

Bulgarian Real Estate Fund AD

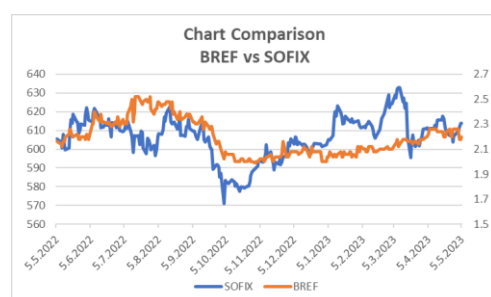
Revenue Slump YoY, but Post-Period Events Bring a More Positive Outlook Q1 2023 Results

Sector: Real Estate
Industry: Equity REITs

NAV: BGN 3.36

Share Information	
Price (BGN)	2.2
52-week price change	1.85%
52-week price range	1.99 – 2.52
Market Cap (BGN)	76,212,235
Market Cap (EUR)	38,966,697
Shares outstanding	34,641,925
Free Float	74.29%
Next results expected	31.03.2023
P/E (ttm)	104.68
P/S (ttm)	36.56
P/BV	0.61

Source: SIS Calculations and Market Data
BGN is pegged to EUR at 1.95583 BGN



* in BGN, source Bloomberg

Notable events	
Extraordinary Shareholders General Meeting	10.01.2023
Q1 2023 results	02.05.2023
Shareholders General Meeting	07.06.2023

Petya Segova

Equity Analyst
e-mail: psegova@sis.bg

Svetozar Abrashev

Senior Managing Partner
Tel.: +359 2 937 9869
e-mail: abrashev@sis.bg

Sofia International Securities

Sofia 1000,
140 G. S. Rakovski Str.
Tel.: + 359 2 937 98 65
e-mail: info@sis.bg

• Total revenues are BGN 1.96 mln, down from BGN 3.1 mln for Q1 2022. 98% is rental income. This decline could be attributed to BGN 0.2mln smaller rental income (because of the leave of a key tenant from the office building Kanbanite in Q1 2022) and lack of property sales (vs BGN 0.8 mln in Q1 2022). Expectations point towards revenue growth due to post-Q1 events outlined in the latter part of this report.

• Expenses have witnessed a significant rise of nearly 69% YoY. The main drivers were repair and maintenance costs, which surged from BGN 193 thousand in Q1 2022 to BGN 497 thousand in 2023.

• Despite the increase in operating expenses, there was a significant 32% decrease in total expenses (From BGN 1.89mln in Q1 2022 to BGN 1.28mln). This reduction can be attributed to the decline in interest expense by BGN 55 thousand YoY and the value of sold properties in Q1 2022, which amounted to BGN 797 thousand.

• The decrease in total revenue outpaced the decrease in total expenses, which resulted in a net profit of BGN 686 thousand, reflecting a 42% decline compared to the previous year.

• Total assets experienced a YoY growth of 6.4%, while net debt decreased by 6.3%. The company reduced its long-term debt by -3.67% (equivalent to BGN 1.13 million).

• The company completed construction of a new office building in Sofia Tech Park. Furthermore, BREF also obtained permission to use the remaining unoccupied premises. In the upcoming quarters, the building costs will primarily focus on finishing works related to the leased areas' reconstruction. At the end of the period the invested funds in the project, excluding commissions for leased areas were BGN 76,4 mln. The projected funds for office finishing costs for future tenants amount to approximately BGN 3 million. To cover these expenses, the company will utilize its existing internal resources.

Notable events that happened after Q1:

• BREF has signed an additional lease agreement with "ROBERT BOSH" EOOD for more office space in the new Synergy Tower building at Sofia Tech Park. The rental period is valid until the end of the main lease agreement, and the leased area is 2723.54 sq.m. What's more is that the firm has successfully finalized lease agreements for most of the commercial spaces located on the ground floor of the building.

• In April 2023, the company relocated its management company, MNI OOD, to Synergy Tower, utilizing 429 square meters of office space. That way the occupancy rate of Synergy Tower now stands at 39.72%, with occupied office areas accounting for 37.45%. This is a positive development given that the occupancy rate in Q4 2022 was 26%.

• The Company sold 3 apartments and 1 garage in Borovets (Sequoia 2).

QUARTERLY RESULTS

Financial Metrics	Q1 2022	Q1 2023	% Change	TTM
Total Revenue	3 059	1 964	-35.8%	28 000
<i>Rental Income</i>	2 156	1 926	-10.7%	(4 525)
<i>Properties sold</i>	837	-	-100.0%	12 623
<i>Other income</i>	66	38	-42.4%	12 506
Operating expenses	(476)	(803)	68.7%	(4 622)
EBIT	917	485	-47.1%	13 028
Operating Margin	30.0%	24.7%	-5.3%	46.5%
Net profit	1 173	686	-41.5%	12 047
Net Margin	38.3%	34.9%	-3.4%	43.0%
Total Assets	149 052	158 589	6.4%	-
Net Debt	36 380	34 092	-6.3%	-

FINANCIAL RATIOS

Per share	2019	2020	2021	2022
Number of shares	34 641 925	34 641 925	34 641 925	34 641 925
EPS	0.14	0.08	0.11	0.36
DPS	0.10	0.12	0.08	0.00
Growth & Activity	2019	2020	2021	2022
Revenue growth	0.0%	-14.9%	18.4%	239.8%
Earnings growth	0.0%	-44.4%	40.6%	220.3%
Asset Turnover	7.2%	6.1%	5.4%	18.9%
Working Capital Trnv	93.0%	75.6%	-301.8%	-1129.7%
Return & Profitability	2019	2020	2021	2022
ROE	4.7%	2.6%	3.6%	10.8%
ROA	4.2%	2.4%	2.6%	7.9%
ROIC	4.5%	2.5%	2.8%	8.5%
Operating margin	62.1%	42.0%	54.4%	46.3%
Net margin	58.9%	38.5%	45.7%	43.1%
Gearing & Liquidity	2019	2020	2021	2022
Debt-to-Equity	0.1	0.1	0.3	0.3
Interest coverage	19.3	12.3	6.9	55.4
Cash ratio	3.4	0.6	0.2	1.0
Current ratio	3.8	1.2	0.3	1.1

Source: SIS calculations based on publishes financial statements

COMPANY DESCRIPTION

"Bulgarian Real Estate Fund" is a real estate investment trust ("REIT") headquartered in Sofia, Bulgaria. The fund specializes in strategic property acquisitions and invests exclusively in high performance real estates, focusing on office space. Its strategy is to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. Bulgarian legislation is favorable to investors, as the Fund is obliged to distribute at least 90 % of its net income cash flows as dividends.

FINANCIAL METRICS

Income Statement (BGN th)	2022	2021	2020	2019
Operating Revenue	7 106	7 028	7 022	7 336
Financial Income	21 989	1 535	211	1 166
Total Revenue	29 095	8 563	7 233	8 502
Operating expenses	(4 295)	(2 782)	(2 342)	(2 438)
EBIT	13 460	4 662	3 035	5 282
Net profit	12 534	3 913	2 783	5 006
Balance Sheet (BGN th)	2022	2021	2020	2019
Current assets	12 636	3 254	6 380	24 793
Cash & equiv.	11 562	1 657	3 580	22 452
Non-current assets	145 615	146 178	110 221	93 860
PP&E and Inv. Properties	145 615	146 173	110 193	93 828
Total Assets	158 251	149 432	116 601	118 653
Current Liabilities	11 261	9 780	5 528	6 512
ST Loans	7 346	4 695	1 268	1 227
Non-current liabilities	30 743	32 024	5 397	6 658
LT Loans	30 743	32 024	5 396	6 641
Total Liabilities	42 004	41 804	10 925	13 170
Equity	116 247	107 628	105 676	105 483
Net Working Capital	1 375	(6 526)	852	18 281
Total Debt	38 089	36 719	6 665	7 885
Net Debt	26 527	35 062	3 085	(14 567)
Cash Flow Statement (BGN th)	2022	2021	2020	2019
CF from operations	461	6 124	4 496	4 277
CF from investments	(56)	(34 935)	(17 595)	(7 891)
CAPEX	-	-	(19)	-
Purchase of investments	(741)	(35 816)	(17 753)	(8 467)
CF from financing	(561)	26 888	(5 773)	(4 911)
Change in debt	(318)	30 452	(1 209)	(1 171)
Paid interest	(243)	(671)	(247)	(274)
Paid dividends	-	(2 876)	(4 301)	(3 450)

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STRONG SELL	Target price above current market price by 25% or more

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