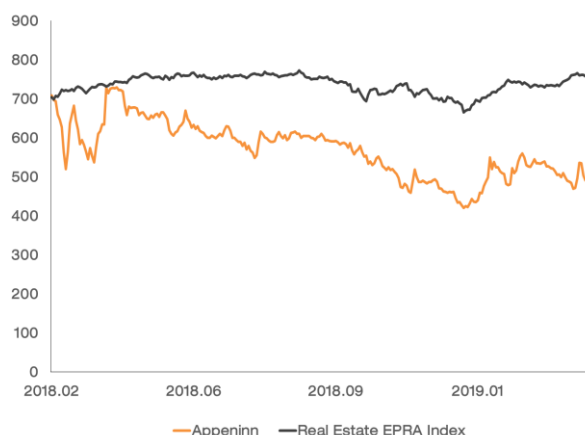


Appeninn

Recommendation: Accumulate

Target price 12M: HUF 743

EUR ths	2018	2017	Ch (%)
Gross rental Income (GRI)	7,006	4,933	42%
Clean EBITDA	2,498	2,484	1%
EBIT	2,458	2,481	-1%
Profit	16,405	2,548	544%
FFO1	1,178	4,562	-74%
EBITDA margin [%]	36%	50%	
Debt	61.1	41.6	
EPS	108	19	459%



Share price close as of 03/04/2019	HUF 500	Bloomberg	APPENINN HB
Number of shares [million]	47,4	Reuters	
Market capitalization [HUF bn/EUR mn]	27 / 88	Free float	42%
Daily turnover 12M [EUR th]	104	52 week range	HUF 442-1,170

According to the plan, so far!

Equity Analyst

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- Appeninn published its FX report yesterday post market.. In short, Appeninn reached its guided figures for rental income, NAV, NAVPS, GAV for 2018, except for EBITDA guidance which was exceeded by 26%. The most relevant part is the EBITDA line in our view. We note in our cov. research that large part of the EBITDA in 2018 will come from revaluation gain, which notion was confirmed by the FY report. Out of EUR 19 million EUR 16 million came from revaluation gain (*please find the gains for certain asset below*), EUR 0.5 million from gain on sale and the remaining EUR 2.5 million arrived from the underlying business (implying 36% EBITDA margin), which is lower compared to our forecasted EUR 4 million for clean EBITDA. The difference stems from higher administrative and employee cost compared to our base case.
- Administrative cost and personel cost jumped by a total of EUR 1.4 million in a year, this should not increase significantly, from now on.
- Debt level increased by EUR 17 million (+40% y-o-y) proportionally less than Gross Asset Value grow (+82% y-o-y) resulting a shrink in LTV ratio from 64% in 2017 to 50%, in line with the guided range of LT V (50-60%).
- Management indicated that there is no plan to distribute any profit from 2018 results, which was in line with our view, as the company is 100% at a growth mode.
- This year is going to be a gamechanger for Appeninn according to their business plan as growth should accelerate on the back of capital increase. **Gross Asset Value is expected to double** in 2019, from EUR 117 million to EUR 264 million. Also, EBITDA is guided to increase to EUR 13 million from current EUR 2.5 million.

- As mentioned in our research, our target price depends on the share price Appeninn will be able to issue shares (we calculated with HUF 600 per share, 25% less than indicated in Appeninn's business plan). As a sensitivity, assuming that Appeninn issue shares at current price (ie. HUF 500 per share) our target price would come lower by ca. HUF 50 per share due to dilution effect.
- Nevertheless, we believe one of the main question is wheter Appeninn will be able to meet its guidance, because the most difficult part of the business plan(capital increase) is approaching, but so far so good!

REVALUATION GAINS OF THE PORTFOLIO

adatok EUR-ban	Valós érték növekedés	Valós érték csökkenés
1149 Budapest, Várna u. 12-14.	400.000	
1047 Schweidel utca 3.	200.000	
1023 Budapest, Bég u. 3-5.	1.300.000	
1022 Budapest, Bég u. 4. (Törökvész u. 30.)		(400.000)
1094 Budapest, Páva u. 8.	200.000	
1015 Budapest, Hattyú utca 14.	1.400.000	
1118 Budapest, Kelenhegyi út 43.	1.300.000	
1133 Budapest, Visegrádi u. 110-112.	200.000	
18 SPAR üzlet	5.600.000	
6000 Kecskemét, Kiskőrösi utca 30.	400.000	
6000 Kecskemét, Kiskőrösi utca 30. (vételi jog diszkont értéke)	600.000	
1062 Budapest, Andrassy út 105.	1.100.000	
1082 Budapest, Üllői út 48.	3.300.000	
2051 Biatorbágy, Tormásrét u. 2.	200.000	
1147 Budapest, Egyenes u. 4.		(200.000)
1105 Budapest, Bánya utca	200.000	
1023 Budapest, Felhévizi u. 24.	100.000	
1139 Budapest, Frangepán u. 19.	100.000	
1105 Budapest, Bánya utca	40.000	
Valós érték változások összesen	16.640.000	(600.000)

Source: Appeninn FY report

SIMPLIFIED P&L

EUR ths	2018	2018 H2	2018 H1	2017	y-o-y
Gross rental Income (GRI)	7,006	4,306	2,700	4,933	42%
EBITDA	19,022	18,067	955	4,406	332%
clean EBITDA*	2,498	1,543	955	2,484	1%
EBIT	2,458	1,514	944	2,481	-1%
Net financials	- 449	- 338	- 111	- 1,114	-60%
EBT	18,532	17,699	833	3,289	463%
Profit	16,405	15,682	723	2,548	544%
EBITDA margin	36%	36%	35%	50%	-29%
FFO1	1,178	802	376	4,562	-74%
* excluding revaluations					
debt [EUR m]	59	59	47	41.6	41%
GAV [EUR m]	118	118	87	64.6	83%
LTV	50%	50%	54%	64%	

Source: Appeninn FY report, Concorde

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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%
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