

Atenor

Belgium | Property | MCAP EUR 386.3m

05 September 2019

Hold

Target Price	EUR 73.00 (66.00)
Current Price	EUR 68.60
Up/downside	6.4%
Change in TP	10.6%
Change in EPS	none 19E / none 20E

Back-end loaded 2019

Atenor reported a good set of half-year results, in line with our forecasts. Net profit was up c. 12% on the back of high leasing and presales income. We expect 2019 results to be back-end loaded, as H2 will benefit from the sale of one or several projects. We raise our TP to EUR73. Hold.

H1 EBIT growth of 17%, fifth VG building to be sold in H2

Revenues from ordinary activities reached EUR31.86m (H1 2018: EUR45.7m), reflecting EUR17.6m in apartments sales (City Dox, The One, Au Fil des Grands Prés, Up-site, etc.), EUR4.6m in revenue recognition from BuzzCity (sold in a future state of completion in late 2018), and c. EUR8m in leasing revenues from HBC in Bucharest, UBC in Warsaw, and the Nysdam building near Brussels. EBIT increased by EUR2m to EUR13.2m as the group booked the remaining proceeds from the sale of the Naos project. Net profit was also up (+11.7%) to EUR6.3m (EPS +13.4%) allowing management to guide for FY 2019 net profit above last year, in line with our estimates (7.3% growth). In a separate release, the group announced the sale in future state of completion of the fifth Vaci Greens (VG) building (E) in Budapest (23,445 sqm, delivery in 2020). The sale comes as no surprise as the building was already 50% let at the time of our Budapest site visit in June ([A glimpse into the Budapest office market](#)). The last building (F) is 55% let, hence we would expect a sale in late 2019 or early 2020.

Industry momentum intact

In Q2, most of Atenor's key markets showed improved KPIs. In Budapest, net absorption was up 52% YOY, grade "A" rents were up 3.2%, and vacancies fell 130bps YOY to 6.3% (CBRE). In Brussels, take-up was up 40% YOY, vacancies continued to fall (-20bps YTP to 7.6%) and prime rents stabilised at EUR315/sqm per year (JLL). In Bucharest, high deliveries had no impact on vacancies (-50bps QOQ to 7.5%) as high pre-let ratios remained the norm (JLL). Most other markets showed similarly positive results.

TP raised to EUR73

Our forecasts are in line with reported results. We update the COE inputs following the release of updated in-house DCF guidelines (RFR down 90bps, risk premium down 10bps) and update our pipeline following recent acquisitions, notably the 250,000 sqm development project in Warsaw (Fort 7). We value the stock using a DCF (6.8% WACC, 1.5% g) and a peer model (EV/EBIT, P/E ratios). Our new TP is EUR73 per share, implying 9% upside potential. Hold.

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Market data

Bloomberg: ATEB BB	Reuters: ATEO.BR
Market cap (EURm)	386
Free float	50%
No. of shares outstanding (m)	6
Avg. daily volume (EURm)	0.2
YTD abs performance	34.5%
52-week high/low (EUR)	75.20/48.00

FY to 31/12 (EUR)	12/19E	12/20E	12/21E
Sales (m)	214.4	223.8	222.1
EBITDA adj (m)	55.8	58.2	57.8
EBIT adj (m)	55.1	57.5	57.1
Net profit adj (m)	37.8	40.5	37.1
Net debt (m)	362.7	478.3	601.2
FCF (m)	-9.2	-91.5	-95.3
EPS adj. and fully dil.	7.00	7.49	6.88
Consensus EPS	7.38	7.81	na
Net dividend	2.26	2.31	2.37

FY to 31/12 (EUR)	12/19E	12/20E	12/21E
P/E adj and ful. dil.	9.8	9.2	10.0
EV/EBITDA	13.7	15.0	17.2
EV/EBIT	13.8	15.2	17.4
FCF yield	-2.7%	-23.7%	-24.7%
Dividend yield	3.3%	3.4%	3.5%
Net debt/EBITDA	6.5	8.2	10.4
Gearing	183.6%	211.9%	240.3%
ROIC	12.2%	10.6%	8.4%
EV/IC	1.4	1.3	1.2



Key financials

FY to 31/12 (EUR)	12/14	12/15	12/16	12/17	12/18	12/19E	12/20E	12/21E
Income Statement (EURm)								
Sales	110.8	116.7	156.8	220.4	99.8	214.4	223.8	222.1
% Change	0.6%	5.4%	34.3%	40.6%	-54.7%	114.9%	4.3%	-0.7%
EBITDA adjusted	32.3	36.4	35.9	34.3	44.8	55.8	58.2	57.8
EBITDA margin (%)	29.2%	31.2%	22.9%	15.6%	44.9%	26.0%	26.0%	26.0%
EBIT adjusted	30.3	34.1	35.4	35.4	46.0	55.1	57.5	57.1
EBIT margin (%)	27.4%	29.2%	22.5%	16.1%	46.1%	25.7%	25.7%	25.7%
Net financial items & associates	-7.1	-6.2	-9.6	-10.8	-8.8	-11.5	-12.1	-15.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-7.9	-7.9	-5.4	-2.5	-2.2	-4.7	-5.0	-4.6
Net profit from continuing operations	15.3	20.0	20.4	22.1	35.0	39.0	40.5	37.1
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	15.3	20.0	20.4	22.1	35.0	39.0	40.5	37.1
Net profit reported	15.3	20.0	20.4	22.2	35.2	37.8	40.5	37.1
Net profit adjusted	16.9	21.8	20.4	20.8	33.7	37.8	40.5	37.1
Cash Flow Statement (EURm)								
Levered post tax CF before capex	-3.4	-102.9	61.8	-1.9	-61.4	-8.0	-90.5	-94.3
Capex	-1.2	-0.3	-0.3	-0.2	-0.3	-1.1	-1.0	-1.0
Free cash flow	-4.6	-103.2	61.6	-2.1	-61.6	-9.2	-91.5	-95.3
Acquisitions & Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	-4.0	-4.3	-10.9	-11.2	-11.3	-11.9	-12.2	-12.5
Others	-39.8	13.2	-42.7	6.2	97.0	-11.3	-11.8	-15.2
Change in net financial debt	-48.4	-94.3	7.9	-7.0	24.1	-32.3	-115.5	-123.0
Balance Sheet (EURm)								
Intangible assets	3.4	3.4	2.6	0.3	0.2	0.2	0.2	0.2
Tangible assets	1.1	0.7	0.4	0.3	0.5	0.5	0.5	0.5
Financial & other non-current assets	30.2	45.2	33.6	32.9	26.6	26.6	26.6	26.6
Total shareholders' equity	112.9	126.8	139.4	149.6	170.3	197.3	225.5	250.0
Pension provisions	0.2	0.2	0.3	0.5	0.6	0.5	0.5	0.5
Liabilities and provisions	330.6	423.7	540.4	437.7	492.5	423.5	554.9	690.9
Net debt	260.9	355.1	347.4	354.5	330.5	362.7	478.3	601.2
Net financial debt	260.7	354.9	347.0	354.0	329.9	362.3	477.8	600.8
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	345.8	445.3	461.8	479.0	472.9	532.1	675.8	823.3
Invested Capital	350.3	449.4	464.7	479.6	473.6	532.8	676.5	825.1
Per share data								
EPS adjusted	3.09	3.87	3.74	3.82	6.23	7.00	7.49	6.88
EPS adj and fully diluted	3.09	3.87	3.74	3.82	6.23	7.00	7.49	6.88
% Change	34.3%	25.2%	-3.4%	2.3%	63.0%	12.3%	7.1%	-8.2%
EPS reported	2.81	3.54	3.73	4.07	6.49	7.00	7.49	6.88
Cash flow per share	-0.62	-18.27	11.33	-0.35	-11.33	-1.49	-16.76	-17.47
Book value per share	20.69	22.52	25.04	26.91	30.90	35.77	40.99	45.53
Dividend per share	2.00	2.00	2.04	2.08	2.20	2.26	2.31	2.37
Number of shares, YE (m)	5.46	5.63	5.63	5.63	5.63	5.63	5.63	5.63
Ratios								
ROE (%)	15.5%	18.2%	15.5%	14.7%	21.5%	21.0%	19.5%	15.9%
ROIC (%)	10.5%	9.5%	8.6%	8.3%	10.7%	12.2%	10.6%	8.4%
Net debt / EBITDA (x)	8.1	9.8	9.7	10.3	7.4	6.5	8.2	10.4
Gearing (%)	230.9%	279.9%	248.9%	236.6%	193.7%	183.6%	211.9%	240.3%
Valuation								
P/E adjusted	12.2	11.1	12.1	12.6	7.8	9.8	9.2	10.0
P/E adjusted and fully diluted	12.2	11.1	12.1	12.6	7.8	9.8	9.2	10.0
P/BV	1.8	1.9	1.8	1.8	1.6	1.9	1.7	1.5
P/CF	na	na	4.0	na	na	na	na	na
Dividend yield (%)	5.3%	4.6%	4.5%	4.3%	4.5%	3.3%	3.4%	3.5%
FCF yield (%)	-2.2%	-42.5%	24.3%	-0.7%	-22.4%	-2.7%	-23.7%	-24.7%
EV/Sales	4.3	5.2	3.9	2.9	6.1	3.6	3.9	4.5
EV/EBITDA	14.6	16.6	16.9	18.6	13.7	13.7	15.0	17.2
EV/EBIT	15.6	17.7	17.1	18.1	13.3	13.8	15.2	17.4

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Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

Companies mentioned

Stock	ISIN	Currency	Price
Atenor	BE0003837540	EUR	68.60

Source: Factset closing prices of 04/09/2019

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Company Name	Disclosure
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Rating Breakdown	A	B
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Hold	33%	30%
Reduce	14%	9%
Not Rated/Under Review/Accept Offer	3%	5%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

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Atenor (EUR)	11/7/2018 8:07	Equity Research	Hold	52.00	50.80
	5/3/2019 8:20	Equity Research	Hold	66.00	67.20

Credit research does not issue target prices. Left intentionally blank.

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