TRIGON

17 October 2025

Research

CEE | Equity Research

Dom Development

What's not to like?

With Dom Development stock being flat since we've issued our HOLD rating mid-July, we feel like turn of the year represents could potentially bring some good momentum for the biggest WSE-listed homebuilder Firstly, we see 2H25 EPS coming in 20% higher yoy. Furthermore, following DOM's structural shift in approach towards mid-market clients in Poland's largest cities, we believe that Dom Dev is comfortably establishing its presence in a previously relatively untapped market segment. Taking into consideration better-than-expected 3Q25E KPIs, we have revised our sales volume expectations for the next 5–6 quarters and have turned positive on DOM's prospects.

Despite further expansion in terms of offering and sales volumes, we do not believe that Dom Dev is aggressively increasing volumes by 'giving up' part of its future margins. The Group is on track to improve its sales performance in FY26E - from ~4,400 units this year. In our view, this will require scaling up the offering from 3,800 to between 4,300 - 4,500 units. In this context, the temporarily negative FCF does not surprise us, rather it is part of a larger operation carried out by DOM - an even greater increase in exposure to mid-market customers.

We are raising our TP by 13%, primarily due to our revised model assumptions regarding handover volumes after 28E. We are also assigning a BUY rating as we believe that DOM can increase its sales volumes to 5,000 units starting next year. Based on our estimates, the company is trading at a 15% discount to its 10-year P/E 2Y FWD average.

Forecast revision. We now see DOM's FY25E sales at 4,400 units, which would imply relatively flattish 4Q25E volumes. We do think, however, that with market growing by 10 -13% next year (we see so-called TOP6 cities sales volume to reach 44-45k units) Dom Dev will be able to stay a few steps ahead of its competitors in the 'mid-market' segment and sell almost 5,000 units. Regarding handovers, we have cut our FY25E estimates from 4,400 to 4,177 units (we anticipate that Dom Dev may postpone some handovers from December to January), although we have increased our FY26-27E estimates to 4,850 /5,425 units, respectively. Overall, our cumulative FY26-28E EPS forecast goes up by over 3%. We also believe that, following record-high land investments finalised in FY25E (with FCF close to zero), Dom Dev will be in a position to raise its DPR starting from next year.

3Q25 Results Preview. We expect a positive market reaction to the results. Dom Development's record-breaking margins should also be evident in 3Q. Despite an increase in the volume of handovers of 'only' 59%, we assume that EBIT may increase by as much as 95% yoy. For a more extensive description see page 3.

Valuation. We base our valuation on both the DCF and DDM models, each accounting for 50% of the total. We have assumed an RFR of 5.5% (unchanged) and a market premium of 5.5%. We also assume 5,000 handovers at the terminal (up from 4,800 in the last recommendation) and a gross margin of 27% (unchanged). These assumptions imply a 12-month target price of PLN 300. Comparative valuation returns PLN 247 (up 9% from the last recommendation).

Risk factors. Specific risk factors include: 1) monetary risk, 2) regulatory risk, 3) interest rate risk and 4) legal/administrative risk. For a more extensive description, see page 9.

PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	2,419	2,550	3,168	3,511	4,264	5,059
EBITDA	518	579	722	826	971	1,035
EBIT	502	558	697	799	942	1,005
Net profit	410	460	569	645	760	813
EPS (PLN)	16.1	17.9	22.1	25.0	29.5	31.5
P/E (x)	15.4	13.7	11.1	9.8	8.3	7.8
EV/EBITDA (x)	12.4	11.4	9.0	8.2	6.8	6.2
P/BV (x)	4.5	4.4	3.7	3.2	2.7	2.4
DY (%)	4.2%	6.7%	5.1%	5.7%	6.7%	8.0%

Source: Company, Trigon

Buy

(Previous: Hold 265 PLN)

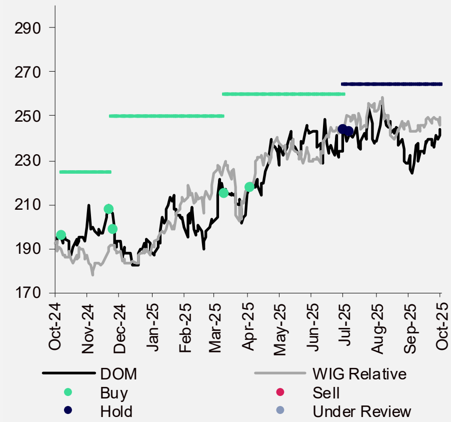
Target Price: PLN 300

Upside: +21%

FACT SHEET

Ticker			**DOM**
Sector			**Real Estate**
Price (PLN)			**248.5**
52W range (PLN)			**181 / 259**
Shares outstanding (m)			**25.8**
Market Cap (PLNm)			**6,411**
Free-float			**32%**
3M Avg. Vol. (PLNm)			**0.8**
Price performance	1M	3M	1Y
	7%	**2%**	**30%**

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS	DATE	TP
Hold	21.07.2025	265
Hold	15.07.2025	265
Buy	17.04.2025	260
Buy	24.03.2025	260
Buy	10.12.2024	250
Buy	06.12.2024	250
Buy	21.10.2024	225

SHAREHOLDERS	Share %
Groupe Belleforet SA r.l	54.8%
OFE Allianz Polska	9.7%
Jarosław Szanajca	5.6%

INVESTOR CALENDAR	
3Q25 Earnings	20.11.2025

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

FCFF - free cash flow, cash generated through the operational activities of the company minus capital expenditures and lease payments

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

BVPS – book value 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

FCFF yield – free cash flow yield, FCFF divided by EV and adjustments

RFR – risk free rate

WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – Dom Development 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 model.

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