



COURBET

Hotels & Motels / France

Triple the NAV by 2030

Earnings/sales releases - 14/08/2024

The development of COURBET AM's portfolio continues at a steady pace. The OTT Group is supporting the company via a global capital increase (immediate and deferred) of €20m.

Fact

- The AGM of June 28, 2024 made it possible to validate the accounts closed on June 30, 2023
- COURBET S.A. becomes COURBET ASSET MANAGEMENT
- The fiscal year is extended from June 30, 2024 to December 31, 2024, i.e. an exceptional fiscal year of 18 months
- The 2030 strategic plan sets a target of €10.00 NAV per share vs. €3.40 in June 2024
- The OTT Group supports COURBET AM via a capital increase of €9m and the subscription of c.€11m of bonds redeemable in shares (ORA)
- This plan is based on value creation initiated in Prague (Hotel Mozart), on the development of assets already in the portfolio and on the pursuit of acquisitions throughout the decade

Analysis

Results for the financial year ending June 30, 2023

The accounts for the fiscal year 06/2023 approved at the AGM of June 28, 2024 are not really significant. COURBET AM is in a phase of asset aggregation which is rapidly transforming its scope and overall aspect. Therefore, the 06/2023 accounts do not currently require any real comment. COURBET AM also presents parent company's accounts but not consolidated accounts at this stage. We note the very active support of the OTT Group which will have provided approximately €23m of assets and cash in 18 months. At the end of this structuring phase, we will have a clearer picture of the potential of the core portfolio by the end of 2025 in our opinion.

Number of shares, market cap, accretive effect

In March 2023, the number of shares had been increased by 2.5m each issued at €1.20 (8.8m shares in total at the close of June 30, 2023), via capital injection by the OTT Group of €3.0m. This made it possible to significantly extend the scope. The General Meeting of June 28, 2024 authorized a new capital increase with the creation of 2.6m new shares at €3.40 per unit (i.e. €9.0m capital increase) remunerating contributions of assets by the OTT Group.

This operation has a strong accretive impact on our price target as well as sequentially: the OTT Group subscribed to €3.40 of shares at the 2024 NAV (source COURBET AM) which is approximately 3x that of March 2023 (€1.20). Taking into account these latest operations, the current market cap of COURBET AM is €37m, with an NAV of €39m (June 28, 2024). This gives COURBET AM a solid foundation which will make it possible to finance the deployment and in particular a vast program of work on projects in Cannes, La Bourboule, Prague and Lourdes.

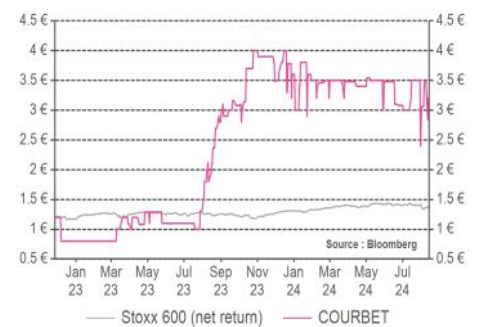
At the end of the capital operations, the balance of the OTT Group Shareholders'



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Sell	Upside: -53.2%
Target Price (6 months)	€ 1.50
Share Price	€ 3.20
Market Cap. €M	20.3
Price Momentum	NEGATIVE
Extremes 12 Months	1.80 ▶ 4.00
Sustainability score	0.5 / 10
Credit Risk	B ↗
Bloomberg	MLCOU FP Equity
Reuters	COUP.PA

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PERF	1w	1m	3m	12m
COURBET	-5.88%	6.67%	-8.57%	77.8%
Hotel, Catering & Leisure	1.61%	-2.15%	-4.29%	6.87%
STOXX 600	2.71%	-4.28%	-3.69%	9.25%

Last updated: 05/12/2022	06/22A	06/23E	06/24E	06/25E
Adjusted P/E (x)	7.70	ns	ns	ns
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	98.0	ns	60.7
Adjusted EPS (€)	0.15	-0.01	-0.01	0.00
Growth in EPS (%)	23.7	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	0.00	0.82	1.29	3.30
EBITDA/R margin (%)	ns	7.41	20.0	23.8
Attributable net profit (€M)	0.96	-0.13	-0.15	0.03
ROE (after tax) (%)	-47.3	-8.70	-3.10	0.52
Gearing (%)		65.3	108	148

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

Loan of €20m in June 2024 will be reduced to €11m which will take the form of a bond redeemable in COURBET AM shares (ORA) at the price of €4.0 per unit. The maturity of this product is not specified at this stage but it will yield 5.0%. Over a period of 5 years (AV hypothesis), this product will generate €2.75m in accrued interests, lead to the issuance of 2.75m new shares (i.e. 24% of existing shares) and will materially limit the increase in diluted NAV per share over the period.

There is a 25% premium vs. current share price of €3.20, i.e. a premium of 18% on the NAV. Over a 5-year horizon this would correspond to 3.3% annual growth in NAV and 4.8% after taking into account the interest to be paid. We believe that the interest rate offered, as a courtesy to the OTT Group, is favorable to the minority shareholder (see current cost of bank loans and COURBET AM cost of capital). To the extent that it is a product redeemable in shares and not a convertible bond, the profile of the product is by nature reassuring for the minority shareholders under the assumption of stability of the exchange parameters between now and repayment.

Current portfolio scope and financing

COURBET AM is currently financing itself in equity (via contributions from the OTT Group) and debt equivalent to crowdfunding for Cannes-Hollywood (hotel) and the acquisition of Lourdes-Christ Roi (hotel). The terms of this financing (mainly maturity, rates and guarantees) are unavailable. The table below gives a summary of the current portfolio.

Courbet Asset Management: Portfolio (June 2024)				
€uros	Purpose	Trademark	Valuation (equity portion)	As a percentage
Prague - Mozart	Hotel	Sofitel Legend	21,0	48%
Cannes			15,0	34%
Hollywood	Hotel	Kyriad	9,0	21%
Collège International	Hotel & Mixed	Hosho	6,0	14%
La Bourboule			4,7	11%
Grand Medecis	Hotel	To be confirmed	4,0	9%
Charlet	Hotel	n.r.	0,7	2%
Lourdes			2,0	5%
Christ Roi	Hotel	To be confirmed	2,0	5%
Future acquisitions	Hotel	-	0,0	0%
Side Assets			1,2	3%
Chevenoz	Housing	Residential Development	0,5	1%
Cannes	Housing	Residential Development	0,7	2%
A = Total			43,9	100%
B = Number of shares (m, 08/2024)			11,5	
C = A / B (€uros per share)			3,82	

Source: Courbet Asset Management, Press Release 27 June 2024.

NOTA 1 : n.r. = not relevant ; NOTA 2 : potential Minorities Interests are unavailable
 NOTA 3 : including or excluding duties is unavailable information
 NOTA 4 : before or after latent corporate tax is unavailable information
 NOTA 5 : line C doesn't define NAV per share (EPRA NTA) therefore.

2030 strategic plan

The primary target is to finance the group's work program. The amount has not been quantified to date as it will depend on the terms of the final planning authorizations in particular. However, we are talking about tens of millions of euros within the scope of the projects currently in the portfolio. The deployment and execution phase will rely on the existing and experienced teams of the OTT Group.

The general strategy is unchanged: address destinations with significant attendance and reputation, by purchasing inexpensive assets on which to carry out work to reposition visibility (in particular via world-class formats and partners such as Accor or Louvre Hotels), prices, to ultimately generate substantial incremental profitability. To enable this, the contribution of the Mozart Hotel in Prague is decisive. This historic asset of the OTT Group (7,200 sqm of floor space

after the €20m of work completed in 2026) provides COURBET AM with a very high quality showcase on a world-class asset, currently valued at €53m (source: COURBET AM, suggesting c.€32m of debt vs. the valuation of €21m, see table above, i.e. an ex-post LTV ratio of c.52-58% in 2026-27 on this asset). From 2026, this asset will be able to offer guarantees to lenders as part of the financing of work on the most recently acquired assets.

This significant work should make it possible to create value and encourage continued investments and growth of the portfolio on the same model. The works phase, its financing (in particular raising traditional bank loans) and its execution (schedules and budgets), therefore remain central issues in the coming years. As with any real estate project, the ability to raise debt and use financial leverage will dictate the speed of development of the NAV.

NAV per share

The very example of value creation expected by COURBET AM is that the €20m of work undertaken on the Mozart hotel in Prague (operated under the Accor / Sofitel Legend brand for 30 years) will increase its value from €51m to €90 -100m by 2027 (probably before taking into account latent corporate tax, within the meaning of the EPRA NTA definition): the €20m work will thus create a gross value of €39-49m or net before latent corporate tax of €19-29m, or €1.6-2.5 per share to propel the "gross NAV" from €3.40 (June 2024) to €5.0-5.9 by 2027. The latter is c.€4.8-5.5 once taken into account the likely exercise of the Bonds Redeemable in Shares (ORA) at €4.0 over 5 years (AV hypothesis), and before taking into account the financial costs linked to it over the period (c.€0.20 per share).

The Mozart Hotel in Prague, its main asset, will thus make it possible to secure around a third of the path separating the current NAV from the target of €10 in 2030. The remaining two thirds will have to be provided by the repayment of bank loans to subscribe for the work, the residual FCF generated by the assets, the value creation itself attributable to the work then finally all of these elements applied to future acquisitions.

In our mind, COURBET AM today has a substantial amount of projects in its portfolio which will require several years of work (including planning authorizations and works phase) which can allow an acceleration in the size of the portfolio by the end of the decade. For value creation to match with the 2030 target, and given the weight of the Mozart Hotel in assets in 2027, one must anticipate a doubling or tripling of the portfolio by the end of the decade (AV est.), particularly in Lourdes with significant acquisition projects following the purchase of the Christ Roi hotel (8,000 sqm of floor space for 180 rooms acquired for €2m).

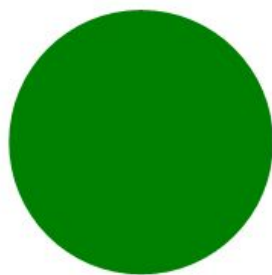
In a nutshell, in our opinion, COURBET AM has, in the markets it already addresses, in markets it knows, a significant reservoir of potential acquisitions which it will be able to gradually activate once the implementation stage has been reached. This strategy will provide it with a favorable experience effect accompanied by essential local legitimacy, together constituting a form of competitive advantage.

■ Impact

The accretive liquidity injection at €3.40 per unit (and €4.0 per unit for ORAs) is much higher than our initial price target, so it will have a very favorable impact on the latter. As soon as COURBET AM provides more detail on its assets (including valuation), its future financing arrangements, particularly the work to be undertaken and more generally its detailed NAV (including latent corporate taxes, duties and possible minority interests), as well as its detailed and consolidated interim results as of June 30, 2024 for example, we will be able to review our

model in depth. We will then readjust our price target significantly upwards.

Sales by Geography



France (100.0%)

Consolidated P&L Accounts

		06/22A	06/23E	06/24E
Sales	€M	0.00	0.82	1.29
Change in sales	%	-90.0	ns	57.2
Change in staff costs	%	-45.9	1,100	200
EBITDA	€M	-0.03	0.05	0.14
EBITDA(R) margin	%	ns	20.0	20.0
Depreciation	€M	0.00	-0.15	-0.23
Underlying operating profit	€M	-0.03	-0.10	-0.09
Operating profit (EBIT)	€M	-0.03	-0.10	-0.09
Net financial expense	€M	-0.01	-0.05	-0.11
of which related to pensions	€M	0.00	0.00	0.00
Exceptional items & other	€M	1.00	0.00	0.00
Corporate tax	€M	0.00	0.03	0.05
Equity associates	€M	0.00	0.00	0.00
Minority interests	€M	0.00	0.00	0.00
Adjusted attributable net profit	€M	0.96	-0.13	-0.15
NOPAT	€M	-0.02	-0.08	-0.07

Cashflow Statement

		06/22A	06/23E	06/24E
EBITDA	€M	-0.03	0.05	0.14
Change in WCR	€M	0.00	0.00	0.00
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	0.00	0.03	0.05
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	0.00	0.00	0.00
Total operating cash flows	€M	-0.03	0.07	0.19
Capital expenditure	€M	-1.50	-6.60	-4.50
Total investment flows	€M	-1.50	-6.60	-4.50
Net interest expense	€M	-0.01	-0.05	-0.11
Dividends (parent company)	€M	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	7.10	0.00
Total financial flows	€M	0.00	6.04	-0.25
Change in cash position	€M	-1.53	-0.49	-4.56
Free cash flow (pre div.)	€M	-1.54	-6.58	-4.42

Per Share Data

		06/22A	06/23E	06/24E
No. of shares net of treas. stock (year...	Mio	6.35	12.3	12.3
Number of diluted shares (average)	Mio	6.35	9.31	12.3
Benchmark EPS	€	0.15	-0.01	-0.01
Restated NAV per share	€	1.20	1.20	1.40
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 1.51	75%	
DCF	€ 1.47	25%	
TARGET PRICE	€ 1.50	100%	

[NAV/SOTP Calculation](#)

Balance Sheet

		06/22A	06/23E	06/24E
Goodwill	€M			
Total intangible	€M	0.00	0.00	0.00
Tangible fixed assets	€M	1.50	7.95	12.2
Financial fixed assets	€M	0.00		
WCR	€M	0.00	0.00	0.00
Other assets	€M			
Total assets (net of short term liab.)	€M	1.50	7.95	12.2
Ordinary shareholders' equity	€M	-2.04	4.97	4.82
Quasi Equity & Preferred	€M	0.00	0.00	0.00
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M	0.00	0.00	0.00
Other provisions for risks and liabilities	€M	0.00	0.00	0.00
Total provisions for risks and liabilities	€M	0.00	0.00	0.00
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	0.03	0.00	0.00
Net debt (cash)	€M	3.50	2.98	7.40
Total liab. and shareholders' equity	€M	1.50	7.95	12.2

Capital Employed

		06/22A	06/23E	06/24E
Capital employed after depreciation	€M	1.50	8.76	13.0

Profits & Risks Ratios

		06/22A	06/23E	06/24E
ROE (after tax)	%	-47.3	-8.70	-3.10
ROCE	%	-1.50	0.11	0.14
Gearing (at book value)	%		65.3	108
Adj. Net debt/EBITDA(R)	x	-117	61.8	52.0
Interest cover (x)	x	-2.14	-0.81	-0.40

Valuation Ratios

		06/22A	06/23E	06/24E
Reference P/E (benchmark)	x	7.70	ns	ns
Free cash flow yield	%	-21.0	-53.4	-11.4
P/Book	x	-3.61	2.48	8.06
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		06/22A	06/23E	06/24E
Market cap	€M	7.36	12.3	38.8
+ Provisions	€M	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	3.50	2.98	7.40
+ Leases debt equivalent	€M	0.00	0.81	0.81
- Financial fixed assets (fair value)	€M	0.00	0.00	0.00
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	10.9	16.1	47.0
EV/EBITDA(R)	x	ns	98.0	ns
EV/Sales	x	ns	19.6	36.4

Analyst : Christian Auzanneau, Changes to Forecasts : 05/12/2022.