

Appenninn

Recommendation: Accumulate

Target price 12M: HUF 743

Closing of a plot acquisition at Balaton.

- Appenninn on Thursday said it closed the acquisition of 74.99pc of Pro-Mot Hungaria, a joint holding of Israeli property developers Shikun + Binui and AFI Group which owns a resort on Lake Balaton, for a consideration of EUR 14.2m on January 28. During the summer of 2018, the company signalled that it purchased a majority share of a real estate developer, and via that has access to large lakefront property. This transaction has been finalized and closed lately.
- With the transaction, Appenninn acquired 37 hectares of lakefront property that comprise Club Aliga, a former resort for officials of the Hungarian Socialist Worker's Party, as well the trusteeship for another 10 hectares attached to the resort.
- Regarding the transaction value, it amounts to EUR 14 million according to the statement. Although the financing side is yet to be clear, Appenninn should have had ca. EUR 9 million own sources to fund by the end of 2018 (had EUR 5 million cash on its BS in 2018H1 and further cashflow from operation in H2), leaving the remaining part of the transaction financed by debt (ca EUR 6 million). With this additional debt, Appenninn leverage (LTV ratio) should hover around 55% around its guided figure.
- Essentially, the transaction does not alter our view nor the fundamental of the company. However, we are looking forward to see how this new business line would fit to the original strategy of the company - ie. Retail development and office purchase and repositioning.

Equity Analyst

Gellert Gaal
+361 489 2228
g.gaal@con.hu

50 Alkotás Street,
Budapest
www.con.hu

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Sales:

Eva Kormendi, CFA Tamas Hegedus
 +36 1 489 2340 + 36 1 489 2388
e.kormendi@con.hu t.hegedus@con.hu

Trade:

Steve Simon Peter Rimar Gyorgy Sugar
 +36 1 489 2335 +36 1 489 2230 +36 1 489 2231
i.simon@con.hu p.rimar@con.hu gy.sugar@con.hu

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