

Appeninn

Recommendation: Accumulate

Target price 12M: HUF 743

SPAR transaction was closed

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- Appeninn purchased a SPAR portfolio in early 2018 which transaction was closed recently. The transaction price was EUR 14.5 million consisting of 18 single tenant units across the country with ca. EUR 1.8 million rental income, implying a 12.4% yield. This price was significantly below the average market price of 8-9% for single tenant units, presumably due to its low occupancy or short duration of contracts.
- Recently, Appeninn has disclosed the funding part of the transaction that is made up of 80% loan and 20% equity (EUR 11.6 million loan; EUR 2.9 million own cash). What is important to highlight is the high leverage Appeninn uses to fund the transaction, 80% LTV is way above the average 50 – 60% LTV we see amongst peers. Also Appeninn's guided average LTV for the next 4 years ranges between 50 – 60%.
- Nevertheless, if Appeninn manages to find new tenants to increase occupancy rate and extend the length of the leases the leverage ratio should normalize as yield compression increases the Net Asset Value. Thus, the high leverage ratio might imply management's confidence towards the execution of the latter.
- All in all, we rate the news neutral.

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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%)
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