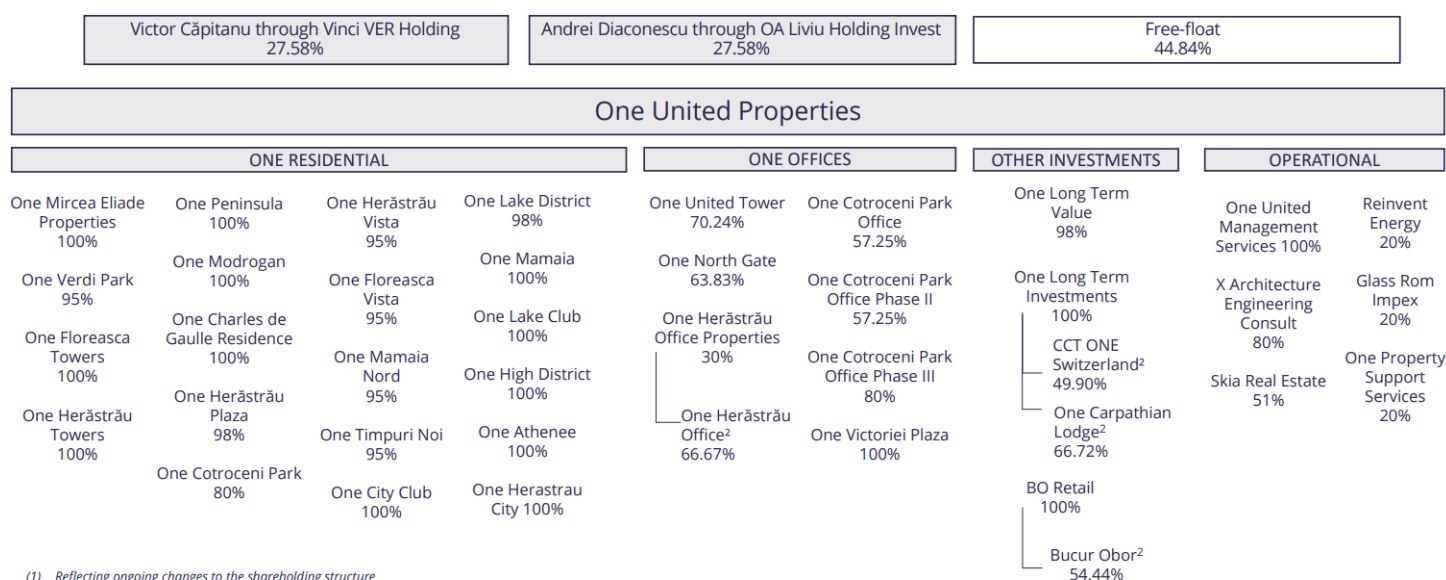
According to Bloomberg data, selected companies trade at an EV/EBITDA multiple of 11x and a P/E multiple of 9.54x (median values). The EV/EBITDA multiple for One is 5.95x, below the median of the companies, and the P/E multiple is 6.31x, below the median of the selected peers.

Figure 3: Relative valuation

Company	Ticker	Market Cap (EUR million)	P/E	EV/EBITDA	EV/Rev	P/BV
Globe Trade Centre SA	GTC PW	873	15.97	22.92	11.04	0.66
Dom Development SA	DOMPW	788	10.91	8.02	1.51	2.57
Neinor Homes SA	HOME SM	746	8.96	5.93	1.01	0.80
DIC Asset AG	DIC GR	582	10.22	19.83	15.02	0.53
VIB Vermoegen AG	VIH1 GR	531	6.40	11.35	10.52	0.89
Atal SA/Poland	1AT PW	400	7.62	7.68	1.66	1.42
Echo Investment SA	ECH PW	345	8.76	15.26	3.03	0.92
Develia SA	DVL PW	342	10.11	10.66	2.26	1.30
Median		556	9.54	11.00	2.64	0.90
One United Properties SA	ONE RO	640	6.31	5.95	2.94	1.25

Source: Bloomberg, BRK

Figure 4: Group Structure



(1) Reflecting ongoing changes to the shareholding structure

(2) Companies owned by subsidiaries. Shown the indirect % of the OUP ownership

Source: One Unites Properties

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Figure 5: Selection of One United Properties projects

One Cotroceni Park



One Herastrau Towers



One Floreasca Towers



One Mircea Eliade



ONE Verdi Park



ONE Gallery



Source: One United Properties

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About ONE

One United Properties S.A. has successfully completed the Initial Public Offering (IPO) in July 2021. The company raised RON 260 million (EUR 52.8 million) in funds for this capital increase. Today the market capitalization of the company is RON3.2bn. In the last year, the company ranked seventh among the most traded companies by value on the main market of the Bucharest Stock Exchange.

The company's shares are included in the Vienna Stock Exchange's ROTX index, a capitalization-weighted price index which is made up of 15 Romanian blue chip stocks, traded on the Bucharest Stock Exchange. In addition to ROTX, ONE shares are included in the following indexes, starting with FTSE Global All Cap, which covers the performance of large, mid and small cap stocks globally, FTSE Global Mid Cap, the mid cap segment of the FTSE Global Equity Index, FTSE Global Total Cap, which includes large, mid, small and micro companies and FTSE EPRA Nareit Emerging, which is designed to track the performance of real estate companies and REITs listed in emerging markets. Locally, from September 2021, ONE shares are included in BET, the main stock exchange index tracking the most liquid companies, as well as BET-TR, BET-XT, BET-XT-TR and BET Plus indices.

Dividend policy

One United Properties S.A. distributes dividends based on the audited annual financial statements approved by the Ordinary General Meeting and after the approval of the dividend proposal. The Board of Directors will consider a payout ratio of up to 35% of its distributable net profit obtained at individual level. Dividends are paid semi-annually. Last year the company paid two dividends, the first one amounting 0,0165 lei/share and the other one 0,013 lei/share.

Sustainability Strategy (ESG)

One United Properties strategy focuses equally on the Environmental, Social, and Governance aspects, the company's targets are as follows:

Figure 6: ESG Targets

E-targets	S-targets	G-targets
Build 100% Green Homes certified residential developments	100% commitment to respect the Code of Conduct for Suppliers as of 2022	Ensuring ethical business conduct
Develop 100% LEED and WELL certified offices	Ensure employee health and safety	Setting high standards in business for subcontractors
Build all new office developments LEED Zero Carbon	Promote equality and diversity	Implementing strong anti-corruption rules
Reduce CO2 emissions at the development stage, and after delivery	Ensure tenants' and clients' health and safety by providing the best indoor & outdoor environment	Educating and enabling our stakeholders to achieve our sustainability goals
Use the best materials for the environment	Deliver good community relations for our clients, tenants, and local communities, offering safe and healthy surroundings	Allowing all shareholders to participate remotely in GSMs
Lower the waste production at construction level	Regenerate and revitalize urban areas, delivering landmark developments that are incorporated into the cityscape	Medium-risk assessment to be provided by ESG-rating agency
Protect trees and green spaces	Invest 70 million euros over the next 2 years in restoring historical landmarks	Measuring and transparently disclosing our sustainability performance
Optimize water and energy usage	Engage environmentally responsible behaviors within the communities	
Prevent uncontrolled urban sprawl	Provide charitable support to those in need.	
Develop according to the "15-minute city concept", lowering traffic congestion		

Source: Company sustainability report

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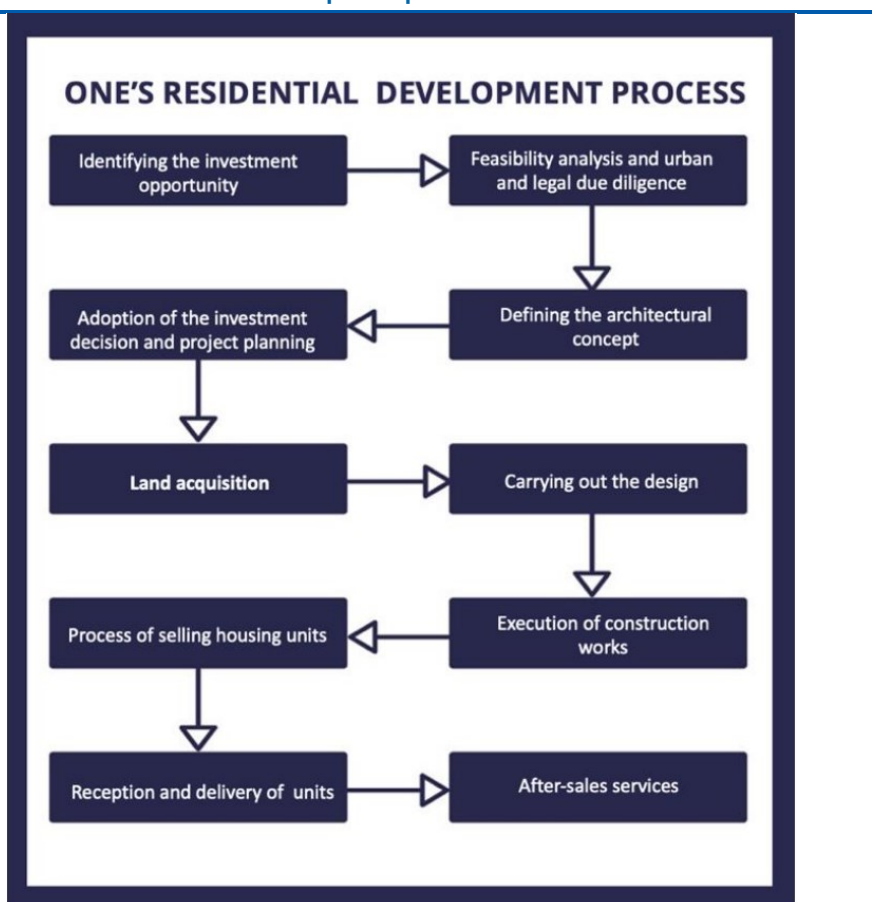
Key aspects in company valuation

Residential segment

One United Properties targets the ultra-high-end, high-end and premium (medium income) clients. Superior interior design is at the core of ONE's business. One United Properties has a strategic partnership with Lemon Interior Design through which all of ONE's clients, both on residential as well as office segment, benefit from complimentary interior design services offered by Lemon Interior Design, and a low margin on furniture purchases. Since 2017, all residential developments of One United Properties are "Green Homes" certified by the RBGC.

For a best representation of the ONE's residential development process in the following figure is presented the entire process.

Figure 7: ONE's residential development process



Source: One United Properties

The two main customer segments targeted by ONE United Properties through its subsidiaries' residential projects are:

- The first segment consists of clients looking for premium projects located in high-end areas of Bucharest, with high-quality finishes and special architecture and design, targeting families with monthly incomes of over EUR 8,000-10,000.
- The second segment consists of clients looking for projects with average added value, located in central and semi-central areas of Bucharest, with good quality finishes and a consistent experience on the residential market, targeting families with monthly incomes between EUR 3,000 and 5,000.

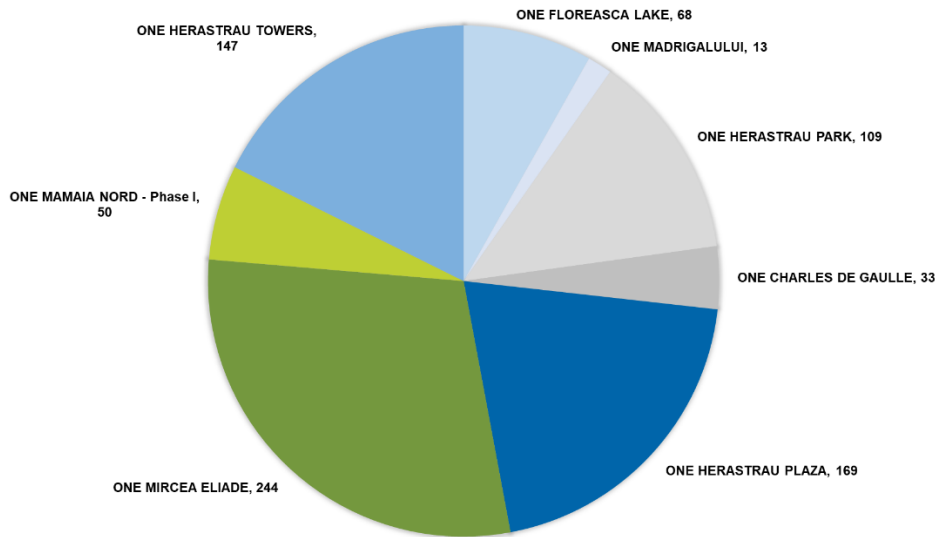
The Company offers to its clients on the residential segment three payment options for apartments that are under development at the time of signing the promise of sale: payment

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in full, equal instalments of 20% divided over the entire construction period, or payment of 30% upon signing followed by 70% upon the completion of the development.

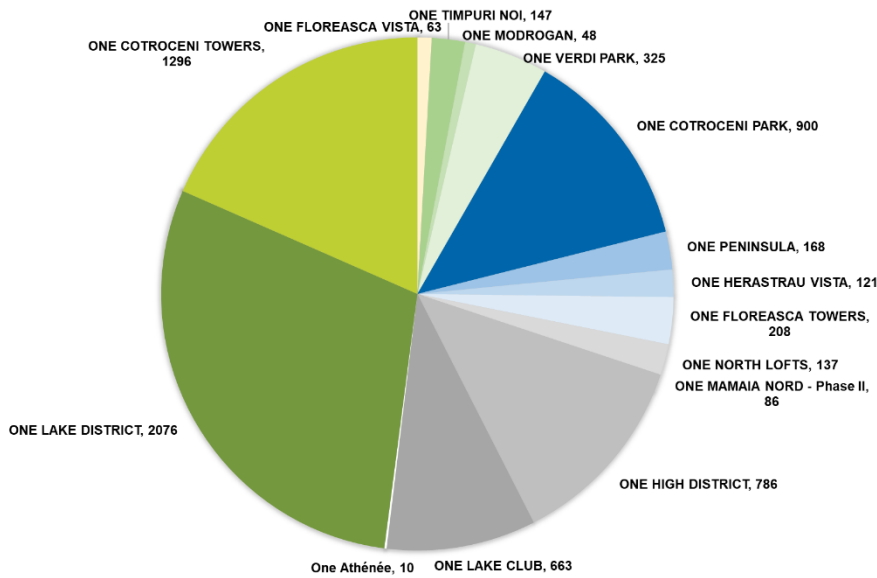
The following charts show the projects that the company has completed and that are to be developed or completed, together with the number of units for each project.

Figure 8: Completed projects and number of units



Source: Company data

Figure 9: Under construction & in pipeline projects and number of units



Source: Company data

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Based on the data available, we identified 8 residential projects completed of which 3 projects still have some apartments for sale and other 14 residential projects that are under development & in pipeline.

Our forecast extends to 2026 due to the fact that the majority of One United Properties' projects will be completed during this period. In the following table is presented our revenue forecast for the residential segment by project. The starting point in estimating revenue for this segment was the company's estimated GDV for each project. From this we estimated a sales price per sqm, which averages 3,100 EUR/sqm and made a graph of apartment sales per project for the years presented. The estimated sales graph foresees an average of 20-25% in the first year of construction, 30-40% in the second year of construction and 15-20% in the third year. The gross profit margin for the residential segment is estimated between 40.1% and 37.4% over the forecast period, 2023-2026. In addition to these projects, in the category of future developments (after 2025, 2026) the company has ONE City Club and One Herastrau City in the planning phase. These projects will be included in our estimates once we know more details about the start and, end dates of the projects and other indicators.

GDV is a metric used in the real estate industry to represent the total value of a development project when it is completed and ready to be sold. The GDV includes the estimated sales price of all the units in the project, as well as any other potential income streams such as retail space or rental income

Figure 10: Estimation of revenue – residential segment

RON	Starting date	Completion date	2023E		2024E		2025E		2026E	
			Units sold	Revenue	Units sold	Revenue	Units sold	Revenue	Units sold	Revenue
Completed										
ONE MIRCEA ELIADE	Mar-18	May-21	9	21,416,865	-	-	-	-	-	-
ONE MAMAIA NORD - Phase I	Sep-18	Jul-21	2	2,877,930	-	-	-	-	-	-
ONE HERASTRAU TOWERS	Oct-18	Jan-22	6	11,071,837	4	7,381,224	-	-	-	-
UNDER CONSTRUCTION & IN PIPELINE										
ONE FLOREASCA VISTA	Q2 2020	Jul-05	4	9,390,071	5	12,355,357	-	-	-	-
ONE TIMPURI NOI	Apr-19	Jul-05	5	4,230,651	7	6,234,643	3	2,671,990	-	-
ONE MODROGAN	Oct-20	Jul-05	5	35,419,895	8	56,677,500	-	-	-	-
ONE VERDI PARK	Nov-19	H1 2023	15	27,194,919	15	28,626,231	7	13,358,908	-	-
ONE COTROCENI PARK	Jun-21	Q4 2023	52	35,669,920	12	10,289,400	7	6,002,150	-	-
ONE PENINSULA	Oct-20	Q4 2023	32	134,828,571	19	80,054,464	7	29,493,750	6	25,280,357
ONE HERASTRAU VISTA	Q3 2022	Q3 2024	20	29,614,091	12	18,703,636	11	17,145,000	-	-
ONE FLOREASCA TOWERS	Nov-22	Q2 2025	110	161,763,149	43	63,241,010	34	50,004,519	2	2,941,442
ONE NORTH LOFTS	Q2 2023	Q2 2024	69	74,791,971	41	44,441,606	27	29,266,423	-	-
ONE MAMAIA NORD - Phase II	Q3 2022	Q4 2024	52	66,250,570	20	26,822,093	5	6,705,523	5	6,705,523
ONE HIGH DISTRICT	Q4 2022	Q4 2025	180	174,799,237	180	174,799,237	82	79,630,763	70	67,977,481
ONE LAKE CLUB	Jul-22	Q3 2025	300	491,416,290	175	286,659,502	86	140,872,670	55	90,092,986
ONE LAKE DISTRICT	Q2 2023	Q1 2027	187	140,669,298	561	430,620,300	561	430,620,300	561	430,620,300
ONE COTROCENI TOWERS	Mar-23	2027	175	267,300,000	350	534,600,000	350	534,600,000	292	445,500,000
TOTAL			1,223	1,688,705,264	1,451	1,781,506,203	1,179	1,340,371,996	990	1,069,118,090

Source: Company data, BRK

Office & Commercial segment

One United Properties entered the office segment in November 2017 through the acquisition of One North Gate. ONE's office portfolio has a GLA of approximately 130,000 sqm and includes One Tower, One Cotroceni Park Office Phase 1 and Phase 2, One Victoriei Plaza, One North Gate and Eliade Tower. Together with the retail segment, the commercial portfolio of One United Properties, which mainly includes Bucur Obor and One Gallery, reaches a GLA of 172,000 sqm.

ONE's office portfolio growth is driven by three factors. Firstly, corporations are re-evaluating their real estate strategies and relocating to newer, more modern buildings to upgrade. Secondly, there is a focus on providing sanitary comfort to attract employees back to the office, which means prioritizing LEED and WELL certified properties. Thirdly, there is a trend towards integrating residential and commercial functions within the same development to reduce commute time and offer nearby amenities. Additionally, ONE plans

GLA (Gross Leasable Area) is a measurement used in the real estate industry to determine the total floor area available for lease to tenants in a commercial or retail property.

WELL Health and Safety and LEED Platinum certification by the US Green Building Council, are one of the most demanding certifications on the environmental impact and performance.

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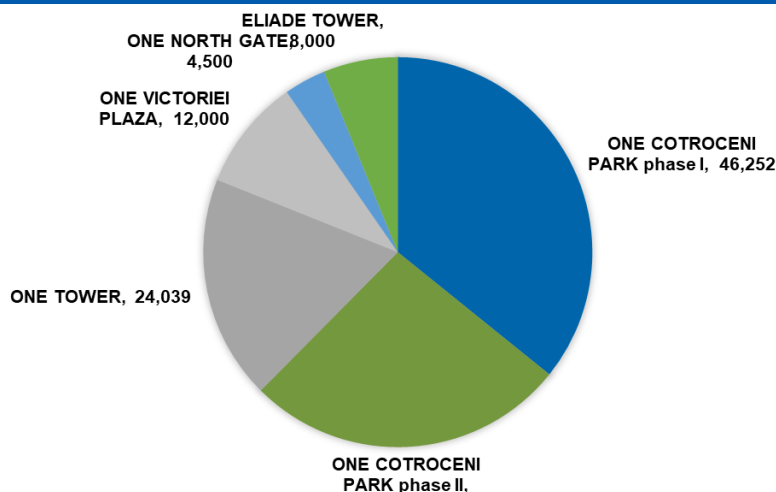
to adopt a hub and spoke office distribution strategy by opening several satellite offices to reduce commute time and promote a near-home office environment.

The office segment is of strategic importance for One United Properties as it envisages the medium to long-term rental of spaces (minimum 5 years, preferred 7-10 years contracts), offering a predictable recurrent revenue, complementing the residential development business model.

All of One United Properties' office buildings are certified or pre-certified under WELL Health and Safety and LEED Platinum certification, which are among the most rigorous certifications for environmental impact and performance. The company aims to achieve carbon neutrality in its office portfolio by the end of 2022, and all new office assets will undergo LEED ZERO CARBON certification.

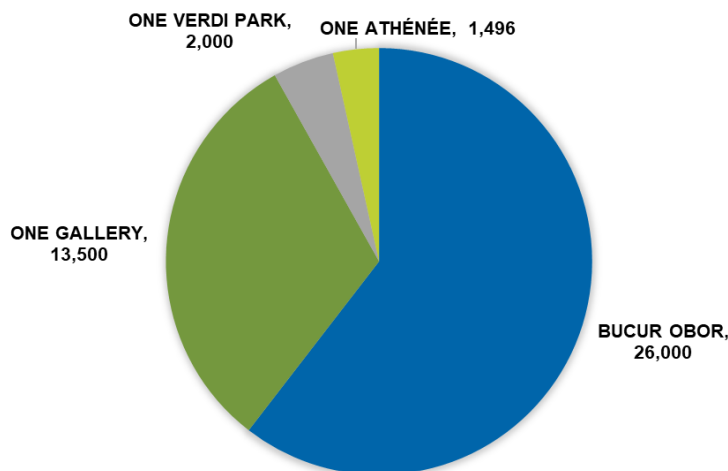
The following figures show the office and retail projects of One United Properties along with the square meters of each project. In the short term Eliade Tower will function as an office building in the company's office portfolio, but in the medium and long term the optimal use of the properties will be considered. Earlier in April the company announced the sale of One Herastrau Office, and for One North Gate the company's intention is to sell it as well this year.

Figure 11: Office segment (sqm)



Source: Company data

Figure 12: Retail segment (sqm)



Source: Company data

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The revenue forecast for this segment is based on the actual rent level for each project and for which we have estimated an annual increase based on the estimated inflation rate.

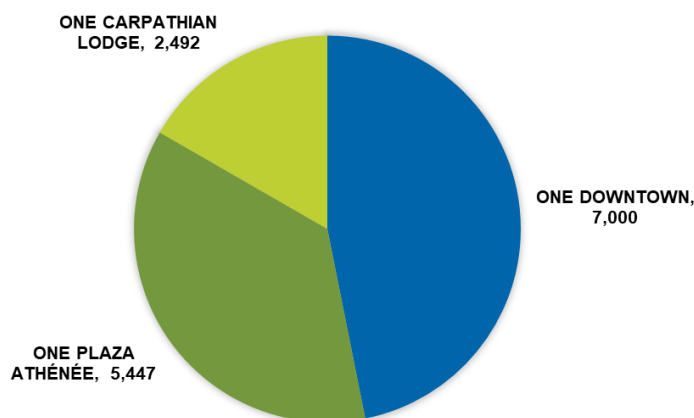
Figure 13: Estimation of revenue – office & commercial segment

	Starting date / Aquisition date	Completion date	2023E			2024E			2025E			2026E		
			Rent level (EUR /sqm)	Rental income (mil. RON)	% leased	Rent level (EUR /sqm)	Rental income (mil. RON)	% leased	Rent level (EUR /sqm)	Rental income (mil. RON)	% leased	Rent level (EUR /sqm)	Rental income (mil. RON)	% leased
ONE COTROCENI PARK phase I	Sep-19	Dec-21	16.5	42.2	100%	17.0	43.5	100%	17.4	44.6	100%	17.8	45.7	100%
ONE COTROCENI PARK phase II	Dec-21	Dec-22	16.5	20.3	65%	17.0	27.4	85%	17.4	33.0	100%	17.8	33.9	100%
ONE TOWER	Mar-18	Dec-20	20.7	28.6	100%	21.4	29.4	100%	21.9	30.2	100%	22.5	30.9	100%
ONE VICTORIEI PLAZA	Jul-22		16.0	11.3	100%	16.4	11.7	100%	16.8	12.0	100%	17.3	12.3	100%
ONE NORTH GATE	Nov-17		11.2	2.4	80%	-	-	0%	-	-	0%	-	-	0%
ELIADE TOWER	Oct-22		17.0	5.6	70%	17.5	8.3	100%	18.0	8.5	100%	18.4	8.7	100%
BUCUR OBOR	Feb-22		18.1	27.8	100%	18.6	28.7	100%	19.1	29.4	100%	19.6	30.1	100%
ONE GALLERY	Q2 2022	Q3 2024	-	-	0%	-	-	0%	19.1	12.2	80%	19.6	15.6	100%
ONE VERDI PARK	Nov-19	H1 2023	18.1	1.5	70%	18.6	2.2	100%	19.1	0.2	100%	19.6	2.3	100%
ONE ATHÉNÉE	2022	2025	-	-	0%	-	-	0%	19.1	0.1	50%	19.6	1.7	100%
TOTAL				139.8			151.1			170.1			181.2	

Source: BRK

In addition to One United Properties' commercial segment, the hotel portfolio has the potential to contribute to the company's revenue growth upon completion. At this time, the revenue estimate does not include these projects. Under these conditions, these projects may bring positive surprises in terms of the impact on estimated revenues for the coming period.

Figure 14: Hotel projects (sqm)



Source: Company data

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Market analysis

Residential market

According to National Institute of Statistics, in 2022, 73,332 homes were completed, an increase of 1,927 homes compared to 2021. From the total, the Bucharest - Ilfov region accounts for about 30% of deliveries nationwide. In this region, the number of homes delivered decreased by 3% in 2022 compared to 2021. ANCPPI's data for Bucharest – Ilfov region shows that in January 2023 the number of houses and apartments sold dropped by 4.4% compared to January 2022, in February 2023 the decrease was more significant, by 28.3% compared to February 2022 and in March 2023 the number dropped by 28.8% compared to the same month of the previous year.

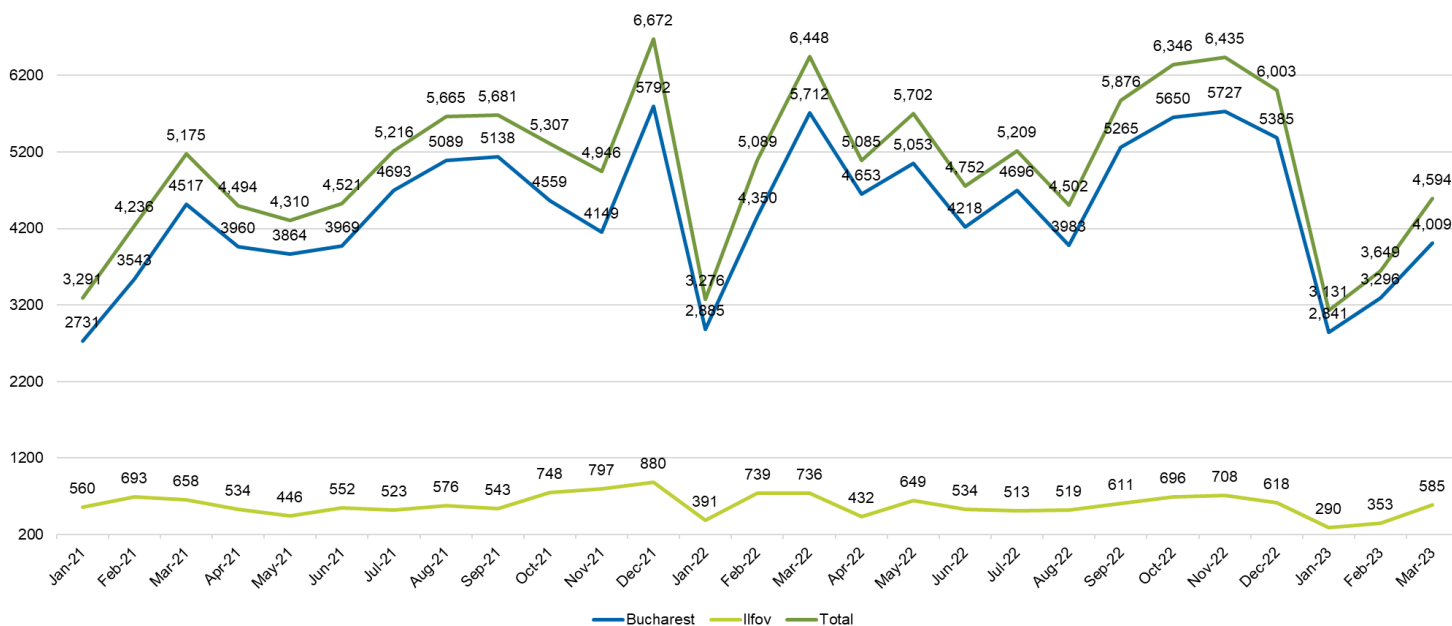
SVN Romania estimates for 2023, 19,000 homes that are currently under construction in Bucharest and its surrounding areas and that could be delivered this year, if reached, will represent a decrease of almost 11% compared to 2022. The 2023 real estate deliveries in Bucharest are estimated to be divided as follows: 54.3% of the units are in the mass-market category, with prices up to EUR 1,500 per sqm, 41.3% in the middle market with prices ranging from EUR 1,500 to 2,300 per sqm, and 4.4% in the premium market with prices above EUR 2,300 per sqm.

According to Imobiliare.ro as for the Bucharest market, the time needed to sell an apartment in October-December 2022 was 69 days and in the third quarter of 2022 it was 57.5 days. By comparison, in the fourth quarter of 2021 it took 59 days to complete a transaction in Bucharest. For One United Properties, this could mean that the sales of their properties may also fluctuate depending on the demand in the market. If the trend of longer selling times continues, it may take longer for the company to sell their properties, which could affect their revenue and profitability. However, if the trend reverses and the time needed to sell properties decreases, it could be positive for the company's sales and financial performance. Overall, fluctuations in the real estate market in Bucharest can have an impact on One United Properties' activity, but it is important to consider other factors as well such as the quality of their properties and competition in the market.

In 2022, the number of completed homes in Romania increased by 1,927, with the Bucharest-Ilfov region accounting for about 30% of the total. This year, there was a significant decrease in the number of houses and apartments sold in Q1 2023 in the region.

The time needed to sell an apartment decreased from Q4 2021 to Q3 2022, but then increased again in Q4 2022.

Figure 15: Evolution of the number of individual units sold



Source: ANCPPI

Based on the report published by JLL (Bucharest City Report Q4 2022) residential prices registered a 1.8% decrease in Q4 2022 as compared to the previous quarter, levelling at an

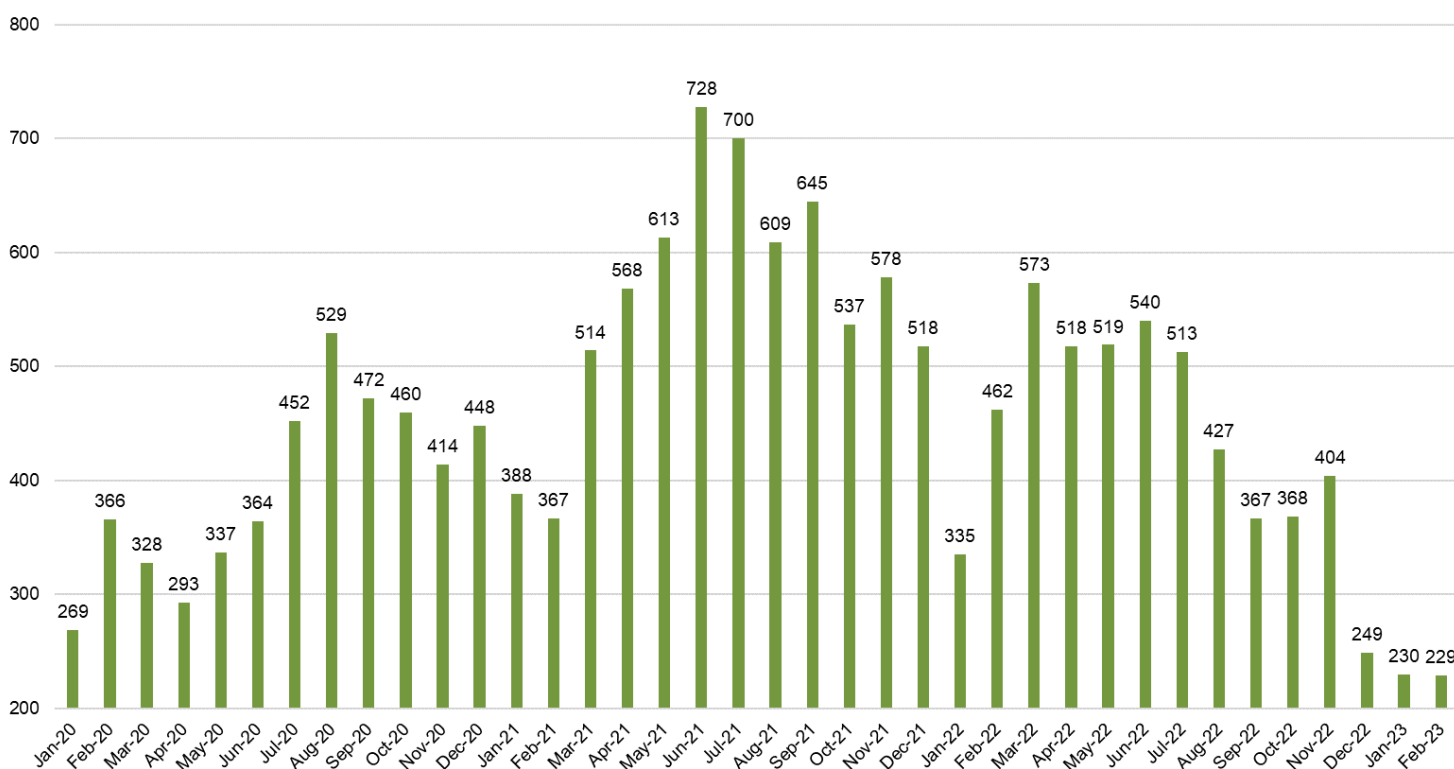
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average of EUR 1,680/sqm usable area. The residential market is expected to decrease, which suggests that it has entered a readjustment stage and is experiencing a slight regression. This trend is influenced by financing conditions and market sentiment. The residential prices in 2022 increased by 2.4%, which is much lower than the 10.8% increase in the previous year, and the weakest increase since 2015. As a result of these market conditions, potential buyers may opt for rental options for the time being.

According to data published by NIS, in February 2023 there was a decrease in the number of building permits issued for residential buildings (-27.4%) compared to February 2022 at national level. In the Bucharest-Ilfov region there is a 50% decrease in the number of building permits issued. In 2022 was recorded a decrease of 22% compared to 2021.

The residential real estate market in Bucharest and Romania is experiencing a slight regression and readjustment stage, with a decrease in residential prices and a decrease in the number of building permits issued. This could potentially impact One United Properties' activity by reducing demand for their properties and making it more difficult to sell apartments, especially if potential buyers opt for rental options instead. However, it is important to note that this is just one factor among many that could impact the company's activity, and other factors such as their project pipeline and marketing strategy could also play a significant role.

Figure 16: Building permits issued for residential buildings – Bucharest-Ilfov region



Source: NIS

Office and retail market

Based on the report published by Colliers (Romania Market Report 2023), about 125,000 sqm of new modern office space was delivered in Bucharest in 2022, taking the overall stock to nearly 3.3 million sqm. The demand for office spaces in 2022 increased by 6% compared to 2021, with new demand increasing by 17% to 122,000 sqm. However, there was a material slowdown in take-up from IT&C companies, dropping from half to a bit over one-third of total demand, likely due to factors such as the tightening of the labour market and the impact of the new hybrid work regime. The entrenching of remote work has changed the meaning of offices for companies, and increasing the number of employees no longer

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necessarily leads to larger offices. Some companies that expanded greatly before the pandemic may now have their need for larger offices "solved" by remote work.

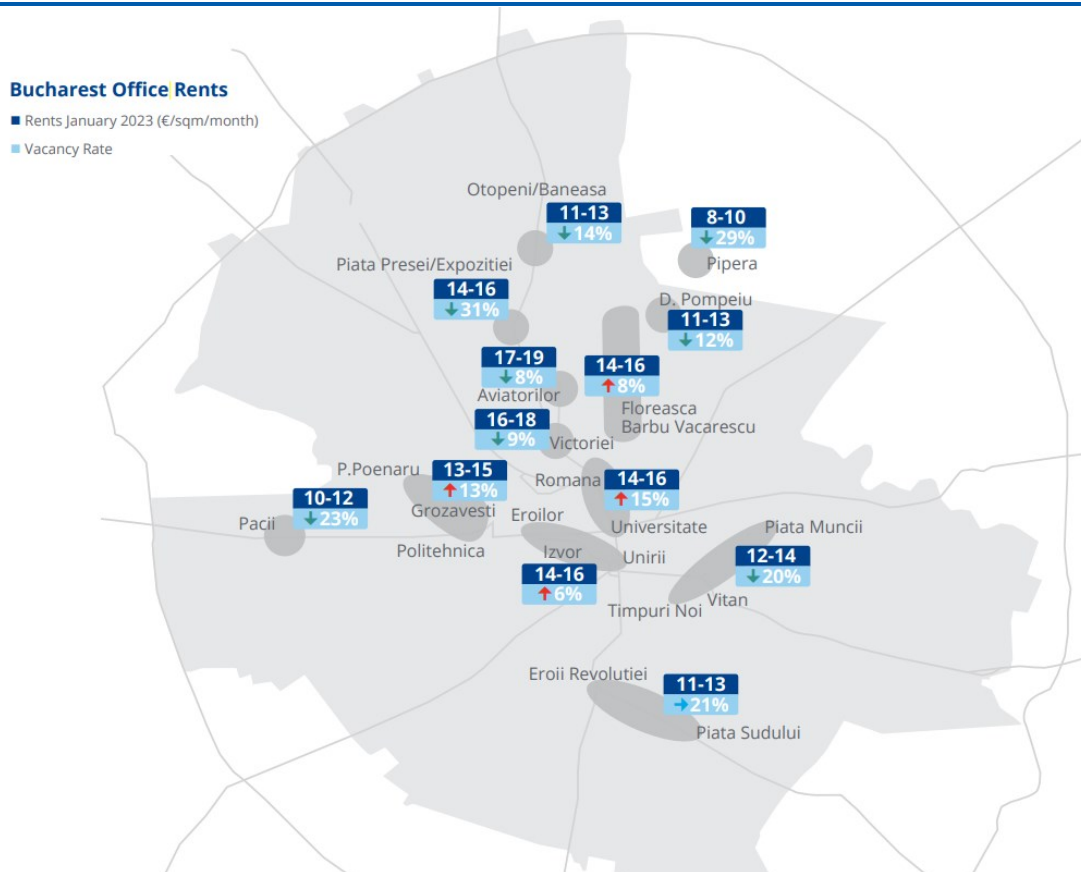
Rents are under pressure in most submarkets, but landlords are likely to incorporate most of the inflation indexation into rents. However, large tenants may have more bargaining power. Vacancy remained unchanged at 15.25%, but down from 16.5% in 2021. This is a positive development as it was expected to increase due to the softer economic prospects and the impact of hybrid work. The article notes that the near-term outlook for the office market in Romania is uncertain due to two unknown factors: the performance of the Romanian economy in 2023 and the uncertain impact of hybrid work.

According to JLL report approximately 104,000 m² are expected to be added to the market in 2023, a decrease of 16% when compared to deliveries in 2022. The largest project expected to be completed in 2023 is the second phase of One Cotroceni Park, developed by One United Properties, adding approx. 34,500 m² to the Center-West, the largest submarket in Bucharest in terms of total office area. The report notes that the vacancy rate is likely to fluctuate in the coming quarters.

The JLL report shows prime office rents continued to rise in Q4 2022, from EUR 19.0 per sqm per month in Q3 to EUR 20.0 per sqm per month, to absorb inflationary pressure through indexation. CRBE data shows that at Q4 2022 closing, prime rent reached at EUR 19.50 sqm per month.

Colliers reports points that the office market in Bucharest is expected to shift to a landlord's market in the medium term due to a lack of large office projects in the pipeline for 2023 and beyond. However, for 2023, the market is expected to remain neutral with a possible tenants' market in some parts of the city. The demand is expected to increase by 10-15% in 2023, and the vacancy rate is expected to drop slightly. It is important to take into account potential risks such as companies reducing their office presence or lower than expected growth in European economies.

Figure 17: Bucharest office rents



Source: Colliers

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Regarding the retail market in Romania, according to Colliers report, the year 2023 is expected to have the heaviest pipeline calendar after 2011, with programmed deliveries of around 260,000 sqm. However, uncertainties remain and there may be delays into 2024, which is already shaping up to be another strong year with a pipeline of 200,000 sqm. Construction costs have come down but remain significantly above pre-pandemic levels. The Romanian retail scene is expected to perform well in 2023 as long as the wider economy remains solid and the labor market doesn't shed a significant amount of workers. Romania had already surpassed Poland and Hungary in terms of individual consumption prior to 2022, and the strong results in 2022 are likely to continue into 2023, suggesting further outperformance against regional peers.

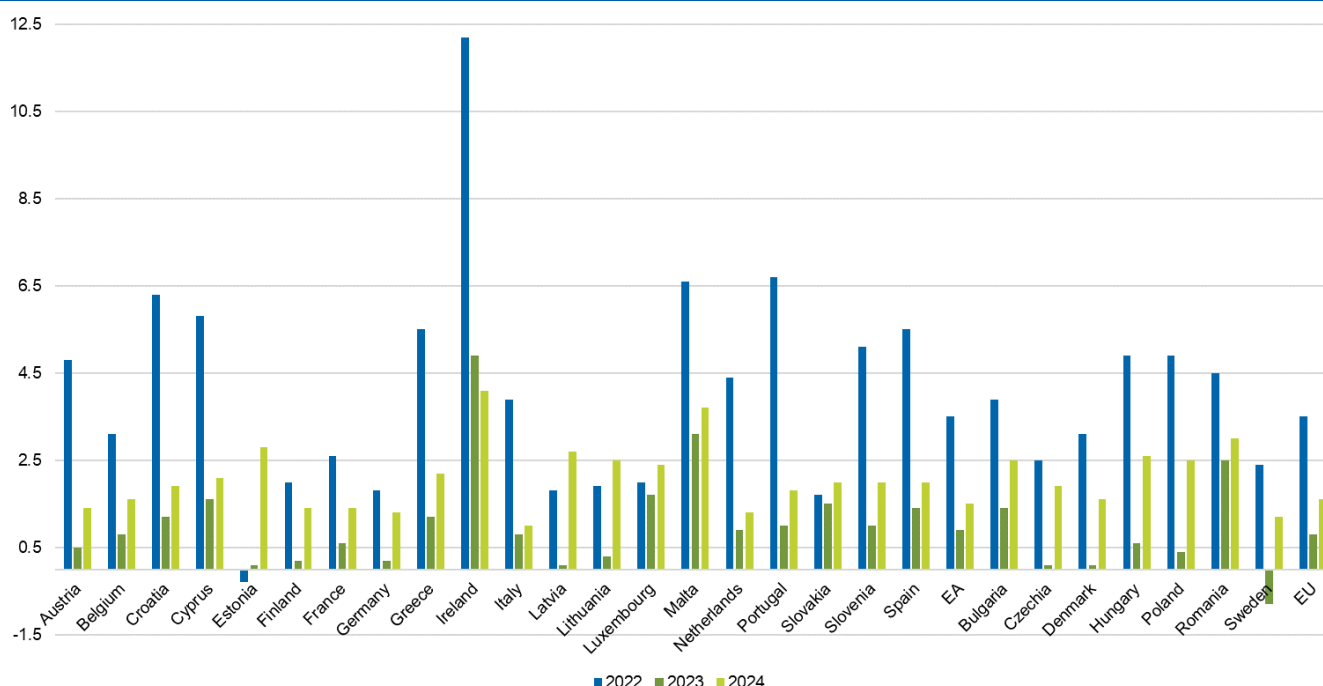
Macroeconomic background

The EU economy has seen positive developments since autumn, including a drop in European gas prices and continued diversification of supply sources. The resilience of households and corporations during this time has been impressive. This Winter interim Forecast, published by European Commission, lifts the outlook for growth and slightly lowers the inflation projections. GDP is projected to expand by 0.8% in 2023 and 1.6% in 2024 (0.9% and 1.5% in the euro area). Headline inflation is forecast to fall from 9.2% in 2022 to 6.4% in 2023 and 2.8% in 2024 in the EU. In the euro area, it is projected to decelerate from 8.4% in 2022 to 5.6% in 2023 and to 2.5% in 2024. For 2023, the negative impact of still high inflation, tight financing conditions and the slowdown of the other EU economies are all set to lower real GDP growth in Romania to 2.5%.

The RRP and other EU funds are expected to contribute to strong investment, which will be the main growth driver for Romania. Despite high inflation, private consumption is expected to grow due to increases in minimum wage, pensions, and public sector wages, as well as the extension of the energy price cap until 2025. Net exports are projected to remain negative. The economy is expected to rebound by 3% in 2024 due to lower inflationary pressures, lower interest rates, and an improved external outlook.

Romania's annual real GDP grew by 4.7% in 2022, due to strong gross fixed capital formation and private consumption, which was supported by a strong labour market and wage growth, in combination with government support measures to mitigate the impact of high energy prices.

Figure 18: GDP forecast EU (%)



Source: European Commission

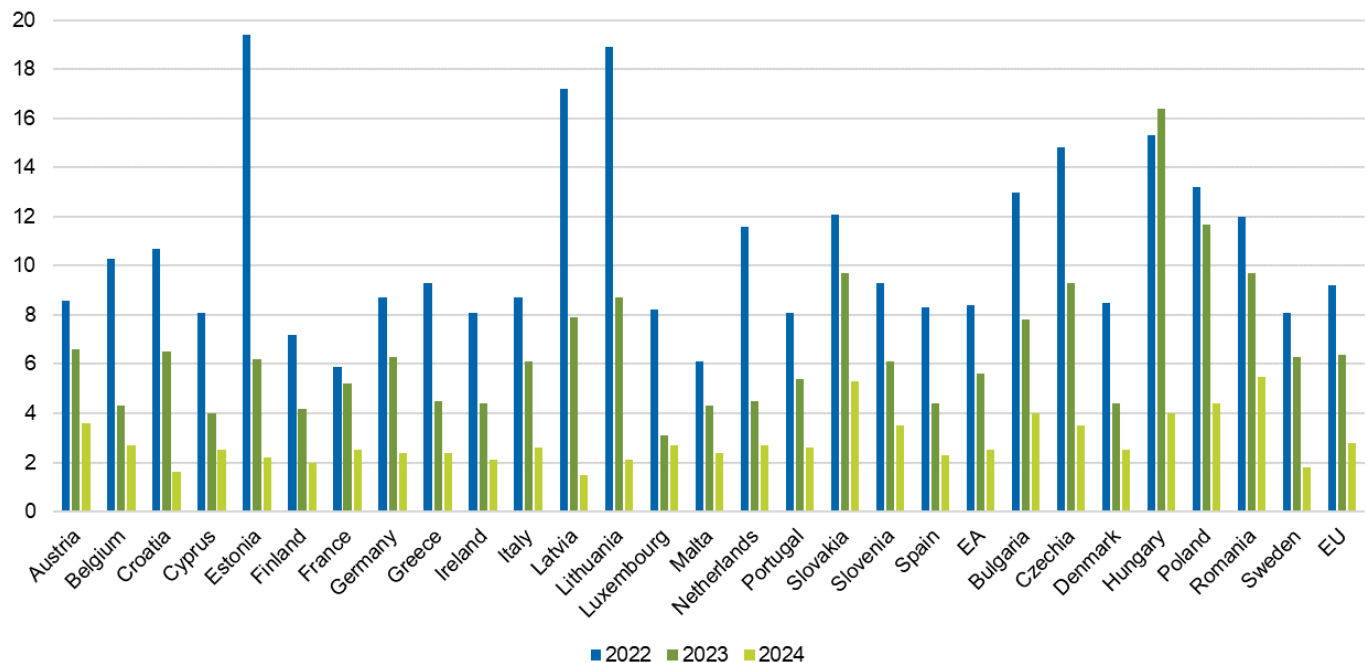
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According to data published by Eurostat, the annual inflation rate in the European Union was 8.3% in March 2023, down from 9.9% in February. A year earlier, the rate was 7.8%. The euro area annual inflation rate was 6.9% in March 2023, down from 8.5% in February. A year earlier, the rate was 7.4%. In Romania, the annual inflation rate was 12,2% in March 2023, down from 13.4% in the previous month.

In March, the highest contribution to the annual euro area inflation rate came from food, alcohol & tobacco (+3.12 percentage points, pp), followed by services (+2.10 pp), non-energy industrial goods (+1.71 pp) and energy (-0.05 pp).

The decrease in inflation rates across Europe, including Romania, could potentially have a positive impact on the real estate market by stabilizing prices and increasing purchasing power. However, the high inflation rate in Romania compared to the European Union may still affect the affordability of properties for some buyers, particularly those with lower incomes. Additionally, the contribution of food, alcohol, and tobacco to the inflation rate suggests that the cost of living is increasing, which could impact the ability of some buyers to enter the real estate market.

Figure 19: Inflation rate forecast EU (%)



Source: European Commission

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Appendix

To better understand how the company operates and its trend, we also analyzed historical data, which is required in order to forecast the company's evolution. These are presented in the following tables.

Figure 20: Balance sheet - consolidated

RON	2020	2021	2022
ASSETS			
Non-current assets			
Goodwill	19,256,076	19,256,076	19,256,076
Intangible assets	164,707	597,608	15,259,605
Investment properties	1,010,415,976	1,449,465,190	2,251,984,947
Right of use assets	1,221,167	3,505,452	2,687,154
Investments in associates	1,439,340	2,967,158	3,369,877
Property, plant and equipment	16,077,142	17,040,010	51,131,523
Total non-current assets	1,048,574,408	1,492,831,494	2,343,689,182
Current assets			
Inventories	257,348,157	343,977,627	662,994,340
Advance payments to suppliers	50,890,026	93,266,448	116,316,909
Trade receivables	104,643,962	201,369,543	392,002,622
Other receivables	70,781,030	128,441,029	129,862,443
Prepayments	545,370	19,517,269	24,924,944
Other financial assets		9,408,917	-
Cash and cash equivalents	170,971,646	508,347,161	566,960,043
Total current assets	655,180,191	1,304,327,994	1,893,061,301
TOTAL ASSETS	1,703,754,599	2,797,159,488	4,236,750,483
EQUITY AND LIABILITIES			
Equity			
Share capital	259,824,598	514,828,059	740,563,717
Share premium	9,192	4,307,781	27,981,399
Own share	-26,765,560		1,029
Other capital reserves	463,393	1,390,179	51,848,900
Legal reserves	0	11,437,359	17,452,635
Retained earnings	498,235,187	791,788,303	1,184,656,306
Equity attributable to owners of the Group	731,766,810	1,323,751,681	2,022,503,986
Non-controlling interests	92,264,592	323,205,535	508,822,702
Total equity	824,031,402	1,646,957,216	2,531,326,688
Non-current liabilities			
Loans and borrowings from bank and others	120,076,805	390,342,321	654,206,589
Loans and borrowings from minority shareholders	70,659,819	7,472,207	3,528,882
Trade and other payables	734,913	564,912	23,442,273
Lease liabilities - long term portion	0	2,646,947	2,646,947
Deferred tax liabilities	100,904,737	179,974,080	272,828,037
Total non-current liabilities	292,376,274	581,000,467	956,652,728
Current liabilities			
Loans and borrowings from bank and others	37,547,728	34,260,754	172,421,627
Loans and borrowings from minority shareholders	156,083,575	87,028	47,528
Lease liabilities	0	1,282,387	778,490
Trade and other payables	96,243,622	124,138,768	271,065,556
Deferred income	1,208,149	1,145,855	11,099,273
Current tax liabilities	1,964,019	2,023,447	717,144
Advance payments from customers	293,855,202	406,263,566	292,641,449
Beneficiile angajaților	444,628		
Total current liabilities	587,346,923	569,201,805	748,771,067
Total liabilities	879,723,197	1,150,202,272	1,705,423,795
TOTAL EQUITY AND LIABILITIES	1,703,754,599	2,797,159,488	4,236,750,483

Source: Company data

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Figure 21: Key items in the profit and loss account - consolidated

RON	2020	2021	2022
Total revenue	536,803,924	1,120,016,103	1,166,115,861
Revenues from sales of residential property	437,503,724	703,317,672	769,518,382
Cost of sales of residential property	(284,286,135)	(451,583,531)	(445,459,287)
Other property operating expenses - residential	-	-	(5,133,247)
Net income from residential property	153,217,589	251,734,141	318,925,848
Gross profit margin	35.02%	35.79%	41.4%
Gains from investment property	96,253,470	399,188,179	218,466,572
Gains from bargain purchase	-	-	94,079,969
Rental income	1,313,724	6,544,367	62,377,460
Revenues from service to tenants	355,719	5,277,520	16,532,162
Expenses from services to tenants	(355,719)	(5,277,521)	(16,532,162)
Other property operating expenses	(684,749)	(4,850,821)	(8,171,409)
Net rental income	628,975	1,693,545	54,206,051
Commissions for brokerage real estate	(1,093,357)	(3,142,561)	(9,255,427)
Administrative expenses	(29,952,793)	(32,387,474)	(90,436,029)
Other operating expenses	(3,105,385)	(10,118,954)	(15,003,594)
Other operating income	1,377,287	5,688,365	5,141,316
Result from operating activity (EBITDA)	217,325,786	612,655,241	576,124,706
Net financial result	(11,400,928)	(9,764,254)	(3,618,513)
Share of result of associates	733,803	1,527,818	402,719
Result before tax	206,658,661	604,418,805	572,908,912
Income tax	(29,722,318)	(94,731,652)	(70,431,447)
Net result of the period	176,936,343	509,687,153	502,477,465

Source: Company data

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