

2 March 2011

ATENOR FY10 results

REAL ESTATE INVESTMENT & SERVICES
BELGIUM

CURRENT PRICE € 33.25
TARGET PRICE € 34.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg ATEB.BB
Reuters ATEO.BR

www.atenor.be

Market Cap € 166.4m
Shares outst. 5.0m
Volume (daily) € 58,384
Free float 40.6%

Next corporate event

Results FY11: 4 March 2011

(€ m)	2010E	2011E	2012E
Current Result			
Portf. Result			
Net Profit	-0.1	6.1	15.4
Adj. EPS (€)	-0.03	1.21	3.05
NAV (€)	20.8	20.0	21.0
P/E (x)	-1,156.1	27.4	10.9
DPS (€)	2.00	2.00	2.00
Dividend yield	6.0%	6.0%	6.0%

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News:

Atenor yesterday announced FY10 results. On the quant side we highlight: i. EPS was a mild negative at - € 0.39 slightly below KBCS est. of - € 0.03 and compared to € 1.45 in 2009. The y/y trend is the result of a lower level of capital gains achieved and higher financial expenses as a consequence of the debt that was switched from short-term to long-term through the bond issue. ii. After the reversal of working capital tied up in several projects (President, Media Gardens, South City), the dividend payment and investments in several projects, net debt / equity equates to 47% vs. 61% at year-end 2009. iii. As anticipated the dividend will be set at € 2.00 down from € 2.60 and implying a yield of 6.0%.

Our view:

The results are in line with our scenario that 2010 would be a transition year during which the company had to plant the seeds for future earnings generation. As highlighted before, much would depend on the evolution of profit expectations but on the existing projects no new milestones were announced (e.g. pre-lettings) though management highlights it is seeing the first signs of recovery in its respective submarkets. Hence, we will be looking for the traditional management comments during the analyst meeting to get a better feeling on the outlook and mainly as to the timing of profit generation on the existing projects (primarily the CEE projects and the mixed urban development project along the canal in Brussels).

In terms of business development, we highlight that Atenor has been actively reloading its development pipeline and after the acquisition of a 17,000m² office building in the European District, it announced the purchase of a 5.4ha plot of land adjacent to the canal in Brussels designed for urban redevelopment.

In terms of the dividend, we have previously stated that reaping the fruits of the ongoing investments would take time and that there would be a prolonged period of subtrend earnings generation (2009-11). As a consequence, we view the new dividend level as more attuned to the medium-term profit outlook. Some market participants may still see this as a disappointment though.

Conclusion:

The key messages we retained from the release: our constructive view on the shares in the medium term is confirmed (solid balance sheet, attractive land positions, anti-cyclical approach), but in the short term we believe it's too early for a renewed profit momentum to start building. Hold.