



FPN

One asset property / France

Reference shareholder will ensure FY 20 liquidity

Earnings/sales releases - 05/08/2020

In a late statement, FPN has announced its FY 19 earnings. Negotiations are still ongoing with potential buyers of the plot the company owns in Le Blanc-Mesnil (northern Paris suburb). The legal disputes are gradually being resolved although the main proceedings remain outstanding. The reference shareholder (FIPP, Duménil Group) has announced that it will provide operational financing until December 2020.

Fact

- The net result stood at €-3.7m vs. vs our €-3.1m estimate.
- In the dispute between the company and Vinohrady, a transaction protocol signed with the latter in H1 20 resulting in a not-formerly-provisioned negative one-off of €0.7m in FY 19, half of which is payable on the disposal of the plot. This explains the difference between the current net profit and our initial estimates.
- Another legal proceeding (€0.6m) should be resolved in early 2021 as the Cour de Cassation (the highest French civil court) will review the case in November 2020.
- The proceeding concerning €9.5m of property taxes remains outstanding.
- FPN repaid its banks in full in FY 19 following a cash injection from FIPP, adding to its shareholder loan.
- Negotiations are still under way concerning the disposal of the Le Blanc-Mesnil plot. To date, no agreement has been signed.
- The following key elements are as yet unavailable: FY 19 Annual Report and accounts (including an update on the size of the FIPP shareholder loan, H1 20 report and accounts).

Analysis

Litigations

The bulk of the disputes, in terms of numbers, now looks to have been circumscribed with no real positive surprises to date as FPN has lost its proceeding against Vinohrady. This settlement took place after Vinohrady's request to liquidate FPN in February 2020, both parties subsequently having reached an agreement to close the dispute.

All the aforementioned elements had not been provisioned in the FY 18 accounts although we did take the risk into account in our full initial FPN valuation. In terms of the outstanding related proceedings, FPN will probably have to pay another €0.6m (Lacaton & Vassal procedure) in FY 21.

Last but not least, property taxes. The position of the French fiscal administration will remain key to the valuation process as FPN's arrears represent c.€10m vs. a current market cap of below €3m. Note that the French fiscal administration is a priority creditor and benefits from a €10m real guarantee (mortgage) on FPN's buildings to protect its debt.

Financing

The H1 20 accounts are not yet available. However the reference shareholder,



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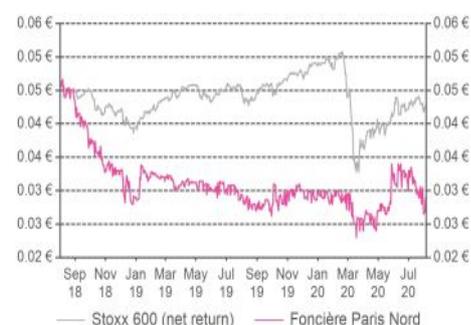
This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 92.4%
Target Price (6 months)	€ 0.06
Share Price	€ 0.03
Market Cap. €M	3.35
Price Momentum	GOOD
Extremes 12Months	0.02 ▶ 0.03
Bloomberg	FPN FP Equity
Reuters	FPN.PA



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PERF	1w	1m	3m	12m
Foncière Paris Nord	-4.92%	-9.38%	7.41%	-1.36%
Real Estate	1.53%	-1.46%	10.8%	-11.1%
STOXX 600	-1.17%	-0.56%	10.6%	-3.90%

Last updated: 09/07/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-5.61	-4.90	-3.08	-8.85
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.39	-10.8	-12.0	-36.1
Adjusted EPS (€)	-0.01	-0.01	-0.01	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	10.0	0.00	0.00	0.00
EBIT margin (%)	ns	ns	ns	ns
Attributable net profit (€th)	-3,140	13,333	2,700	-800
ROE (after tax) (%)	24.0	-185	-319	33.4
Gearing (%)		7,236		

[Company Valuation](#) - [Company Financials](#)

controlling 100% of the Board, estimates the cash burn at c.€0.3m in H2 20 (H1 20 cash burn unavailable). FIPP will provide the liquidity required for FPN's operations until the end of 2020 by increasing its shareholder loan. The latter could reach c.€15m by the end of FY 20. While the balance sheet remains very unbalanced, FPN's future as a going concern seems assured for the next six months.

Consolidated shareholders' equity was negative to the tune of €-8m at end FY 19 vs. our estimate of €-14m due to a change in accounting method by FPN. Its subsidiary Pamier SARL, holding the asset, opted to revalue its 45,000 sqm plot at the bare land value as opposed to the amortised cost of acquisition method. FPN's viability nonetheless continues to depend on the valuation of its real estate and the associated project (sale or redevelopment).

The Board of Directors still envisages selling the plot while the largest shareholder (Ott, 29.9%) seems to be prioritising a redevelopment. The future of this asset is thus currently unclear.

Shareholder structure and governance

FPN confirmed that 33m convertible bonds had been converted on 8 June 2020, giving Ott Ventures a 29.9% shareholding (and more than 60% on a diluted basis, should the warrants be confirmed as neutralised). FIPP (Duménil Group, considered a reference shareholder) owns 21% of FPN.

No change was announced to FPN's governance. FIPP thus appears to retain full control over the Board.

The FY 19 press release doesn't mention neutralisation of the warrants. The latter is key to the valuation process as its absence would add substantial dilution based on a €0.025 price per share. Were this neutralisation not to take place, the dilution resulting from the warrant exercise price of €0.025 per share would call into question our current share price target.

Valuation

The sole FPN subsidiary (Pamier SARL) owning the Le Blanc-Mesnil plot decided to value its asset at "a" market value of €22m in its FY 19 accounts. This is well below our estimate of c. €32m and reflects a value of the bare land at €485 per sqm. FPN has indicated that this value stands towards the lower end of its valuation range without, however, disclosing this range. This price doesn't appear to take into account the presence of existing buildings/superstructures which could be reused, wholly or in part, based on the future project.

We are thus sticking with our initial estimate of €32m for now. FPN also confirmed that the current Master Plan would enable FPN to build c.80,000 sqm (both residential and retail spaces).

For the moment, the French residential market is proving remarkably resilient. It was even buoyant in terms of prices and prices in June, which comes as something of a surprise, no impact of the crisis having been witnessed to date. For its part, the office market in Northern Paris is starting to show signs of weakness with rents down by c.6% to 10% relative to their pre-crisis levels. Four months ago...

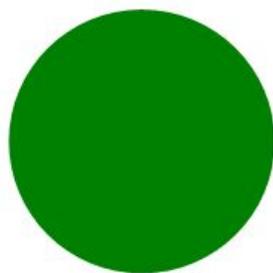
■ Impact

We will modify our forecasts once the FY 19 Annual Report is made public and will integrate the €0.5m additional loss in FY 19 vs. our estimates.

This will not result in a significant target price adjustment. The key element

concerning warrant neutralisation remains to be clarified. The property taxes dispute and the material project concerning the plot also remain decisive in the valuation process.

Sales by Geography



France (100.0%)

Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€th	10.0	0.00	0.00
Change in sales	%	-54.5	-100.0	0.00
Change in staff costs	%	-10.2	1.50	1.50
EBITDA	€th	-2,590	-2,434	-2,300
EBITDA(R) margin	%	ns	ns	ns
Depreciation	€th	-500	0.00	0.00
Underlying operating profit	€th	-2,990	12,566	-2,300
Operating profit (EBIT)	€th	-2,990	13,333	-2,300
Net financial expense	€th	-150	-0.01	-0.01
of which related to pensions	€th	0.00	0.00	0.00
Exceptional items & other	€th	0.00	0.00	5,000
Corporate tax	€th	0.00	0.00	0.00
Equity associates	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Adjusted attributable net profit	€th	-3,140	-2,434	-2,300
NOPAT	€th	-2,093	9,333	-1,610

Cashflow Statement

EBITDA	€th	-2,590	-2,434	-2,300
Change in WCR	€th	893	497	1,000
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	0.00	0.00
Exceptional items	€th	0.00	0.00	0.00
Other operating cash flows	€th	0.00	0.00	0.00
Total operating cash flows	€th	-1,697	-1,937	-1,300
Capital expenditure	€th	0.00	0.00	0.00
Total investment flows	€th	0.00	0.00	0.00
Net interest expense	€th	-150	-0.01	-0.01
Dividends (parent company)	€th	0.00	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	0.00	1,650	0.00
Total financial flows	€th	1,803	3,449	-3,600
Change in cash position	€th	106	-22.4	-4,900
Free cash flow (pre div.)	€th	-1,847	-1,937	-1,300

Per Share Data

No. of shares net of treas. stock (year...	Th	82,629	115,629	115,629
Number of diluted shares (average)	Th	578,876	411,490	244,105
Benchmark EPS	€	-0.01	-0.01	-0.01
Restated NAV per share	€	0.09	0.04	0.06
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 0.05	75%	Deutsche Wohnen
DCF	€ 0.07	25%	Vonovia
TARGET PRICE	€ 0.06	100%	Nexity

NAV/SOTP Calculation

Covivio
Gecina
Icade

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€th	0.00	0.00	0.00
Total intangible	€th	0.00	0.00	0.00
Tangible fixed assets	€th	17,182	33,716	33,716
Financial fixed assets	€th	217	217	217
WCR	€th	-10,283	-10,780	-11,780
Other assets	€th	0.00	0.00	0.00
Total assets (net of short term liab.)	€th	7,116	23,153	22,153
Ordinary shareholders' equity	€th	-14,680	303	-1,997
Quasi Equity & Preferred	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Provisions for pensions	€th	0.00	0.00	0.00
Other provisions for risks and liabilities	€th	767	0.00	0.00
Total provisions for risks and liabilities	€th	767	0.00	0.00
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	0.00	0.00	0.00
Net debt (cash)	€th	21,029	22,850	24,150
Total liab. and shareholders' equity	€th	7,116	23,153	22,153

Capital Employed

Capital employed after depreciation	€th	7,116	23,153	22,153
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Profits & Risks Ratios

ROE (after tax)	%	24.0	-185	-319
ROCE	%	-29.4	40.3	-7.27
Gearing (at book value)	%		7,236	
Adj. Net debt/EBITDA(R)	x	-8.12	-9.39	-10.5
Interest cover (x)	x	-19.9	1,256,600	230,000

Valuation Ratios

Reference P/E (benchmark)	x	-5.61	-4.90	-3.08
Free cash flow yield	%	-73.4	-57.8	-38.8
P/Book	x	-0.17	11.1	-1.68
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	2,515	3,353	3,353
+ Provisions	€th	767	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	21,029	22,850	24,150
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	24,311	26,203	27,503
EV/EBITDA(R)	x	-9.39	-10.8	-12.0
EV/Sales	x	ns	ns	ns

Analyst : Christian Auzanneau, Changes to Forecasts : 09/07/2020.