



COURBET

Hotels & Motels / France

Alluring acquisition in Cannes

M&A /Corp. Action - 22/02/2023

COURBET has just acquired 6,000sqm of buildings in Cannes. The acquisition should re-inforce its portfolio and contribute significantly to its NAV.

Fact

- COURBET has just acquired 6,000sqm of ground on a landbank of 1.1ha in Cannes. The buildings benefit from a direct Mediterranean sea view on top of access to the beach.
- The plot will be managed as a leasehold with a long-term contract. Residual contract length and annual rents are unavailable parameters.
- The group aims to develop significantly the services offered around the initial business (preserved) of teaching French language and culture. 35 employees have been kept on.
- Significant work is required to improve the buildings' attractiveness (matching norms, access). Figures were unavailable on this at this very early stage.

Analysis

Structuring acquisition

Following two acquisitions in La Bourboule and another in Cannes (Hôtel Hollywood), COURBET has made here a high potential investment which could become a Trophy Asset. Only 15 minutes from Cannes Palais des Festivals on foot, with a nice Mediterranean Sea view and access to the beach, the plot benefits from gardens with trees on a landbank of one hectare.



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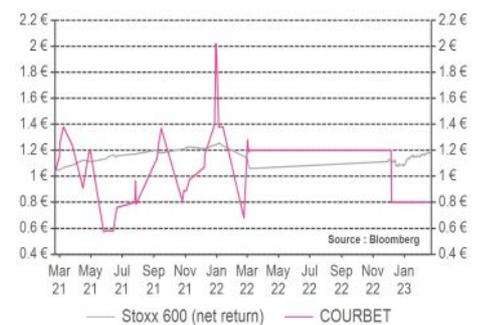
The format of such an acquisition, leasehold (*emphytéose* in French) is similar to the model of Hôtel Hollywood in Cannes (100 rooms), located in the grounds of the Cannes-Mandelieu Airport concession (welcoming private jets mainly). This business model (no freehold) lowers initial capex significantly and isn't that far off an asset-light business model with the exception that long-term contracts provide the tenant (COURBET) with protective rights vs. classical rents. COURBET could



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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: 87.7%
Target Price (6 months)	€ 1.50
Share Price	€ 0.80
Market Cap. €M	5.08
Price Momentum	UNFAVORABLE
Extremes 12Months	0.68 ▶ 1.28
Sustainability score	0.4 /10
Credit Risk	CC ↗
Bloomberg	MLCOU FP Equity
Reuters	COUP.PA


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PERF	1w	1m	3m	12m
COURBET	0.00%	0.00%	n/a	n/a
Hotel, Catering & Leisure	2.38%	1.07%	12.1%	8.35%
STOXX 600	0.30%	2.58%	7.09%	1.97%

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	82.8	69.8	23.2
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](#)

therefore capture the difference between economic profitability of assets under management and the annual rent paid to the landlord.

When mentioning value (Londoners are accustomed to such a scheme), the long-term contract will provide banks with sufficient guarantees: COURBET is able to use it as collateral for financing work, in our view.

Following a beauty contest (Chapter 11 of the initial tenant, for which 35 workers and teachers were kept on), COURBET was designated as single entrepreneur by the commercial Court of Cannes on 13 February 2023. Such a procedure is often synonymous of low cash-out.

The project

The buildings are fully occupied by Collège International de Cannes, teaching French language and culture to foreign students. COURBET will preserve this business which employs 35 people but aims to improve footfall significantly through partnerships with Asian, American or Middle-Eastern institutions as partners, and / or developing its own distribution network. We believe that "Cannes" trademark is powerful enough to increase the chance of success of such a project.

Around this initially low profitable business (managed until now by a French "Loi 1901" – non-profit association), COURBET aims to add some extra sources of revenue: i/ enlarge significantly the number of students; ii/ develop events (weddings, congress); iii/ housing under the YMCA format, e.g. for capitalising on existing beds; and iv/ development of a cooking school on top of an F&B offer (restaurant) to maximise the use of on-site existing collective kitchen equipment.

Work

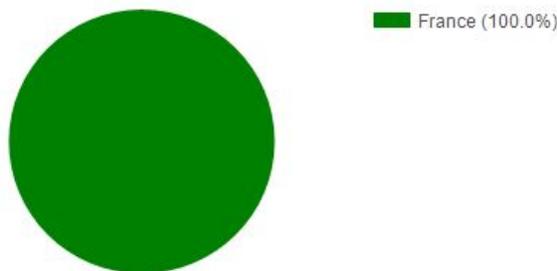
The amount of work needed is unavailable to date. COURBET will probably need 9-12 months to present both the final version of the project and associated expenses. We expect capex of €6-10m depending on how much restructuring of the asset is required. This range would be compatible with revenue of c.€1.3-1.5m p.a. (rents equivalent only, AV's preliminary estimate) with a significant value creation at the end of the day (€3-5m to give a wide range). The level of NAV accretion can be estimated when the following items are made public: i/ the material residual length of the leasehold; ii/ annual rent; iii/ amount expected for work; and iv/ the final project with rents to be collected.

■ Impact

This project looks coherent. It offers free optionalities and the potential uses of the plot look wide. A privileged location, coupled with attractive acquisition conditions, make the risk-reward appealing.

Once COURBET discloses final figures (including financing and or additional equity) about the Collège International de Cannes project, we will be able to revisit our target price. It should bring an additional but significant contribution to COURBET's NAV (if work is 100% financed by debt) and compared to its current market cap of €5m.

Sales by Geography



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	€ 1.48	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	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	-67.0	-45.0
P/Book	x	-3.61	1.98	2.04
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		06/22A	06/23E	06/24E
Market cap	€M	7.36	9.81	9.81
+ 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	13.6	18.0
EV/EBITDA(R)	x	ns	82.8	69.8
EV/Sales	x	ns	16.6	14.0

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