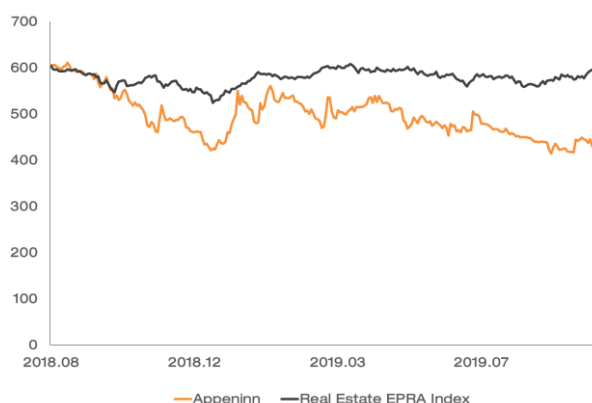


Appeninn

Recommendation: Under revision (prev: Accumulate)

Target price 12M: Under revision (prev: HUF 743)

EUR ths	2019 H1	2018 H1	Ch (%)
Gross rental Income (GRI)	4.660	2.700	73%
Clean EBITDA	2.338	955	218%
EBIT	3.013	944	219%
Profit	10.030	723	1287%
FFO1	1.985	376	428%
EBITDA margin [%]	50%	35%	84%
Debt	78	47	65%
EPS [HUF]	70,1	5,7	1135%



Share price close as of 30/09/2019	HUF 450	Bloomberg	APPENINN HB
Number of shares [million]	47,4	Reuters	
Market capitalization [HUF bn/EUR mn]	21 / 64	Free float	42%
Daily turnover 12M [EUR th]	104	52 week range	HUF 397-591

CHANGE OF PLANS?

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- Financial performance:** This is the first half year when investors could see the full and clean effect of the acquisition occurred last year (no timing effect). Gross Rental Income increased by 73% to EUR 4.6 million while EBITDA climbed even more by 220% to EUR 3 million. **EBITDA** was also boosted by ca. EUR 0.7 million other non-recurring income during the first half of the year which is not strictly related to the underlying business, therefore our **clean EBITDA** came to EUR 2.3 million, implying an improving 50% EBITDA margin (vs.35% in FY 2018). The reason of the huge jump in EBITDA is due to the low basis in last year as cost and expenses related to the expansion (personnel and administrative) had occurred before the revenues from the acquisition was recognised.
- NAV (Net Asset Value)** grew by ca. EUR 11 million to EUR 70 million mainly because of the badwill (EUR 8 million) stemming from the acquisition of PRO-MOT kft (lands & management rights in Balaton). Since the acquisition of PRO-MOT kft was financed predominantly by debt, debt level climbed by ca. EUR 20 million, but **LTV** (Loan-to-Value debt ratio) did not deteriorate accordingly (52% vs. 50% in 2018 eoy) given the above mentioned badwill (EUR 8 million). After the acquisition NAVPS increased by 19% to ca. 500 HUF per share from 420 HUF per share in the end of 2018. However, we would like to highlight that, Appeninn booked the land and plot in Balaton as yielding asset though we are sceptical that it generates meaningful return¹, thus if we exclude this land we would arrive to a NAVPS of ca. 420 HUF per share.

¹ Negative value of minority interest in the P&L (- EUR 53,762) – Appeninn owns 75% of PRO-MOT kft.

SIMPLIFIED P&L

EUR ths	2019 H1	2018	2018 H1	2017	y-o-y
Gross rental Income (GRI)	4.660	7.006	2.700	4.933	72,6%
EBITDA	3.038	19.022	955	4.406	218,1%
clean EBITDA*	2.338	2.498	955	2.484	144,8%
EBIT	3.013	2.458	944	2.481	219,2%
Net financials	7.340	- 449	- 111	- 1.114	-6712,6%
EBT	10.353	18.532	833	3.289	1142,9%
Profit	10.030	16.405	723	2.548	1286,9%
EBITDA margin	50%	36%	35%	50%	41,8%
FFO1	1.985	1.178	376	4.562	427,9%
<i>* excluding revaluations & non strictly related to the underlying business</i>					
net debt [EUR m]	78	59	47	42	65,1%
GAV [EUR m]	148	118	87	65	70,1%
NAV [EUR m]	70	59	40		
LTV	52%	50%	54%	64%	

Source: Appeninn H1 report, Concorde

- Strategic outlook:** In its strategic outlook released in last May, Appeninn set out a grandiose growth plan that assumed a capital injection in order to fuel the expansion. So far this has not occurred, although it was originally planned in 2018. Since then, one of the strategic shareholders announced its intention to sell its stake with the reason to find segment with better “growth rates” when Appeninn’s growth plan implied quadruple of GAV (Gross Asset Value) and of EBITDA in four years. For us this reason sounds unjustified. Additionally, only after a few months of the strategic outlook, Appeninn acquired PRO-MOT kft that owns lands (37 ha), and management right for further 10 ha in Balatonvilágos, a corporate action that may not be in line with the strategic outlook. These two signs may convene the message that Appeninn’s original investment story might have changed, or the company should seek other ways to grow.
- We based our earnings forecast on the outlook declared by Appeninn’s former management, and the company has taken a different path since. As a result, we put our recommendation and target price under revision until we get further clarification of the real estate firm’s strategic direction and incorporate them to our model.**
- Valuation:** Appeninn is trading c.10% below its NAVPS (500 HUF per share, calculated with EURHUF exchange rate of 334) in line with its regional peers (Ca Immo, S Immo, GTC), using the P/NAVPS valuation metric.

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Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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