

Appeninn

Recommendation: Accumulate

Target price 12M: HUF 743

Retail portfolio expansion begins

Equity Analyst

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- Appeninn announced three transactions regarding the expansion of its retail portfolio, one is a real estate in Miskolc and two plots in Eger and Biatorbágy. Also the company secured long term rental contracts for those properties with ALDI. Appeninn's strategy is to develop ca. 90,000 sqm retail portfolio across Hungary, this growth seems to unfold with these announcements.

- As far as the financing is concerned, the Miskolc transaction cost HUF 513 million and it is a closed deal, while the remaining two are only forward contracts so far. The company also disclosed that the refurbishment cost of the Miskolc's real estate will be at the expense of ALDI, thus we could expect below – average yields from that transaction, though there is no more required CAPEX in our understandings. Nevertheless, we do not believe this is a representative case for the rest of the 80-90 single tenant units, thus this effect should be negligible and Appeninn claimed that the other two units will have superior rental yields.

As for the other two cases, the company indicated ca. EUR 4 million investment cost per units (presumably land price and development cost), however the area of those real estates is not disclosed, which should help us to compare with our assumptions – we based our model on the assumptions that Appeninn will develop the retail units at an average 1,700 EUR/sqm.

- All in all, it's positive that the implementation of the strategy is commenced, however we are also interested on the financial side of the transactions. Unfortunately, there were not any other financial numbers included thus overall we rate this neutral.

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