

Relevant details from the strategy of IMPACT Developer & Contractor S.A for 2014-2018

Short visit card

IMPACT Developer & Contractor S.A is a competitive real estate developer, acting in the residential development real estate since 1991. In 1996, the company was listed at the Romanian Stock Exchange.

The company's mission is to fully answer the customers' needs and expectations in terms of residential real estate requests, respecting the highest professionalism standards in the field.

In terms of public perception, our company is constantly doing the best to prove its customer oriented approach, by aligning to the very specific needs of consumers. Implicitly, IMPACT proves a high level of adaptability to specific market conditions, managing to face existing realities and identifying resources to explore new business opportunities. We believe in innovation and re-inventing working processes in order to stay among the local and regional leaders in the field.

Through all its efforts, the company aims at bringing value to its shareholders.

Current market context

After the turbulent years of crisis, 2014 shows signs of economic stabilization in general, including the local real estate market.

For example, prices are not going down anymore, banks are more open to granting credits, the interest for credits in RON became equal to those in Euros, going under the threshold of 6%. Also, the number of real estate transactions is on an ascending trend and, most important, the customers' demand for households is revived.

According to specialists, this is a favorable period for customers who intend to upgrade their living and move into new apartments or houses within a residential compound, offering high lifestyle standards and security.

A relevant detail worth mentioning is that the Governor of the National Bank of Romania declared in an interview granted to Mediafax news agency, from January 2014, that he would invest in the real estate business, since he expects the market to come on an ascendant trend.

IMPACT's competitive advantages on the market

Quality, safety, lifestyle, innovation and value for money are basic drivers for our business. The locations represent also a competitive advantage, IMPACT being focused on offering customers "green space" locations. Our Greenfield complex is such a differentiator on the market.

We do not act on the market just like a real estate developer, we are also focusing on offering our customers value added services, from infrastructure to other supplementary benefits, such as developing useful utilities. For example, in Greenfield, we are planning to develop state of the art infrastructure and commercial and sports areas.

Also, we are acting as a trustful partner for our customers, putting at their disposal our complete expertise. For example, we are offering, by request, support for execution (project, license and execution/maintenance) in case a customer decides to build his own house on one of our lands. We sell plots with infrastructure and house designs agreed with our architects.

Our strategic vision for 2014-2018

General overview:

- Focusing on selling finalized dwellings and lands from all current locations;
- Developing the second phase of the Greenfield project;
- New projects in Bucharest and neighborhoods;
- Create projects with strong identity for medium and upper class customers.

Following the implementation of the strategy initiated in 2014, we estimate to see the first significant results in 2015, when we estimate an approx. 3 times increase of the company's turnover (at approx. 26 million Euros), as compared to 2013.

Based on these results, we estimate for the company's turnover to double in 2016, as compared to previous year, while until 2018, we foresee that the turnover will stay at a level of approx. 50 million Euros / year.

As for EBITDA, we estimate an encouraging evolution which will allow us to recover losses from the past. In 2014, EBITDA is estimated to 1.6 million Euros, gradually increasing to an estimated figure of 8.7 million Euros in 2015, 20 million Euros in 2016, 21 million Euros in 2017 and 22.5 million Euros in 2018.

The company will offset the past losses and create premises to pay significant dividends.

Yes, we have an action plan

1. Focusing on selling finalized dwellings

IMPACT estimates that, until 2016, all of these dwellings (around 195) will be sold, bringing over 11 million Euros to the company's revenues.

2. Investing in implementing utilities according to the urban plans & sale the company's land properties (all lands have zoning plans and detailed plans approved in 2013)

- 2014 - Estimated sells of 3.8 million Euros corresponding to 37,000 sqm land;
- 2015 - Estimated sells of 7.8 million Euros corresponding to 82,300 sqm land;

- 2016 - Estimated sells of 10 million Euros corresponding to 112,000 sqm land;
- 2017 - Estimated sells of 10.6 million Euros corresponding to 124,000 sqm land;
- 2018 - Estimated sells of 9 million Euros corresponding to 120,000 sqm land;

During 2014-2018, we estimate sales of 475,000 sqm and a turnover for this business line, of over 41 million Euros.

With regard to the land in Ghencea area, we underline that chances for selling it will grow considerably, once the City Hall of Bucharest will implement the decision of extending Timisoara boulevard and connecting it to the ring road of the Capital (the project is currently under implementation).

Within Ghencea and Greenfield projects, we will invest in infrastructure and utilities in order to speed up the selling processes and, eventually, develop further the plots.

We estimate sales of 120,000 sqm in Greenfield and of 210,000 sqm in Ghencea, until 2018.

3. Developing the 2nd phase of Greenfield

Another strategic move in our big plan, the second phase of Greenfield, will start in May 2014 and will focus on building a residential complex of 10,400 sqm apartments. In July, we will make another step with another residential complex of 6,400 sqm apartments.

Talking of business continuity, starting 2015, we plan new residential projects within this second phase of the Greenfield project, of over 25,000 sqm/year, so that, in 2018, we estimate a final portfolio of 128,400 sqm.

Also as part of this new phase of Greenfield project, in 2014, we have in plan building a major sports complex dedicated to tennis, football and swimming. The complex will also include a restaurant and a location especially dedicated to events. The complex will be opened for Greenfield customers, but also for any other person interested to enjoy our services. The amount to be invested is estimated at 1.5 million Euros. We also plan to build a sports arena, for which we are aiming at a partnership.

Estimated sales from new buildings:

2014 – 3 million Euros (resulting from the sale of 3,400 sqm);

2015 – 13.6 million Euros (resulting from the sale of 15,000 sqm);

2016 – Starting this year, Greenfield based sales are estimated to over 17.5 million Euros/year, translated into over 22,000 sqm /year, until 2018.

4. Last but not least, development of new projects through acquisition of new lands

IMPACT estimates building a total of 80,000 sqm during 2015-2018, bringing a total estimated sales contribution of approx.70 million Euros to the company's turnover.

For the better implementation of our development plans, we have selected several lands which are characterized by surfaces of over 20,000 sqm (allowing a development of approx. 80,000 sqm above ground).

We have also considered the needs and benefits for our potential customers and, therefore, we chose the respective lands also based on the fact that they are located in areas with developed infrastructure of public transportation, commercial spaces, building offices, schools, kindergartens and green spaces.

For all these new projects we will monitor the same performance indexes as in the case of Greenfield 2.

Financials:

We will re-negotiate existing loan agreements based on new market conditions.

The cash flow from selling lands and existing buildings will be properly used to have a pipeline of projects to achieve the indicated goals.

Note:

Data comprised in the present document were drafted based on solid internal financial estimations and analysis and took into consideration the current information available when drafting the document.

All estimations can be subject to certain changes, independent of internal plans and strategy, mainly due to specific local market conditions and global economic environment.

Regardless of any unpredictable element, our short, medium and long term estimations reflect our commitment to the future of our business and our ambition to turn it into a success story.