COURBET

Hotels & Motels / France

Accelerating the deployment of the pipeline

Significant news - 12/03/2024

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The many projects underway will require us to carry out an in-depth review of our model, our figures and our valuation per share. We take a look at the latest news from Courbet.

Fact

- Signature of a management agreement in Prague with Accor concerning the Mozart hotel, which will become a Sofitel.
- The Collège in Cannes will be rebranded under the Hosho banner as part of an agreement with Louvre Hôtels (Jinjiang group). A building permit has been submitted that will significantly upgrade the site.
- The Hollywood hotel in Cannes is up and running and should be fully open for the 2025 summer season.
- Projects are progressing at La Bourboule (France). Courbet has other projects under development that will add value for the shareholder.

Analysis

The Hotel Mozart, Prague, has changed Courbet's profile

Mr OTT, a major shareholder, has brought the Hotel Mozart to Courbet. Courbet has signed a partnership agreement with the Accor group, with the aim of transforming the Mozart into a Sofitel Legend once the major works have been completed. In our opinion, this is one of the finest hotels in Central Europe, housed in a 17th century building. In return for an investment by Courbet of around €15m (AV estimate), this top-class hotel will open in 2027 with a hundred or so rooms and suites to the highest standards of modern luxury. It is easy to estimate the value of this hotel (EV, bricks on top of hotel management) at several tens of millions of euros, a figure to be refined gradually between now and 2027, when delivery is due.

Accor will manage the hotel via a management contract, leaving Courbet full ownership of the asset. Between now and 2027, and during the refitting phase, this asset will not generate any revenue. However, because of its size, it will make a significant contribution to Courbet's GAV. The financial scope of the transaction will be specified at a later date, including the contribution value of the hotel to Courbet and the related current (and forward) debt.

From 2028, we expect Courbet to be able to use the hotel as collateral for loans to accelerate its development. Initially (2026-27), the Chevenoz development project (see below) could be used to accelerate deployment. As regards the financing of the renovation work at the Mozart, the contract signed with Accor should provide sufficient security to secure bank loans.

La Bourboule

The project is still in progress. Delays in the initial schedule of authorisations, which were initially intended to lead to the opening of a hotel at the end of 2023, have led Courbet to submit an application for authorisation in 2024 in a different format. A further review of the financing and profitability aspects will have to be carried out once the authorisations have been obtained and purged, in the course of 2024 from now on.

Sell	Upside: -57.2%
Target Price (6 months)	€ 1.50
Share Price	€ 3.50
Market Cap. €M	22.2
Price Momentum	STRONG
Extremes 12Months	1.00 ▶ 4.00
Sustainability score	0.4 /10
Credit Risk	B ↗
Bloomberg	MLCOU FP Equity
Reuters	COUP.PA

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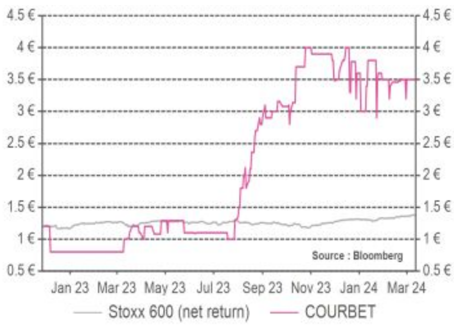


PERF	1w	1m	3m	12m
COURBET	0.00%	2.94%	-7.89%	250%
Hotel, Catering & Leisure	-0.63%	-1.73%	11.3%	14.6%
STOXX 600	0.82%	3.44%	5.87%	10.5%

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	65.4
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

Given the weight of Cannes, Prague and Chevenoz, La Bourboule should ultimately make a moderate contribution to the group's GAV. In our opinion, this also improves the overall risk reward.

Cannes College

The exciting Collège International project is set to accelerate significantly with the submission of an authorisation aimed at doubling the surface area by 6,000 sqm while radically reorganising the building. A partnership with the JinJiang group (also a shareholder in Accor) will boost rental income over the long term. The core of the project is to create an international campus in a renowned destination. The concept chosen (Hosho) is a hybrid one, combining students and foreign tourists in a format similar to that of a youth hostel.

If the necessary authorisations are obtained quickly, the opening will be scheduled for the H2 25.

Launched in 2020, the Hosho concept already exists in Paris (Porte d'Italie). Through a partial offer of collective dormitories, it allows residents to obtain a particularly affordable price/night by working on the spaces and their distribution, and allows the operator to massively increase the number of visitors as well as the income per sqm (density). Courbet has not yet specified the RoI of this investment (or its Yield on Cost), the duration of the planned management contract with JinJiang and the other parameters. An update will be provided once the necessary authorisations have been obtained and the management contract has been secured. Obtaining building rights for 6,000 sqm in Cannes will in itself have a significant NAV value.

For Courbet, Cannes Collège is the Group's second flagship project after Prague. In proportion to Courbet's size, it will require a significant investment, the terms of which (equity to be issued, debt) will be specified at a later date. We continue to believe in the value of this plot in Cannes and in the potential of the Cannes Collège project. The concept to be deployed corresponds to the site's vocation. More generally, and in line with the deployment of the Meninger hotels, for example, offering affordable access to hotels is a real challenge for an industry whose costs have risen sharply in recent years (cf. RevPAR Europe in 2021-23, occupancy ratios, etc.), due to global inflation (energy & wages). In our opinion, there is a real place for this "affordable & friendly" segment in the hotel industry.

Hotel Hollywood Cannes

Completion of the first phase of the works should enable the restaurant and half of the 100 rooms to be open for the 2024 season. The second phase should see the hotel operating at full capacity, with a completely renewed offering, for the 2025 season. This represents a delay on our initial estimates (around 1 year), which we will have to recalibrate without any significant negative impact on our NAV. Following the announcements about Cannes College and Prague it seems likely that Hollywood Cannes will also benefit from a long-term management contract once the works are completed.

Chevenoz

Courbet is rolling out a development project on a 3-hectare site. This development is expected to deliver 17,000 sqm of flats in an area close to the Swiss border (near Evian/Lac Léman), which benefits from the high purchasing power of cross-border commuters and a shortage of land encouraged by the extraordinarily high residential prices in Switzerland. We do not expect this potentially highly profitable project (development margin per sqm applied to 17,000 sqm) to be fully sold out before 2026. The precise metrics of the project (including the financing, size and cost) will only be released once the final permits have been obtained.

Other destinations

In line with Courbet's strategy and what is underway in La Bourboule (or has been done at Cannes Hollywood), Courbet remains in advanced negotiations for the acquisition of other French hotel to be optimised. The "targets / scope" and "financing" aspects will be clarified as and when they become a reality.

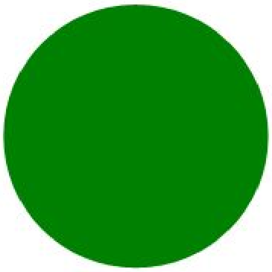
Impact

Courbet has a pipeline of projects which, if successful, will provide real leverage for increasing value. At a time when the credit market conditions have tightened for all property-related businesses, Courbet faces a real financing challenge, but it has the advantage of being able to rely on its reference shareholder.

The forthcoming publication of Courbet's accounts and its Annual General Meeting (AGM held last year on 30 March) will give rise to an in-depth review of our model, including our target price. This will have to take into account the increasing number of positive valuation options, which will of course be subject to financing being put in place. For all the projects in the company's portfolio, the challenge is to finance several tens of millions of works and acquisitions. Courbet's current market cap is €22m. Given the current portfolio, Courbet already has a number of attractive projects to work on over the next few years. We conclude that the portfolio is in the process of finalising the first phase of asset aggregation initiated by Mr OTT. The second phase can be expected through profits' capitalisation (development) or flows (hotels) that will be generated over the next few years.

Throughout the first phase of portfolio development, most of Courbet's value will rely on its NAV, with little in the way of income The latter will gradually materialise when the units are delivered or sold (in the case of Chevenoz, for example). We are therefore planning a preparation phase from 2024-26, followed by an acceleration in deliveries, revenues and profits from 2027-28. Our estimates will progressively aggregate projects that have received: i/ definitive planning permission and ii/ financing.

Sales by Geography



Valuation Summary

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

NAV/SOTP Calculation

Largest comparables

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**

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	23.1	31.8
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	-10.3
P/Book	x	-3.61	2.48	8.91
Dividend yield	**%**	**0.00**	**0.00**	**0.00**

EV Calculation

		06/22A	06/23E	06/24E
Market cap	€M	7.36	12.3	42.9
+ Provisions	€M	0.00	0.00	0.00
+ Unrecognised acturial 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	51.1
EV/EBITDA(R)	**x**	**ns**	**98.0**	**ns**
EV/Sales	x	ns	19.6	39.6

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