

Appeninn

Recommendation: Under revision

Target price 12M: Under revision

EUR ths	2021H1	2020H1	diff (%)
Gross rental Income (GRI)	5,044	4,268	18
EBITDA	-3,947	11,392	-135
Clean EBITDA	2,440	1,871	30
Profit	-4,026	6,435	-163
FFO1	1,266	185	584
EBITDA margin [%]	48	44	
Debt [EUR m]	121	109	
EPS [HUF]	15	49	



Share price close as of 04/10/2021	HUF 284	Bloomberg	APPENINN HB
Number of shares [million]	47,4	Reuters	
Market capitalization [HUF bn/EUR mn]	16 / 42	Free float	23%
Daily turnover 12M [EUR th]	104	52 week range	HUF 280-450

Revaluation pushed profit into red

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- **FX revaluation pushed (HUF strengthened vs EUR by 3% in 2021 H1) EBITDA (- EUR 4 million) and profit (- EUR 4 million) into red.** Excluding that, clean EBITDA would have arrived at EUR 2.4 million and adjusted profit at EUR 1.9 million (HUF 15 EPS).
- **FFO (proxy for operating CF) jumped on the back of lower interest expenses and better gross profit to EUR 1.3 million (HUF 10 share).** Implying an annualized FFO yield of 7% at P/NAVPS of 0.47x (vs Graphisoft Park trades at 11% FFO yield).
- **Management disclosed their expectations about the timing of the completions (2022 H2) of two touristic assets (two 5 star hotels with 210 rooms).** Due to the limited visibility on future earnings of the touristic related assets, we left our recommendation and target price under revision.

Financial performance: Gross Rental Income increased +18% y-o-y on the back of (1) indexation and (2) higher occupancy rate + 200 bps (3) better tenant mix. Clean EBITDA jumped by 30% y-o-y thanks to the above mentioned, while cleaned profit was EUR 1.9 million or HUF 15 EPS. On the other hand reported EBITDA (-135% y-o-y) and profit (-163% y-o-y) plummeted as a result of negative asset revaluation thanks to stronger EURHUF currency movements.

Asset value - NAV (Net Asset Value) remained flattish (vs 2020 EOY) at EUR 78 million as the combination of profit (-EUR 4 million), (+EUR 3 million) via OCI (non-HUF based loans). On the other hand, GAV (Gross Asset Value) increased to EUR 188 million on the back of hotel

construction (EUR 16 million) which was financed partly by gov. subsidies and debt (+ 4 EUR million).

SIMPLIFIED P&L AND OTHER KPI'S

EUR ths	2021H1	2020H1	2019H1	2018	2017	y-o-y
Gross rental Income (GRI)	5,044	4,268	4,660	5,776	4,933	18%
EBITDA	- 3,947	11,392	4,059	19,022	4,407	-135%
clean EBITDA*	2,440	1,871	2,289	2,498	2,906	30%
EBIT	- 4,046	11,377	4,034	21,712	4,403	-136%
Net financials	- 471	- 3,901	6,807	- 2,207	- 1,114	-88%
EBT	- 4,517	7,646	10,837	19,505	3,290	-159%
Profit	- 4,026	6,435	10,514	17,379	2,549	-163%
EBITDA margin	48%	44%	49%	43%	59%	10%
FFO1	1,266	185	1,236	682	1,728	584%
* excluding revaluations						
net debt [EUR m]	101	90	78	58	28	12%
debt [EUR m]	121	109	81	61	37	11%
Investment properties [EUR m]	189	148	148	118	63	27%
NAV [EUR m]	78	75	70	62	32	5%
LTV	54%	61%	52%	49%	45%	
FFOPS1 [EUR]	0.03	0.00	0.03	0.01	0.04	
FFOPS1 [HUF]	9.8	1.4	8.5	4.8	13.1	
FFO yield	7.0%	0.9%	4.8%	1.1%	2.2%	
P/NAVPS	0.47x	0.57x	0.69x	0.99x	2.46x	
debt to EBITDA	41.4x	48.1x	34.1x	23.3x	9.8x	

Source: Appeninn 2021 Half Year report, Concorde

While we believe that by the time the hotels are completed (planned to finish after 2022), the tourism by and large should recover in our view, and therefore it is not a great risk. However the uncertainty regarding the ever-changing shareholder structure of the company and management may raise question about the execution of the strategy. We are looking forward to hear from the new CEO a confirmation whether the latest (March) strategy is still intact and any information on the touristic assets.

- **Valuation - wise:** Appeninn trades at 50% discount to its net asset value per share and a 7% FFO yield. Comparing Appeninn cash flow generating assets to Graphisoft Park's whose shares trades at 11% FFO yield and 0.65x P/NAVPS Appeninn should not be considered cheap, in our view. The real difference between the two, is the touristic assets that Appeninn's is currently building accorss Hungary. Due to the limited visibility on future earnings of the touristic related assets we left our recommendation and target price under revision.

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