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Millionaires and bankrupts: the two faces of WSE listed developers

In the recent quarters, the shares of some developers have generated good profits. The increases in the prices of shares are substantial, which contrasts with the sectoral crisis atmosphere dominant in the media. The companies with solid foundations are gaining most. The quotations of the companies that are indebted or not reporting any profits are much worse.

After several fat years, lean years are coming for the developers. Decreasing real estate prices, problems with financing new investments, less interest of buyers and new, stringent regulations have made some companies to find themselves on the precipice. Even big companies face problems - they overinvested and are put into bankruptcy by their creditors.

On the other hand, some entities are operating in the market that conducted conservative risk management policy and the current perturbations create an opportunity for them to strengthen their position in the market. In turn, for the investors it is an opportunity for substantial gains, as the market is slowly changing its attachment to the sector.

Rating deweloperów wg wskaźnika Altmana dla rynków wschodzących, wskaźniki zysków i wartości aktywów oraz stopy zwrotu za okres roku

	Rating	C/Z	C/WK	Zmiana RDR	Średnia zmiana RDR
ROINSON	AAA	11,7	1,08	147,30%	
INPRO	AAA	11,4	1,25	82,78%	
DOMDEV	AAA	13,2	1,4	64,75%	
OBOCTAVA	AAA	3	0,56	13,51%	61,73%
EDINVEST	AAA	-	0,84	-6,48%	
LCCORP	AA+	8,5	0,76	62,39%	
CELTIC	AA	-	0,21	67,86%	
JHMDEV	A	7	0,41	87,10%	
ROBYG	A	42	1,21	83,21%	
POLNORD	A-	14,5	0,17	-29,30%	30,44%
BBIDEV	BBB	-	0,81	7,89%	
ECHO	BBB-	5,2	1,1	53,19%	
RANKPROGR	BBB-	6,8	0,7	-19,43%	
JWCONSTR	BB	56,5	0,68	69,23%	
ALTA	BB	-	0,33	56%	
PPG	B	-	0,4	-55,10%	
WIKANA	B-	-	0,94	15,91%	
GTC	CCC+	-	0,88	4,16%	17%
ORCOGROUP	CCC+	-	0,56	-12,11%	
WARIMPEX	CCC	68,3	1,07	112,15%	
VANTAGE	-	-	0,59	133,33%	
PLAZACNTR	-	-	0,13	-69,63%	
GANT	-	-	0,09	-79,65%	

źródło: Bankier.pl, GPW, Stockwatch.pl

Top rated are the companies that have a solid financial base. This means low debt ratio and profits reporting. One of the most interesting indicators investigating the solvency of companies is the Altman method that was developed in 1968. It is one of the ways of performing an overall assessment of a selected company in terms of its financial condition. On its basis, the developer companies can be assigned a rating, similar to the assessment of their creditworthiness, which then may be received by the bond issuers.

Rating tells the truth

Only seven developers can boast of their high rating within AAA - AA range in the WSE. The second group includes the developers with a medium rating within A - BBB- range. Most of the companies have non-investment or unassessed rating.

The comparison of the so selected assessments of developers with simple financial indicators and the results of shares on the stock exchange shows that the investors appreciate fundamentally strong companies. The average year to year change in the prices of shares of the companies with the highest rating according to Altman rate amounted to 61.73 %. In the group of average assessments this change amounted to 30.44 %. The developers with the lowest Altman rate can enjoy an average annual increase in the share price by 17%.

In the group of companies with the lowest assessment of solvency only two reported profit in the last four quarters. Also price-to-book ratios take on the lowest values, and indicate that the market evaluates the values of assets of the companies at less than the auditors.

Solid companies did generate profits

In turn, in the group of companies with the highest rating only ED Invest is below the line, in terms of their share price. Ronson can boast of the highest rate of return for shareholders. Also Dom Developer is highly valued, over 12 months it gained almost 65%, and it should be noted that the company paid out a high dividend, the rate of which amounted to 7.8%.



The quotations of only 7 out of 22 companies are in the red. The increases of other developers show that the investors already had recovered from the negative mood, and again believe in the economic improvement in the construction market. However, due to the breakthrough moment of the sector, when choosing shares of developer and construction companies, a special care needs to be taken, supported by a thorough fundamental analysis, because in this business the principle of “too big to fail” does not prevail.

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