

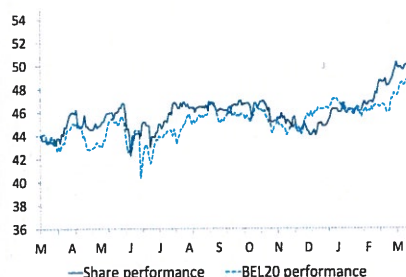
ATENOR**The CEE carousel starts to turn****REAL ESTATE INVESTMENT & SERVICES
BELGIUM**

CURRENT PRICE € 50.10

TARGET PRICE € 53.00

HOLD

RATING UNCHANGED



Source: Thomson Reuters Datastream

FY/e 31.12	2016	2017E	2018E	2019E
Sales (€ m)	141	161	253	102
REBITDA (€ m)	36	35	51	75
Net earnings (€ m)	20	22	34	45
Diluted adj. EPS (€)	3.62	3.72	5.85	7.66
Dividend (€)	2.04	2.08	2.12	2.16
P/E	12.45	13.45	8.56	6.54
EV/REBITDA	15.07	15.94	10.52	6.64
Free cash flow yield	21.2%	7.4%	11.7%	15.6%
Dividend yield	4.5%	4.2%	4.2%	4.3%

Source: KBC Securities

Bloomberg ATEB BB
Reuters ATEO.BR

www.atenor.be

Market Cap € 282m
Shares outst. 5.8m
Volume (Daily) € 0.11m
Free float 51.98%

Next corporate event

Results 1H17: 31 August 2017

Performance	1M	3M	12M
Absolute	3%	14%	14%
Rel. BEL20	-2%	7%	2%

12-m Hi/Lo € 50.25/42.27

We believe that Atenor is on track with a well-filled pipeline for the coming 5 years, supported by long-awaited capital recycling in Central Europe. We anticipate a ROE of more than 15%, but also warn that high competition will complicate the sourcing of projects. Today's valuation accounts for the good prospects. We therefore rate the stock a Hold on the back of our € 53 PT.

- **Good FY16 results.** Atenor recorded a 3.7% increase in operating result and 2.1% increase in net result y/y strongly in-line with expectations. This corresponded to a ROE of 16.1% (13% 5y average). As a result, the company announced a 2% increase in DPS (which could be recurring). These results were 25% driven by residential projects and 75% by offices.
- **BS leverage remains high.** The cost of debt dropped marginally y/y from 3.02% to 2.97%. This level is not expected to change markedly, given the existing (E)MTN program locking in the CoD for longer. The net debt to equity level is assumed to drop below 2x following the disposals in Budapest. However, the company does not intend to reduce this gearing in the coming years. Everything depends on the underlying assessed project risk. E.g. the construction of The One could lead to higher leverage, while more residential projects could lower gearing. We note the good spread in debt maturities.
- **CEE expected to be important in FY17 and FY18.** Mgmt. guided for a sale of the HBC project in 2018 rather than 2017, leaving us to adjust our estimates. We now no longer expect FY17 to be a record year. However, given the strong year-start, we still expect a small rise in net result y/y, corresponding to a flat ROE of 16%.

Koen Overlaet-Michiels

Financial Analyst - Brussels

KBC Securities NV

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

ATENOR – COMPANY PROFILE

Company profile

Atenor is a **pure sang developer** with a **portfolio of 16 projects (630k sqm)**, of which 12 are in the commercialization phase. Its projects are well-spread across **five regions** (51% Brussels, 21% Wallonia, 3% Luxembourg, 14% Romania and 11% Hungary) and **two segments** (56% offices and 40% residential, but this split is not a fixed target). Through this diversification, the company creates an attractive mix of more cyclical office developments and highly visible residential sales, while also benefitting from different market dynamics.

More specifically, the company increasingly develops **mixed projects** that can be developed in phases, thereby enhancing visibility. Management would like to **accelerate capital rotation** through a good mix of short (e.g. Air) and long-term projects (e.g. The One and Victor).

After years of uncertainty regarding the potential of the office projects in Budapest and Bucharest, Atenor at last made the first sale in FY16. In the beginning of FY17 there followed two other sales. These **sizeable assets are expected to boost the FY17-19 numbers**, while we also expect a steady income stream from the commercialization of several residential projects (mainly in Belgium).

Investment case

Atenor is a pure sang developer with a strong track record. Its **activities are well-spread** across several countries and segments and show a good mixture of short and long-term commitments. Furthermore, it is increasingly active in mixed projects that can be developed in phases, creating **nice earnings visibility**.

While the timing of the entry in **Budapest and Bucharest** was unfavourable, these Central European cities now generate attractive GDP growth, have low vacancy and few new developments. Occupier demand and investment liquidity have therefore returned, enabling the company to recycle capital, while generating **attractive margins**.

We believe the **current leverage rate is high (Net debt to Equity of 2.2x)**, but understand that this depends on the risk assessment per project. With The One project in the pipeline, management is even guiding for increased leverage while residential projects require less leverage (auto-financing thanks to Wet Breyne). **Debt maturities are however well spread** over the coming years.

We highly value the company's **strong staff retention** rate, resulting in a solid team with good deal skills. This is necessary as the current low-yielding environment also makes the development market more competitive. We expect the company to continue realizing **attractive returns (ROE >15%)**, thereby **supporting moderate recurring DPS growth**. We advise investors to Hold this value-generating stock.

Valuation

Target price: We value Atenor on the basis of a DCF model over a fixed 5-year forecasting period and apply a WACC of 7.7%. Our valuation leads to a theoretical future fair value of € 53 p.s. We therefore have a € 53 price target which corresponds to a dividend yield 17E of 3.9% and a P/NAV16E of 2.03x. Given the current share price, we rate the stock a Hold.

DCF Valuation: We discounted our FCF at a WACC of 7.7% over a 5-year forecasting period and applied a 1.5% long-term growth rate. This calculation pointed to a forward price of € 53/sh.

SWOT analysis

Strengths:

- Well-diversified portfolio in segments, geography and size
- High staff retention creates quick deal skills
- Renewed investment liquidity in CEE region
- Attractive ROE forecast of more than 15% in FY16-19E

Weaknesses:

- Balance sheet fully leveraged (2.2x net debt to equity)
- Exit risk remains non-negligible
- Continued delays in Victor project

Opportunities:

- Obsolescence in office market and sustainability demands
- Crystallizing dominant position in CEE via lower equity stake

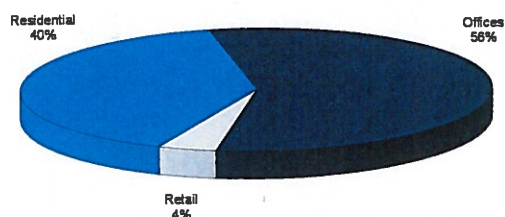
Threats:

- Low-yielding market makes project sourcing competitive
- Misinterpreting market trends can result in unsellable projects

20 March 2017

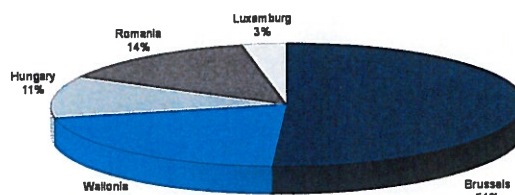
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SEGMENTAL SPREAD



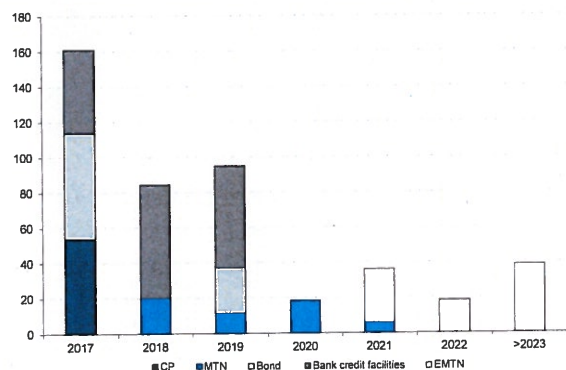
Source: Atenor data

GEOGRAPHIC SPREAD



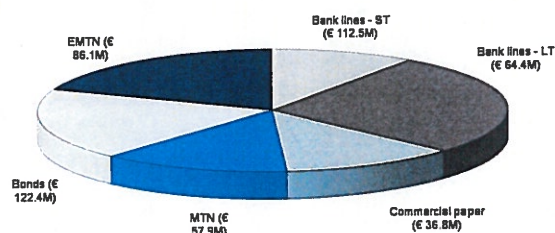
Source: Atenor data

DEBT MATURITY PROFILE



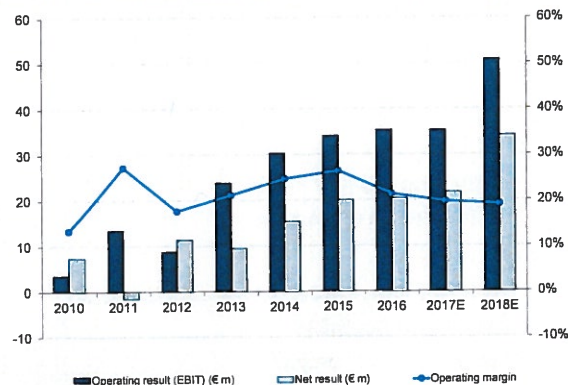
Source: Atenor data

DEBT DIVERSIFICATION PROFILE



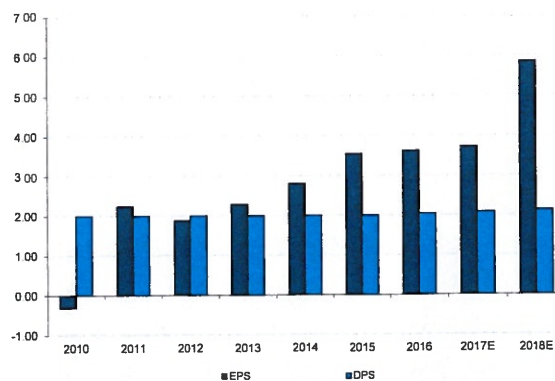
Source: Atenor data

NET RESULT EVOLUTION



Source: Atenor data

EPS - DPS EVOLUTION



Source: Atenor data

FINANCIAL DATA

Income statement (€ m)	2013	2014	2015	2016	2017E	2018E	2019E
Sales	110	107	108	141	161	253	102
COGS	-94	-68	-113	-102	-120	-200	-76
Gross profit	16	38	-5	39	40	53	25
Operating costs	26	6	56	10	16	26	16
Other income & costs	-19	-14	-17	-14	-21	-29	33
EBIT	24	30	34	35	35	51	75
Net interest	-6	-7	-6	-10	-9	-8	-8
Other non-operating	-	-	-	-	-	-	-
Pre-tax earnings	18	23	28	26	26	43	67
Taxes	-6	-8	-8	-5	-4	-9	-22
Associates	0	0	0	0	0	0	0
Discontinued & other	0	0	0	0	0	0	0
Consolidated earnings	12	15	20	20	22	34	45
Minority interests	0	0	0	0	0	0	0
Net earnings	12	15	20	20	22	34	45
Depreciation and amortisation	0	0	-1	-1	0	0	0
Amortisation other intangibles/ Impairments	0	-2	-2	0	0	0	0
Non recurring elements included in EBIT	0	0	0	0	0	0	0
REBITDA	24	32	36	36	35	51	75
EBITDA	24	32	36	36	35	51	75
REBITA	24	31	35	36	35	51	75
EBITA	24	31	35	36	35	51	75
Net earnings from continued operations	12	15	20	20	22	34	45
Adjusted net earnings	12	15	20	20	22	34	45
Balance sheet (€ m)	2013	2014	2015	2016	2017E	2018E	2019E
Intangible assets	5	3	3	3	3	3	3
Tangible assets	11	16	16	21	21	21	21
Financial assets	18	15	30	13	13	13	13
Other assets	11	8	5	11	11	11	11
Inventories	261	271	344	429	429	429	429
Receivables	33	69	130	64	64	64	64
Cash & equivalents	39	67	23	145	161	189	228
TOTAL ASSETS	377	449	552	686	702	730	769
Equity	105	113	127	137	153	181	219
Minorities	0	0	0	3	3	3	3
Provisions	1	3	4	2	2	2	2
LT financial debt	164	136	190	226	226	226	226
Other liabilities	18	17	16	23	23	23	23
Payables	39	49	43	71	71	71	71
ST financial debt	50	131	172	224	224	224	224
TOTAL LIABILITIES	377	449	552	686	702	730	769
Net working capital	255	290	431	421	421	421	421
Capital employed	270	310	451	445	445	445	445
Net debt	175	200	339	305	289	261	223
Net debt, incl. off-balance items	175	200	339	305	289	261	223
Cash flow statement (€ m)	2013	2014	2015	2016	2017E	2018E	2019E
Consolidated earnings	12	30	20	20	22	34	45
Depreciation, amortisation & impairment	0	2	2	1	0	0	0
Other cash flow from operations	5	-5	-1	-2	0	0	0
Change in working capital	-102	-20	-136	35	0	0	0
CASH FLOW FROM OPERATIONS	-85	7	-114	54	22	34	45
Net capital expenditure	0	0	0	0	0	0	1
Acquisitions / disposals	0	-14	-15	-9	0	0	0
Other cash flow from investments	-2	0	3	20	0	0	0
CASH FLOW FROM INVESTMENTS	-2	-14	-12	10	0	0	1
Dividend payments	-4	-4	-4	-11	-6	-6	-6
Shares issues	0	0	0	0	0	0	0
New borrowings / reimbursements	32	50	84	70	0	0	0
Other cash flow from financing	0	0	-9	-10	0	0	0
CASH FLOW FROM FINANCING	27	46	70	49	-6	-6	-6
Fx and changes to consolidation scope	0	0	0	1	0	0	0
CHANGE IN CASH & EQUIVALENTS	-60	28	-44	122	16	28	38
Free cash-flow	-85	7	-114	54	22	34	46
Change in net debt	43	25	140	-34	-16	-28	-38

Performance criteria	2013	2014	2015	2016	2017E	2018E	2019E
Sales growth	142.0%	-2.9%	1.0%	31.1%	13.5%	57.5%	-59.7%
Gross profit growth	-342.6%	138.8%	-112.7%	-905.8%	2.2%	32.3%	-52.0%
REBITDA growth	189.1%	34.3%	12.7%	-1.5%	-1.5%	43.9%	47.2%
EBITDA growth	189.1%	34.3%	12.7%	-1.5%	-1.5%	43.9%	47.2%
REBITA growth	168.8%	28.2%	12.4%	3.6%	-1.5%	43.9%	47.2%
EBIT growth	172.4%	27.2%	12.3%	3.7%	-0.1%	43.9%	47.2%
Pre-tax earnings growth	261.1%	26.9%	20.2%	-7.6%	1.5%	63.1%	56.2%
Net earnings growth	26.8%	27.5%	30.2%	2.1%	6.6%	57.2%	30.8%
Earnings growth from continued operations	26.8%	27.5%	30.2%	2.1%	6.6%	57.2%	30.8%
Adjusted earnings growth	26.8%	27.5%	30.2%	2.1%	6.6%	57.2%	30.8%
Gross margin	14.6%	36.0%	-4.5%	27.8%	25.0%	21.0%	25.0%
REBITDA margin	21.9%	30.3%	33.8%	25.4%	22.0%	20.1%	73.4%
EBITDA margin	21.9%	30.3%	33.8%	25.4%	22.0%	20.1%	73.4%
REBITA margin	21.8%	28.8%	32.1%	25.4%	22.0%	20.1%	73.4%
EBIT margin	21.7%	28.4%	31.6%	25.0%	22.0%	20.1%	73.4%
Net working capital / sales	232.0%	271.8%	399.8%	297.9%	262.4%	166.6%	413.6%
CAPEX/ Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%
FCF / Sales	-77.3%	7.0%	-105.7%	38.0%	13.5%	13.5%	44.8%
Depreciation / Capital Expenditure	-	-	-	-	-	-	0.0%
Capital expenditure / EBITDA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.3%
Net debt / Equity + Minorities	166.9%	176.8%	267.6%	218.9%	186.1%	142.3%	100.3%
Net debt / EBITDA	7.3	6.2	9.3	8.5	8.2	5.1	3.0
EBITDA / net interest	4.3	4.5	5.9	3.7	3.9	6.2	9.2
Pay-out ratio	-16.6%	-13.0%	-10.0%	-10.0%	-9.6%	-6.2%	-4.8%
Net earnings margin	10.9%	14.4%	18.5%	14.4%	13.5%	13.5%	43.8%
x CE turnover (Sales / avg. CE)	0.4	0.4	0.3	0.3	0.4	0.6	0.2
x Leverage (avg. CE / avg. equity)	2.4	2.7	3.2	3.4	3.1	2.7	2.2
= Return on Equity (avg)	11.8%	14.1%	16.7%	15.5%	15.0%	20.5%	22.3%
Return on Equity - adjusted	11.8%	14.1%	16.7%	15.5%	15.0%	20.5%	22.3%
Return on Capital Employed	13.1%	14.0%	11.5%	9.6%	9.3%	13.7%	22.4%
Return on Capital Employed - adjusted	13.1%	14.0%	11.5%	9.6%	9.3%	13.7%	22.4%
Per share data (€)	2013	2014	2015	2016	2017E	2018E	2019E
weighted average # shares (m)	5.25	5.46	5.63	5.63	5.83	5.83	5.83
weighted average # shares, diluted (m)	5.25	5.46	5.63	5.63	5.83	5.83	5.83
Basic EPS	2.29	2.81	3.54	3.62	3.72	5.85	7.66
Adjusted EPS	2.29	2.81	3.54	3.62	3.72	5.85	7.66
Diluted EPS	2.29	2.81	3.54	3.62	3.72	5.85	7.66
Diluted, adjusted EPS	2.29	2.81	3.54	3.62	3.72	5.85	7.66
Diluted EPS: y/y growth	21.6%	22.7%	26.1%	2.1%	2.9%	57.2%	30.8%
Diluted EPS: CAGR 3Y	23.5%	16.5%	9.8%	18.2%	28.4%	-100.0%	-100.0%
Adjusted, diluted EPS: y/y growth	21.6%	22.7%	26.1%	2.1%	2.9%	57.2%	30.8%
Adjusted, diluted EPS: CAGR 3Y	23.5%	16.5%	9.8%	18.2%	28.4%	-100.0%	-100.0%
REBITDA / share	4.58	5.92	6.47	6.37	6.06	8.72	12.83
EBITDA / share	4.58	5.92	6.47	6.37	6.06	8.72	12.83
REBITA/share	4.57	5.64	6.15	6.37	6.06	8.72	12.83
EBIT/ share	4.54	5.56	6.05	6.28	6.06	8.72	12.83
Net book value / share	19.95	20.69	22.52	24.27	26.17	30.99	37.59
Free cash flow / share	-16.18	1.37	-20.26	9.55	3.72	5.85	7.83
Dividend (€)	2.00	2.00	2.00	2.04	2.08	2.12	2.16
Valuation data	2013	2014	2015	2016	2017E	2018E	2019E
Max share price (€)	35.00	41.16	49.85	47.31	50.25	-	-
Min share price (€)	30.11	34.19	39.20	40.57	45.90	-	-
Reference share price (€)	32.79	37.70	43.11	45.07	50.10	50.10	50.10
Reference market capitalisation	172	206	243	254	292	292	292
Enterprise value (€ m)	320	386	551	541	563	535	496
P/E	14.3	13.4	12.2	12.5	13.5	8.6	6.5
EV/sales	2.9	3.6	5.1	3.8	3.5	2.1	4.9
EV/REBITDA	13.3	12.0	15.1	15.1	15.9	10.5	6.6
EV/EBITDA	13.3	12.0	15.1	15.1	15.9	10.5	6.6
EV/REBITA	13.3	12.5	15.9	15.1	15.9	10.5	6.6
EV/EBIT	13.4	12.7	16.2	15.3	15.9	10.5	6.6
EV/Capital employed	1.2	1.2	1.2	1.2	1.3	1.2	1.1
P/ NBV	1.6	1.8	1.9	1.9	1.9	1.6	1.3
Free cash flow yield	-49.4%	3.6%	-47.0%	21.2%	7.4%	11.7%	15.6%
Dividend yield	6.1%	5.3%	4.6%	4.5%	4.2%	4.2%	4.3%
Source: KBC Securities				*Historic valuation data are based on historic prices			