Degroof Petercam

ADD

Price (22/04/2016)	EUR 46.23
Target price	50.00
Risk	High
Reuters	ATEO.BR
Bloomberg	ATEB BB
Shares number (m)	5.63
Market cap. (m)	260
NAV 31/12/2015	22.52
Premium	105.3%
1 year price perf.	-0.3%
Diff. with EPRA Eurozone	4.5%
Volume (sh./day)	2,417
H/L 1 year	47.31 - 39.20
Free Float	48.9%
Tris	12.3%
Sofinim	10.9%
Luxempart	10.6%
Alva	10.2%
St.Sonneville	4.3%
Autocontrol	2.9%

Company description

Developer of large scale real estate projects in Brussels, Luxembourg, Bucharest and Budapest, mainly offices but more and more complex urban revitalisation developments and opportunistic residential developments

Analyst:

Jean-Marie Caucheteux
+32 (0)2 287 99 20
jm.caucheteux@degroofpetercam.com

Atenor

From 9 projects in 2009 to 16 in 2016…..

Unique developer

- Atenor has been active in real estate development since 1991 and decided to become a pure player in this field in 2005. The first projects were offices in Belgium, and since the start of the latest decade also some opportunistic residential projects. A new trend made of more complex mixed projects is emerging, sometimes accompanied by ancillary services: retail, nurseries, that fit with new urbanisation plans and wishes from local authorities.
- We believe that local, experienced developers like Atenor benefit from a competitive advantage. We do not expect this competitive advantage to erode any time soon, especially when considering that the Brussels market is no longer top on the agenda of non-domestic developers.
- The geographical scope of activity is largely concentrated on Belgium and Luxembourg where the group has been active since 2000. Just before the financial crisis of 2008, the group made its first steps in Central Europe.

Broad earnings base

- The current earnings generation is made of a peak and diversified number of projects in portfolio. The portfolio is made of 16 projects of which 56% in offices (by area, out of a total of 659k sqm), 41% in residential and the balance of 3% in retail & other. The earnings generation has gained pace since 2013 and we expect this trend to continue over the coming years, at least until 2018 with the current projects in portfolio. But the story continues: Atenor recently announced that at least two new projects will be signed this year.
- 2015 and 2016 may be seen as transitional years, not in the usual negative sense of the expression but considering that several developments in progress will only significantly contribute to earnings in 2017-19. However the progression will be lower than in the two preceding years. 2015 earnings were 30% ahead of the 2014 ones which were 27% ahead of the 2013 ones!

Valuation

- We retained a sum of the parts (SOTP) computation taking into consideration all potential capital gains coming from the projects in portfolio. We also made a valuation on the basis of a discounted free cash flow (DCF). Our target price of EUR 50 is in the middle of the two approaches.
- Atenor pursues a very cautious dividend policy in order to tackle the economic cycles and the different development profile of the projects. EUR 2.00 per share is seen as a minimum but with only a cautious progression policy.
- We have slightly increased our target price from EUR 49.00 to EUR 50.00.

Degroof Petercam acts as a liquidity provider for this company and is paid for these services.

EUR	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Rental income	45.9	110.1	110.8	116.7	117.1	106.7	107.4
Direct result	9.5	12.0	15.3	20.0	19.2	33.2	40.4
Direct EPS	1.88	2.29	2.81	3.54	3.41	5.89	7.17
P/E	17.0	15.0	14.2	13.3	13.6	7.8	6.4
Total debt/Assets	58%	57%	59%	66%	48%	47%	44%
NAV per share	19.6	20.0	20.7	22.5	23.9	27.7	32.8
Premium	63.5%	71.7%	93.3%	108.7%	93.6%	66.7%	40.9%
Div.	2.00	2.00	2.00	2.00	2.00	2.05	2.10
Yield	6.2%	5.8%	5.0%	4.3%	4.3%	4.4%	4.5%

Table of contents

Investment case

Some history

With close to 25 years in real estate development, the company is today largely focused on the management of its current projects in portfolio, which has reached a record number. Considering the life cycle of the projects (3 to 5 years), a typical rotation implies the inclusion of 1 to 2 new projects per year. Taking into account Atenor workforce and target, we do not expect the current record number of projects in progress to change dramatically.

Over the last few years, the company has been moving towards **some bigger and more innovative & audacious projects** without putting aside typical and **opportunistic** developments in Belgium bolstered by the local anchorage. Examples of this include the UP-Site (mixed project including a residential tower) and City Docks projects in Brussels (urbanization of at least 145,000sqm in various real estate segments).

Earnings base

Due to the life cycle of project developments, the earnings profile of a **pure real estate developer** like Atenor can be quite volatile. Profit generation depends on the completion of a mix of various projects typically in development, while the underlying costs and cash earnings are recognized mostly after their completion. The number and the length of the projects under development may alleviate this issue.

It is noteworthy that the bulk of the developments in portfolio only starts when tenants are identified. In Central Europe, it was different as the construction has been phased depending on potential tenants' interest. The same strategy is followed for residential real estate. A project may be made of several buildings with the development being divided in blocks depending on the evolution of the demand.

Considering the long timeframe for building large office developments (ex. Victor and Europa that have moved very gradually to more mixed ones), Atenor does not neglect more easily manageable projects, making higher rotation rates possible even at the expense of lower potential capital gains, but without affecting deeply the IRRs.(e.g. the residential projects in Ath and Mons).

Atenor has now 16 projects in portfolio (still including the remaining apartments of the Up - Site tower but not including yet the recently acquired Nysdam in La Hulpe). The portfolio totals 659k sqm in Belgium, 2 in Luxembourg, 1 in Budapest and 1 in Bucharest.

The profile of profit generation will gradually increase and reach a peak in 2018 (at least on the basis of the current portfolio). See table at the end of this report.

Atenor targets IRR's of at least 15% for its projects corresponding to capital gains of around EUR 500/sqm with some opportunistic less sophisticated developments (in residential more than in the office segment) providing lower capital gains.

Latest results & events

Well above guidance

FY15 net profit emerged at EUR 20.0m, up 30% YoY and well above guidance (an increase of *at least 15%) issued end December. EPS stands at EUR 3.59, up from 2.85. By contrast, the* dividend remains surprisingly stable at EUR 2.00. As expected, the largest contributor to the operational result of EUR 34.1m was again the Trebel project (presold to the European Parliament) with an EUR 20.0m (non-cash awaiting acceptance by the client) contribution (from EUR 4.4m in 2014) according to its progress (89% completed vs. 50.4% at the end of 2014). Several other projects boosted the operational result: Port du Bon Dieu in Namur (EUR 4.3m), AIR (4.6m) in Luxembourg, and Senior Island as part of City Docks project in Brussels (EUR 2.9m) which led to the revision of Atenor's guidance for financial year 2015. In addition, the top line benefited as expected from rental income from properties owned in Budapest (EUR 2.7m) and Bucharest (EUR 1m).

Although net profit was better than anticipated and above guidance, it is unclear to which extent this was achieved thanks to a better contribution of most of the projects or if it is only a timing effect (quicker contribution).

Net debt up, … until June

The net debt increased substantially to EUR 340m, meaning that the net debt to equity rose to 2.7, considering that 12 projects are in the building phase in addition to the acquisition in October of the Nysdam building (La Hulpe). However, this is a temporary situation that will last only till 1H16 when Trebel disposal is completed.

This month, the company disclosed that the Air project in Luxembourg (10,568sqm of office space, 1,824sqm of multi-purpose space) has been delivered as scheduled. In accordance with the agreements signed in October 2014 with Ethias, Integrale and Foyer Vie, these Belgo-Luxembourgian institutional investors acquired today all the shares of the SPV Air Properties SA. As a reminder the Air project will be, in addition in particular of Trebel (delivery end June), the main contributor to the earnings 2016 on top of the effect on debt (minus EUR 100m out of a total debt of EUR 340m as of end December.

Risks?

We cannot avoid to mention that last March the public prosecutor required heavy penalties including a ban to exercise management functions for Atenor CEO and CFO in relation to the so-called "cash companies" (a widespread problem in Belgium as more than 700 Belgian companies are affected by such legal issues and which dates back to the end of the 90's). This later litigation is an appeal procedure following a first judgement dating from 2010. This old story is well known and Atenor management confirmed repeatedly that it has not made any mistake. Atenor also states in its year report that no provisions have been booked. This issue comes in addition to two other ones. In some other cases for other companies, the litigation ended favourably. It is difficult at this stage to evaluate the precise impact on the company of this lengthy procedure (already more than 15 years!) beyond some bad publicity.

Outlook

Guidance for the dividend, not for the bottom line

Atenor did not provide an earnings guidance, in contrast with previous years. Taking into consideration the record number of projects in the pipeline, it is indeed not an easy exercise.

However, by the release of the 2015 figures, the company was very confident that a dividend of at least EUR 2.00 per share (flat vs. 2015) would be easily covered. This level

should be considered as a minimum but with limited upside potential.

Atenor anticipates that financial year 2016 will continue to benefit from ongoing sales concluded since 2013, of which the same contributors than in 2015. In addition the projects City Dock's, The One and Palatium will also contribute (cf table in the valuation section). Besides, the projects in Budapest and Bucharest will have generate higher rental incomes because of higher occupancy rates and a larger constructed basis.

re also expected to contribute to earnings in addition to the disposal of the now completed and let projects in Bucharest and Budapest.

For more detailed figures per project please look at the valuation section at the end of this report

It is not very surprising that Atenor, as a pure developer, remains generally cautious on prospects. Despite this and a cautious dividend policy (56 % pay-out for 2015) the dividend yield still remains attractive at 4.4%. Despite a sharp increase of the expected profit figures for the coming year, we should not anticipate any substantial increase of the dividend nor an exceptional dividend.

Company profile

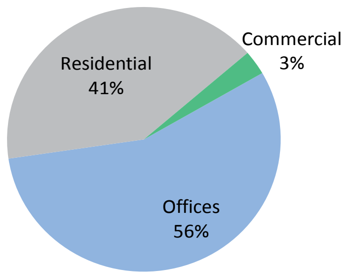
Atenor is **active in real estate development since close to 25 years** and under the current CEO/management has refocused successfully to become a pure player since 2005.

Activities typically consist in investing in real estate projects, setting up the architectural design and the construction, and selling the buildings at completion or as a work-in-progress via SPVs in view of realizing capital gains. In particular in the centre of towns like Brussels, part of the creation of added value is linked to the higher density of the projects compared to the initial assets purchased.

The company has gradually focused on larger, more innovative or audacious projects, mainly offices but also residential in Belgium, offices in Luxembourg, one project in Budapest and one project in Bucharest. Considering the economic crisis, the projects in Central Europe for which the land was acquired shortly before the financial crisis of 2008, were delayed but have now started for developments in several stages.

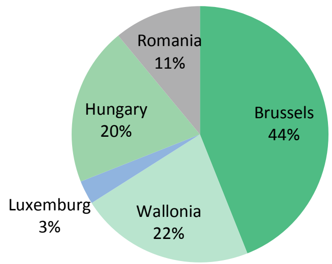
We believe that office development will remain the common denominator of Atenor future projects, while the company may also be active in pure residential developments, already the case, and probably also some more complex mixed developments, being part of urbanization plans, in Belgium. Residential developments are typically sold unit per unit (à la pièce) in order to maximize earnings but other arrangements with property brokers are possible.

Exhibit 1 Portfolio breakdown per segment (% sqm)



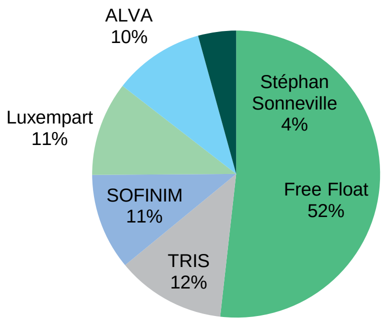
Source: Atenor

Exhibit 2 Portfolio geographical breakdown (% sqm)



Source: Atenor

Exhibit 3 Shareholding



Source: Atenor

The Brussels office market

With ca. 13m sqm, the Brussels office market is the third largest office market in Europe. Real estate prices are been more stable than in several other European cities such as London, Paris, Munich, Amsterdam or Madrid. This is partly due to the strong presence of the public sector, including the European Union but also the good equilibrium between the public and the private sector, both national and international, accompanied by non-profit organizations and representation offices from all over Europe. As such it is less dependent on the economic environment. On top of this, the occupiers market is to a large extent focused on the service sector in addition to a rather rigid labour market.

During 2015, the letting activity has been quite subdued as the public sector has remained quiet. A total take-up of 299k sqm was recorded, 29% below 2014 and the lowest level since 1990. It was also the first year without a single transaction above 20k sqm since 1998. The average deal size was 815 sqm, down 23% yoy. This lower average size reflects also the lower attractiveness of Brussels offices for corporates who contribute 77% of total take-up, above the 5-years average of 65%.

In other words, we may anticipate that future demand will be more and more driven by the public sector.

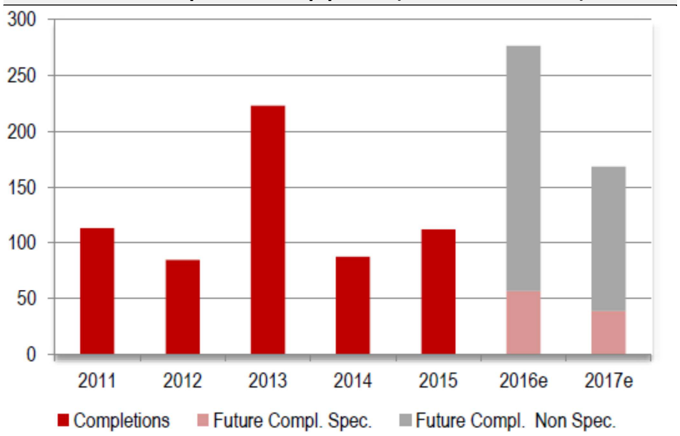
The vacancy rate in 2015Q4 was 9.7% vs.10.3% a year earlier, made of a slightly lower figure in the CBD (5.4% from 6.1%) as well as earlier (17.2% from 17.8%). This marginally lower vacancy is mainly the result of subdued supply (lack of speculative developments, office reconversions) and not so much healthy demand.

There is currently 427k sqm in development of which only 22% is speculative.

The future looks unclear at best. The EU is said to be poised to use more efficiently office area. We believe the same can be said of Belgian administrations.

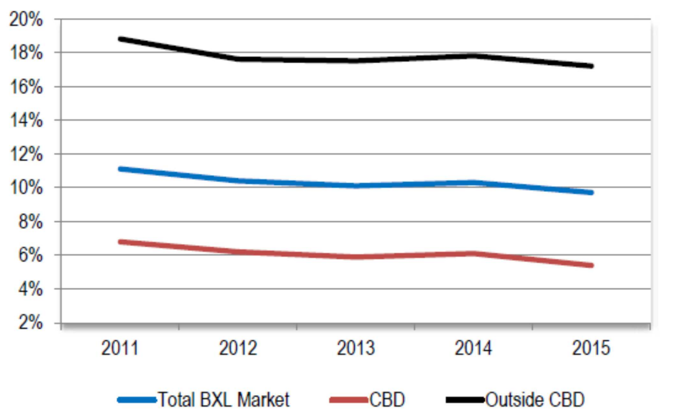
While the declining trend for prime rent yields is bottoming out in most European cities, CBRE indicates in its latest report that the yields have been reduced by 25bps to 5.00% over 1Q. This remains however sizeably higher than in other large European markets, like London or Paris where prime rents emerge at 3.5%.

Exhibit 4 **Completion and pipeline (offices in Brussels)**



Source: JLL

Exhibit 5 **Vacancy rates (offices in Brussels)**



Source: JLL

Portfolio in Belgium

Trebel (Brussels, 30k sqm, offices)

In November 2010, Atenor signed an agreement for the acquisition of a building of 17k sqm in the Brussels European area built on a plot of more than 4,000sqm. The existing building of 17,000 sqm has been demolished and the construction of a new building of 29,766sqm is ongoing.

Atenor concluded a preliminary sales agreement with the European Parliament. The financing was facilitated as the payment for the purchase of the ground only occurred in steps, while the European Parliament paid an advance. The bulk of the cash will only be received upon the delivery of the building scheduled for 22 June 2016. This project was the main contributor to the results of the last three years. It will also largely contribute to reduce the current debt level at the end of June.

The One (Brussels, 29k of offices, 9k sqm of residential).

The extremely good location is the main trump of this project in the earth of the Brussels European district.

The building works started in August 2015 on the location of the former Crown Plaza hotel which has now been demolished. In 2005, Atenor purchased the SPV NV Brussels Europa which owned the property and also operated the hotel. It was expected that this project would take long time considering that asbestos had to be removed while discussions with the public authorities have led to different options of which in any case an outcome made of a larger number of sqm to be developed than initially bought, a typical example of creation of added value.

The commercialization of the apartments has started recently. The delivery is scheduled for Autumn 2018. It's noteworthy that an appeal to the Council of State was brought against the planning permit by some local associations.

We expect that the bulk of the earnings will be generated during 2017 and 2018.

Palatium (Brussels, 14k sqm mixed)

After the environmental permit, the building permit for 152 apartments and 1,500sqm of offices was delivered in late 2015.

Atenor bought the existing building of 14,000sqm from INASTI, a state agency (who bought one of the four office buildings in UP-Site) in the centre of Brussels (Quartier Louise). Atenor was initially hoping that there would be some interest from the Police currently located in the same geographical area but will finally go for the alternative of reconverting this building largely into its original residential vocation. Obviously the residential achievement is also an easier one.

The project is expected to contribute to earnings between 2016 and 2018 included.

City Docks (Brussels, 145k sqm mixed)

In March 2011, Atenor bought an industrial site on an 5.4ha plot of land in Brussels (Anderlecht municipality), adjacent to the Willebroek canal.

This mixed project may reach 145,000sqm and will be made of various real estate segments: residential, offices, commercial spaces, workshops, school, day care centre, integrated business services, rest home, polyclinic, sports facilities, hotel, restaurant, catering establishment, nursery home, etc …

The first phase (39.5k sqm, “middle class” offices residential for which demands have been identified, a nursing home, retail) of this project which is in good progress since it has received a favourable opinion from a consultative committee in January.

The environment permit was issued in March and the planning permit is expected to be granted during 2H.The second phase will mainly be made of residential units.

We expect contributions to results spread over 2016-20.

Port du Bon Dieu – residential part (Namur/140 units, 5 shops, 1 restaurant)

This residential project was initiated in 2007 but was delayed because of changing positions of local authorities. This is a 18,225 sqm project of residential premises (140 apartments) in Namur coming on top of 5 retail units and 1 restaurant. It is very well located and targets an upper-scale population. It is the only one alongside the river Meuse in a former brownfield and only a short walk from the railway station, the city centre and main facilities.

The project is divided in 3 phases. At the end of 2015, 106 apartments had been sold, of which 35 during 2015, in addition to the retail unit.

We still expect the project to contribute to the 2016 results.

Port du Bon Dieu office part (Namur, 7.6ksqm offices)

In November 2014, Atenor bought the adjacent land (Lot 2) to the residential one (Lot 1) which was resold to CBC bank in view of the construction of an office building of 7,600sqm and with a termination clause. Construction works started in January of this year for a delivery scheduled for October 2017 at the latest.

The project will contribute to 2016 and 2017 figures.

Au Fil des Grands Prés (Mons, 70k sqm, mixed)

This project comprises two zones to be developed in two phases:

The first phase consists of a residential project of 20k sqm in three buildings and the second one is a mixed one of 50k sqm.

Phase 1: The first two buildings are sold and the third one, of which the marketing started later, is 12% sold. In 2014, Atenor concluded an agreement with property brokers for the sale of the 134 apartments in 4 buildings out of a total of 6 ones (68 additional apartments meaning 202 apartments in total). 53% of the first building is sold. Permits have been obtained for the apartments.

We expect this first phase to contribute to earnings until 2017 included.

Phase 2: The revised planning tool (PCA, urban planning) encompassing the other pieces of land and linking the future commercial gallery to the new railway station was approved. It opens the door for a longer term mixed development which will be made of some 10k sqm of offices and 42k of residential units. We anticipate this second phase to contribute to earnings between 2018 and 2020.

La Sucrerie (Ath, 19.6k sqm, residential)

The project consists of 183 apartments in 6 buildings that are constructed successively on top of 3 retail units and 1 nursery. The permit for the whole project has been obtained. The construction of phase 1 (3 buildings) is ongoing with 49% of the buildings sold).

We expect this more plain vanilla development to contribute to earnings in the period 2015-19 on the back of capital gain levels below Atenor traditional standards.

Les Berges de l'Argentine (La Hulpe, 26k sqm mixed)

At the start of 2015, Atenor purchased a property of more than 2 hectares in La Hulpe (Brussels suburbs) on land previously occupied by the financial messaging services provider SWIFT) consisting of 8 buildings totalling 16,653sqm and 338 external parking spaces nestled in a beautiful park. Atenor wants to redevelop the site into some 200 apartments at prices approaching EUR 4,000/sqm and 4,000/sqm for offices. The building permit will be introduced this year.

Le Nysdam (suburbs of Brussels / La Hulpe, 15.6k sqm, to be defined)

Atenor offices are located in this office building currently 50% let. The building was built at the start of the 90's for the headquarters of a multinational company. In October 2015, Atenor bought the entire building (shares' deal) at a price corresponding to the value of the land. It is currently studying the best redevelopment possibilities in a long term perspective. In the meantime, Atenor is poised to improve occupancy with attractive rents. We do not anticipate other profits before 2021.

UP-Site (Brussels, 48.4k sqm residential, 29.6k sqm offices, 2k sqm retail)

This emblematic project has been delivered save some flats and we do not anticipate that it will significantly contribute further to 2016 results despite the facts that 45 apartments in the tower (out of a total of 351 units for the whole site and 251 in the tower) are still for sale. The project was obviously an audacious and large one considering in particular the residential tower, a true 'première' in conservative Brussels, and the setting up of offices in an area outside the CBD but still close to the Brussels CCN mass transportation site.

Atenor does not plan to enter into another similar project.

Victor (Brussels, 109.5k sqm, mixed)

This project started in 2007. Thanks to the recent approval (January) of a regional master plan, we believe now that a positive issue will emerge. But a building permit application will be introduced.

It is expected that this development will be made of 65k sqm of offices, 37.5k sqm of residential and 7k sqm of retail & services. Atenor has a partnership of 50% in this project, together with CFE.

Portfolio in Luxembourg

The real estate market in Luxembourg has very different featurest than the Brussels one. It is much smaller but prices are much higher and vacancy traditionally lower.

In 2015, take-up was at a record level thanks to large deals (CSSF, European Investment Bank, E&Y,…).

This has brought vacancy down to 4.2% and this trend is expected to continue.

Prime rents in Luxembourg are currently at EUR 45/sqm/month (= EUR 540/sqm/year) and this figure is expected to rise. The pipeline is huge with 250k sqm under construction, of which only 38k sqm was launched on a speculative basis.

Les Brasseries de Neudorf (Luxembourg city, 11.4k sqm, residential)

Atenor is developing a complex of residential units (87 apartments) and 11 retail units. All the apartments have been presold. The delivery is scheduled at the end of 2016.

The site is rather close to the modern Kirchberg office area.

Air (Luxembourg city, 12.4k sqm, offices mainly)

The company acquired the building “Cloche d’Or” from ING Luxembourg in 2013.

The project in Luxembourg (10,568sqm of office space, 1,824sqm of multi-purpose space) has been delivered as scheduled on April 7.

In accordance with the agreements signed in October 2014 with Ethias, Integrale and Foyer Vie, these Belgo-Luxembourg institutional investors acquired all the shares of the SPV Air Properties SA. on the back of a 12 year lease by BDO Luxembourg, one of the largest accounting, auditing and consulting firms in Luxembourg.

As a reminder,the Air project will be one of the main contributors to the earnings 2015 in addition in particular of the Trebel project (delivery end June). This comes on top of the effect of a lower debt level by some EUR 100m compared to a total debt of EUR 340m at the end of December.

Portfolio in Central Europe

Atenor is present in Bucharest (Romania) and Budapest (Hungary).

- **Bucharest** has attracted some multinational companies and headquarters of local banks which may fed the demand for offices offering higher standards of quality. With 2,300sqm the Bucharest office market is a small one compared to the 13k sqm of Brussels. The take-up is only three times lower. Vacancy rate nevertheless still reaches 13.3% compared to close to 10% for Brussels while the average rent are comparable. The Over the last two years, the capitalization rate came down from 8.25% to 7.5% and 7.75% at the end of last year.
- The **Budapest** real estate market is only somewhat larger (3.3k sqm) than the Bucharest one but also shows a higher vacancy rate of 15%. The capitalization rate varies between 7.00% and 7.25% at the end of last year. The project is well located alongside the Vàci Ut, the main commercial and office axis in the North of the city.

Hermes Business Campus (Bucharest, 78k sqm, offices)

Before the crisis of 2008, Atenor bought a 1 hectare plot of land in Bucharest which allowed the development of offices into three buildings in the new Pipera business district in the North of the city, with good accessibility by car & public transportations. The land was acquired at a rather high price ahead of the 2008 financial crisis.

A building permit had been grantedin 2010 but as a result of the financial crisis, Atenor developed this project in steps. Initially scheduled for 2011, Atenor waited until end 2012 before starting the construction of the first building.

- The first building of 18,000sqm, delivered in March 2014, is fully let.
- Occupancy stands at nearly 60% for the second building (24k sqm) and negotiations are ongoing to bring the rate to 80%.
- A lease for a fixed duration of 10 years has been signed with Genpact for 25,000sqm starting from January 2017 in the third and last building of 36k sqm.

Atenor targets to sell the three buildings together to a single investor but it is easier to find investors with smaller pockets.

Vaci Greens (Budapest, 87k sqm, offices)

In 2008, Atenor acquired the control of a portfolio of land plots in Budapest totalling 1.7 ha to build almost 124k sqm of offices, made of a first block of three buildings (total area of 58k sqm) and another made of two buildings (total area of 24,238sqm). In June of last year, Atenor bought a neighbouring plot with a total area of 8.4k sqm which increases the potential development by some 37k-40k sqm.

The building permit was granted in July 2010 for the construction in three phases/buildings of a complex of 62,900 sqm.

- The building A of 16k sqm was delivered in 2013 and is fully let (two thirds to General Electric).
- The building B of 24k sqm whose delivery occurred in earlier in March will be 60% occupied by General Electric.
- The building C of 20k sqm 27,000sqm (bloc B) was delivered in June and is fully occupied by General Electric since July 2015.

Negotiations are ongoing for the sale of these three buildings.

Financials

Turnover

The business model implies that the headline turnover is rather meaningless when the point is to measure the contribution to the bottom line of the projects in progress during the fiscal year considered. As such, the bulk of the turnover figure is offset by the corresponding costs representing to a large extent the level of completion of projects under development.

Capital gains

Obviously, the ultimate goal of Atenor development activities is reflected in the capital gains that the company is able to generate. These capital gains are not recorded as a whole by the final completion of the development (that lasts in general between three and five years), but spread over the development period, though typically with the smallest capital gains in the first stages of completion. This evolution contrasts with the related operational and financial cash costs spread over the whole length of the development whereas, cash revenues are actually generated when the project is delivered..

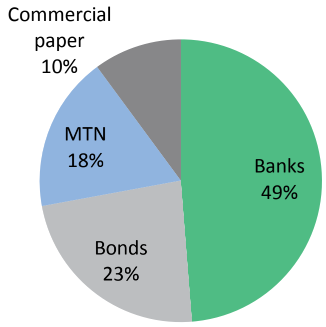
The projects are typically financed with high leverage (around 85%), made of a payment in cash for the field and for the development through leverage in SPV's.

Financial debt

The Group has a programme of short, medium and long term commercial papers. The financing of the projects are based on short-term rates, from 1 to 12 month Euribor. When drawdowns are made for longer durations (from two to five years), the group closes advances at a fixed rate or at a floating rate accompanied by an interest rate swap.

At the end of 2015, the non-current financial debts amounted to EUR 190m which include two bond issues (EUR 60m with a maturity in October 2017 and EUR 25m with a maturity in December 2019).

Exhibit 6 Financial debt breakdown



Source: Atenor, Degroof Petercam

Valuation

Atenor aims at achieving projects with IRRs of at least 15%. In addition, the company targets capital gains of some EUR 400 to 500 per sqm on average.

Beyond this figure we anticipate very diverse situations (see table below). For example, some pure residential and less complex residential projects deliver lower capital gains but they are also shorter to complete, so that the target of a minimal IRR is not jeopardized. Timing differences in the achievement of projects may obviously impact these figures.

We calculated capital gain projections partly on the basis of the available information given by the company and partly based on our own.

Exhibit 7 Capital gains per project

	2011	2012	2013	2014	2015	2016 e	2017 e	2018 e	2019 e	2020 e	2021e	2022e
Hermes Business Campus	0.0	0.0	0.0	0.5	0.0	0.0	5.9	6.8	0.0	0.0	0.0	0.0
Port du Bon Dieu Residential	0.0	0.0	0.6	2.3	4.3	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Port du Bon Dieu Offices	0.0	0.0	0.0	3.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
UP-Site	11.3	13.8	13.1	15.3	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vaci Greens	0.0	0.0	0.0	0.0	0.0	0.0	4.5	5.0	9.0	3.5	0.0	0.0
The One	0.0	0.0	0.0	0.0	0.0	2.0	5.0	8.0	0.0	0.0	0.0	0.0
Victor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	4.0	3.0	0.0	0.0
Trebel	0.0	5.4	16.4	4.3	20.0	6.5	0.0	0.0	0.0	0.0	0.0	0.0
City Dock's	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	3.3	3.3	3.3	3.3
Les Brasseries de Neudorf	0.0	0.0	0.0	3.6	6.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Au Fil des Grands Prés	0.0	0.0	0.0	0.1	0.9	2.0	3.0	4.0	2.0	7.0	0.0	0.0
La Sucrerie	0.0	0.0	0.0	0.0	0.5	1.5	1.0	1.0	1.0	0.0	0.0	0.0
AIR	0.0	0.0	0.0	5.8	4.6	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Palatium	0.0	0.0	0.0	0.0	0.0	1.5	2.9	4.3	0.0	0.0	0.0	0.0
Les Berges de l'Argentine	0.0	0.0	0.0	0.0	0.0	0.0	6.8	9.0	11.3	0.0	0.0	0.0
TOTAL	**11.3**	**19.2**	**30.1**	**34.9**	**39.1**	**21.0**	**32.0**	**44.2**	**30.6**	**16.8**	**3.3**	**3.3**

Source: Degroof Petercam estimates

Exhibit 8 Capital gains per project

Projects	Total capital gains (EUR m)	Capital gain (EUR/sqm)	yield	rent (EUR/sqm/y)
Hermes Business Campus	13.2	169	8.0%	130
Port du Bon Dieu Residential	10.0	551	5.7%	151
Port du Bon Dieu Offices	5.0	658	6.0%	147
UP-Site	56.1	701	6.0%	182
Vaci Greens	22.0	177	8.0%	125
The One	15.0	385	6.3%	180
Victor	10.0	244	6.6%	86
Trebel	52.6	1465	4.5%	214
City Dock's	19.4	490	6.9%	139
Les Brasseries de Neudorf	10.5	921	5.0%	244
Au Fil des Grands Prés	19.0	253	6.0%	120
La Sucrerie	5.0	256	6.0%	120
AIR	12.3	1000	5.4%	235
Palatium	8.7	400	5.5%	150
Les Berges de l'Argentine	27.1	1000	5.8%	175

Source: Degroof Petercam estimates

We followed two paths to assess a fair value for Atenor.

Firstly, we retained a sum of the parts (SOTP) computation taking into consideration all potential capital gains coming from the projects in portfolio. We also made this computation considering only committed capital gains, as well as for the controlled and identified projects. The main basis to determine our target price is a sum of the parts (SOTP) computation, backed by a discounted free cash flow computation. The SOTP takes into account all potential capital gains (committed and other) linked to the disclosed projects. This valuation should be seen as a prudent one.

Secondly, we made a valuation on the basis of a discounted free cash flow (DCF).

We sustain our 'Add' rating on the basis of an upside potential of 8%, good fundamentals, and an record number of projects in portfolio that bring confidence in the profit generation until 2019 included.

Exhibit 9 SOTP calculation

	(EUR m)	per share
NPV of capital gains	122.0	22.4
Equity	127	23.2
SOTP	249	**46**

Source: Degroof Petercam estimates

Exhibit 10 Sensitivity to discount rates

Discount rate	6.8%	*10%*	*15.0%*
SOTP per share (EUR)	45.6	42.6	40.4
NPV of all potential capital gains	22.4	19.4	17.2

Source: Degroof Petercam estimates

Exhibit 11 **Discounted Cash flow**

CASH FLOW (EUR m)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Sales	**137.1**	**137.7**	**156.5**	**136.9**	**125.0**	**125.1**	**127.1**	**129.2**	**131.3**	**133.4**
% change	*6.1%*	*0.5%*	*13.6%*	*-12.6%*	*-8.7%*	*0.1%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*
EBITDA	**34.0**	**49.7**	**61.2**	**58.2**	**32.2**	**28.1**	**28.1**	**28.2**	**28.7**	**29.1**
% margin	*24.8%*	*36.1%*	*39.1%*	*42.5%*	*25.8%*	*22.4%*	*22.1%*	*21.8%*	*21.8%*	*21.9%*
% change	*-6.7%*	*46.3%*	*23.0%*	*-4.8%*	*-44.7%*	*-12.8%*	*0.2%*	*0.1%*	*1.7%*	*1.7%*
Depreciation & other provisi	**0.1**	**0.2**	**0.3**	**0.4**	**0.5**	**0.6**	**0.6**	**0.7**	**0.7**	**0.8**
% sales	*0.1%*	*0.2%*	*0.2%*	*0.3%*	*0.4%*	*0.5%*	*0.5%*	*0.5%*	*0.6%*	*0.6%*
EBITA	**33.9**	**49.5**	**60.8**	**57.8**	**31.7**	**27.5**	**27.5**	**27.5**	**27.9**	**28.4**
% margin	*24.7%*	*35.9%*	*38.9%*	*42.2%*	*25.4%*	*22.0%*	*21.6%*	*21.3%*	*21.3%*	*21.3%*
% change	*-0.6%*	*46.2%*	*22.9%*	*-5.0%*	*-45.1%*	*-13.2%*	*-0.1%*	*-0.1%*	*1.6%*	*1.6%*
Taxes	**-1.7**	**-2.5**	**-3.0**	**-2.9**	**-1.6**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**
Normative tax rate	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
NOPLAT	**32.2**	**47.0**	**57.8**	**54.9**	**30.1**	**26.1**	**26.1**	**26.1**	**26.5**	**26.9**
Depreciation & other provisions	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.7	0.7	0.8
% sales	*0.1%*	*0.2%*	*0.2%*	*0.3%*	*0.4%*	*0.5%*	*0.5%*	*0.5%*	*0.6%*	*0.6%*
Gross Operating Cash Flow	**32.3**	**47.3**	**58.1**	**55.3**	**30.6**	**26.7**	**26.8**	**26.8**	**27.3**	**27.7**
Capex	**-8.1**	**-8.1**	**-7.5**	**-7.5**	**-7.5**	**-12.5**	**-12.5**	**-12.5**	**-12.5**	**-12.5**
% sales	*5.9%*	*5.9%*	*4.8%*	*5.5%*	*6.0%*	*10.0%*	*9.8%*	*9.7%*	*9.5%*	*9.4%*
Change in Net Working Capital	0.0	0.3	-0.3	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Cash Flow to be discounted	**24.21**	**39.46**	**50.43**	**48.21**	**23.12**	**14.25**	**14.29**	**14.33**	**14.79**	**15.26**

DCF EVALUATION (EUR m)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WACC	6.84%	6.84%	6.84%	6.84%	6.84%	6.84%	6.84%	6.84%	6.84%	6.84%
Discount Rate factor	0.96	0.89	0.84	0.78	0.73	0.69	0.64	0.60	0.56	0.53
Discounted Cash Flow	23.1	35.3	42.2	37.8	17.0	9.8	9.2	8.6	8.3	8.0
Cumulated DCF	**23.1**	**58.4**	**100.7**	**138.5**	**155.4**	**165.2**	**174.4**	**183.0**	**191.3**	**199.4**

WACC & DCF ANALYSIS

Cumulated DCF	**199.4**	- Net Financial Debt	**(178.4)**
		- Minorities (estimated value)	0.0
Perpetual Growth Rate (g)	**1.0%**	+ Associates	15.2
Normalised Annual CF	22.3	- Pension underfunding	0.0
Terminal Value @ 12/2019	382.1	- Off-balance sheet commitments	0.0
Disc. Rate of Terminal Value	0.64		
Discounted Terminal Value	**245.5**	Equity Market Value (EUR m)	**311.8**
		Number of shares (m)	5.5
Financial assets	30.0	**Fair Value per share (EUR)**	**57.13**
Enterprise Value (EUR m)	**474.9**	**WACC**	**6.84%**

Sources: Degroof Petercam estimates

Degroof Petercam Financial Markets

www.degroofpetercam.com

Rue de l'Industrie 44 – 1040 Brussels
De Entrée 238 A 7th floor – 1101 EE Amsterdam
JPP Eurosecurities, 595 Madison Avenue – 38th floor – New York, 10022

Analysts

Stefaan Genoe	Telecom/Technology	+32 2 662 8299
Head of Research		
Amal Aboulkhouatem	Real Estate	+32 2 662 8303
Marcel Achterberg	Technology/Services	+31 20 573 5463
Jean-Marie Caucheteux	Real Estate	+32 287 9920
Junior Cuigniez	Industrials/Shipping	+32 2 662 8307
Fernand de Boer	Retail/Food & Bev.	+31 20 573 5417
Nathalie Debruyne, CFA	Chemicals	+32 2 662 8308
Hans D'Haese	Holdings/Food & Bev.	+32 2 287 9223
Bart Jooris, CFA	Financials	+32 2 287 9279
Michael Roeg	Media	+31 20 573 5422
Luuk van Beek	Energy/Engineering/Construction	+31 20 573 5471
Herman van der Loos, CFA	Real Estate	+32 2 662 8304
Roderick Verhelst, PhD	Life Sciences	+32 2 662 8305

Middle Office

Christophe Swinnen	+32 2 662 8298
Joost Ceulemans	+32 2 662 8285
Sven Dhondt	+32 2 662 8286
Katia Foy	+32 2 662 8296
Antoine Miest	+32 2 662 8294
Hilde Van Den Bossche	+32 2 662 8297

Administration

Christel De Clerck		+32 2 662 8302
Monique Gérard		+32 2 662 8301
Tineke Hosselaer		+32 2 662 8290
Alexandra Krauss		+32 2 287 9797
Charlotte Mertens	Roadshow Coordinator	+31 20 573 5416

Sales

Gert Potvlieghe	+32 2 662 8289
Head of Sales	
Sandra Aznar y Gil (RE)	+32 2 662 8291
Bart Beullens	+32 2 287 9180
Damien Crispiels (RE)	+32 2 287 9697
Quentin De Decker	+32 2 287 9287
Raymond de Wolff	+31 20 573 5414
Damien Fontaine	+32 2 662 8287
Laurent Goethals	+32 2 287 9185
Pascal Magis	+32 2 287 9781
Jurgen Smits van Oyen	+31 20 573 5413
Jochen Vercauteren	+32 2 662 8288

JPP Eurosecurities

Simon Vlaminck	+1 212 521 6735

Sales Trading

Hans de Jonge	+31 20 573 5404
Head of Sales Trading	
Pascal Burm	+32 2 662 8283
Veronique De Schoemaecker	+32 2 662 8280
Kristof Joos	+32 2 662 8284
Frans van Wakeren	+31 20 573 5407

***Investment rating system**: The Degroof Petercam stock ratings are based on the estimated performance relative to the Degroof Petercam Benelux coverage universe. The total return required for a given rating depends on the risk profile relative to this universe. This risk profile is represented by the Beta, as estimated by the analyst. Low risk stocks have an estimated Beta below or equal to 0.9, Medium risk stocks have a Beta between 0.9 and 1.3 and High risk stocks have a Beta equal to or above 1.3. The required relative performance for a given rating is indicated below. The price targets given and the expected relative performance are always based on a 12 month time horizon.*

	SELL	REDUCE	HOLD	ADD	BUY
High Beta >= 1.3	RP<-15%	-15%<=RP<-6%	-6%<=RP<+6%	+6%<=RP<+15%	RP>=15%
Medium 0.9 < Beta > 1.3	RP<-10%	-10%<=RP<-4%	-4%<=RP<+4%	+4%<=RP<+10%	RP>=10%
Low Beta <= 0.9	RP<-6%	-6%<=RP<-2%	-2%<=RP<+2%	+2%<=RP<+6%	RP>=6%

RP : Relative Performance against Degroof Petercam coverage universe

Information about rating distribution, analyst remuneration system, and recommendation history can be found at
https://www.petercam.com/indexen.cfm?act=petercam.ssresearch
Additional company related disclosures, including any potential conflicts of interest, can be found at
https://www.petercam.com/indexen.cfm?act=petercam.isrmifid

This document is intended for the benefit of institutional and professional investors and is sent for information only. Under no circumstances may it be used or considered as an offer to sell or as seeking an application to buy securities. Although the information contained in this report has been obtained from sources considered to be reliable, we guarantee neither its accuracy nor its completeness. The Managing Director of Degroof Petercam Institutional Research & Sales bears final responsibility of this report. This document may not be reproduced in whole or in part or communicated in any other way without our written consent. This document is distributed in North America by JPP Eurosecurities, 595 Madison Avenue 38th floor, New York 10022. JPP Eurosecurities distributes third party European Equities research to North American institutional investors. Degroof Petercam may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also perform or seek to perform investment banking services for those companies. Institutional sell-side research is performed by Degroof Petercam S.A. under regulatory supervision of the Belgian "Financial Services and Markets Authority (FSMA)".
The analyst(s) claim(s) not to have any meaningful financial interest in one of the above mentioned companies nor to have any conflict of interest.