

8 September 2015

ATENOR

Ready to harvest

REAL ESTATE INVESTMENT & SERVICES
BELGIUM

CURRENT PRICE € 41.90
TARGET PRICE € 48.00

ACCUMULATE
RATING UPGRADED



Source: Thomson Reuters Datastream

Bloomberg ATEB.BB
Reuters ATEO.BR

www.atenor.be

Market Cap € 220.1m
Shares outst. 5.6m
Volume (daily) € 111,518
Free float 52.7%

Next corporate event

Results 3Q15: 19 November 2015

(€ m)	2014	2015E	2016E
Sales	106.8	96.6	202.4
REBITDA	32.3	29.8	54.0
Net earnings	15.3	16.3	37.1
Adj. EPS (€)	2.81	2.90	6.36
P/E (x)	13.4	14.5	6.6
EV/REBITDA	12.0	13.6	7.1
FCF Yield	3.6%	6.6%	15.2%
Dividend yield	5.3%	5.0%	8.8%

Koen Overlaet-Michiels

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

Atenor reported a good set of 1H15 results driven by a well-diversified development portfolio both in segments and geography. Several projects are pre-sold, assuring earnings generation, while accelerated economic growth has fuelled occupier demand in Budapest and Bucharest. Worldwide yield compression is furthermore positive and is expected to trigger exceptional results in CEE. This could lead to the payment of exceptional dividends in the years ahead. We upgrade to Accumulate.

1H15 results almost doubled y/y:

The pre-sold office projects Trebel and Air contributed largely, while ongoing residential projects are generating steady income. The H1 results also benefited from a drop in cost of debt.

Strategy remains intact:

The current portfolio is roughly 50/50 split between offices and residential projects, but this is not a fixed target. Atenor pursues attractive opportunities in the countries where it is present and boasts a good mix of short and long-term projects. We discuss each project and its progress in a Flash note.

CEE bonanza:

It required a lot of courage, but Atenor successfully persisted in the development of its CEE business parks through the cycle. Today, it is the sole provider of qualitative offices (Breeam Excellent) in a market with 3-4% GDP growth, resulting in buoyant occupier demand. We detect rising rental prices, while worldwide yield compression is lifting profitability again from zero to € 500 per sqm. The disposal of a portfolio of buildings could therefore lead to exceptional results.

Balance sheet leverages up:

End-FY14, Atenor anticipated the maturity of its € 75m bond in January. It thereby reduced its cost of debt and improved its overall debt maturity profile. The increased development activity resulted in an increase in net debt to equity from 1.77x to 2.41x and gearing from 59% to 65%.

Investment case:

Atenor's portfolio is in full commercialization phase. We see average ROE doubling in FY15-18 vs. FY10-14, with a bottom value of 14.5% in FY15. The Western-Europe projects will increase earnings, while the CEE projects are likely to generate nice extras. We up our TP from € 44 to € 48 and rate the stock an Accumulate.