6 September 2010

ATENOR

Feedback analyst meeting

REAL ESTATE INVESTMENT & SERVICES	CURRENT PRICE	€ 32.90	**HOLD**
BELGIUM	TARGET PRICE	€ 36.00	RATING UNCHANGED

Source: Thomson Financial Datastream

Bloomberg	ATEB BB
Reuters	ATEO.BR
www.atenor.be	
Market Cap	€ 164.6m
Shares outst.	5.0m
Volume (daily)	€ 61,574
Free float	40.6%

Next corporate event

Results 3Q10: 19 November 2010

(€ m)	2009	2010E	2011E
Current Result			
Portf. Result			
Net Profit	7.3	4.8	6.1
Adj. EPS (€)	1.45	0.96	1.20
NAV (€)	23.4	21.7	20.3
P/E (x)	25.3	34.4	27.3
DPS (€)	2.60	2.60	2.60
Dividend yield	7.1%	7.9%	7.9%

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News:
We provide some feedback on the analyst meeting hosted by Atenor last Friday. We select a number of business highlights: i. The profitability on South City remains in line with our forecasts. Management expects to sell the second office building in 2H10 (delivery fully rented in 4Q10) whereas it highlights that it could postpone the sale of the hotel (delivery 1Q11) towards 2012 until the hotel operations are at cruising speed. ii. The portfolio consisting of 9 projects remains well-balanced and construction should be launched on Premium (Brussels), Hermes Business Campus (Bucharest) and Vaci Green (Budapest). iii. The debt was switched from short-term to long-term with a duration of 5y through the bond issue and there are currently € 96m available liquidities (€ 75m corrected for short-term debt). Net debt / equity equates to 34% and management expects a limited cash-out for the projects in course over the next 12-18 months (€ 10-15m). iv. Management highlighted it is analyzing several acquisition opportunities and that apart from its core Belgian/Luxembourg market it is also looking at France (Paris, Lyon) to which it has dedicated one of its execs.

Our view:
We continue to view that the earnings potential of the Belgian portfolio is intact which is included in our forecasts and we will gradually factor in more on the CEE projects when visibility improves. The key issue in our view is not so much the profit potential in absolute terms, but rather the timing of profit generation. We believe a renewed profit momentum could start to build as from mid-2011. But in our view 2009, 2010 and 2011 will be years of subtrend earnings with respectively EPS of € 1.45, € -0.05 and € 0.91. Which brings us to the main topic of the analyst meeting: quid impact on the dividend of € 2.60?

We are cognisant that there are several arguments in favour of a stable dividend: i. Since its shift towards a pure play developer in 2005 Atenor has generated cumulative earnings of € 22 per share of which it distributed 47%. Hence, there are enough available reserves. ii. The balance sheet is strong and free cash flow is high (in part because of the strong reversal of working capital positions on projects that are at the end of their life time – President, South City, Media Gardens). iii. The normalized EPS potential is € 3.00-5.00. Management, supported by a large part of its Belgian investor base, seems reluctant to cut the dividend in view of these arguments. To a certain extent we could follow this reasoning but we also wonder whether i. One could justify a stable dividend when overdistributing for three consecutive years. ii. The company should over the next two years distribute 16% of its market cap and 26% of its equity base at a time of a lower earnings outlook and considering it is looking at several investment opportunities. As an investor we would prefer a lower dividend and more money being poured into new attractive development sites. We cut our dividend forecast to € 2.00 per share.

Conclusion:
We maintain our Hold recommendation.