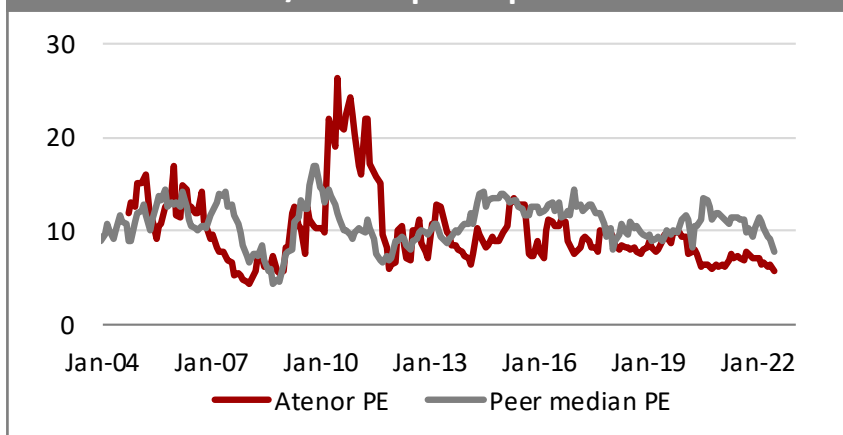




P/E multiple vs peers



EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Sales	134.7	145.1	151.3	178.6	300.3	330.8	400.9
EBIT	46.0	52.9	40.2	64.2	80.1	87.0	85.0
Net profit	35.2	37.8	24.1	38.1	55.9	63.7	57.8
EPS (EUR)	6.25	6.71	3.43	5.41	7.94	9.05	8.21
DPS (EUR)	2.20	2.31	2.42	2.54	2.68	2.85	3.00
P/E (x)	7.8	9.7	17.9	10.7	6.5	5.7	6.3
Yield (%)	4.5	3.6	4.0	4.4	5.2	5.5	5.8
Adj. EV/EBIT (x)	14.4	15.4	25.1	16.9	13.0	11.2	15.0

Source: Merodis, Factset
Pricing date: 31/06/2022

Market review and peer benchmarking

12 July 2022

Key quarterly insights: 2Q22

After resilience, take-up is accelerating in Europe

In line with the trend set in FY2021, and in contrast to FY2020 due to the Covid-19 crisis, building permit applications posted a sharp increase during 1H22 reaching 217.5k sqm compared to 299k sqm achieved in FY2021 as a whole and 188k sqm in FY2020. The 2022 numbers include Cloche d'Or in Luxembourg and BakerStreet II in Budapest in addition to Move'Hub at Brussels South and CCN at Brussels North, both expected to materialize around the end of 2Q. A new building permit application was submitted in April for Realex, the European Union Conference Centre, for which a sales agreement was signed in January 2021. Atenor confirmed that a recovery of take-ups, both in residential and office, was felt during the second quarter in several countries on top of a New (or Hybrid) Way of Working (NWOW). By the end of June, Atenor purchased the Nagelmackers headquarters in Brussels CBD (8,500 sqm) and its adjacent plot of land (872 sqm) which is expected to become part of a residential project. Besides, and not to be underestimated, Atenor published its sustainability report in April 2022 which includes financing (example: green retail bond issued already in April 2021).

The ambitious growth plan for the coming years is on track

Atenor's portfolio consists of 33 projects if we include the recent Nagelmackers acquisition (vs 9 in 2009) totalling 1.3m sqm in 10 European countries (UK included since 2020) and 16 large cities. After this impressive growth over the years that enhanced diversification of risks, Atenor now aims to consolidate its presence in these geographical areas. Atenor revealed in 2021 its new strategy of aiming for a project portfolio of 1.8m sqm (vs 1.3m sqm as of now) by the end of 2026 on the back of a development period of 4.5 years (from 6 years). Atenor is well on track to reach and probably exceed this target which would result in a gross profit of EUR 160m (EUR 73m in 2021) assuming a per square gross profit of (minimum) EUR 400/sqm, which seems prudent considering the achievements over the past years. For example, in 2021 the average gross profit achieved on 4 sales reached EUR 785/sqm.

Strong fundamentals not yet reflected in valuation

Atenor trades at a 12M forward P/E of 5.8x based on consensus estimates, a 24.9% discount relative to its peers and at the low end of the historical range of 4.3x to 26.4x (since 2003), which is unjustified in our view given (1) Atenor's track record, (2) its high returns (ROE expected in 2023e of 16.6% vs sector average of 13.2%) and (3) double-digit expected EPS growth (11.6% EPS CAGR 2022-24e vs. sector average of 13.4%, albeit with superior expected EBITDA growth of 13.8% vs sector average of 10.5%). Our fair value estimate of EUR 96.4 is based on a sum of the parts valuing the discounted cash flows expected to be delivered by the projects in portfolio and an estimate of additional value from new projects (terminal value) using an unchanged discount rate of 8.3.

Dashboard objectives

- ➔ Follow-up to our coverage of Atenor which was launched in November 2019 (see below)
- ➔ Tool to keep investors up to date with Atenor's equity story as well as its valuation in a sector context
- ➔ Update investors on recent company and sector news flow

Corporate calendar of Atenor's upcoming announcements and events

- ➔ Friday, 2 September 2022: 1H2022 results
- ➔ Thursday, 17 November 2022: 3Q2022 results
- ➔ Friday, 28 April 2023: General Assembly 2022

Access our recent research reports on Atenor:

- ➔ ["Portfolio scale-up enhances profit generation and eases risk profile" \(initiation\), 12 November 2019](#)
- ➔ ["1Q22 market review" \(quarterly dashboard\), 19 April 2022](#)

European real estate development company in an acceleration phase since 2016-17

Company description

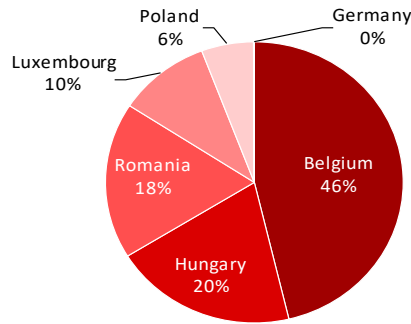
Atenor is a European real estate development company active in the sector's entire process, from identifying and acquiring locations to developing and selling them, with no direct involvement in construction.

The company's portfolio includes 33 projects for 1.3m m², up from 9 projects in 2009. Atenor's core focus is offices (54%) and, to a lesser extent, residential (40%). Exposure to its domestic market, Belgium (46% of portfolio), is gradually fading, though at a higher pace since 2016 thanks to internationalisation. The group moved initially towards Central Europe, and, more recently to neighbouring countries, such as France and Germany, but also Portugal and the UK.

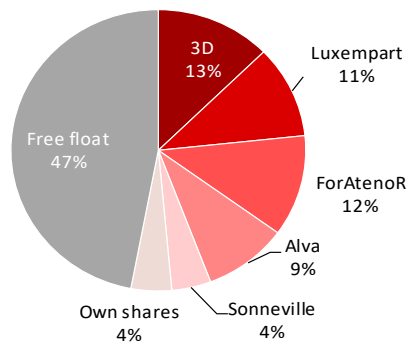
Expansion is moulded on the success in Belgium and focused on capital cities offering attractive growth prospects as well as quicker investment procedures.

We believe Atenor is well-positioned in European office real-estate development to take advantage of the underlying trend, with market demand increasingly shifting to assets requiring much higher technical and quality standards. In addition to higher portfolio rotation and profitability, we believe Atenor's risk profile has improved through its internationalisation strategy thanks to diversification, with synergies from an experienced and stable workforce and management team as well as exposure to countries offering stronger growth prospects and shorter pre-building phases.

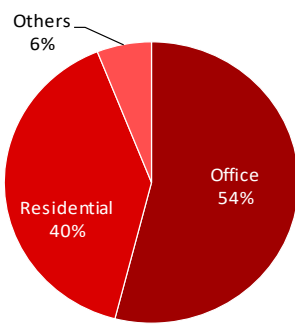
Operating income 2020



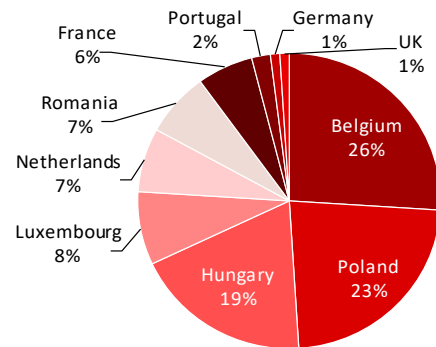
Shareholders



Portfolio breakdown 2022



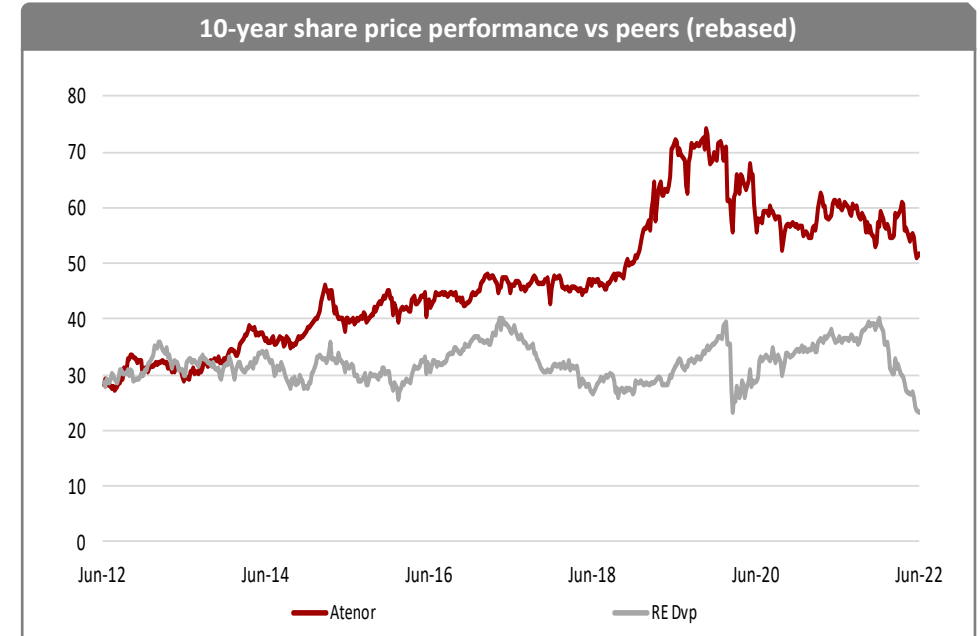
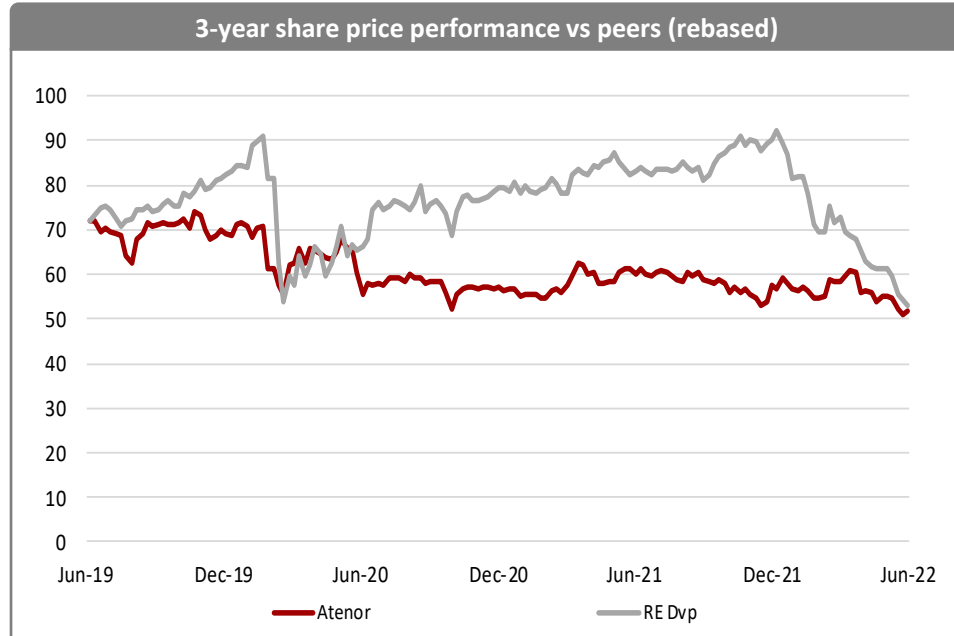
Portfolio location 2022



Source: Merodis, Factset

Share price performance

Outperforming sector peers over MT and LT



Source: Merodis, Factset

Analyst Recommendations, Earnings Expectations

Consensus is stable and starting to show growth

Consensus view

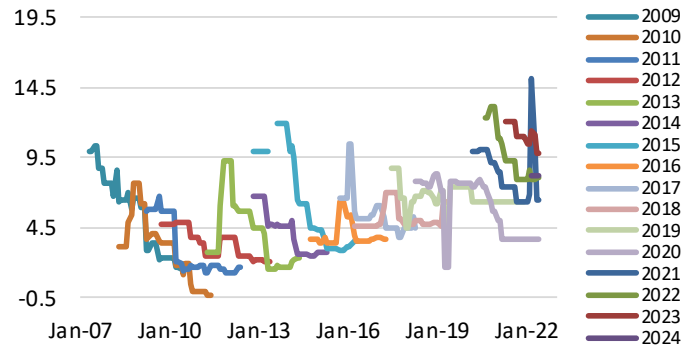
Consensus 2022e EPS estimates have slightly increased q-o-q to EUR 8.00 but have dropped by 40% compared to their peak in December 2020 (EUR 13.14), driven probably by expected Covid-19 impact and due also to the dilutive nature on EPS of the EUR 77m rights issued that was closed at the end of June 2020.

Consensus currently expects a 2023e EPS of EUR 9.75, reflecting a 22% increase y-o-y (including the dilutive impact from the rights issue), while 2022e earnings estimates are at EUR 8.00, implying a 25% increase y-o-y. Our EPS estimate of EUR 9.05 for 2023e, implies 14% growth y-o-y. The expected growth is driven by the large project development pipeline totalling 1.3m m² with 32 projects, which we believe should deliver results with a near-“U” shape recovery as our baseline assumption.

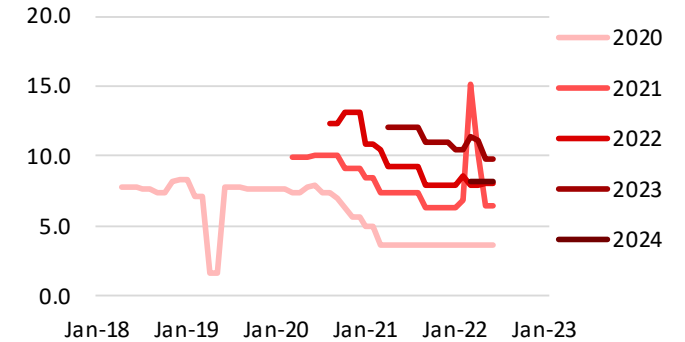
Atenor’s share price dropped by 11.9% during 2Q22, outperforming its sector peers (-27.0%) by a large margin albeit underperforming the general market (Euro STOXX 600: -10.7%) and local mid caps (-2.7% q-o-q).

According to Factset, two brokers cover the stock: KBC Securities (Hold recommendation, TP EUR 64.00) and ING (Hold, TP EUR 62.00). This compares to a sector median analyst rating which remained in Hold territory during the period.

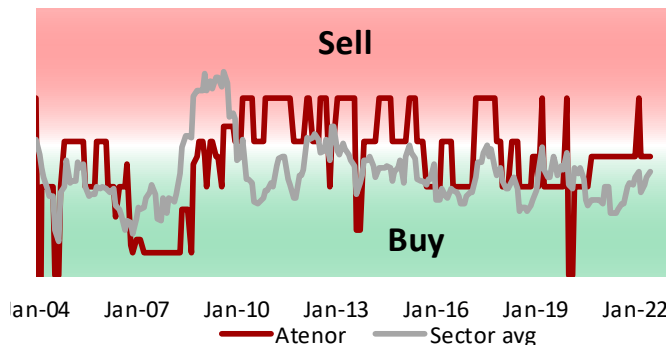
EPS Worms (EUR/share)



Consensus EPS (EUR/share)



Analyst recommendations vs. peer average



Merodis Equity Research estimates vs. consensus (%)

	2022e	2023e	2024e
Sales	44.8	3.3	49.0
EBIT	53.9	32.9	100.1
EPS (€)	-0.8	-7.2	0.0
DPS (€)	0.8	2.0	0.0
Net debt	37.6	3.0	53.7

Source: Merodis, Factset

Sector benchmarking analysis

Benchmarking against peers

Company	Freefloat (%) 2022e	Depr/ EBITDA	Capex/ Sales	ND/Assets (%)			EBITDA margin (%)			EBIT margin (%)			Net margin (%)			ROE (%)			2022-24e CAGR (%)		
				2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	EPS	EBITDA	Sales
Peers																					
Immobel	41	7%	0%				15.7	18.2	18.2	15.7	18.2	18.2	11.1	13.2	13.2	11.5	15.2	13.6	24.2	23.2	14.2
YIT	55	77%	0%	12.8	12.8	12.8	5.6	6.0	6.4	4.4	4.9	5.3	-3.3	2.9	3.3	6.6	8.0	8.9	17.7	11.1	3.2
JM	68	5%	0%	26.9	26.9	26.9	12.7	12.5	12.5	13.0	13.1	13.6	10.0	10.1	10.6	18.1	16.4	15.4	-1.8	-2.7	-1.9
PEER AVERAGE	55	30%	0%	19.8	19.8	19.8	11.3	12.3	12.4	11.0	12.1	12.4	6.0	8.8	9.0	12.1	13.2	12.6	13.4	10.5	5.2
PEER MEDIAN	55	7%	0%	19.8	19.8	19.8	12.7	12.5	12.5	13.0	13.1	13.6	10.0	10.1	10.6	11.5	15.2	13.6	17.7	11.1	3.2
Atenor (MERE)	47	1%	1%	60.5	55.4	51.3	36.5	26.9	26.5	35.9	26.7	26.3	21.3	18.6	19.3	12.8	16.6	16.7	11.6	13.8	11.6
% Premium/(discount) vs average	-14	-95.1	157.2	205.2	179.7	158.7	222.7	119.3	113.8	226.2	121.0	112.2	258.0	112.3	113.1	5.7	26.0	32.5			
% Premium/(discount) vs median	-15	-79.3	138.7	205.2	179.7	158.7	187.7	114.3	112.2	177.3	103.2	93.0	112.8	83.8	81.3	10.8	9.4	22.8			
CEE exposure																					
CA Immobilien	37	1%	1%				76.6	76.4		122.5	111.9		105.7	96.1		6.9	6.3	4.7	-15.7	7.8	
Immo Finanz	22		2%	32.1	32.1	32.1	56.3	56.8	54.9	72.4	79.5	91.0	52.3	59.1	71.0				12.1	1.1	2.3
Atrium Real Estate	25	-3%	0%																		
Echo Polska	40	-4%	0%				92.1	92.9	91.8				64.5	67.1	67.1					-2.2	-2.0
Nepi Rockcastle	95	0%	0%	25.4	25.4	25.4	84.2	86.3	83.9	85.2	98.6	84.5	65.1	73.3	65.8		8.8		7.2	6.6	6.8
Globalworth	10	2%	1%				83.8	85.3		81.2	89.4	125.2	41.4	51.5							-10.6
PEER AVERAGE	38	-1%	1%	28.7	28.7	28.7	78.6	79.5	76.9	90.3	94.8	100.3	65.8	69.4	68.0	6.9	7.5	4.7	1.2	3.3	-0.9
PEER MEDIAN	31	0%	0%	28.7	28.7	28.7	83.8	85.3	83.9	83.2	94.0	91.0	64.5	67.1	67.1	6.9	7.5	4.7	7.2	3.8	0.2
Others																					
Nexity	95	49%	2%	13.8	13.8	13.8	11.5	11.5	11.4	8.0	8.1	8.2	4.1	4.2	4.3	9.7	10.1	10.3	6.8	3.7	4.1
Kaufman & Broad	62		0%	1.3	1.3	1.3	8.4	9.7	9.4	7.5	9.0	8.5	3.5	5.0	4.7	17.5	29.2	24.8	30.5	19.8	13.1
SRV Yhtiot	#VALUE!																				
Helical	86	2%	1%	36.8	36.8	36.8	66.6	71.2	92.6	70.6	79.7	83.4	50.9	62.2	55.2	1.3	1.9		19.8	24.4	5.5
PEER AVERAGE	#VALUE!	26%	1%	17.3	17.3	17.3	28.8	30.8	37.8	28.7	32.3	33.3	19.5	23.8	21.4	9.5	13.7	17.6	19.0	16.0	7.6
PEER MEDIAN	#VALUE!	26%	1%	13.8	13.8	13.8	11.5	11.5	11.4	8.0	9.0	8.5	4.1	5.0	4.7	9.7	10.1	17.6	19.8	19.8	5.5

Source: Merodis, Factset

Sector valuation summary

Multiple-based valuation

Company	Listing country	Price (local)	MCap (local m)	P/E			EV/Sales			EV/EBITDA			EV/EBIT			P/B			DYield		
				2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Peers																					
Immobel	BELGIUM	60.30	601	8.4	5.6	5.4	1.9	1.4		11.9	7.9		11.9	7.9		0.9	0.8	0.7	5.4	5.8	6.1
YIT	FINLAND	3.18	665	10.7	9.0	7.7	0.4	0.4	0.4	7.6	6.7	5.6	9.5	8.2	6.8	0.7	0.7	0.7	5.4	5.9	6.6
JM	SWEDEN	169.30	11,373	7.4	7.7	7.7	1.2	1.1	1.1	9.1	9.1	8.8	8.9	8.7	8.1	1.3	1.2	1.1	8.1	8.1	8.2
PEER AVERAGE				8.8	7.5	7.0	1.1	1.0	0.7	9.5	7.9	7.2	10.1	8.3	7.4	1.0	0.9	0.8	6.3	6.6	7.0
PEER MEDIAN				8.4	7.7	7.7	1.2	1.1	0.7	9.1	7.9	7.2	9.5	8.2	7.4	0.9	0.8	0.7	5.4	5.9	6.6
Atenor (MERE)	BELGIUM	51.60	347	9.5	6.5	5.7	6.1	3.5	2.9	16.7	12.9	11.1	16.9	13.0	11.2	1.4	1.1	1.0	4.4	5.2	5.5
% Premium/(discount) vs average				7.8	-12.9	-18.1	431.2	247.5	303.2	75.4	63.0	54.3	67.6	56.6	50.8	39.1	18.2	14.4	-30.8	-21.7	-20.7
% Premium/(discount) vs median				14.1	-15.8	-26.1	428.6	202.2	303.2	83.7	62.5	54.3	77.9	58.0	50.8	50.5	34.1	39.6	-19.5	-12.3	-16.9
CEE exposure																					
CA Immobilien	AUSTRIA	30.25	3,047	13.8	15.2	19.4	22.0	20.9		28.8	27.4	26.3	18.0	18.7	24.9	1.0	0.9	0.9	6.6	3.4	3.8
Immo Finanz	AUSTRIA	14.48	2,002	15.9	14.4	12.6	11.7	10.9	11.8	20.9	19.2	21.4	16.2	13.7	12.9	0.5	0.5	0.5	3.5	5.6	5.3
Atrium Real Estate	AUSTRIA																				
Echo Polska	SOUTH AFRICA	12.36																			
Nepi Rockcastle	SOUTH AFRICA	87.09	53,037	11.6	9.8	10.1	11.8	11.6	10.8	14.0	13.4	12.9	13.8	11.7	12.8	0.9	0.8		8.6	9.3	9.8
Globalworth	UNITED KINGDOM	5.36	1,187				15.1	13.7		18.0	16.1		18.6	15.3		0.7	0.7		5.8	6.9	
PEER AVERAGE				13.7	13.1	14.0	15.2	14.3	11.3	20.4	19.0	20.2	16.7	14.9	16.9	0.8	0.7	0.7	6.1	6.3	6.3
PEER MEDIAN				13.8	14.4	12.6	13.4	12.6	11.3	19.4	17.6	21.4	17.1	14.5	12.9	0.8	0.8	0.7	6.2	6.2	5.3
Others																					
Nexity	FRANCE	25.50	1,407	7.6	7.1	6.6	0.6	0.5	0.5	4.8	4.6	4.3	6.9	6.5	6.0	0.7	0.7	0.7	9.9	10.0	10.0
Kaufman & Broad	FRANCE	26.00	547	11.7	6.4	6.8	0.4	0.3	0.3	5.2	3.4	3.5	5.8	3.7	3.9	2.0	1.7	1.7	8.0	9.7	10.4
SRV Yhtiot	FINLAND	0.13																			
Helical	UNITED KINGDOM	3.75	458	48.7	32.2	33.9	22.0	20.1	21.9	33.1	28.2	23.6	31.2	25.2	26.2	0.6	0.6		3.1	3.3	3.4
PEER AVERAGE				22.6	15.2	15.8	7.7	7.0	7.6	14.3	12.1	10.5	14.6	11.8	12.0	1.1	1.0	1.2	7.0	7.7	7.9
PEER MEDIAN				11.7	7.1	6.8	0.6	0.5	0.5	5.2	4.6	4.3	6.9	6.5	6.0	0.7	0.7	1.2	8.0	9.7	10.0

Source: Merodis, Factset

Valuation relative to the sector

At a valuation discount to peers on P/E and at par on DY

Valuation

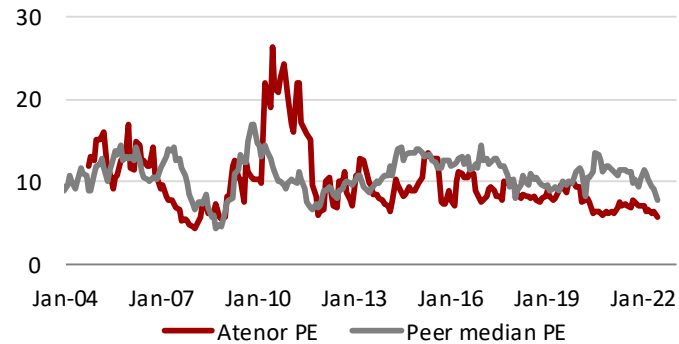
At 5.8x 12M forward P/E, Atenor is trading 24.9% below the sector peers median. Over the long term, the stock has traded on average 5.7% below the sector median, while it traded on average at a 32.1% discount over the past 12 months.

Atenor has traded at a (wide) historical 12M forward P/E range of between 4.3x and 26.4x, which compares to the sector's range of 4.4x to 17.1x. At its current level, the stock is trading below its mid-cycle level despite the strong expected growth to be delivered by the large portfolio (1.3m m²) which is well above historical levels (0.6m m² back in 2017).

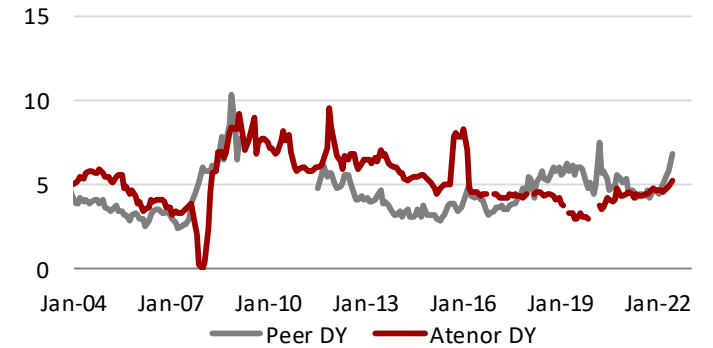
The dividend yield offered by an investment in Atenor is 5.3%, which is in line the sector median and bang on Atenor's LT average of 5.3%. The company's payout ratio has been reined in due to the company's portfolio expansion, as explained further.

Our fair value estimate (EUR 96.4, from EUR 93.1) is based on a forecast of the cashflows delivered by the projects in Atenor's portfolio, which we discount at our estimated cost of equity of 8.3%. In addition we calculate a terminal value corresponding to a normalised number of additional m² of potential new projects. This leads to a fair value estimate of EUR 96.4 per share. The discount rate is based on a normalised risk premium of 7.5%, using a beta of 0.9 and a long-term risk-free rate of 1.5%.

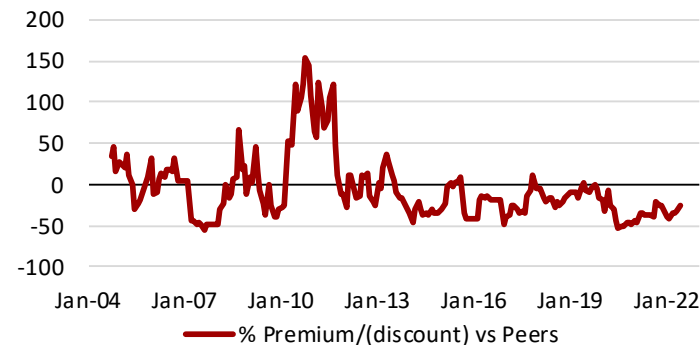
P/E ratio vs. Sector



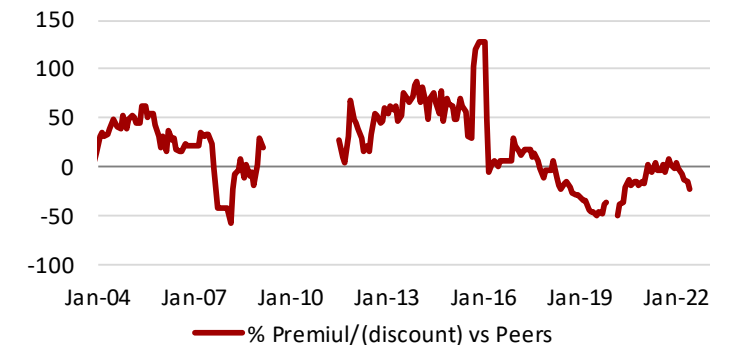
Div Yield vs. sector



P/E premium/(discount) vs. Sector



Div Yield (premium)/discount vs. sector



Source: Merodis, Factset

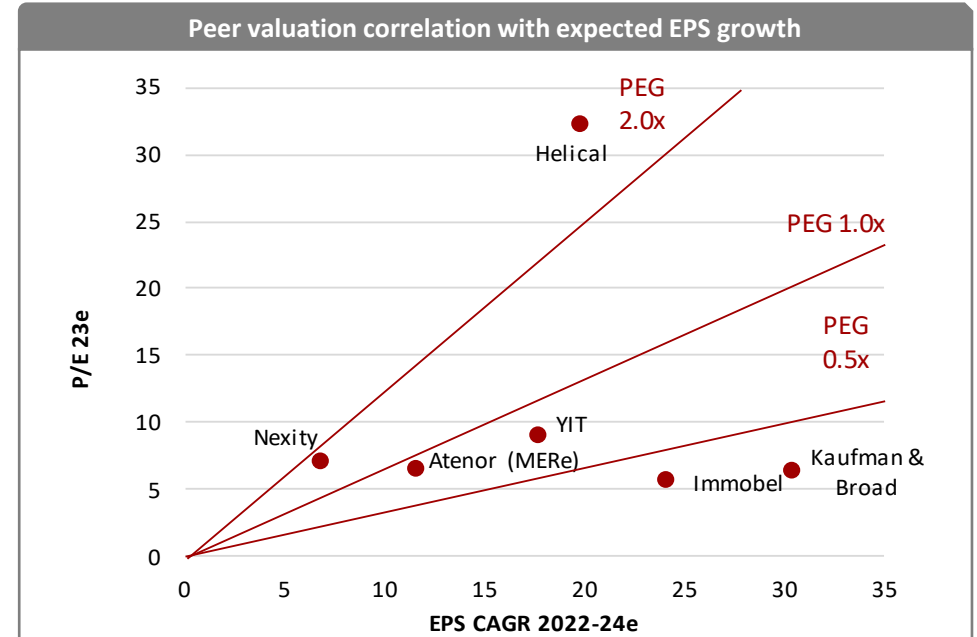
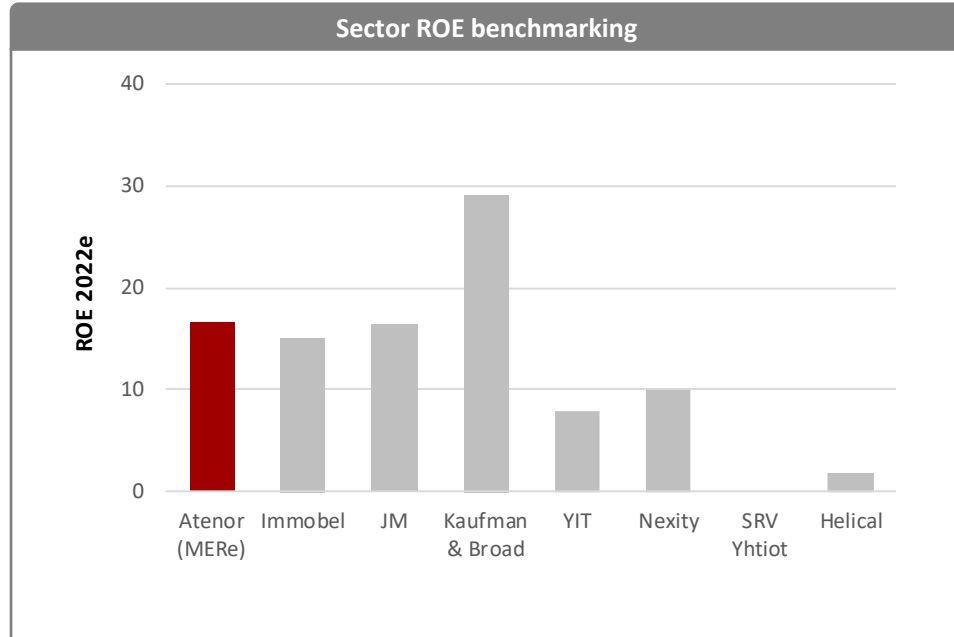
Atenor updated Sum-of-the-parts

Sum Of The Parts	(EUR m)
NPV of capital gains	436.8
NPV of goodwill for new projects	913.6
NPV of corporate costs	-82.5
Net debt	-589.0
Total	678.9
per share (EUR)	96.4

Source: Merodis, Factset

Valuation drivers

Valuation in line based on EBIT margin correlations



Source: Merodis, Factset

Consensus payout expectations

Payout below peers driven by investment cycle

Dividend payout

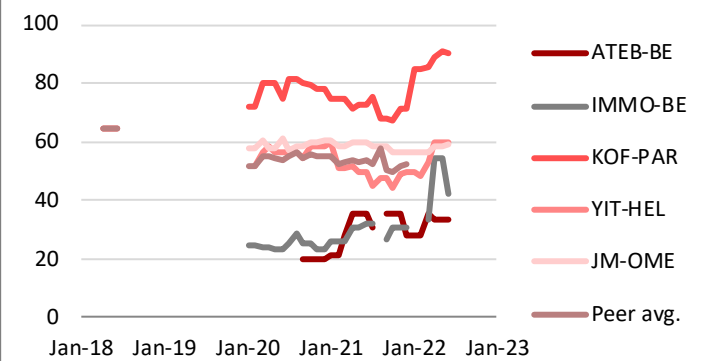
Atenor paid a dividend of EUR 2.54 per share in 2022 on 2021 results, which represents 5% growth y-o-y. The payout ratio is 47% on the reported 2021 EPS. For 2020, the company paid a dividend of EUR 2.42, up 4.8% y-o-y, implying a payout ratio of 71%.

For 2022, Atenor's payout ratio is estimated to be 33.7%, compared to an expected payout ratio of 62.9% for its sector peers.

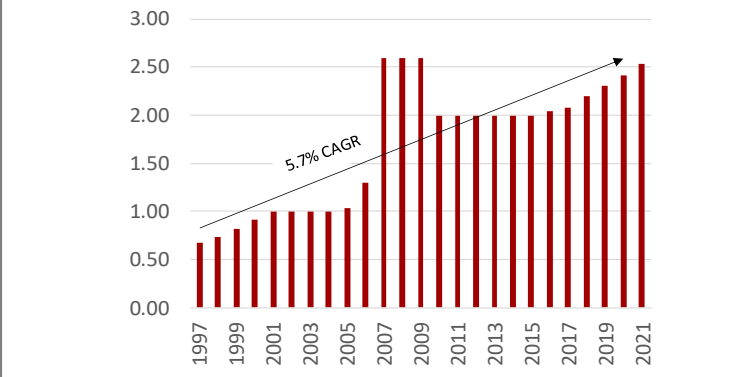
The dividend policy (stable growing dividend with a variable payout) allows the company to provide shareholders with a growing and, at worst, a stable dividend, while improving its financing capacity (and balance sheet leverage) to grow organically and to reach its target ROE in excess of 15%. The company has paid a dividend every single year without interruption since at least 1997, offering 5.7% compound growth since.

We expect 5.7% DPS CAGR (2021-24e CAGR), with a lower expected payout ratio. The company's payout ratio has been reined in due to investments into portfolio expansion, with an acceleration since 2016, moving from 18 projects under development in 2017 to 32 currently with 1.3m m². This large ramp up was financed by own funds, debt and new equity. The impact of this expansion is also an easing the company's risk profile through higher portfolio rotation and profitability as well as diversification (32 projects in the portfolio at various stages of the real-estate development cycle and in different European countries).

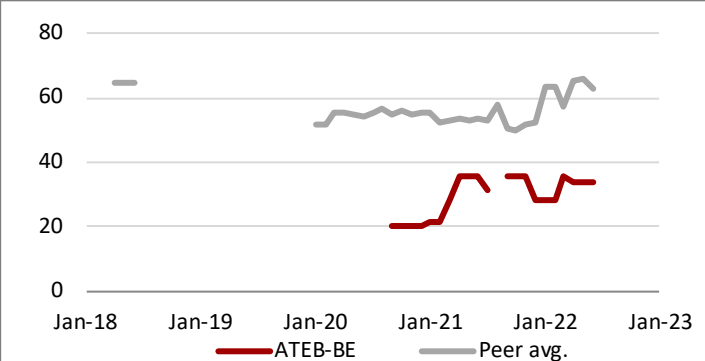
2022 expected payout, Sector



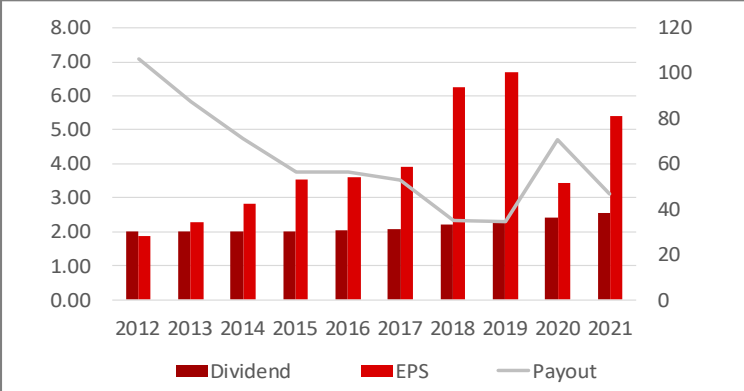
DPS growth



2022 expected payout vs. Peers



Payout ratio



Source: Merodis, Factset

Leverage expectations

Leverage is higher than peers, also due to the investment cycle

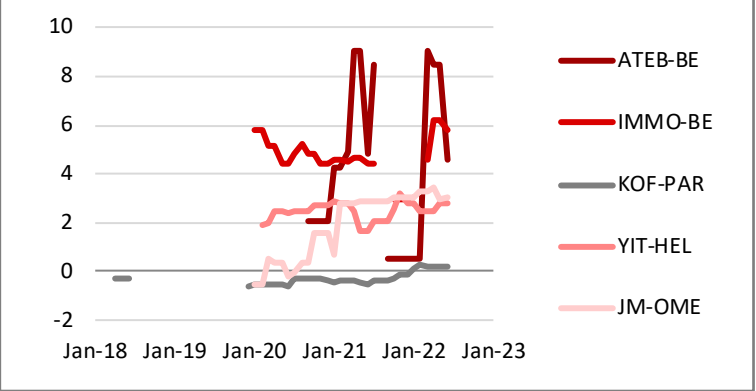
Balance sheet

Atenor's balance sheet may appear leveraged, with net debt of EUR 744m in 2021, which compares to its equity of EUR 299m, but less so compared to the value of assets on its balance sheet: EUR 933m (this includes the acquisition value of land and property as well as the development value linked to construction). The net debt includes gross debt of EUR 835m and cash of EUR 91m.

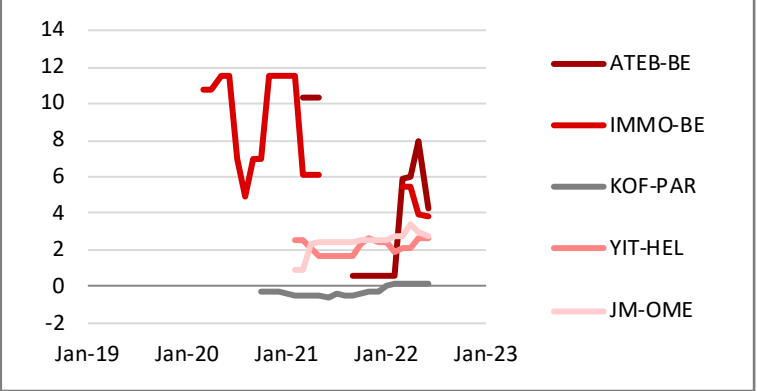
Although projects, more precisely in the construction phase, are financed by debt, the acquisition of land is typically financed by equity (and/or long-term debt) while acquisition values are lower than the invested capital. For FY21, invested capital reached EUR 779m (of which EUR 301m in equity) compared to acquisition values of EUR 738m.

Atenor's financial debt originates from multiple sources and consists of long- and short-term instruments. At the long end, Atenor has EMTNs (up until 2027) totalling EUR 150m with the 4 main Belgian banks. Approximately half of the position can still be called upon. In October 2020, Atenor issued two retail bonds with 4 years duration for EUR 35m and 6 years for EUR 65m. These retail bonds come on top of previous issues (2019-23 EUR 20m, 1.709%, 2019-25 EUR 40m, 2.114%, 2018-22 EUR 20m, 2.476%; 2018-24 EUR 30m, 3.152%). In addition, Atenor has a commercial paper and MTN program of which EUR 200m has been drawn. On top of that, Atenor has corporate bank financing of close to EUR 245m to be used as back-up. In March 2021, the company issued two green bonds: a EUR 25m 4-year bond and a EUR 75m 6-year bond.

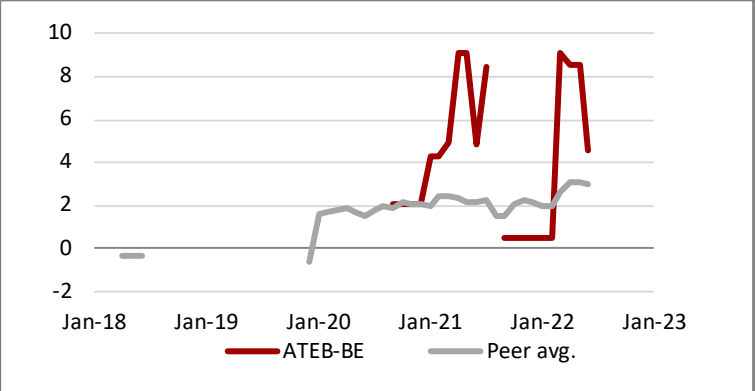
2022 NFD/EBITDA, sector



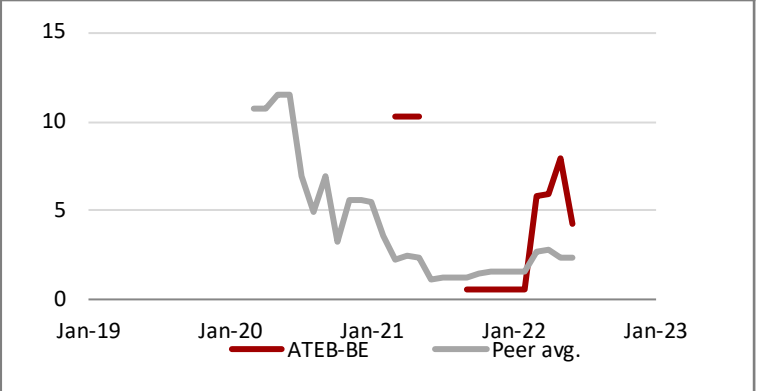
2023 NFD/EBITDA, sector



2022 NFD/EBITDA vs. Peers

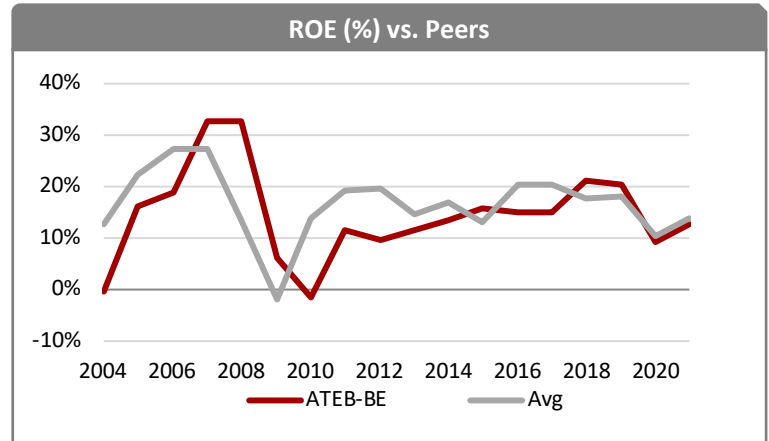
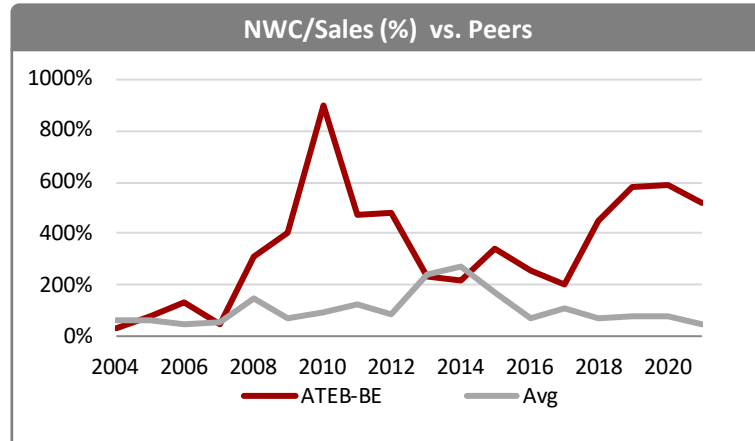
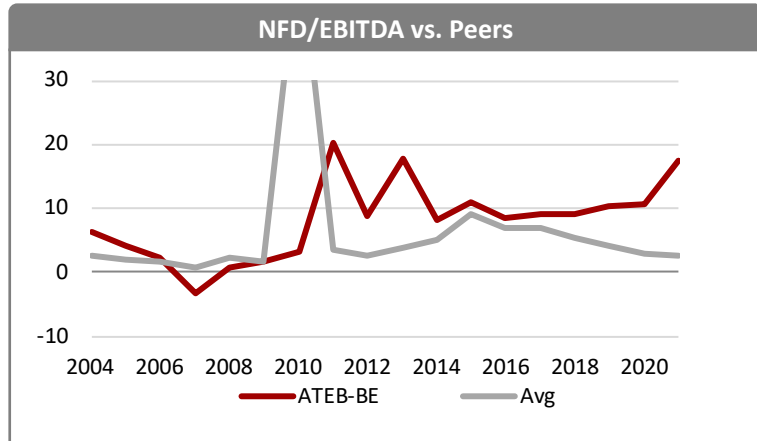
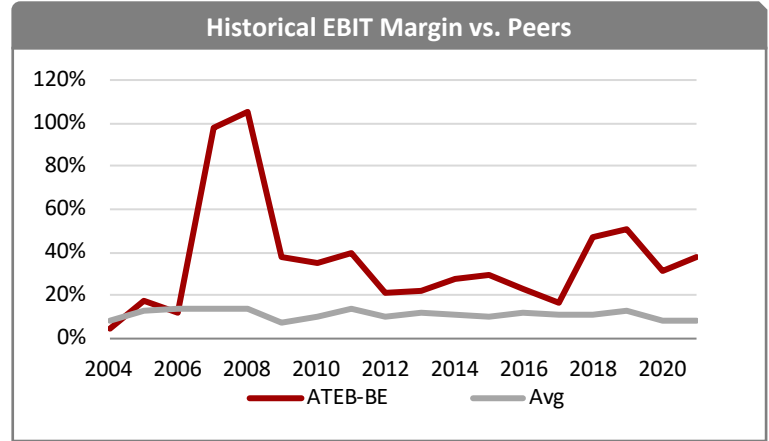
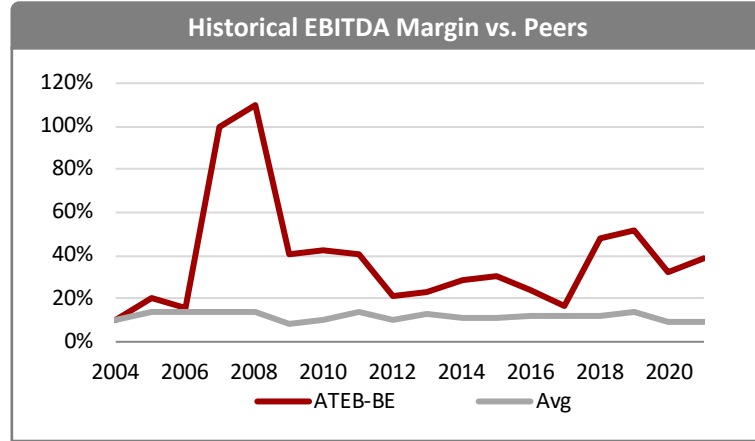
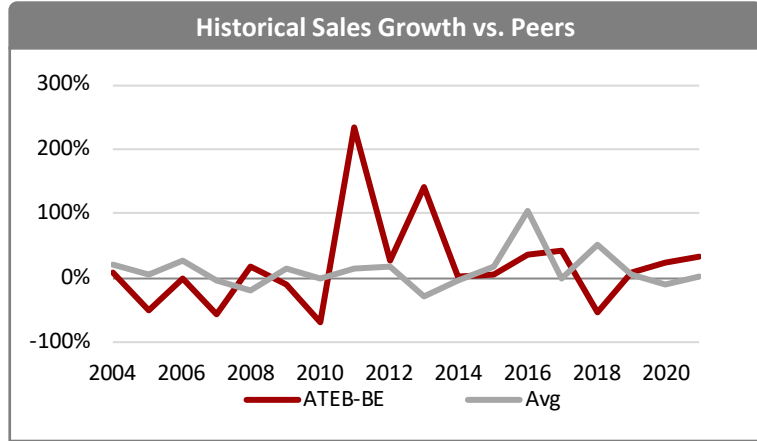


2023 NFD/EBITDA vs. Peers



Source: Merodis, Factset

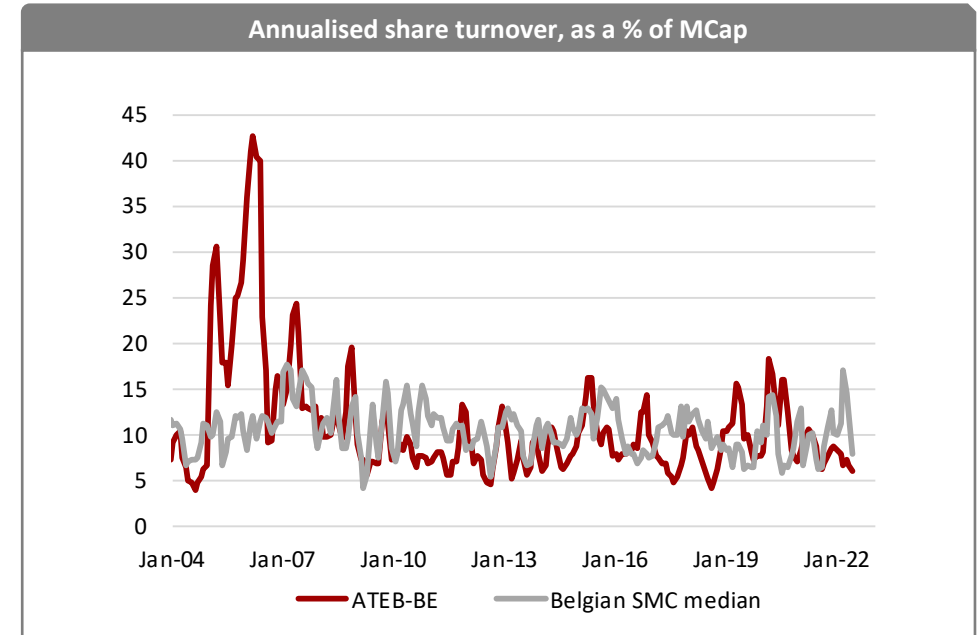
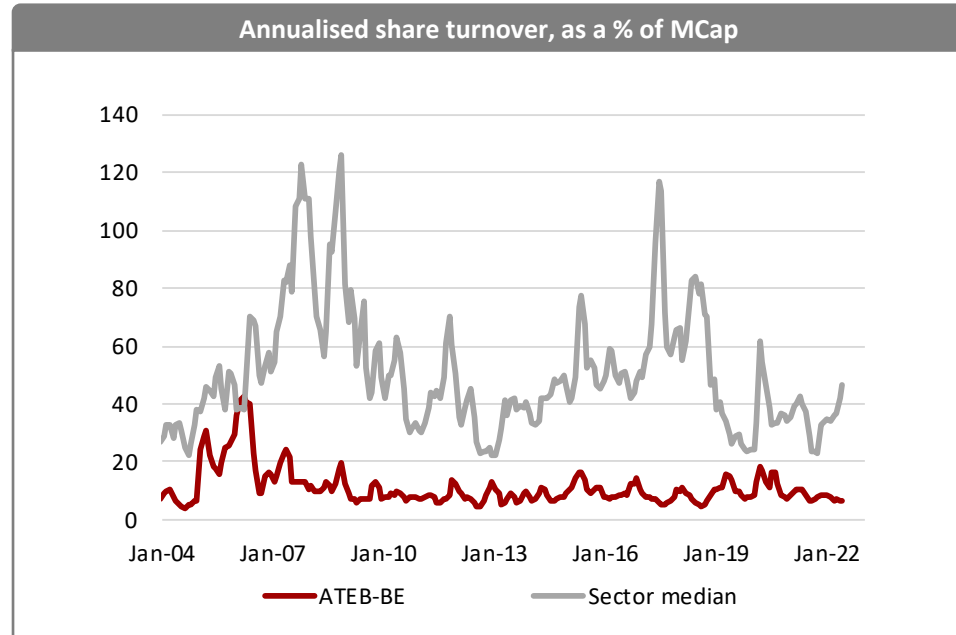
Historical P&L, CF and Balance Sheet Performance



Source: Merodis, Factset

Share liquidity

Still quite weak relative to sector peers and in line versus Belgian SMCs



Source: Merodis, Factset

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