Kepler Cheuvreux | Equity Research

**Espresso**
**Target price change**

# Atenor

**Belgium | Property | MCAP EUR 378.4m**

03 May 2019

# Hold

| | |
|---|---|
| **Target Price** | **EUR 66.00** (52.00) |
| Current Price | EUR 67.20 |
| Up/downside | -1.8% |
| Change in TP | 26.9% |
| Change in EPS | up nm 19E / -20.4% 20E |

# OM CAGR of 6.5% backed by strong fundamentals in the EU office market


**Edouard Enault**
Equity Research Analyst
eenault@keplercheuvreux.com
+33 1 53 65 36 08


**We fine-tune our estimates following the release of a good set of FY 2018 results, supported by positive macro trends in most cities the group operates in. Going into 2019E, we expect the office market's fundamentals to remain sound, translating into yield compression and good take-up across the board in Europe. Atenor is currently busy developing several projects across eight countries, which should positively impact its cash flow. However, we believe the current share price fairly reflects the risk-reward balance. We raise our TP and reiterate our Hold rating.**

## Sound office market fundamentals despite eurozone slowdown

Despite the recent EU slowdown, 2018 proved a record year for the office market in many European cities, and 2019 fundamentals remain strong. Yields and vacancy rates continue to contract, reflecting record-low unemployment rates, low single-digit economic growth rates, and absorption rates consistently above new completions in most markets Atenor operates in.

## Growing and diversified pipeline

Atenor managed to grow its portfolio from 425,000 sqm in 2010 to 920,000 sqm and stepped up its diversification strategy by adding three new regions to its pipeline over the past six months. While this fragmentation carries its own amount of risks, it also smooths the group's exposure to domestic political/economic risks. From FY 2023E onwards, the company should be able to generate an operating margin (OM) of EUR80m, based on a 900,000 sqm pipeline, a 4.5-year average development length, and a c. EUR400 average operating margin per sqm.

## Fine-tuning our forecast

We have updated the construction schedule of each project under development, resulting in significant FCF variations, and now expect a 6.5% and 8.3% operating margin and EPS 2019-23E CAGR, respectively, (vs. a 7% EPS CAGR over 2018-22E previously).

## Valuation

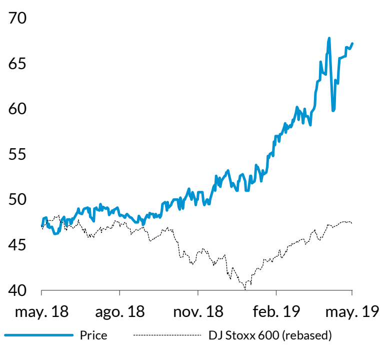
We raise our DCF TP to EUR75 (7.2% WACC, 1.5% long-term growth rate) and update Atenor's peers' valuation multiples (EUR46 TP based on EV/EBIT and P/E ratios), resulting in a EUR66 final TP. Overall, we believe the share price properly reflects the current risk-reward balance and reiterate our Hold rating. The bright prospects for the European office market mean any share price correction should be viewed as a good opportunity to revisit what has so far remained a successful story.

**Market data**

| | |
|---|---|
| Bloomberg: ATEB BB | Reuters: ATEO.BR |
| Market cap (EURm) | 378 |
| Free float | 50% |
| No. of shares outstanding (m) | 6 |
| Avg. daily volume (EURm) | 0.3 |
| YTD abs performance | 31.8% |
| 52-week high/low (EUR) | 67.80/46.20 |

| FY to 31/12 (EUR) | 12/19E | 12/20E | 12/21E |
|---|---|---|---|
| Sales (m) | 214.4 | 223.8 | 222.1 |
| EBITDA adj (m) | 55.8 | 58.2 | 57.8 |
| EBIT adj (m) | 55.1 | 57.5 | 57.1 |
| Net profit adj (m) | 37.8 | 40.5 | 37.1 |
| Net debt (m) | 362.7 | 478.3 | 601.2 |
| FCF (m) | -9.2 | -91.5 | -95.3 |
| EPS adj. and fully dil. | 7.00 | 7.49 | 6.88 |
| Consensus EPS | 7.09 | 7.15 | na |
| Net dividend | 2.26 | 2.31 | 2.37 |

| FY to 31/12 (EUR) | 12/19E | 12/20E | 12/21E |
|---|---|---|---|
| P/E adj and ful. dil. | 9.6 | 9.0 | 9.8 |
| EV/EBITDA | 13.5 | 14.9 | 17.1 |
| EV/EBIT | 13.7 | 15.0 | 17.3 |
| FCF yield | -2.7% | -24.2% | -25.2% |
| Dividend yield | 3.4% | 3.4% | 3.5% |
| Net debt/EBITDA | 6.5 | 8.2 | 10.4 |
| Gearing | 183.6% | 211.9% | 240.3% |
| ROIC | 12.2% | 10.6% | 8.4% |
| EV/IC | 1.4 | 1.3 | 1.2 |

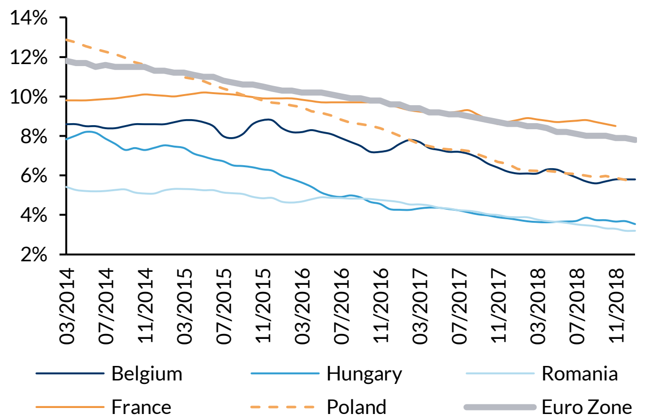


## Continued momentum in the EU office market

Despite the economic slowdown (EU GDP up 1.8% in 2018 vs. +2.4% in 2017), trade tensions and increased political uncertainties across Europe, 2018 proved a record year for the office market in many cities, and fundamentals remained sound. Yields and vacancy rates have continued to contract, reflecting record-low unemployment rates (Chart 1), low single-digit economic growth rates in most countries Atenor operates in (Chart 2), and strong absorption rates.

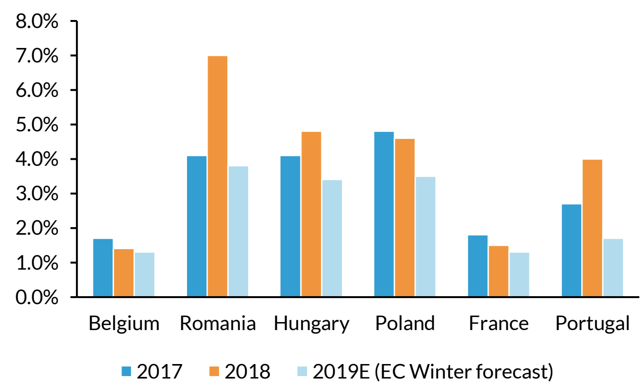
As a side effect of the EU slowdown, interest rates are expected to remain low, which in turn should benefit investments in the office markets. Going forward, we expect yields and vacancy rates to keep contracting, although at a slightly slower pace. Prime rents should continue to increase in flagship locations or for those in development. We note that most of the markets where Atenor owns or develops projects are showing robust market fundamentals, including Brussels, Bucharest, Budapest, Warsaw, and Paris.

**Chart 1: Unemployment rates, by country**




Source: Thomson Reuters

**Chart 2: Economic growth, by country (YOY)**




Sources: European Commission, OECD, World Bank

## Sound fundamentals

*Market data extracted from a combination of reports from JLL, BNP Paribas RE, Immostat, Cushman & Wakefield and Atenor*

In Brussels (30% of Atenor's pipeline), the office market remained buoyant throughout 2018, supported by a general lack of available prime spaces. The office take-up reached 361,500 sqm while the immediate supply in December reached 1,027,500 sqm, a decrease of 7% compared to the end of 2017. Average vacancy rates fell by 40bps, to 7.8% (all-time low of 3.5% in the CBD). Prime yields compressed by 25bps, to 4.25%. Headline prime rents rose by 5% at EUR315 per sqm per year in the best locations (average rents up 11%, to EUR173 per sqm per year). Expected completions in 2019 are at 207,200 sqm, of which 45% have already been rented, translating into a continued demand for new office buildings and boding well for the local short-term outlook.

In Romania (20% of pipeline), solid economic growth (4.1%) has led to increased investment levels in Bucharest (close to EUR500m), translating into high office take-up rates (335,000 sqm out of the 2,675,000 sqm stock). Prime yields contracted

25bps, to 7.25%. Vacancy rates fell by 60bps, to 8.3%. Lastly, even though economic growth is slowing (4.1% in 2018 vs. 7% in 2017) and consumer sentiment is deteriorating, the lack of quality new supply should keep supporting prime rents in 2019-20E (30% of the announced 300,000 sqm 2019 pipeline is already pre-let).

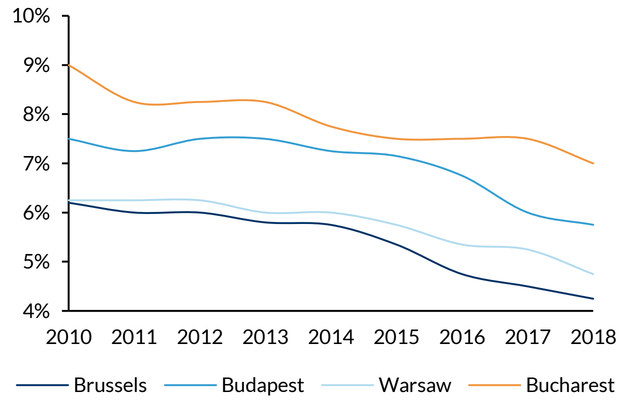
In Budapest (16% of pipeline), office take-up was up c. 40%, at 385,790 sqm (vs. 230,575 sqm completions), prime yields fell to 5.75% while the average vacancy rate contracted by 20bps, to 7.3%. These healthy fundamentals were supported by robust economic growth (+4.8%) and strong activity in the financial and governmental sectors, as well as a strong demand for new, quality office spaces (75% of the new office areas were pre-let before the handover). Going forward, vacancy should remain low, notably in the Vaci Corridor, where availability is low.

In Paris (7% of pipeline), where Atenor is developing two office buildings in Bezons, near La Défense, the market dynamics remained strong in 2018. Looking at the “West Crescent” area, the immediately available stock was down by 7% in Q4 2018, to 862,000 sqm, while the average vacancy rate contracted from 10.9% to 10.1%. Early data for 2019 is also well oriented with vacancy rates down 14% during Q1 2019, at 9.6%, and prime rents up 5%, at EUR390 per sqm per year.

In Warsaw (7% of pipeline), absorption was astonishingly high with a record take-up of 648,000 sqm, 40% above the ten-year average), leading to a 340bp contraction in vacancy rates, to 8.6%, well below the 2016 peak of 14.2%. Most of the demand came from the city centre (240,000 sqm), followed closely by the Southern District of Mokotów (where Atenor owns two buildings) with 220,000 sqm leased during the year. Interestingly, most of the new supply is targeting the city centre, which bodes well for the south of the city, where rents are lower and demand almost equally strong. New supply totalled 230,000 sqm in 2018 while under-construction volume stands at 720,000 sqm, an impressive yet comparatively modest figure given the market’s exceptional absorption capacity.

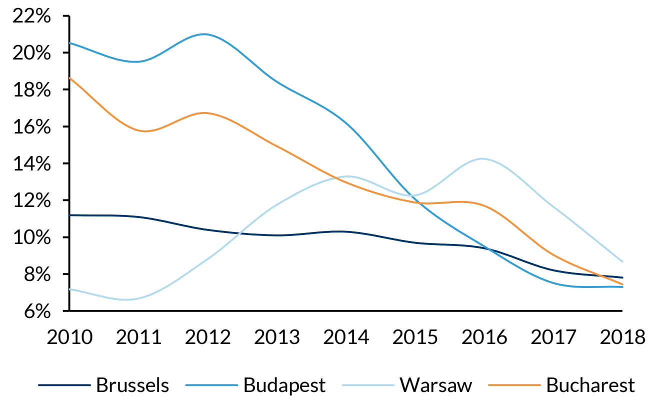
In Lisbon, where Atenor recently signed a purchase agreement for an 8,000 sqm plot, the office market is also doing well, supported by the continued recovery of the economy (+2.1% growth in 2018) and a strong decline in the unemployment rate towards its structural level (6.3% in February 2019). The vacancy rate in Lisbon has kept its downward trends, at 6.6% and which fell to 2.1% in the Park of Nations area, where Atenor plans to develop approx. 28,000 sqm of offices. 2019E prospects look bright for the city as a whole as office spaces under construction stood slightly below the 2018 absorption (14,777 sqm vs. 15,749 sqm). Moreover, the country’s economic rebound failed to translate into increased office completions in the Park of Nations area while corporates’ appetite for new quality buildings is growing.

**Chart 3: Prime office yields, by city**




Source: JLL, CBRE

**Chart 4: Office vacancy rates, by city**




Source: JLL, CBRE

## Growth and diversification; Atenor strategy's centrepiece

The recent acquisition of a new project in Brussels allowed the group to reach its targeted pipeline of 900,000 sqm. Going forward, we expect the pipeline to continue to grow as Atenor reinvests part of the proceeds to be received from the sale of properties currently under construction.

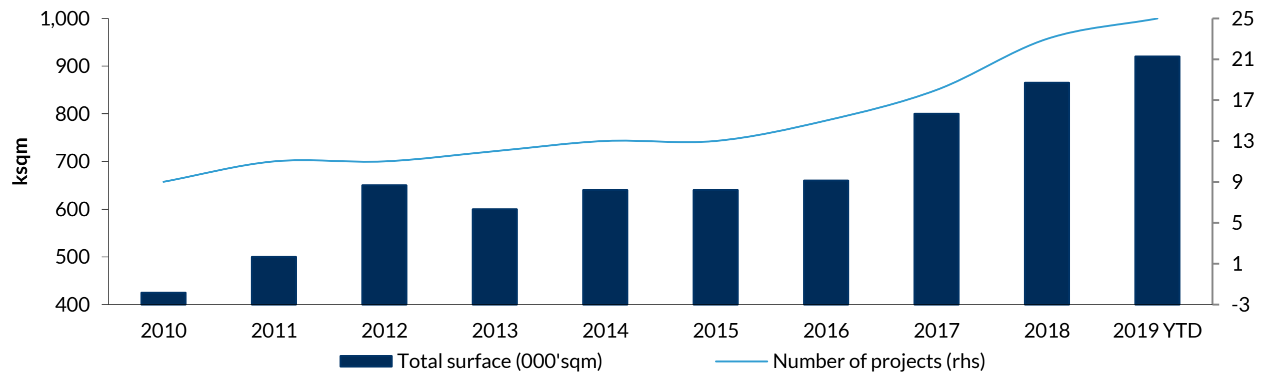
### 920,000 sqm pipeline

The new projects announced in 2019 added c. 100,000 sqm to Atenor's pipeline, which currently stands at 920,000 sqm and which is spread across 25 projects and eight countries. This represents a 2.2x increase since 2010 (+9% CAGR). Recent additions include:

- The redevelopment of the CCN, adjacent to Brussels' Gare du Nord station; announced on 15 April 2019.
- The development of a three-floor office building in the District 3 of Budapest (15,000 sqm). Announced on 27 March 2019.
- The development of 28,000 sqm of offices and 1,240 sqm of shops in Lisbon, in the centre of the Park of Nations. Announced on 11 March 2019, this deal marked Atenor's first step in Portugal.
- A 32,151 sqm mixed project in the centre of Deinze, Flanders (50/50 partnership with 3D Real Estate). Announced on 15 January 2019, this is Atenor's first project in Flanders.
- A 1,300 sqm plot in Düsseldorf housing a 700 sqm supermarket along with building permits allowing Atenor to create 33 residential units and parking spaces (19 November 2018). This is Atenor's first project in Germany, a country where the group plans to keep investing in the future, notably in Düsseldorf and Cologne.

***Atenor recently stepped up its diversification strategy by adding three regions to its projects portfolio: Portugal, Germany, and Flanders in Belgium***

**Chart 5: Development pipeline evolution**



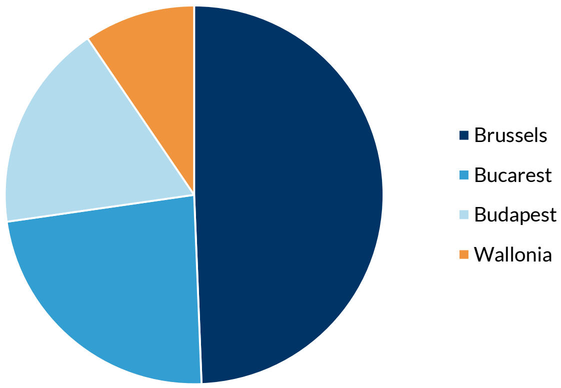

Source: Kepler Cheuvreux

## Well-diversified portfolio

The portfolio is mainly geared towards office spaces, currently representing c. 70% of the total portfolio (Residential 27%, Retail 3%). We understand that Atenor's management has no medium-term targets with regards to the residential/retail/office mix, and is rather focusing on each project's IRR to find the best returns (IRR: >15%). While this strategy makes sense from a purely financial standpoint, we must acknowledge that Atenor's office-centric strategy means the group could find it difficult to sell its assets in good time in a situation where the global GDP growth turns south.

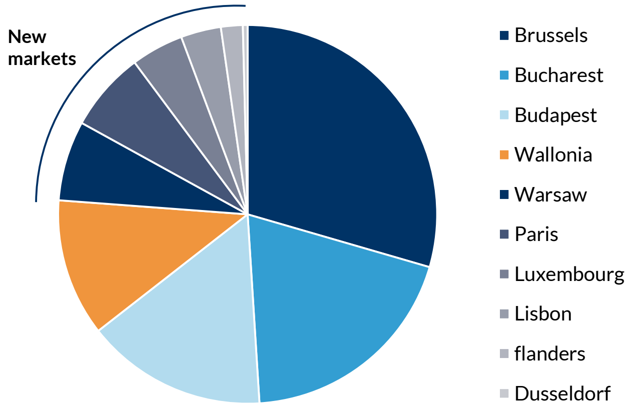
From a geographical perspective, the mix has evolved drastically over the past several years as the group went from only three countries in 2010 to eight currently (Charts 6 and 7). We believe that the geographical mix is set to keep fragmenting in the coming years as the group intends to add new cities to its hunting bag, as opportunities arise. While such a diversification brings additional investments and requires a more complex structure and disciplined approach, it also reduces the risk by cutting the exposure to a single country's economic and political risks while avoiding cannibalisation between projects within a same city. We see the latter intention as the main rationale behind Atenor's first move outside Brussels, then Luxembourg. We usually find this overseas expansion strategy as riskier compared to peers operating in a single market given that Atenor has to build its market knowledge from scratch each time it enters a market, as well as hire new country managers. However, we understand that up to now, Atenor has been able to call on the same partners in different countries and leverage its network to find new deals, thus saving time and money. To date, the diversification strategy does not seem to have weighed on the group's results. Therefore, we base our forecast on the assumption that the more complex structure will not impact the core metrics (IRR, operating margin per sqm) though a portfolio of more than ten countries would certainly make us feel less comfortable.

**Chart 6: Atenor's development pipeline – 2010**




Source: Kepler Cheuvreux

**Chart 7: Atenor's development pipeline – Q1 2019**




Source: Kepler Cheuvreux

## Doubling the operating margin between 2015 and 2023

The group plans to double its annual operating margin from EUR40m to EUR80m using the two main levers at its disposal: development time and pipeline size. For the former, Atenor aims to reduce the average development time from six to 4.5 years by bidding increasingly for projects with building permits already granted, as was the case with the Düsseldorf project acquired recently. While this is an ambitious target, we note that several drivers should act naturally in Atenor's favour:

- The dilution of the Belgium contribution to the pipeline driven by the group's oversea investments, notably in cities where permits are quicker to obtain like in Bucharest, Luxembourg, or Budapest (building permit approvals can be lengthy in Brussels).
- The exit from the pipeline of projects that are currently frozen or delayed, like the Victor project in Brussels (110,000 sqm of offices, retail and residential units), awaiting permits since 2008.

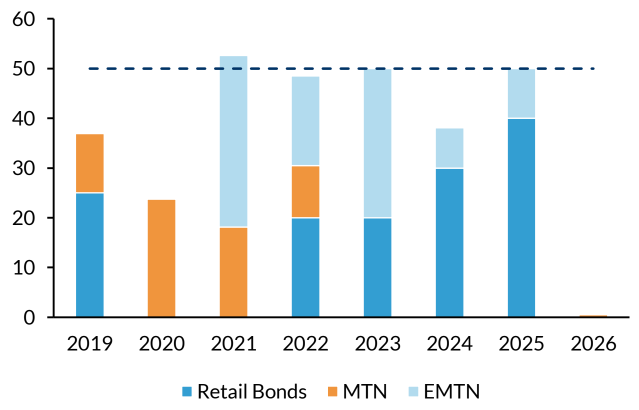
All in all, we see this 4.5-year target as achievable in the medium term as long as the European economy remains strong and the labour market stays tense. We expect this threshold to be reached in 2023E. As for the size of the pipeline, Atenor has already reached its 900,000 sqm objective. These two targets, combined with a c. EUR400 average operating margin per sqm assumption, mean Atenor should be able to generate an operating margin of EUR80m by 2023E (KECH 2023E: EUR83m).

## Leverage under control, for now

At end-2018, the gross debt stood at EUR440m (EUR330m net of cash and cash equivalent). Net debt/EBITDA reached 7.4x and gearing stood at c. 194%. We admit the leverage remains higher than most of Atenor's peers (e.g. 4.5x/99% for Immobel, 1.6x/47% for Nexity, net cash position for Kaufman & Broad), although we also note that it marked an improvement on 2017 figures (10.3x net debt/EBITDA/237% gearing) while several of Atenor's assets could be sold in the not-so-distant future, to reduce leverage or to invest in new projects. The most obvious example is the Hermes Business Campus (HBC), located in Bucharest. The construction of three office buildings totalling 75,000 sqm has already been completed and the surface is fully leased, generating a full occupancy rent of c. EUR11.4m. Atenor is currently in discussions with potential buyers to sell the property. We value the asset at c. EUR140m based on a 7.75% yield. While finding a buyer with pockets deep enough to bid for such an asset might take some time, deals of similar magnitude were signed in 2018 (Oregon Park, The Bridge) while a sale would reduce the leverage by 2.5x FY 2019E EBITDA. Moreover, the decent rental income and low interest rate environment means Atenor is in no rush to sell the asset and might instead focus on selling it at the right price. Other smaller properties could be sold in a timely manner to free up some cash, beef up the balance sheet or support incoming investments. The Nysdam, a 15,600 sqm office building located in La Hulpe, near Brussels, would make an ideal disposal target given its almost full occupancy rate (c. 96%). A sale could generate c. EUR10m cash based on a full annual occupancy rent of c. EUR1m. Had these two sales been booked during H2 2018, the group would have finished the year with a net debt of EUR180m, representing a debt-to-equity ratio of c. 105% and a 4x net debt/EBITDA ratio: manageable leverage for a property developer.

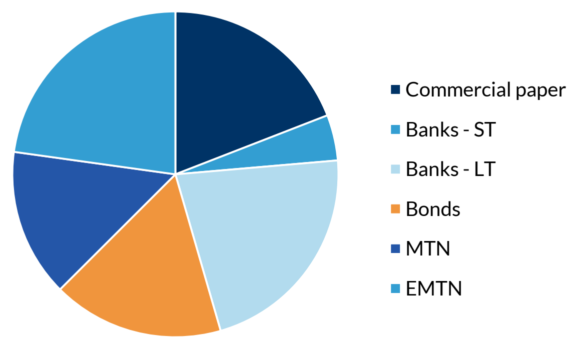
Lastly, the group targets to spread its maturities to reduce its exposure to single-tranche refinancing. We understand that the management is targeting a maximum annual refinancing level of EUR50m, representing c. 11% of the FY 2018 gross debt (EUR440m). The debt portfolio is also well diversified in terms of sources of funds with a balanced mix of commercial papers, bonds, and MTN & EMTN debts, as well as traditional project debt.

**Chart 8: Maturity profile (post 29 April 2019 issue)**




Source: Atenor, Kepler Cheuvreux

**Chart 9: Gross debt breakdown, by source, 31 December 2018**




Source: Atenor, Kepler Cheuvreux

## Fine-tuning our forecast

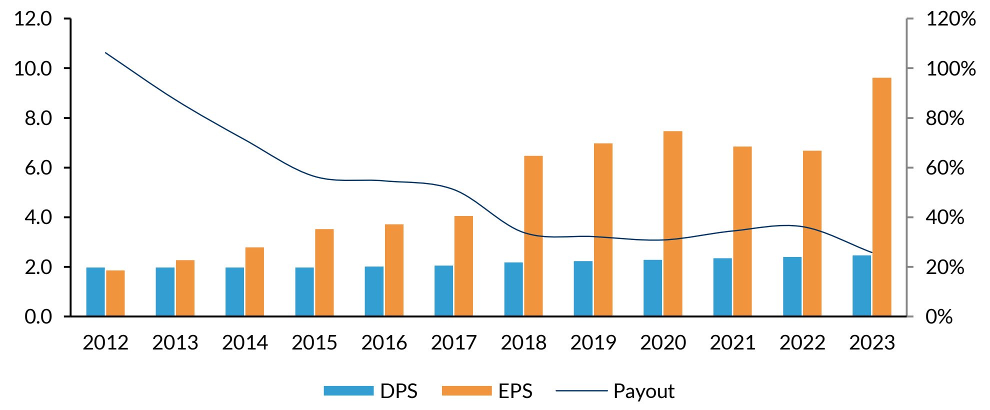
### 8.3% 2019-23E EPS CAGR, slower DPS growth

We have included the 2018 results in our model following the publication of the group's annual results and added 2021 to our detailed forecasts. Apart from that, we made several other small changes to our modelling:

- We have added the new projects Atenor acquired over the past several months (Flanders, Portugal, Budapest, Brussels).
- We have updated each project's construction schedule according to the information given by the company following the release of the FY 2018 results. This affects the revenue recognition timing and the WCR movements while we leave our core assumption of a EUR400 operating margin per sqm untouched.
- We have marked-to-market prime office yields and rents in cities where Atenor builds or rents projects, resulting in a slight increase in our operating margin forecasts.
- We have changed our cost of debt forecast from slightly growing to stable to reflect the recent slowdown of the eurozone and the resulting decreased probability of seeing significant rate hikes in the medium term.
- We have adjusted our DPS growth rate from 2% to 2.5% to reflect the recent step-up in distribution and Atenor's likely willingness to maintain a decent yield following the share price appreciation (DPS fully covered by EPS; see Chart 10).

All in all, we expect a 6.5% and 8.3% operating margin and EPS CAGR between 2018 and 2023, respectively (vs. c.7% 2018-22E EPS CAGR previously), largely covering dividend payments, with an average payout ratio ranging between c. 30% and c. 40%.

**Chart 10: Dividends easily covered by earnings**



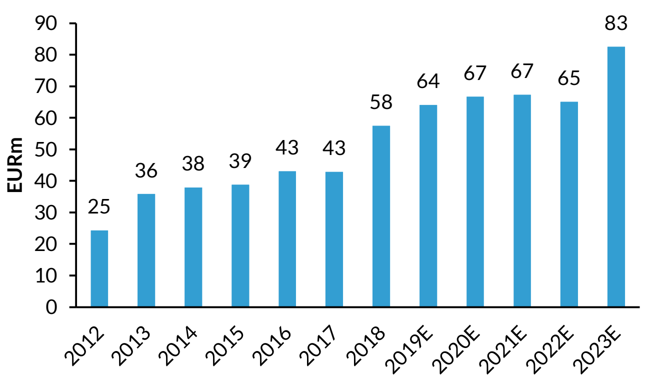

Source: Kepler Cheuvreux

## Erratic cash flow generation

The timing of sales depends on each domestic market's conditions and construction time frames, while the group's free cash flow generation largely depends on volatile changes in WCR. We model each project's cash flow according to our best construction/sales timing estimates, based on the company reports. As the size of Atenor's projects is often considerable (the sale of The One generated c. EUR122m in December 2018), the postponement of a sale can create huge swings in the group cash flow statement. However, we see this inherent short-term volatility as being an integral part of a property developer's business model and believe that Atenor should be able to fill the potential financing gaps by issuing short-term debt instruments (EUR84.3m commercial paper outstanding on 31 December 2018) while the lack of financial covenants on long-term debt tranches gives Atenor's management all the flexibility it needs to manage its short-term liabilities.

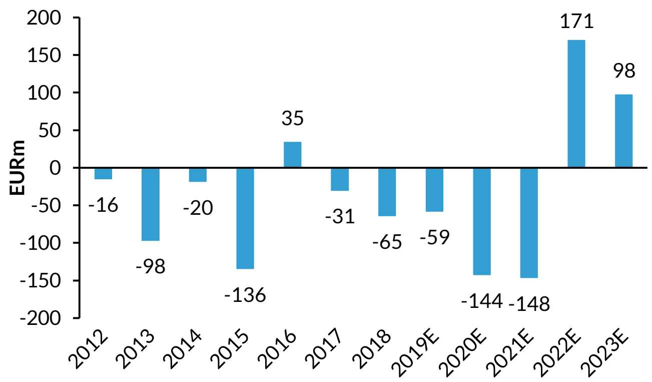
In 2019E-21E we expect significant negative changes in WCR driven by projects under construction, including the Arena Business Campus (ABC) in Budapest (80,000 sqm of offices), the Com'Unity project in Paris (34,000 sqm of offices) or the Au Fil des Grands Prés project in Belgium (60,500 sqm residential/14,500 sqm offices). In 2022-23E, the situation is set to reverse and the cash received from the sales of big projects like Realex or ABC should drive positive changes in WCR and lead to FCFs higher than EBITDA.

**Chart 11: Operating margin**




Source: Kepler Cheuvreux

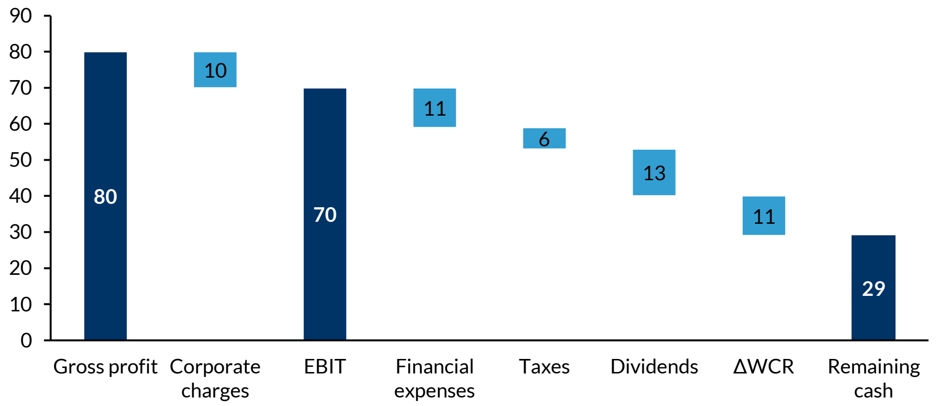
**Chart 12: Changes in WCR**




Source: Kepler Cheuvreux

As illustrated by Chart 11, evaluating the company's performance by looking at a single year's financial results can prove challenging. Following a simplified approach, we find that out of a normalised EUR80m operating margin (medium-term guidance), Atenor would use (on average) EUR10m to finance corporate expenses (EUR70m EBIT), and EUR11m each to finance WCR growth and financial interests. Taxes would consume c. EUR6m and dividend c. EUR13m, thus leaving around EUR29m of equity free cash flow to be leveraged into EUR116m based on a 3x debt-to-equity ratio. Out of these EUR116m, Atenor would likely consume c. EUR80-85m to renew the pipeline (200,000 sqm per year, EUR400 per sqm average acquisition price) thus leaving EUR31-36m to grow the pipeline beyond the currently targeted 900,000-sqm level (+75-90,000 sqm headroom). Atenor could alternatively decide to maintain a stable pipeline size and reduce the leverage up to a minimum debt-to-equity threshold of c. 1.9x, close to the current level. Although we do not believe Atenor sees the latter option as a short-term priority, having the optionality to deleverage naturally should be seen as a valuable capability for a property developer in a late-cyclical context.

**Chart 13: Normalised medium-term "use of cash" profile (2023E+)**




Source: Kepler Cheuvreux

*The EUR29m equity free cash flow will likely be enough to renew the pipeline while leaving Atenor the choice to either keep growing or deleverage*

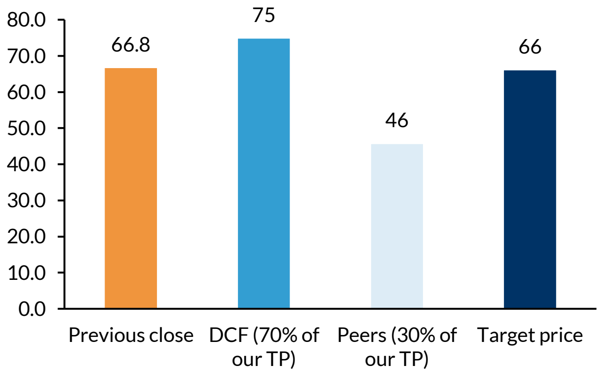
## TP raised to EUR66, Hold reiterated

We value the stock using a weighted average of a DCF (TP EUR75) and a peer (TP EUR46) valuation. Our DCF target price is based on a 7.2% WACC and 1.5% long-term growth. Our peer valuation uses a mix of EV/EBIT and P/E multiples. Overall, we believe the resulting EUR66 TP translates into a fair valuation and a proper reflection of the current balance of growth and exposure to a decelerating global economy.

The recent share price performance (+40% LTM) outstripped Atenor's pipeline growth, suggesting that the market is already pricing in the EUR80m operating margin guidance given in March. Our peer valuation tends to confirm this view as the FY 2023E-based TP comes at EUR66 per share (in line with our final TP). However, given that we do not see the EUR80m threshold being crossed before 2023E, we prefer to focus on nearer multiples (FY 2020-21E) and base our forecasts on tangible achievements rather than on medium-term corporate objectives (39% OM growth still needed to reach the targeted EUR80m OM). We acknowledge the conservative nature of our approach although the 70%-weighed DCF TP does include the doubling of the OM between 2015E and 2023E, hence giving the overall TP a more balanced tint.

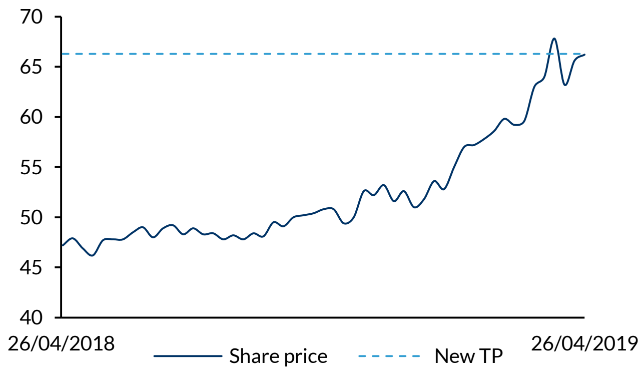
Lastly, we forecast a EUR2.26 DPS in 2019E, implying a 3.4% yield at the current share price, a fair level in comparison to peers. Against this backdrop, we reiterate our Hold rating while noting that the bright prospects in the European office market mean any share price correction should be viewed as a good opportunity to revisit what has so far remained a successful story.

**Chart 14: Valuation summary**




Source: Kepler Cheuvreux

**Chart 15: One-year share price performance (weekly)**




Source: Kepler Cheuvreux

# Key financials

| FY to 31/12 (EUR) | 12/14 | 12/15 | 12/16 | 12/17 | 12/18 | 12/19E | 12/20E | 12/21E |
|---|---|---|---|---|---|---|---|---|
| **Income Statement (EURm)** | | | | | | | | |
| Sales | 110.8 | 116.7 | 156.8 | 220.4 | 99.8 | 214.4 | 223.8 | 222.1 |
| % Change | 0.6% | 5.4% | 34.3% | 40.6% | -54.7% | 114.9% | 4.3% | -0.7% |
| EBITDA adjusted | 32.3 | 36.4 | 35.9 | 34.3 | 44.8 | 55.8 | 58.2 | 57.8 |
| EBITDA margin (%) | 29.2% | 31.2% | 22.9% | 15.6% | 44.9% | 26.0% | 26.0% | 26.0% |
| EBIT adjusted | 30.3 | 34.1 | 35.4 | 35.4 | 46.0 | 55.1 | 57.5 | 57.1 |
| EBIT margin (%) | 27.4% | 29.2% | 22.5% | 16.1% | 46.1% | 25.7% | 25.7% | 25.7% |
| Net financial items & associates | -7.1 | -6.2 | -9.6 | -10.8 | -8.8 | -11.5 | -12.1 | -15.4 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tax | -7.9 | -7.9 | -5.4 | -2.5 | -2.2 | -4.7 | -5.0 | -4.6 |
| Net profit from continuing operations | 15.3 | 20.0 | 20.4 | 22.1 | 35.0 | 39.0 | 40.5 | 37.1 |
| Net profit from discontinuing activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit before minorities | 15.3 | 20.0 | 20.4 | 22.1 | 35.0 | 39.0 | 40.5 | 37.1 |
| Net profit reported | 15.3 | 20.0 | 20.4 | 22.2 | 35.2 | 37.8 | 40.5 | 37.1 |
| Net profit adjusted | 16.9 | 21.8 | 20.4 | 20.8 | 33.7 | 37.8 | 40.5 | 37.1 |
| **Cash Flow Statement (EURm)** | | | | | | | | |
| Cash flow from operating activities | -3.4 | -102.9 | 61.8 | -1.9 | -61.4 | -8.0 | -90.5 | -94.3 |
| Capex | -1.2 | -0.3 | -0.3 | -0.2 | -0.3 | -1.1 | -1.0 | -1.0 |
| Free cash flow | -4.6 | -103.2 | 61.6 | -2.1 | -61.6 | -9.2 | -91.5 | -95.3 |
| Acquisitions & Divestments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend paid | -4.0 | -4.3 | -10.9 | -11.2 | -11.3 | -11.9 | -12.2 | -12.5 |
| Others | -39.8 | 13.2 | -42.7 | 6.2 | 97.0 | -11.3 | -11.8 | -15.2 |
| Change in net financial debt | -48.4 | -94.3 | 7.9 | -7.0 | 24.1 | -32.3 | -115.5 | -123.0 |
| **Balance Sheet (EURm)** | | | | | | | | |
| Intangible assets | 3.4 | 3.4 | 2.6 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Tangible assets | 1.1 | 0.7 | 0.4 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| Financial & other non-current assets | 30.2 | 45.2 | 33.6 | 32.9 | 26.6 | 26.6 | 26.6 | 26.6 |
| Total shareholders' equity | 112.9 | 126.8 | 139.4 | 149.6 | 170.3 | 197.3 | 225.5 | 250.0 |
| Pension provisions | 0.2 | 0.2 | 0.3 | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 |
| Liabilities and provisions | 330.6 | 423.7 | 540.4 | 437.7 | 492.5 | 423.5 | 554.9 | 690.9 |
| Net debt | 260.9 | 355.1 | 347.4 | 354.5 | 330.5 | 362.7 | 478.3 | 601.2 |
| Net financial debt | 260.7 | 354.9 | 347.0 | 354.0 | 329.9 | 362.3 | 477.8 | 600.8 |
| IFRS 16 debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Working capital requirement | 345.8 | 445.3 | 461.8 | 479.0 | 472.9 | 532.1 | 675.8 | 823.3 |
| Invested Capital | 350.3 | 449.4 | 464.7 | 479.6 | 473.6 | 532.8 | 676.5 | 825.1 |
| **Per share data** | | | | | | | | |
| EPS adjusted | 3.09 | 3.87 | 3.74 | 3.82 | 6.23 | 7.00 | 7.49 | 6.88 |
| EPS adj and fully diluted | 3.09 | 3.87 | 3.74 | 3.82 | 6.23 | 7.00 | 7.49 | 6.88 |
| % Change | 34.3% | 25.2% | -3.4% | 2.3% | 63.0% | 12.3% | 7.1% | -8.2% |
| EPS reported | 2.81 | 3.54 | 3.73 | 4.07 | 6.49 | 7.00 | 7.49 | 6.88 |
| Cash flow per share | -0.62 | -18.27 | 11.33 | -0.35 | -11.33 | -1.49 | -16.76 | -17.47 |
| Book value per share | 20.69 | 22.52 | 25.04 | 26.91 | 30.90 | 35.77 | 40.99 | 45.53 |
| Dividend per share | 2.00 | 2.00 | 2.04 | 2.08 | 2.20 | 2.26 | 2.31 | 2.37 |
| Number of shares, YE (m) | 5.46 | 5.63 | 5.63 | 5.63 | 5.63 | 5.63 | 5.63 | 5.63 |
| **Ratios** | | | | | | | | |
| ROE (%) | 15.5% | 18.2% | 15.5% | 14.7% | 21.5% | 21.0% | 19.5% | 15.9% |
| ROIC (%) | 10.5% | 9.5% | 8.6% | 8.3% | 10.7% | 12.2% | 10.6% | 8.4% |
| Net debt / EBITDA (x) | 8.1 | 9.8 | 9.7 | 10.3 | 7.4 | 6.5 | 8.2 | 10.4 |
| Gearing (%) | 230.9% | 279.9% | 248.9% | 236.6% | 193.7% | 183.6% | 211.9% | 240.3% |
| **Valuation** | | | | | | | | |
| P/E adjusted | 12.2 | 11.1 | 12.1 | 12.6 | 7.8 | 9.6 | 9.0 | 9.8 |
| P/E adjusted and fully diluted | 12.2 | 11.1 | 12.1 | 12.6 | 7.8 | 9.6 | 9.0 | 9.8 |
| P/BV | 1.8 | 1.9 | 1.8 | 1.8 | 1.6 | 1.9 | 1.6 | 1.5 |
| P/CF | na | na | 4.0 | na | na | na | na | na |
| Dividend yield (%) | 5.3% | 4.6% | 4.5% | 4.3% | 4.5% | 3.4% | 3.4% | 3.5% |
| FCF yield (%) | -2.2% | -42.5% | 24.3% | -0.7% | -22.4% | -2.7% | -24.2% | -25.2% |
| EV/Sales | 4.3 | 5.2 | 3.9 | 2.9 | 6.1 | 3.5 | 3.9 | 4.5 |
| EV/EBITDA | 14.6 | 16.6 | 16.9 | 18.6 | 13.7 | 13.5 | 14.9 | 17.1 |
| EV/EBIT | 15.6 | 17.7 | 17.1 | 18.1 | 13.3 | 13.7 | 15.0 | 17.3 |

# Research ratings and important disclosures

The term "KEPLER CHEUVREUX" shall, unless the context otherwise requires, mean each of KEPLER CHEUVREUX and its affiliates, subsidiaries and related companies (see "Regulators" table below).

**The investment recommendation(s) referred to in this report was (were) completed on 03/05/2019 6:17 (GMT) and was first disseminated on 03/05/2019 6:20 (GMT).**

**Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.**

### Companies mentioned

| Stock | ISIN | Currency | Price |
|---|---|---|---|
| Atenor | BE0003837540 | EUR | 67.20 |

Source: Factset closing prices of 02/05/2019

### Disclosure checklist – Potential conflict of interests

| Company Name | Disclosure |
|---|---|
| Atenor | nothing to disclose |

### Organizational and administrative arrangements to avoid and prevent conflicts of interests

KEPLER CHEUVREUX promotes and disseminates independent investment research and have implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business, which are available upon request. The KEPLER CHEUVREUX research analysts and other staff involved in issuing and disseminating research reports operate independently of KEPLER CHEUVREUX Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of KEPLER CHEUVREUX or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

It is KEPLER CHEUVREUX' policy not to disclose the rating to the issuer before publication and dissemination. Nevertheless, this document, in whole or in part, and with the exclusion of ratings, target prices and any other information that could lead to determine its valuation, may have been provided to the issuer prior to publication and dissemination, solely with the aim of verifying factual accuracy.

Please refer to **www.keplercheuvreux.com** for further information relating to research and conflict of interest management.

## Analyst disclosures

The functional job title of the person(s) responsible for the recommendations contained in this report is **Equity/Credit Research Analyst** unless otherwise stated on the cover.

Name of the Research Analyst(s): Edouard Enault

**Regulation AC - Analyst Certification:** Each Equity/Credit Research Analyst(s) listed on the front-page of this report, principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the equity research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each Equity/Credit Research Analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that equity research analyst in this research report.

Each Equity/Credit Research Analyst certifies that he is acting independently and impartially from KEPLER CHEUVREUX shareholders, directors and is not affected by any current or potential conflict of interest that may arise from any KEPLER CHEUVREUX activities.

**Analyst Compensation:** The research analyst(s) primarily responsible for the preparation of the content of the research report attest that no part of the analyst's(s') compensation was, is or will be, directly or indirectly, related to the specific recommendations expressed by the research analyst(s) in the research report. The research analyst's(s') compensation is, however, determined by the overall economic performance of KEPLER CHEUVREUX.

**Registration of non-US Analysts**: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of KEPLER CHEUVREUX, which is a non-US affiliate and parent company of Kepler Capital Markets, Inc. a SEC registered and FINRA member broker-dealer. Equity/Credit Research Analysts employed by KEPLER CHEUVREUX, are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of Kepler Capital Markets, Inc. and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

### Research ratings

**Rating ratio Kepler Cheuvreux Q1 2019**

| Rating Breakdown | A | B |
|---|---|---|
| Buy | 46% | 47% |
| Hold | 36% | 38% |
| Reduce | 15% | 10% |
| Not Rated/Under Review/Accept Offer | 3% | 5% |
| Total | 100% | 100% |

Source: KEPLER CHEUVREUX
A: % of all research recommendations
B: % of issuers to which material services of investment firms are supplied

### 12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

| Company Name | Date | Business Line | Rating | Target Price | Closing Price |
|---|---|---|---|---|---|
| Atenor (EUR) | 07/11/2018 8:07 | Equity Research | Hold | 52.00 | 50.80 |

Credit research does not issue target prices. Left intentionally blank.

**Please refer to the following link** https://research.keplercheuvreux.com/app/disclosure **for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.**

## Equity research

### Rating system

KEPLER CHEUVREUX equity research ratings and target prices are issued in absolute terms, not relative to any given benchmark. A rating on a stock is set after assessing the twelve months expected upside or downside of the stock derived from the analyst's fair value (target price) and in the light of the risk profile of the company. Ratings are defined as follows:

**Buy**: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

**Hold**: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

**Reduce:** There is an expected downside.

**Accept offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

**Reject offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

**Under review:** An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

**Not rated**: The stock is not covered.

**Restricted**: A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Due to share prices volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

### Valuation methodology and risks

Unless otherwise stated in this report, target prices and investment recommendations are determined based on fundamental research methodologies and relies on commonly used valuation methodologies such as Discounted Cash Flow (DCF), valuation multiples comparison with history and peers, Dividend Discount Model (DDM).

Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war). In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe.

Unless otherwise stated, models used are proprietary. Additional information about the proprietary models used in this report is accessible on request.

**KEPLER CHEUVREUX' equity research policy is to update research rating when it deems appropriate in the light of new findings, markets development and any relevant information that can impact the analyst's view and opinion.**

## Credit research

### Recommendation system (issuer or instrument level)

**Buy:** The analyst has a positive conviction either in absolute or relative valuation terms and/or expects a tightening of the issuer's debt securities spread over a 6 months period.

**Hold:** The analyst has a stable credit fundamental opinion on the issuer and/or performances of the debt securities over a 6 months period.

**Sell:** The analyst expects of a widening of the credit spread to some or all debt securities of the issuer and/or a negative fundamental view over a 6 months period.

**No recommendation**: The analyst does not provide formal, continuous coverage of this issuer and has not assigned a recommendation to the issuer.

**Restricted:** A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Recommendations on interest bearing securities mostly focus on the credit spread and on the rating views and methodologies of recognized agencies (S&P, Moody's and Fitch). Ratings and recommendations may differ for a single issuer according the maturity profile, subordination or market valuation of interest bearing securities.

### Valuation methodology and risks

Unless otherwise stated in this report, recommendations produced on companies covered by KEPLER CHEUVREUX credit research, rely on fundamental analysis combined with a market approach of the interest bearing securities valuations. The methodology employed to assign recommendations is based on the analyst fundamental evaluation of the groups' operating and financial profiles adjusted by credit specific elements.

Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war) and also on methodologies' changes of recognized agencies. In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

Unless otherwise stated, models used are proprietary. If nothing is indicated to the contrary, all figures are unaudited. Additional information about the proprietary models used in this report is accessible on request.

**KEPLER CHEUVREUX' credit research policy is to update research rating when it deems appropriate in the light of new findings, markets development and any relevant information that can impact the analyst's view and opinion.**

### KEPLER CHEUVREUX research and distribution

**Regulators**

| Location | Regulator | Abbreviation |
|---|---|---|
| KEPLER CHEUVREUX S.A - France | Autorité des Marchés Financiers | AMF |
| KEPLER CHEUVREUX, Sucursal en España | Comisión Nacional del Mercado de Valores | CNMV |
| KEPLER CHEUVREUX, Frankfurt branch | Bundesanstalt für Finanzdienstleistungsaufsicht | BaFin |
| KEPLER CHEUVREUX, Milan branch | Commissione Nazionale per le Società e la Borsa | CONSOB |
| KEPLER CHEUVREUX, Amsterdam branch | Autoriteit Financiële Markten | AFM |
| Kepler Capital Markets SA, Zurich branch | Swiss Financial Market Supervisory Authority | FINMA |
| Kepler Capital Markets, Inc. | Financial Industry Regulatory Authority | FINRA |
| KEPLER CHEUVREUX, London branch | Financial Conduct Authority | FCA |
| KEPLER CHEUVREUX, Vienna branch | Austrian Financial Services Authority | FMA |
| KEPLER CHEUVREUX, Stockholm Branch | Finansinspektionen | FI |
| KEPLER CHEUVREUX, Oslo Branch | Finanstilsynet | NFSA |
| KEPLER CHEUVREUX, Bruxelles Branch | Autorité des Services et Marchés Financiers | FSMA |

KEPLER CHEUVREUX is authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers.

# Legal and disclosure information

## Other disclosures

**This product is not for distribution to retail clients.**

MIFID 2 WARNING: We remind you that pursuant to MiFID 2, it is your responsibility, as a recipient of this research document, to determine whether or not your firm is impacted by the provisions of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID 2") regarding the unbundling of research and execution (the "MiFID 2 Research Rules"). For any request on the provision of research documents, please send an email to crystal.team@keplercheuvreux.com.

The information contained in this publication was obtained from various publicly available sources believed to be reliable, but has not been independently verified by KEPLER CHEUVREUX. KEPLER CHEUVREUX does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

**This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request.**

**This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction.**

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. KEPLER CHEUVREUX has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of KEPLER CHEUVREUX.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and KEPLER CHEUVREUX accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realise such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

## Country and region disclosures

**United Kingdom:** This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document.

**United States:** This communication is only intended for, and will only be distributed to, persons residing in any jurisdictions where such distribution or availability would not be contrary to local law or regulation. This communication must not be acted upon or relied on by persons in any jurisdiction other than in accordance with local law or regulation and where such person is an investment professional with the requisite sophistication to understand an investment in such securities of the type communicated and assume the risks associated therewith.

This communication is confidential and is intended solely for the addressee. It is not to be forwarded to any other person or copied without the permission of the sender. This communication is provided for information only. It is not a personal recommendation or an offer to sell or a solicitation to buy the securities mentioned. Investors should obtain independent professional advice before making an investment.

**Notice to U.S. Investors:** This material is not for distribution in the United States, except to "major US institutional investors" as defined in SEC Rule 15a-6 ("Rule 15a-6"). KEPLER CHEUVREUX has entered into a 15a-6 Agreement with Kepler Capital Markets, Inc. ("KCM, Inc.") which enables this report to be furnished to certain U.S. recipients in reliance on Rule 15a-6 through KCM, Inc.

Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of KCM, Inc.

KCM, Inc. is a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the U.S. Securities Exchange Act of 1934, as amended, Member of the Financial Industry Regulatory Authority ("FINRA") and Member of the Securities Investor Protection Corporation ("SIPC"). Pursuant to SEC Rule 15a-6, you must contact a Registered Representative of KCM, Inc. if you are seeking to execute a transaction in the securities discussed in this report. You can reach KCM, Inc. at Tower 49, 12 East 49th Street, Floor 36, New York, NY 10017, Compliance Department (212) 710-7625; Operations Department (212) 710-7606; Trading Desk (212) 710-7602. Further information is also available at www.keplercheuvreux.com. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC directly at 202-371-8300; website: http://www.sipc.org/.

KCM, Inc. is a wholly owned subsidiary of KEPLER CHEUVREUX. KEPLER CHEUVREUX , registered on the Paris Register of Companies with the number 413 064 841 (1997 B 10253), whose registered office is located at 112 avenue Kléber, 75016 Paris, is authorised and regulated by both Autorité de Contrôle Prudentiel (ACP) and Autorité des Marchés Financiers (AMF).

Nothing herein excludes or restricts any duty or liability to a customer that KCM, Inc. may have under applicable law. Investment products provided by or through KCM, Inc. are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page and are not guaranteed by KCM, Inc.

Investing in non-U.S. Securities may entail certain risks. The securities referred to in this report and non-U.S. issuers may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Securities discussed herein may be rated below investment grade and should therefore only be considered for inclusion in accounts qualified for speculative investment.

Analysts employed by KEPLER CHEUVREUX SA, a non-U.S. broker-dealer, are not required to take the FINRA analyst exam. The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where KCM, Inc. is not registered or licensed to trade in securities, or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on sources believed to be reliable, but KCM, Inc. does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

KCM, Inc. and/or its affiliates may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

KCM, Inc. and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer. The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

**France:** This publication is issued and distributed in accordance with Articles L.544-1 and seq and R. 621-30-1 of the Code Monétaire et Financier and with Articles 313 25 to 313-27 and 315-1 and seq of the General Regulation of the Autorité des Marchés Financiers (AMF).

**Germany:** This report must not be distributed to persons who are retail clients in the meaning of Sec. 31a para. 3 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"). This report may be amended, supplemented or updated in such manner and as frequently as the author deems.

**Italy:** This document is issued by KEPLER CHEUVREUX Milan branch, authorised in France by the Autorité des Marchés Financiers (AMF) and the Autorité de Contrôle Prudentiel (ACP) and registered in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and is distributed by KEPLER CHEUVREUX. This document is for Eligible Counterparties or Professional Clients only as defined by the CONSOB Regulation 16190/2007 (art. 26 and art. 58).Other classes of persons should not rely on this document. Reports on issuers of financial instruments listed by Article 180, paragraph 1, letter a) of the Italian Consolidated Act on Financial Services (Legislative Decree No. 58 of 24/2/1998, as amended from time to time) must comply with the requirements envisaged by articles 69 to 69-novies of CONSOB Regulation 11971/1999. According to these provisions KEPLER CHEUVREUX warns on the significant interests of KEPLER CHEUVREUX indicated in Annex 1 hereof, confirms that there are not significant financial interests of KEPLER CHEUVREUX in relation to the securities object of this report as well as other circumstance or relationship with the issuer of the securities object of this report (including but not limited to conflict of interest, significant shareholdings held in or by the issuer and other significant interests held by KEPLER CHEUVREUX or other entities controlling or subject to control by KEPLER CHEUVREUX in relation to the issuer which may affect the impartiality of this document]. Equities discussed herein are covered on a continuous basis with regular reports at results release. Reports are released on the date shown on cover and distributed via print and email. KEPLER CHEUVREUX branch di Milano analysts is not affiliated with any professional groups or organisations. All estimates are by KEPLER CHEUVREUX unless otherwise stated.

**Spain:** This document is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of Article 78bis and Article 78ter of the Spanish Securities Market Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This report has been issued by KEPLER CHEUVREUX Sucursal en España registered in Spain by the Comisión Nacional del Mercado de Valores (CNMV) in the foreign investments firms registry and it has been distributed in Spain by it or by KEPLER CHEUVREUX authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers. There is no obligation to either register or file any report or any supplemental documentation or information with the CNMV. In accordance with the Spanish Securities Market Law (Ley del Mercado de Valores), there is no need for the CNMV to verify, authorise or carry out a compliance review of this document or related documentation, and no information needs to be provided.

**Switzerland:** This publication is intended to be distributed to professional investors in circumstances such that there is no public offer. This publication does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations.

**Canada:** This document is for information and marketing purposes only. The information contained herein is not, and under no circumstances to be construed as, a prospectus, an offering memorandum, an advertisement, a public offering, an offer to sell securities, or a solicitation of an offer to buy securities, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators under applicable Canadian securities laws in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein.

Pursuant to a research distribution agreement between Kepler Cheuvreux and CIBC World Markets Inc. ("CIBC"), CIBC distributes Kepler Cheuvreux equity research to Canadian clients of CIBC. This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 –Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada ("IIROC"). KEPLER CHEUVREUX is authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers ("AMF"). If this research report had been prepared in compliance with IIROC's requirements it would require disclosure if the IIROC regulated dealer and its affiliates collectively beneficially owned 1% or more of any class of equity securities issued by the company covered in this research report. Under AMF requirements disclosure is only required for major shareholdings by the AMF regulated dealer or any of its affiliates, including at least shareholdings exceeding 5% of the total issued share capital of the company covered in this research report.

**Other countries:** Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

Kepler Cheuvreux | Equity Research

Local insight, European scale


**Amsterdam**
Kepler Cheuvreux Benelux
Johannes Vermeerstraat 9
1071 DK Amsterdam
+31 20 573 06 66

**Brussels**
Kepler Cheuvreux
Rogier Tower
Place Rogier 11
1210 Brussels, Belgium
+32 11 491460

**Frankfurt**
Kepler Cheuvreux Germany
Taunusanlage 18
60325 Frankfurt
+49 69 756 960

**Geneva**
Kepler Cheuvreux SA
Route de Crassier 11
1262 - Eysins
Switzerland
+41 22361 5151

**London**
Kepler Cheuvreux UK
5th Floor
95 Gresham Street
London EC2V 7NA
+44 20 7621 5100

**Madrid**
Kepler Cheuvreux Espana
Paseo de la Castellana, 52
28046 Madrid
Tel: +34 914 36 5100

**Milan**
Kepler Cheuvreux Italia
Via C. Cornaggia 10
20123 Milano
+39 02 8550 7201

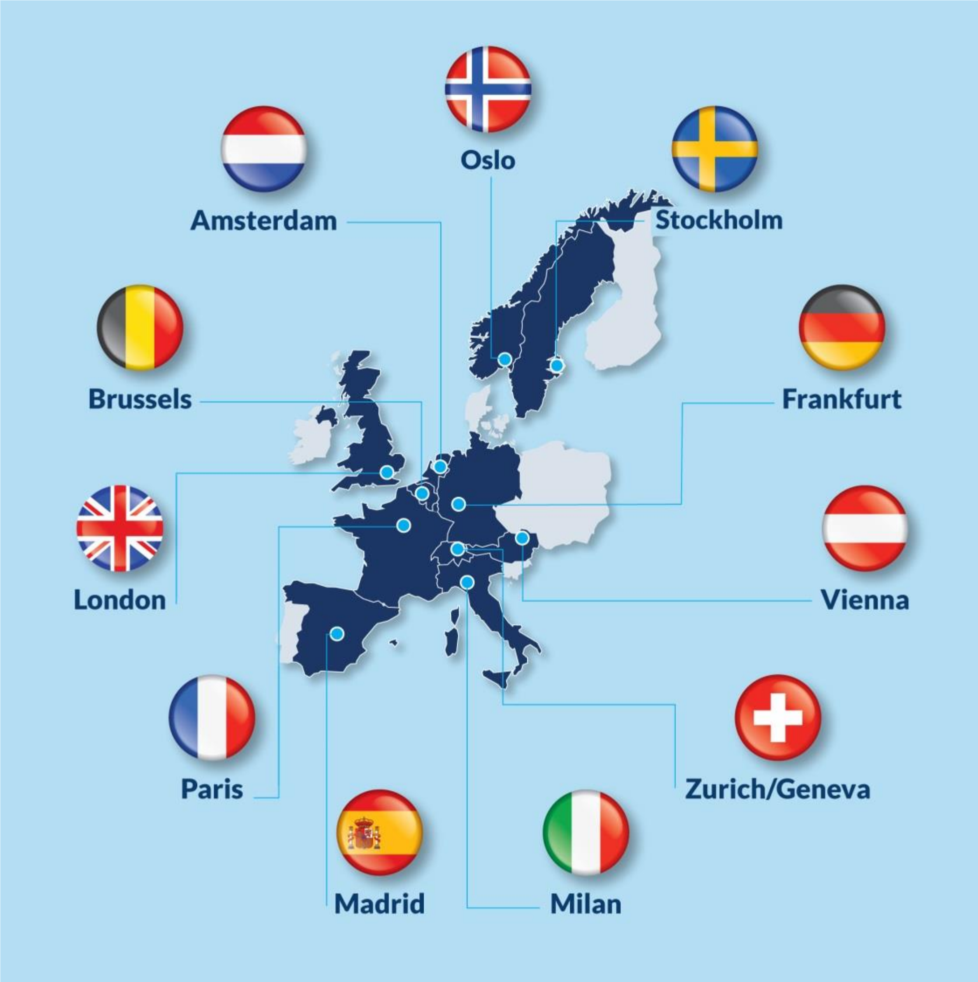
**Oslo**
Kepler Cheuvreux Norway
Filipstad Brygge 1
Pb. 1671 Vika
0120 Oslo
+47 23 13 9080

**Paris**
Kepler Cheuvreux France
112 Avenue Kleber
75016 Paris
+33 1 53 65 35 00

**Stockholm**
Kepler Cheuvreux Sweden
Malmskillnadsgatan 23
11157 Stockholm
+468 723 51 00

**Vienna**
Kepler Cheuvreux Vienna
Schottenring 16/2
Vienna 1010
+43 1 537 124 147

**Zurich**
Kepler Cheuvreux Switzerland
Stadelhoferstrasse 22
Postfach
8024 Zurich
+41 43 333 66 66


Kepler Cheuvreux has exclusive international distribution rights for UniCredit's CEE product.

## North America


**Boston**
Kepler Capital Markets, Inc.
225 Franklin Street, Floor 26
Boston, MA 02110
+1 617 217 2615

**New York**
Kepler Capital Markets, Inc.
Tower 49
12 East 49th Street, Floor 36,
10017 New York, NY USA
+1 212 710 7600


PRI Principles for Responsible Investment