Degroof Petercam

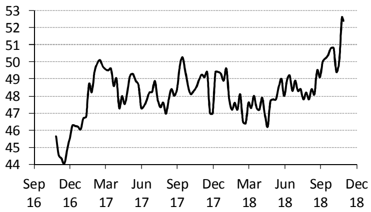
Belgium | Real Estate | www.atenor.be

BUY

Price (27/11/2018)	EUR 52.40
Target price	63.00
Risk	High
Reuters	ATEO.BR
Bloomberg	ATEB BB
Shares number (m)	5.63
Market cap. (m)	295
EPRA NAV 31/12/2017	26.45
Premium	98.1%
1 year price perf.	7.6%
Diff. with EPRA Eurozone	9.7%
Volume (sh./day)	1,883
H/L 1 year	52.60 - 44.65
Free Float	49.5%
3D	12.4%
Luxempart	10.7%
For AtenoR	10.5%
Alva	9.3%
St.Sonneville	4.3%
Autocontrol	3.4%

Company description

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



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Atenor

From 9 projects in 2009 to some 19 in 2019

From developments in Belgium towards 6 other countries

- Atenor is active in real estate development since decades, starting with offices in Brussels and later on Luxembourg. Just before the financial crisis of 2008, the group diversified to Hungary (Budapest) and Romania (Bucharest). Over the last few years, Atenor also made some developments in pure residential projects in Brussels (UP-site tower) and in Wallonia, in mixed-use and more complex urbanization projects (e.g. City Dox). More recently, it made its first steps in additional countries (suburbs of Paris in July 2017, Warsaw in February 2018, **last minute** Düsseldorf in November 2018).
- This diversification led to a substantial increase of the number of projects in portfolio from 9 in 2009 to 16 in 2016 and 19 in 2019 (including 2 projects completed in 2018).
- The size of the portfolio reaches more than 800k sqm, consisting of offices (65%), residential (33%) and retail (2%).

Diversification and lower cyclicality of earnings

- A consequence of the larger size of the portfolio is the lower share of the Belgian domestic market in the portfolio (halve of the value) and in the results (more than two thirds). This difference in contribution simply reflects various maturities of the projects on top of different levels of capital gains or IRRs.
- We expect this trend to intensify in the coming years considering the better economic prospects abroad versus the domestic market and the better IRR's bolstered up by a shorter development cycle than in Brussels in particular where the regulative environment is more complex and as such last longer. The earnings generation has gained pace since 2013 and with a shorter life cycle of projects in portfolio we expect this trend to continue in the coming years.
- The larger diversification also makes a more smooth earnings generation possible, which in its turn supports a gradual though modest dividend increase.

Valuation

We upgrade our target price from EUR 52 to EUR 63. This target price is derived from a sum of the part valuation of projects in portfolio, in addition to a goodwill for implementation of new projects in order to increase gradually the size of the portfolio towards 900k sqm, from 605k sqm in 2017 and more than 800k sqm in 2018.

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

EUR	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
Income	110.8	116.7	156.8	220.4	215.0	219.5	223.9
Direct result	15.3	20.0	20.4	22.1	22.9	33.5	40.3
Direct EPS	2.81	3.54	3.62	3.92	4.07	5.96	7.15
P/E	14.2	13.3	12.6	12.0	12.9	8.8	7.3
Total debt/Assets	59%	66%	66%	64%	46%	44%	43%
IFRS NAVPS	20.69	22.52	24.75	26.57	28.51	32.26	37.15
Premium	93.3%	108.7%	83.8%	76.8%	83.8%	62.4%	41.0%
Dividend	2.00	2.00	2.04	2.08	2.14	2.20	2.25
Yield	5.0%	4.3%	4.5%	4.4%	4.1%	4.2%	4.3%

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Investment case

Atenor is managing 19 projects totalling more than 800k sqm in 7 countries (Belgium, Luxemburg, Hungary, Romania, France, Poland and earlier this month in Germany). The group focuses on cities and countries with the highest potential but also achievable in decent timeframes.

Due to the life cycle of project development, the **earnings profile of a pure real estate developer** like Atenor can be quite volatile since profit generation depends on the degree of completion of a mix of various projects. The number and the length of the projects under development may alleviate this issue, which is what the increase in the number of projects and the size of Atenor's portfolio over the years demonstrates.

Preferably, and in most cases, developments start when tenants are identified or when potential demand seems to be strong, considering the location or the scarcity of the supply. For sure, it implies some contrarian or forward-looking views when looking for new locations. Atenor has a nice track record. They were also a few less favourable projects: Victor in front of Brussels largest railway station, Budapest and Bucharest initiated just before the crisis of 2007/2008.

Atenor targets IRR's of at least 15% for its projects corresponding to capital gains of at least EUR 400-500 per sqm with some opportunistic, less sophisticated developments (in residential more than in the office segment) providing lower capital gains.

Considering the longer timeframe for some large office developments, at least compared to residential ones, Atenor started in 2012 to develop residential projects in Wallonia (Résidence des Grands Prés, La Sucrerie) on top of the emblematic Up-site tower in Brussels.

Over the last few years, the company has been moving towards larger **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-use project including a residential tower) and City Doxs projects in Brussels (mixed-use project of some 150k sqm).

On top of that, Atenor has succeeded to reduce the length of the development cycle for most of the projects in portfolio (from 7 towards 4.5 years on average in the future), boosting IRR and not at the expense of capital gains (target of EUR 400-500 per sqm often exceeded). This performance is linked to the skills of the Atenor team, characterised by its stability, on top of some opportunistic, and simpler, residential developments in Belgium.

In other words, the standard level of operating profit of some EUR 40m per year is expected to increase and even to double at cruise speed.

FY 17 results

FY 17 figures were better than in 2016, a continuous progression since several years. Dividend increased modestly (2%) for the second year in a row after having remained flat since 2010.

Atenor benefitted from the contribution of 12 projects with as main contributors: three buildings in Vaci Greens (Budapest), Palatium (Brussels), Au Fil des Grands Prés (Mons), the last tranches of Port du Bon Dieu (Namur), in addition to the rental revenues from Vaci Greens, Hermes Business Campus (Bucharest) and the Nysdam building (la Hulpe).

1H 18 results

Net profit for 1H18 emerged at EUR 5.6m, compared to EUR 16.8m for 1H17 and EUR 22.2m for financial year 2017. The difference between the 1H18 and 1H17 results is mainly due to disposals made during 1H17, which was not the case during 1H18.

Net profit for 1H18 reflects margins generated on pre-sold projects, both office and residential, in Western Europe and in Central Europe. It refers mainly to The One, City Dox, UP-Site, Au Fil des Grands Prés. Moreover, lease revenues of HBC (Bucharest), Nysdam (La Hulpe) and UBC (Warsaw) generated a significant contribution to revenues.

Net financial charges were significantly lower at EUR -4.0m from EUR -4.9m for 1H17 mainly because of a lower cost of debt: 2.4% vs. 3.2%.

The three buildings of HBC (Bucharest) are fully leased, which means that they are ready for sale, in an improving local investment market.

It’s noteworthy that 10 of the 18 projects in portfolio contributed to results.

In contrast, Atenor anticipates disposals during 2H18.

For financial year 2018, Atenor expects that it will benefit from the positive developments observed in European real estate markets. Atenor results should in any case continue to be supported by the sale of residential projects in Brussels and in the country.

Atenor also commented that several major transactions are in progress although it is not possible to specify the timing of finalisation.

3Q trading update

We selected some comments which appear more relevant or new.

- The One: Construction will be delivered in early 2019. 81% of the apartments have been sold (from 73% for H1). Atenor releases that the lease with Welkin&Meraki (co-working) is cancelled in contrast to comments made in the media by the later company. Atenor pursues the marketing.
- Au Fil des Grands Prés: A fifth building was completed, and the construction of the remaining three others is continuing.
- Naos: the sale is expected to be completed by the end of the year (somewhat earlier than we expected) with a major impact on the 2018 results.
- Twist: the finalization of an urban development plan will enable to submit an application for a building permit.

- Buzzcity: contacts for the sale of this building in a further state of completion (building permit received in September) are in an advanced stage.
- Com'Unity (renamed from Bords de Seine): the marketing is progressing in a highly active Péri-Défense market.
- Vaci Greens: Atenor started the building and the sale of the F building in a still encouraging market.
- Arena Business Campus: start of the building and sale of building A.
- Hermes Business Campus: it is not possible to confirm if the sale of the three fully leased buildings will occur before the end of the year, taking into account that the investment market is reviving.
- Dacia One: all the required authorizations are expected to be obtained in 1Q 2019. Advanced-stage conversations are in progress for the lease of the entire project.

Outlook

Atenor feels that the economic growth in Europe is slowing down and is accompanied by a climate of uncertainty, which however would not prevent the sale of real estate assets of quality.

As far as 2018 results are concerned, the sales the nursing home in City Dox, of the company that owns the Naos building and the apartments in Belgium are expected to bring the 2018 figures close to the 2017 ones, putting aside some potential sales still this year. Atenor comments that it may issue an update during this current last quarter.

It's worth noting that 2018 witnesses some permit applications and starts of constructions.

It is not surprising that Atenor, as a pure real estate developer, remains generally cautious on earnings guidance. After years of stable dividend (at EUR 2.00) Atenor started to increase modestly but gradually its dividend (from 2.00 in 2015 to 2.04 in 2016 and 2.08 in 2017). The dividend yield, slightly above 4%, remains attractive.

We already anticipate a further increase of earnings in 2019 thanks to various projects. This rather gradual increase of figures is largely the consequence of the much larger number of projects in portfolio compared to some years ago.

Company profile

Since close to a quarter of century, Atenor is **active in real estate development** and, under the current CEO/management, it has refocused successfully from a diversified holding company to become a pure property player since 2005.

Activities typically consist in investing in the entire development of real estate projects. This means: finding a promising location, acquiring the land or in some cases an obsolete building, setting up the architectural design and the construction, finding a tenant and selling the buildings at completion or as a work-in-progress via SPVs in order to generate capital gains.

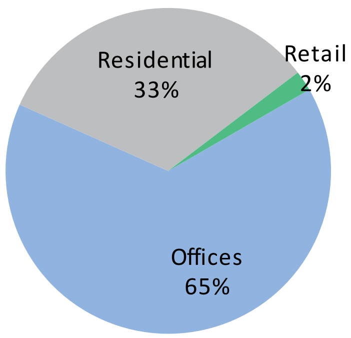
We believe that **office development** will remain the main feature of Atenor's future projects, on top of pure residential developments and probably also some more complex mixed developments, being part of urbanization plans in Belgium. Atenor has gradually focused on larger, more innovative or audacious projects, mainly offices, but also residential and mixed ones.

Residential developments are typically sold unit per unit (à la pièce) in order to maximize earnings but other arrangements with property brokers could be possible.

The building may be a build-to-suit one (= for a specific tenant with specific requirements) or not. In particular in the centre of large cities, part of the creation of added value is linked to the higher density of the projects compared to the buildings purchased.

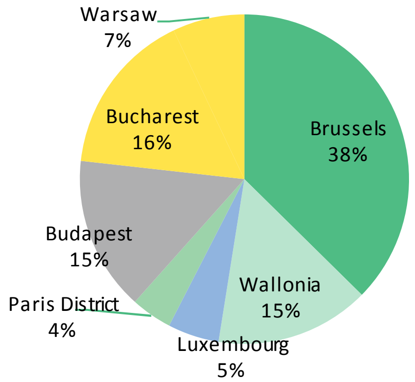
The portfolio consist of 19 projects totalling somewhat more than 800k sqm, predominantly offices (see graph below) and well, but also more than historically, geographically diversified.

Exhibit 1 **Portfolio breakdown per segment (% sqm)**



Source: Atenor

Exhibit 2 **Portfolio geographical breakdown (%sqm)**



Source: Atenor

Belgium and later Luxembourg are the **domestic markets**. Atenor started to diversify in Central Europe (Hungary/Budapest and Romania/Bucharest) in 2007/2008 and more recently in France/suburbs of Paris (July 2017) and in Poland/Warsaw (February 2018), followed in November of this year by Germany/Düsseldorf.

Putting aside the opportunistic residential developments in Belgium, projects are located in capital cities. Apart from Belgium, locations target cities offering developments potential in a not too far horizon, because of strong economic growth, as it is the case in Central Europe and Luxembourg, or more obviously due to potential changes in the environment (e.g. Paris suburbs).

Exhibit 3 Metrics of markets where Atenor is active

	Real estate market size (m sqm)	Prime yields	Average rent 2017	Vacancy rate 2017	Take-up 2017 (k sqm)
Brussels	13.1	4.50%	166	8.20%	418
Luxembourg	3.9	4.50%	564	4%	211
Peri Défense	3	5%	360	14.10%	200
Bucharest	2.6	7.50%	156	9.20%	350
Budapest	3.4	6%	156	7.50%	475
Warsaw	5.5	5.25%	153	7.00%	820

Source: JLL, Cushman&Wakefield, Degroof Petercam

N.B. Not all markets have figures updated for Q3, even H1. The general trend consist in a further yield compression or stabilization accompanied by a lowering of the vacancy rates and a further gradual increase of average rents.

Portfolio in Belgium

The Brussels office market

With ca. 13 million sqm, the Brussels office market is the third largest office market in Europe. It is characterised by the equilibrium between the public sector, domestic & international, and corporate users. Non-profit organizations and representation offices from all over Europe are also well represented. In other words, it is less dependent on the economic cycles than other European cities.

The average deal size in the first nine months of 2017 (1,194 sqm) and of 2018 (997 sqm) was lower than during the last five years, according to JLL. So far, European institutions finally came back after two years of absence. Besides, by the start of 2018, the European Commission launched a public tender for a new conference centre in Brussels CBD with a planned surface of 24k sqm.

Vacancy rate continued to decrease to 8% during 3Q, from 9.0% one year ago. However it was made of two opposite trends: a substantial decrease to a new 17 year low of 4% in the CBD but a 30bps increase outside of the CBD mitigated by conversions in residential.

2018 will be characterized by new supply from Atenor (The One and City Docks) and Intervest Offices & Warehouses (Greenhouse Brussels). In general, the occupier activity remains subdued in the first nine month period take-up amounting to 251k sqm, according to JLL, which is 17% lower than one year earlier.

The co-working does not seem to slow. Speculative completions next year are estimated at 155k sqm, a large part in the North District.

After stable **rents** since a decade, prime rents in Brussels started to increase in 2017. It was another 5% increase during Q1 to EUR 315/sqm/year (source JLL) followed by a stabilization in Q2 and Q3.

Brussels

- **The One (Brussels, European quarter, 30k sqm of offices and 10k sqm of residential)**

The extreme good location is the main attraction of this project located in the earth of the Brussels European district.

The construction works started in August 2015 on the location of the former Crown Plaza hotel which was demolished.

Completion is scheduled in early 2019. Regarding the commercialisation, 81% of the apartments and two ground-floors have been sold (excluding reservations).

- **Realex (90% Atenor, Brussels European Quarter, min. 40k sqm of offices)**

Realex responded to the tender (December 2017) by the European institutions for setting up a conference centre of 24k sqm in addition to a second tender from them for the lease of some 150k sqm of offices for which 30k sqm of offices is candidate.

- **Palatium (Brussels, Louisa area, 14k sqm mixed)**

Sold in January 2018.

- **City Dox (Brussels, channel, 150k 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 is expected to reach 150k sqm and will be made of various real estate segments: residential, offices, commercial spaces, workshops, school, day care center, integrated business services, nursing home, polyclinic, sports facilities, an hotel, restaurant, catering establishment, nursery home, etc …

First phase (39.5k sqm of apartments, service flats, business services, one nursing home) is ongoing. The nursing home is already sold. The permit for the second phase (16.4k sqm, residential) was delivered in July. More than two thirds of residential units are already sold or reserved and more than one quarter for the residence.

A third building permit will be applied for a mixed development of 44k sqm.

- **Victor (50% Atenor, Brussels, South station, 109.5k sqm, mixed)**

This project started in 2007 but was delayed because of the gradual setting up and changes of various urbanizations plans. Nowadays, it finally seems that the start of construction may be possible in 2020.

Wallonia

- **Les Berges de l’Argentine (La Hulpe, Brussels periphery, mainly residential, 25k sqm)**

Delivery of phase 1 (4k sqm) is expected by the end of 2018. Permit application for second phase (26k sqm) will be submitted soon.

- **Nysdam (La Hulpe, offices, some 15.6k sqm)**

Atenor headquarters are located in this office building which is 93% let. We do not anticipate other profits from this location before 2024.

- **Au Fil des Grands Prés (Mons, 75k sqm mixed)**

The first phase consists of a residential project of 25k sqm in eight buildings of which 5 are completed and the others will be completed by mid-2020. All have been presold. The planning permit for the second phase was rejected in June. An initial application for 14k sqm is expected to be submitted soon.

- **La Sucrerie (Ath, mainly residential, 20k sqm)**

183 apartments in 6 buildings of which 5 are completed. 67% of the 126 apartments are sold.

Portfolio in Luxembourg

The office market

Corporates represent 69% of the volume in 2017, but declined from 90% in 2016 and 79% on average the past 5 years, according to JLL. European institutions were stable in relative terms at 7%.

Vacancy rates are traditionally low in Luxembourg due to the growth story of the place combined by a good planification of land availability. In addition, developers are cautious. Out of the 521k sqm planned towards 2020, only 43% is speculative.

Prime rents increased by 4% yoy in 2017 to EUR 47/sqm in the CBD and remained stable during Q1 2018.

- **Les Brasseries de Neudorf (Luxembourg city, 11.5k sqm, residential)**

End of works in June 2018. All apartments were sold since the end of 2015.

- **Naos (55% Atenor, Belval, 14k sqm, office and retail)**

This project started in 2016 and the works in 2017. Delivery planned for mid-2019. 62% of the offices are leased. The sale is expected to be completed before the end of the year with no major impact on 2018 results.

- **Twist (Belval, mixed 14.3k sqm)**

Urban development plan is close to finalisation, so that permit should be submitted in the somewhat later.

- **BuzzCity (Leudelange, 16.5k sqm, offices)**

Pre-agreement in November 2017 for the acquisition of a plot of land of 1.3 ha. Planning permit received in September 2018. Contacts for the sale of the building in a further state of completion are in an advanced stage.

Portfolio in Paris

The office market

The office market looks healthy in the greater Paris region. The positive trend is more marked in the 1k to 5k sqm segment, with an increase of 20% YoY in volume though it remains also a strong 9% for transactions exceeding 5k sqm yoy, according to JLL. The trend is less pronounced in the outer suburbs when compared to the CBD & inner suburbs.

The prime office yields for the most established Greater Paris region is at a historical low of 3.0% in the CBD and 4.0% in La Défense.

- **Com'Unity 1** (ex Bords de Seine) **(99% Atenor, Bezons, suburbs of Paris, 33.8k sqm of offices)**

The marketing is progressing in a highly active Péri-Défense market.

In addition, in October, Atenor signed an agreement to purchase a second plot of land of 6,019 sqm close to Com'Unity 1 to develop 25k sqm of offices.

Portfolio in Düsseldorf

Düsseldorf is one of Germany's most important trading centres, with many national and international trading companies having their head offices here. Many of Düsseldorf manufacturers are world leaders in their sectors, making it the second most important industrial location in North-Rhine Westphalia. Düsseldorf is also important for the fashion industry. It is located in an agglomeration with a population of more than 11 million. According to JLL, Düsseldorf is among the most interesting German markets for commercial real estate investment.

On November 19 of this year, Atenor signed an agreement for the acquisition of a plot of land of 1,300 sqm in the center of Düsseldorf, which houses a 700sqm supermarket leased to REWE.

The mixed project will involve the renovation of the supermarket and the building of 33 residential units with parking spaces. The project has a building permit and a pre-agreement with REWE for re-letting the supermarket for 15 years. Atenor commented that this investment should facilitate its expansion in Düssedorf but also in Cologne.

With this investment, Atenor pursues its expansion in a 7th country, following Paris (July 2017) and Warsaw (February 2018) but also in an additional real estate segment (retail) on top of mainly offices and residential.

Portfolio in Central Europe

Just before the crisis starting in 2007/08, Atenor made its first steps in Central Europe, more precisely in Bucharest (Romania) and Budapest (Hungary).

In February of this year, it made its first step in Poland, a more mature but still promising country.

Romania/Bucharest

The macro-economic forecasts continue to be positive. The country was the best performer of the European Union in 2017 (GDP growth estimated at 6.9%) and is expected to hold this position in 2018 as well, however at a lower pace (5%).

- **Hermes Business Campus (72k sqm of offices)**

The three buildings are fully leased; in other words they are ready for sale.

- **@Expo (47k sqm of offices)**

A planning permit will be submitted in June 2018, and works are expected to start in early 2019.

- **Dacia one (15.8k sqm of offices)**

All the required permits should be obtained in 1Q 2019. Advanced-stage conversations are in progress for the lease of the entire project.

Hungary/Budapest

The Budapest office market consists of 3.4m sqm. 60% of the new office space to be delivered in 2018 is already pre-let according to Cushman&Wakefield.

- **Vaci Greens (87k sqm of offices)**

The planning permit of the last (E and F) of the six blocks was issued in April. Works for the E and the F building have started.

- **Arena (80k sqm of offices)**

The construction and the sale of building A started.

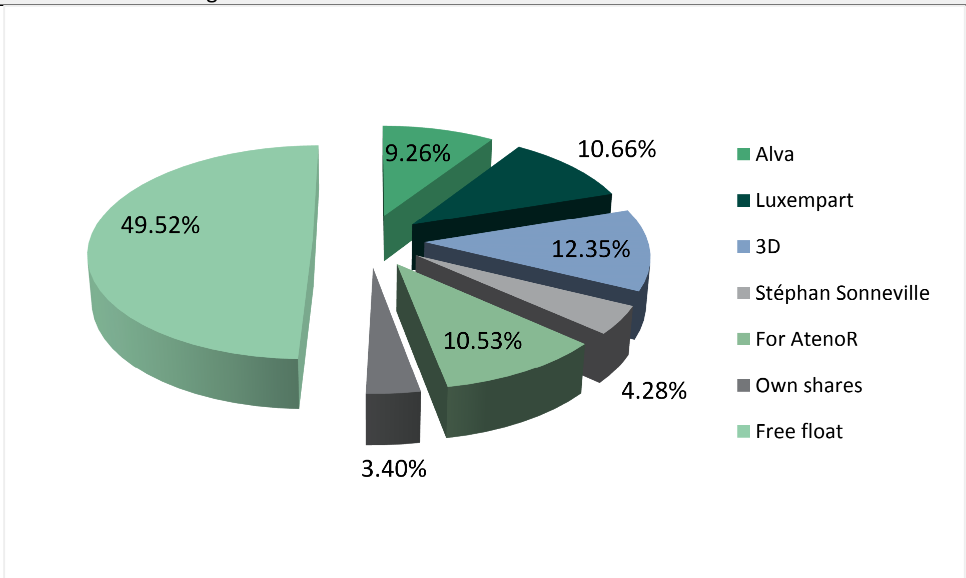
Warsaw

- **University Business Center (59k sqm of offices)**

This recent project (pre-agreement of February 2018) is the first step of Atenor in Poland. The start of works is planned for 2019.

Shareholding

Exhibit 4 Shareholding



Source: Atenor

Shareholding, which was stable during many years, changed recently (April 2018) with the sale of the stake of Sofinim (affiliate of the Belgian investment company Ackerman & van Haaren) to a new company called ForAtenoR. The shareholding of ForatenoR consists of the other shareholders of Atenor (3D, Luxempart, Alva and Stéphan Sonneville groups).

Putting aside the reasons of this change in shareholding, it is clear that Atenor will pursue its strategy of growing internationally, mostly in offices, in cities offering development potential at decent timeframes.

It's noteworthy that the strategy and experience of Atenor has made doubling IRR's over the last 20 years possible. This was made possible by also doubling the number of projects (9 in 2009, 18/9 in 2018) in addition to a shortening of the duration of projects (from generally 5 to 7 years to some 4.5 years).

Financials

Income Statement

The added value coming from development activities may be accounted for in the operating margin (example: sale of residential units) or through capital gains (sale of SPV used for the development of office complexes).

The added value is not necessarily recorded in one go in the profit and loss account upon final completion of the development (that lasts in general between three and five years), but spread over the development period, typically with smaller 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 the bulk of cash revenues are in many cases only generated when the project is completed.

The business model of a developer implies that the 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.

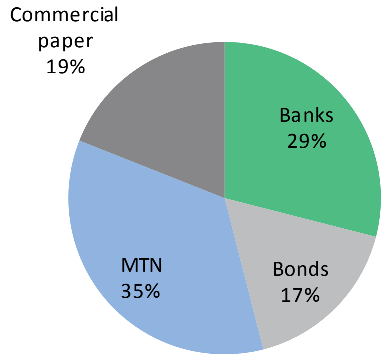
Balance sheet

Atenor targets and succeeds to have the value of equity and long term financial debts exceeding the value of acquisitions.

As far as financial debt is concerned, Atenor aims at diversifying its financial debt instruments on a rather comparable basis.

The company has a programme of 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 hedged by interest rate swaps.

Exhibit 5 Financial debt breakdown



Source: Atenor

In addition to taxes related to the profit and loss of the year, deferred taxes are usual for developers, considering that the first years of the projects are exclusively made of costs followed only several years later by positive contributions.

Valuation

Atenor aims at achieving projects with IRRs of at least 15%.

In addition the company targets capital gains of EUR 400-500 per sqm.

Beyond these figures, we may observe diverse situations. For example, pure and less complex residential projects usually generate lower capital gains but they are also typically achieved on a shorter period, so that the target of a minimal IRR is not jeopardized.

An increasing number of projects helps to more evenly spread earnings generation over the years.

Exhibit 6

Projects	**Contribution to results (EUR m)**							
	2016	**2017**	**2018 e**	**2019 e**	**2020 e**	**2021e**	**2022e**	**2023e**
Hermes Business Campus	3.9	8.4	11.5	3.4	0.0	0.0	0.0	0.0
Vaci Greens	17.9	24.2	4.0	5.0	7.0	0.0	0.0	0.0
The One	0.8	0.6	6.0	13.0	0.0	0.0	0.0	0.0
Victor	0.1	-0.1	0.0	0.0	4.0	4.0	5.0	0.0
City Dox	1.9	2.8	4.0	6.0	3.8	3.8	3.8	0.0
Les Brasseries de Neudorf	1.2	0.5	0.8	0.0	0.0	0.0	0.0	0.0
Au Fil des Grands Prés	2.2	2.6	2.0	4.0	3.0	0.0	0.0	0.0
La Sucrerie	0.6	0.5	1.0	1.0	1.0	0.0	0.0	0.0
Palatium	1.1	4.0	1.0	0.0	0.0	0.0	0.0	0.0
Les Berges de l'Argentine	0.0	0.0	3.6	5.0	9.4	0.0	0.0	0.0
Nysdam	0.5	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Realex	0.0	0.0	0.0	0.0	0.0	20.0	33.0	0.0
NAOS	0.0	0.0	0.0	7.3	0.0	0.0	0.0	0.0
Twist	0.0	0.0	0.0	0.0	5.0	6.5	0.0	0.0
BuzzCity	0.0	0.0	0.0	0.0	0.0	3.7	3.7	3.7
Com'Unity 1	0.0	0.0	0.0	0.0	9.6	19.2	0.0	0.0
Arena business campus	0.0	0.0	0.0	0.0	5.7	5.7	5.7	5.7
@Expo	0.0	0.0	0.0	0.0	7.8	7.8	7.8	0.0
University Business Campus	0.0	0.0	2.5	3.0	0.0	13.0	13.0	13.0
Dacia One	0.0	0.0	0.0	2.7	2.7	0.0	0.0	0.0
Others	12.1	-3.4	0.0	0.0	0.0	0.0	0.0	56.6
TOTAL	**33.3**	**39.8**	**37.4**	**51.4**	**60.0**	**84.7**	**73.1**	**80.0**

Source: Degroof Petercam estimates

We retained a sum of the parts (SOTP) computation taking into consideration the potential capital gains coming from the projects in portfolio.

Exhibit 7 **Sum of the parts**

SOTP	(EUR m)
NPV of capital gains	326.4
NPV of goodwill for new projects	340.5
NPV of management costs	-9.9
Normalised net debt	-300.8
SOTP	356.2
per share (EUR)	***63.2***
Discount rate	*10.7%*

Source: Degroof Petercam estimates

Profit & Loss (EUR m)	**12/14**	**12/15**	**12/16**	**12/17**	**12/18e**	**12/19e**	**12/20e**
Income	110.8	116.7	156.8	220.4	215.0	219.5	223.9
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**110.8**	**116.7**	**156.8**	**220.4**	**215.0**	**219.5**	**223.9**
Other revenues	6.3	5.6	6.2	6.7	0.0	0.0	0.0
Overhead costs	-2.0	-3.2	-3.6	-2.8	-2.8	-2.9	-2.9
Other costs	-90.4	-91.9	-126.7	-190.8	-199.3	-213.6	-218.0
EBITDA	**30.3**	**34.1**	**35.4**	**35.4**	**40.3**	**54.5**	**63.0**
Depreciation	-	-	-	-	-	-	-
EBIT	30.3	34.1	35.4	35.4	40.3	54.5	63.0
Associates	-0.3	-0.2	-0.2	-0.5	0.0	0.0	0.0
Interest charges	-7.4	-6.6	-10.2	-11.3	-9.5	-9.5	-9.5
Interest income	0.5	0.6	0.8	1.0	1.0	0.8	0.8
Financial Result	**-6.9**	**-6.0**	**-9.4**	**-10.4**	**-8.5**	**-8.7**	**-8.7**
Exceptionals	-	-	-	-	-	-	-
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax result	**23.2**	**27.9**	**25.8**	**24.5**	**31.8**	**45.8**	**54.3**
Taxes	-7.9	-7.9	-5.4	-2.5	-8.8	-12.3	-14.0
Direct result	**15.3**	**20.0**	**20.4**	**22.1**	**22.9**	**33.5**	**40.3**
Property revaluation	-	-	-	-	-	-	-
Capital gain on sales	5.7	6.9	2.7	1.8	27.4	51.4	60.0
Other	-	-	-	-	-	-	-
Indirect result	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total result	**15.3**	**20.0**	**20.4**	**22.1**	**22.9**	**33.5**	**40.3**
Non-cash costs	-	-	-	-	-	-	-
Non-cash revenues	-	-	-	-	-	-	-
Recurring cash earnings	**15.3**	**20.0**	**20.4**	**22.1**	**22.9**	**33.5**	**40.3**

Notes -

Cash Flow (EUR m)	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
EBIT	30.3	34.1	35.4	35.4	40.3	54.5	63.0
Depreciation	0.5	0.5	0.5	0.3	0.1	0.1	0.1
Amortization	-	-	-	-	-	-	-
Impairment charges	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Changes in provision	-	-	-	-	-	-	-
Changes in working capital	-0.6	0.0	35.2	-31.4	-0.2	-0.1	-0.1
Others	-0.3	-0.2	-0.2	-0.5	0.0	0.0	0.0
Operational Cash Flow	**31.5**	**34.4**	**70.9**	**3.8**	**40.2**	**54.5**	**63.0**
Tax expenses	-7.9	-7.9	-5.4	-2.5	-8.8	-12.3	-14.0
Dividends from associates	-	-	-	-	-	-	-
Net interest charges	-6.9	-6.0	-9.4	-10.4	-8.5	-8.7	-8.7
Others	-	-	-	-	-	-	-
CF from operating activities	**16.7**	**20.5**	**56.1**	**-9.1**	**22.9**	**33.5**	**40.3**
CAPEX	-	-	-	-	-	-	-
Acquisitions	-15.6	-16.8	-9.4	-0.9	-15.2	-15.2	-15.2
Divestments	1.4	46.6	19.8	1.0	44.9	58.9	67.5
Others	-	-	-	-	-	-	-
CF from investing activities	**-14.2**	**29.8**	**10.4**	**0.1**	**29.7**	**43.8**	**52.3**
Dividend payment	-6.6	-2.2	-19.9	-20.8	-11.7	-12.1	-12.4
Minor. & pref. dividends	-	-	-	-	-	-	-
Equity financing	0.3	0.0	-0.4	-0.8	0.0	0.0	0.0
Others	56.3	-0.2	69.5	-73.7	-0.3	-0.3	-0.4
CF from financing activities	**50.0**	**-2.5**	**49.2**	**-95.3**	**-12.0**	**-12.4**	**-12.8**
Changes in consolidation scope	-101.0	-142.0	-108.0	97.1	52.6	-64.9	-79.8
Exchange rate impact	-	-	-	-	-	-	-
Net debt/cash change	**-48.5**	**-94.2**	**7.8**	**-7.1**	**93.2**	**0.0**	**0.0**

Balance Sheet (EUR m)	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
Property investments	1.1	0.7	0.4	0.3	0.9	1.0	1.1
Property not in operation	3.4	3.4	2.6	0.3	3.3	3.3	3.3
Other Investments	276.5	345.7	435.2	449.4	451.9	472.9	499.9
Financial assets	91.3	60.8	75.5	57.9	57.9	57.9	57.9
Total investments	**372.3**	**410.6**	**513.6**	**507.9**	**514.1**	**535.1**	**562.2**
Cash position	6.1	7.6	103.5	23.1	13.9	13.9	13.9
Tradable receivables	64.9	125.8	59.5	49.2	58.3	58.3	58.3
Other current assets	5.8	8.3	9.5	13.0	11.7	11.9	12.2
Total Assets	**449.2**	**552.2**	**686.1**	**593.2**	**598.0**	**619.2**	**646.5**
Total Equity	112.9	126.8	139.4	149.6	160.5	181.7	209.2
Equity	112.9	126.8	136.7	146.7	157.6	178.8	206.3
Minorities & preferred	0.0	0.0	2.7	2.9	2.9	2.9	2.9
Provisions & deferred taxes	14.7	18.9	21.8	18.7	19.0	19.1	19.2
LT bearing interest debt	136.2	190.5	226.8	199.2	144.4	144.3	144.3
ST bearing interest debt	130.8	172.2	224.1	178.4	130.8	130.8	130.8
Total debt	**267.0**	**362.7**	**450.8**	**377.6**	**275.2**	**275.2**	**275.1**
Tradable payables	54.5	43.9	74.1	47.2	143.3	143.3	143.0
Total Liabilities	**449.2**	**552.2**	**686.1**	**593.2**	**598.0**	**619.2**	**646.5**

Notes -

EV and CE details (EUR m)	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
Market cap.	**218.3**	**264.6**	**256.3**	**264.6**	**295.1**	**295.1**	**295.1**
+ Net financial debt	260.9	355.1	347.4	354.5	261.3	261.3	261.3
(of which LT debt)	136.2	190.5	226.8	199.2	144.4	144.3	144.3
(of which ST debt)	130.8	172.2	224.1	178.4	130.8	130.8	130.8
(of which Cash position)	-6.1	-7.6	-103.5	-23.1	-13.9	-13.9	-13.9
+ Minorities (MV)	0.0	0.0	2.7	2.9	2.9	2.9	2.9
+ Others	-	-	-	-	-	-	-
Enterprise Value	**479.2**	**619.7**	**606.4**	**622.0**	**559.3**	**559.3**	**559.2**
Equity (group share)	**112.9**	**126.8**	**136.7**	**146.7**	**157.6**	**178.8**	**206.3**
+ Net financial debt	260.9	355.1	347.4	354.5	261.3	261.3	261.3
+ Minorities	0.0	0.0	2.7	2.9	2.9	2.9	2.9
+ Others	-	-	-	-	-	-	-
Capital employed (for ROCE)	**373.8**	**481.9**	**484.0**	**501.2**	**418.9**	**440.0**	**467.5**

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Per Common Share (EUR)	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
Direct EPS	**2.81**	**3.54**	**3.62**	**3.92**	**4.07**	**5.96**	**7.15**
Y/Y	*23%*	*26%*	*2%*	*8%*	*4%*	*46%*	*20%*
Indirect EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total EPS	2.81	3.54	3.62	3.92	4.07	5.96	7.15
Recurring cash earnings	2.81	3.54	3.62	3.92	4.07	5.96	7.15
Dividend	2.00	2.00	2.04	2.08	2.14	2.20	2.25
Y/Y	*0%*	*0%*	*2%*	*2%*	*3%*	*3%*	*2%*
IFRS NAV	20.69	22.52	24.75	26.57	28.51	32.26	37.15
Y/Y	*4%*	*9%*	*10%*	*7%*	*7%*	*13%*	*15%*
EPRA NAV	-	-	-	-	-	-	-
Y/Y	-	-	-	-	-	-	-
Shares (m)							
At the end of F.Y.	5.457	5.631	5.631	5.631	5.631	5.631	5.631
Average number	5.457	5.631	5.631	5.631	5.631	5.631	5.631
Fully diluted Average number	-	-	-	-	-	-	-

Ratios	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
Valuation analysis							
Direct P/E	14.2	13.3	12.6	12.0	12.9	8.8	7.3
Price/Recurring cash earnings	14.2	13.3	12.6	12.0	12.9	8.8	7.3
Premium on IFRS NAV	93.3%	108.7%	83.8%	76.8%	83.8%	62.4%	41.0%
EV/Income	4.3	5.3	3.9	2.8	2.6	2.5	2.5
EV/EBITDA	15.8	18.2	17.2	17.6	13.9	10.3	8.9
EV/CE	1.3	1.3	1.3	1.2	1.3	1.3	1.2
Div. yield	5.0%	4.3%	4.5%	4.4%	4.1%	4.2%	4.3%
Payout	71.2%	56.4%	56.4%	53.1%	52.5%	36.9%	31.5%
Financial ratios							
Net Debt/Equity	231.1%	280.1%	249.2%	236.9%	162.8%	143.8%	124.9%
LTV	58.1%	64.3%	50.6%	59.8%	43.7%	42.2%	40.4%
ROCE	8.1%	7.1%	7.3%	7.1%	9.6%	12.4%	13.5%
ROCE post-tax	6.0%	5.4%	6.2%	6.6%	7.5%	9.6%	10.5%
ROE	14.1%	16.7%	15.5%	15.6%	15.1%	19.9%	20.9%
Margin analysis							
Property expend./Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overheads /Income	-1.8%	-2.7%	-2.3%	-1.3%	-1.3%	-1.3%	-1.3%
EBITDA / Income	27.4%	29.2%	22.5%	16.0%	18.7%	24.8%	28.1%
Direct result / Income	13.8%	17.1%	13.0%	10.0%	10.7%	15.3%	18.0%
Growth analysis							
Income	0.6%	5.4%	34.3%	40.6%	-2.5%	2.1%	2.0%
EBITDA	27.2%	12.3%	3.7%	0.1%	13.9%	35.3%	15.5%
Direct result	27.5%	30.2%	2.0%	8.4%	4.0%	46.2%	20.1%
Total result	27.5%	30.2%	2.0%	8.4%	4.0%	46.2%	20.1%

Notes -

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