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Sponsored research
Hotels & Motels
France

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Opinion	**Buy**
Upside (%)	128
Price (€)	1.75
Target Price (€)	3.99
Bloomberg Code	MLCOU FP
Market Cap (€M)	20.1
Enterprise Value (€M)	99.6

Momentum	STRONG
Sustainability	1/10
Credit Risk	CCC↗

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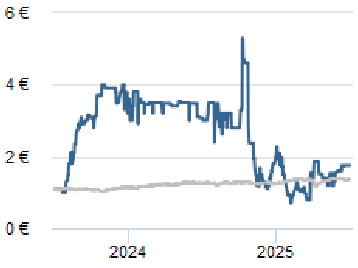


Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	No
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

COURBET

A new hotel offering responding to tomorrow's demand

PROS

- The revitalisation of sub-marketed assets is a strategy with potentially significant operational leverage. The project is led by Mr. OTT who has extensive real estate experience in Europe.
- The hotel industry in central France (Project 1) addresses the growing market of green, economically accessible, local, low-carbon, health-centred tourism.
- COURBET has acquired a second hotel in Cannes in September 2022 (Project 2). Supported by its majority shareholder, COURBET has the capacity to constitute a group with a patrimonial profile.

CONS

- Boosting the attractiveness of certain destinations may require sustainably high marketing budgets: i/ from independent public authorities; ii/ from COURBET on its own assets.
- In order to finance the roll-out, significant calls on the market are likely in the future. First issues at €1.20 per share will take place in 2022-23 for €7m.
- For the time being, COURBET's size will result in a micro-cap status on a non-regulated market. This will be accompanied by a reduced liquidity of the share.

KEY DATA	**06/22A**	**06/23A**	**06/24E**	**06/25E**	**06/26E**
Adjusted P/E (x)	**7.70**	**-41.7**	**ns**	**-23.2**	**ns**
Dividend yield (%)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
EV/EBITDA(R) (x)	ns	96.7	ns	ns	23.3
Adjusted EPS (€)	**0.15**	**-0.02**	**-0.03**	**-0.09**	**-0.03**
Growth in EPS (%)	*23.7*	*n/a*	*n/a*	*n/a*	*n/a*
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€M)	0.00	0.80	3.28	4.24	13.1
EBITDA/R margin (%)	*ns*	*27.5*	*8.35*	*11.0*	*26.3*
Attributable net profit (€M)	0.96	-0.18	-0.30	-1.02	-0.34
ROE (after tax) (%)	**-47.1**	**27.5**	**-5.96**	**-11.4**	**-4.08**
Gearing (%)		*744*	*324*	*739*	*899*

COURBET (Buy)

Detailed financials at the end of this report

Key Ratios

		06/23A	06/24E	06/25E	06/26E
Adjusted P/E	x	-41.7	ns	-23.2	ns
EV/EBITDA	x	96.7	ns	ns	23.3
P/Book	x	12.3	3.86	2.81	2.49
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-58.4	-153	-70.1	-21.5
ROE (after tax)	%	27.5	-5.96	-11.4	-4.08
ROCE	%	1.51	0.44	-0.27	1.09
Net debt/EBITDA	x	41.2	82.0	526	17.4

Consolidated P&L

		06/23A	06/24E	06/25E	06/26E
Sales	€M	0.80	3.28	4.24	13.1
EBITDA	€M	0.06	-0.02	-0.55	3.60
Underlying operating profit	€M	0.06	-0.27	-0.98	0.59
Operating profit (EBIT)	€M	0.06	-0.27	-0.98	0.59
Net financial expenses	€M	-0.24	-0.08	-0.05	-1.10
Pre-tax profit before exceptional items	€M	-0.18	-0.35	-1.03	-0.51
Corporate tax	€M	0.00	0.05	0.01	0.17
Attributable net profit	€M	-0.18	-0.30	-1.02	-0.34
Adjusted attributable net profit	€M	-0.18	-0.30	-1.02	-0.34

Cashflow Statement

		06/23A	06/24E	06/25E	06/26E
Total operating cash flows	€M	0.06	0.03	-0.54	3.77
Capital expenditure	€M	-5.00	-55.5	-16.0	-7.00
Total investment flows	€M	-5.00	-55.5	-16.0	-7.00
Dividends (parent company)	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	3.00	9.00	0.00	0.00
Total financial flows	€M	3.00	59.2	16.0	4.78
Change in net debt position	€M	-1.94	-46.5	-16.6	-4.33
Free cash flow (pre div.)	€M	-5.18	-55.5	-16.6	-4.33

Balance Sheet

		06/23A	06/24E	06/25E	06/26E
Goodwill	€M				
Total intangible	€M	0.00	0.00	0.00	0.00
Tangible fixed assets	€M	7.92	63.2	78.7	82.7
WCR	€M	0.00	0.00	0.00	0.00
Total assets (net of short term liabilities)	€M	7.92	63.2	78.7	82.7
Ordinary shareholders' equity (group share)	€M	0.72	9.42	8.40	8.07
Provisions for pensions	€M	0.00	0.00	0.00	0.00
Net debt / (cash)	€M	7.20	53.8	70.3	74.7
Total liabilities and shareholders' equity	€M	7.92	63.2	78.7	82.7
Gross Cash	€M	5.81	9.50	8.95	10.5

Per Share Data

		06/23A	06/24E	06/25E	06/26E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.02**	**-0.03**	**-0.09**	**-0.03**
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-0.68	-5.46	-1.44	-0.38
Book value per share	€	0.08	0.82	0.73	0.70
Number of diluted shares (average)	**Mio**	**7.60**	**10.2**	**11.5**	**11.5**

Contents

Businesses & Trends

Since February 26, 2022, Mr. Jean-François Ott has been the CEO of Courbet. Mr. Ott is a renowned real estate professional who has created, developed and supported the deployment of projects and assets in Europe over the last thirty years worth several billion euros, particularly in the hotel sector but also in residential and office space. He is also in investor in several listed companies.
As an investor and entrepreneur, Mr. Ott has demonstrated real know-how in identifying development assets whose values have since been multiplied by sometimes 5x or even 20x (Prague, Berlin, Hvar, Austin) due to particularly low acquisition prices (€150-300 per sqm in Berlin and Prague in the 1990s, for example). Under the impetus of Mr. Ott, the objective pursued by Courbet will be similar: to identify, acquire and hold neglected assets over the long term, which are by nature inexpensive, benefiting from favourable market developments which will significantly increase their economic value. Well beyond the traditional operational leverage (capitalisation of the repayment of bank debts, EBITDAR of the accommodation, etc.), Courbet's attractiveness therefore lies in the revaluation of its assets and their accumulation. One of the advantages of this strategy is the ability to acquire assets at a discounted unit price in a "cherry picking" format which, when regrouped, will benefit from a higher portfolio value (in blocks). The market value of the property portfolio is likely to exceed €100m in the coming years. The acceleration of growth (beyond the projects already announced) seems to us to be in line with the market *timing*: we share Mr Ott's view that the changing economic situation (interest rates, inflation, changing consumer behaviour) will create plenty of buying opportunities. Unlike many players who accumulated expensive assets in the upward phase of the cycle and are now heavily indebted, Courbet is going to grow its assets significantly in a more favourable phase of the cycle.

Introduction

Courbet, founded in 1955, has long been listed on Euronext Access (unregulated market, formerly the Marché Libre). The company has been an empty shell for over ten years, with no significant operational activity, the last remaining stake having been sold in August 2021. As at 30 June 2021, the balance sheet total was €0.1m. The Board of Directors of Courbet was reorganised in 2021. In addition to the CEO, it includes two members close to the OTT group. This governance reorganisation was a prerequisite for the use of Courbet as a vehicle to aggregate real estate assets to be repositioned in France.
In June 2022 Courbet announced the acquisition of a first real estate complex of more than 8,000m² in La Bourboule (France) from the OTT group, which holds 95% of Courbet's capital via OTT HERITAGE.

In September 2022, Courbet announced the acquisition of a second asset in Cannes (France), i.e. a 100-room hotel. This asset changed hands in H2 22 in consideration for the creation of 3m shares issued at €1.20 each, representing a value of €3.6m. This asset will be fully renovated by 2023-24.

The strategy is to acquire hotel assets in France that need to be revitalised via renovation, equipping them with modern communication tools and a professional management team. Courbet benefits from a favourable price differential between "wholesale to be renovated" and "standard retail" assets with the related acquisition prices (€70,000 per key in Cannes after works, €200/m² in La Bourboule before works).

Being part of a large market

The global hotel market is made up of 700,000 establishments, offering 18m rooms and generating $600bn in turnover. In 2021, INSEE estimated the average growth rate of the world market at 13% between 2020 and 2027.

Courbet will operate more specifically in the French market, which consists of 18,000 tourist hotels (excluding campsites and tourist residences). Tourism has contributed 8% to French GDP of which 40% is linked to international flows. According to the OECD, the share of tourism – in the broad sense – has been stable for the last twenty years at between 7% and 8% of GDP. France remains the world's leading tourist destination with 90m annual arrivals and the 3rd largest destination in terms of international revenue (€58bn). Hotels alone market 215m overnight stays annually (Source Atout France, 2019) and generate around €19bn in annual turnover. France has 650,000 rooms (around 400,000 in 1980) of which 156,000 are in the Ile de France region. The market has been stable since 2010-15. The average capacity is 36 rooms per hotel. The average occupancy rate is 62%, of which 79% is in the Île de France, or by deduction about 56% for the whole territory outside the Île de France. Excluding spa treatments, the average length of stay in hotels is 1.8 days (1.6 for French people, 2.1 for foreigners).

Hotels can be classified according to three main operating modes: i/ independent and ii) affiliated (82% of units); and iii/ integrated, owned and managed by Accor-type chains (18%). Due to their better-chosen locations and higher capital intensity (vs. the more numerous independents but less well located and offering lower unit capacities) chains market 47% of overnight stays. Courbet will not use a brand name or create a specific brand. The group will therefore operate its hotels as an independent, non-affiliated company.

The hotel market is considered mature, as shown by the relative stability of the number of establishments over the last decade. This stability nevertheless masks a change in the offer. The change of distribution methods via the Internet, although modifying behaviour, is not considered as disruptive. As shown by some famous examples (Negresco in Nice, Sacher in Vienna, etc.), the well-placed hotel building is characterised by its permanence despite changes in ownership or operators during crises. The reinforcement of standards has not to date created a wave of hotel closures. These standards, such as the forthcoming adaptation of heating methods (and thermal insulation), generally have an inflationary impact on the price of overnight stays and a deflationary impact on the price of assets, without leading to a restriction in supply. The hotel industry therefore remains a mature industry whose *pricing* is cost-driven.

French independent market

The occupation rate of ungraded independent hotels rarely exceeds 50%. These are generally units of fewer than 30 rooms, poorly located, poorly marketed or difficult to market. Independents of sufficient size (50-80 rooms), for whom classification provides visibility (e.g. three stars), generally benefit from an occupancy premium because of their ability to allocate manpower to reception, investment and marketing, and simply because of their location. Occupancy rates can be very much linked to the seasonality of the activity in the location. Courbet will undoubtedly look for a three-star rating in areas with a ‘guaranteed’ tourist season in La Bourboule (spa clients) as well as in Cannes (end/out of season business from congresses, film festivals etc.).

Over the last 10 years, independent hoteliers have made significant changes to their marketing methods by adapting to the emergence of OTAs (Online Travel Agencies). Booking.com, hotels.com and Airbnb have shaken up hoteliers, who are now trying to reappropriate their marketing by rationalising it. This reappropriation can only be optimised – internally – within the framework of “hotel clusters” that pool certain operational costs. We estimate that 1,000 rooms (i.e. 10-12 hotels, which is Courbet’s target) is the optimal size of a platform to absorb the costs related to the professional optimisation of marketing costs (internal *pricing* & *yield management*, external communication, allocation of investment resources, *risk management* etc.).

Covid impact

After a 49% drop in revenues in 2020 attributable to the Covid public health crisis, the French hotel industry rapidly recovered to approach or exceed its pre-crisis levels of Occupancy Rate (OR) and Price Per Night (RevPAR) by H1 2022, depending on the asset. Due to the timing of the launch of its projects, Courbet is operating after this crisis and is therefore not impacted. By 2023, France is likely to recover its 2019 activity levels according to the World Travel & Tourism Council.

In the medium term, we expect the Covid crisis and the rise in interest rates to lead to a phase of under-investment in the entire hotel industry, precipitating a decline in the most dilapidated or poorly managed units. There is therefore an opportunity for a new entrant to bring to market a renovated product, in line with market expectations. Given the turnover rate of hotel ownership and the ownership structure of the market (including chains) we estimate that the Covid impact to be eradicated by around 2030. Until then, we believe that there is a relatively deep pool of hotel acquisitions that have been weakened by the crisis or marked by the ageing of their owner-operators.

Courbet also envisages its own activity from a “post-Covid” perspective, which is likely to be reflected in a lasting change in consumer behaviour: i/ green tourism; ii/ localism and ecology; iii/ general inflation with a growing demand for responsible, reasonable, sustainable, geographically and economically accessible, quality tourism.

First project. La Bourboule, location and destination

In the first stage, Courbet's resources will be based on the marketing of rooms in La Bourboule (Project 1) and Cannes (Project 2, see below). La Bourboule is a spa town in the Puy-de-Dôme (central France, Auvergne) at an altitude of 850 metres, developed in the segment of treatment of respiratory ailments. There are currently 89 active spas in France. The absorption of wealth from 1914 onwards, the evolution of medicine as well as of modes of consumption, and the possibilities of international tourism via the development of aviation, have led to a decline in demand for spa treatments only interrupted by a period of stabilization since the 1990s.

Thermal cure baths have been exploited in La Bourboule since the Roman times. Having been a resort frequented by high society, with a mainly French clientele, La Bourboule was subsequently to become the leading spa destination for children between 1950 and 1980, for the treatment of asthma in particular, and remains the leading paediatric resort in France. Children represent about a third of customers taking the waters. Plus the adults accompanying them.

Strictly speaking (excluding luxury spas and detox centres such as Palace Chenot, Clinique La Prairie, or the Champs Elysées clinic), the thermal cure market in France is based on approximately 600,000 patients with a unit stay of 18 days, i.e. 11 million overnight stays (i.e. 5% of the French hotel market). 90% of the spa industry's turnover comes from cures reimbursed by the Social Security (excluding accommodation, paid for by the patients), i.e. a negligible 0.2% of its expenditure. 75% of the cures are oriented towards rheumatology, a speciality that La Bourboule does not address because of its positioning in respiratory disorders (asthma) and dermatology (eczema, psoriasis). Overall, La Bourboule enjoys a good reputation, partly due to the conditions it treats. Leveraging this reputation should allow for an increase in the number of customers taking thermal cures in the future.

La Bourboule ranks 40th amongst the 89 listed thermal spas hosting a little more than 100 thermal establishments. With 4,500 visitors per year in the high season from April to December, La Bourboule is an intermediate sized resort with about 1% of the national market. The first 18 establishments welcome more than 9,000 customers taking the waters each year, thus capturing 61% of the market (more than 20,000 annually for Balaruc-les-Bains – 55,000, Dax – 48,000, Gréoux-les-Bains – 35,000, Amélie-les-Bains – 27,000). Significant investment linked to the resumption of municipal management in 2009 has enabled a significant increase in attendance at La Bourboule: 2,400 in 2010, 3,300 in 2014 and now almost 5,000. The town no longer benefits from a rail service. It is 4.5 hours from Paris by car.

In January 2021, the commune of La Bourboule voted an investment plan of €7m for the municipal thermal baths through to 2024, to improve the thermal cure capacity and reception area and to carry out maintenance work on the building. As part of the government's Avenir Montagnes plan announced in 2021, La Bourboule should receive significant subsidies for this. As part of the recycling of derelict land (France Relance governmental plan), an additional subsidy of €2.3m already seems to have been granted to the commune. All of these investments will perpetuate and develop the local infrastructure for a total amount that Courbet quotes as €22m for the whole resort, including €5m of work at the municipal casino managed by the independent Arevian group (12-year Public Service Delegation signed in 2010). Beyond this extension in capacity and maintenance of the installations, the treatment of the "commercial lighting" and the reinforcement of the resort's attractiveness (communication and publicity) does not seem to have been dealt with to date. Nevertheless, tourist numbers in the Auvergne have increased by 12% overall in 2022 vs. 2021. 43% of all accommodation types have recorded an increase in visitor numbers compared to 2019.

The difficulty of finding tourist accommodation in La Bourboule is in line with the national average for spas. The commercial accommodation offer is made up of 9 hotels with a total of 254 rooms (average size 29 rooms). In addition, there are campsites and other facilities with 970 beds which meet the needs of approximately 400-450 people taking the waters (plus accompanying persons) who are permanently present for a standard stay of 18 days. The current hotel offer can be considered as being on average outdated or requiring significant investment/renovation to reach a level of quality adapted to the CSP+ tourist clientele that the resort may wish to attract.

The development of the hotel offer resulting from the Courbet project is therefore partly based on the hypothesis of an increase of about 30% of the thermal cure frequentation of the resort, unless part of the clientele frequenting the competitor accommodation establishments is captured. This increase in frequentation can only be obtained by three means: i/ a strong increase of the autonomous demand linked to Covid (2022 data not yet available but the thermal baths of Mont-Dore announced in April 2022 that it hoped to return to its pre-crisis frequentation level in 2023); ii/ a strong increase of the communication budget of the municipality focused on the Paris region and iii/

long-term diversification for the local economy away from thermal cures, based on shorter stays and returning to the multiplication of the “classic” Social Grade A customer base, looking for thermal wellness as an ancillary service.

In this respect, the resort should benefit in the long term from the increase of the demand for a form of “green” tourism, that it economically affordable, at altitude and therefore cool during hot spells with, however, a frequentation mostly focused on the high season from June to September. Such an evolution could allow *yield management* by hoteliers, favouring tourists in the summer and customers taking thermal cures towards the end of the season/or during the off season, so as to optimise and smooth the occupation rates of the infrastructures over the whole year. This hypothesis is based on the development of a far more comprehensive local product offer (notably outdoor sports) which can only correspond to isolated individual initiatives. The development of green tourism offerings (including electric bikes) and “family” formulas by hotel establishments may prove attractive in the long term.

Cannes: acquisition of the Hollywood Hotel in 2022

Cannes is a world-renowned tourist and congress destination with 130 hotels and 8,000 rooms. In the heart of the Côte d’Azur, its attractiveness is reinforced by the presence of 500 restaurants, 3 casinos and 31 private beaches. In September 2022, Courbet announced the acquisition of a 100 room hotel (Société de l’Hôtel Gril Aéroport de Cannes Mandelieu S.A.) for by OTT HERITAGE in return for 3m Courbet shares issued at €1.20 each. The location of the Hollywood Hotel, on the concession land of the Cannes-Mandelieu airport, as well as its immediate environment on a quality property (swimming pool, parking, wooded grounds), will bring it the natural clientele of an entry-middle-range establishment located at 20mn by car from the Croisette. An intermediate accommodation (three-star rating) in this destination is, in our opinion, a good asset.

This hotel is operated under an Authorisation for Temporary Occupancy (AOT) renewed on 26 October 2022 and extended to 2044. It will benefit from a €5m renovation investment in two tranches (€2.5m already invested prior to the acquisition), enabling the hotel to be brought up to a full standard, i.e. a cost price of around €70,000 per key. This cost price is moderate, but should be seen in the light of the way the asset is held, which is not freehold.

Future projects

Courbet is looking to continue to invest in future, whether in La Bourboule or in other destinations. These projects could be the source of additional value creation in terms of revalued NAV. Initially, Courbet's ambition is to create a group of a dozen establishments in France.

Divisional Breakdown Of Revenues

	Sector	06/23A	06/24E	06/25E	06/26E	Change 23E/22		Change 24E/23E	
						€M	of % total	€M	of % total
Total sales		**0.80**	**3.28**	**4.24**	**13.1**	**2↑**	**100%**	**1↑**	**100%**
O/w organic growth (%)		*0.00*	*312*	*29.3*	*209*	*312↑*	*12,581%*	*-283↓*	*-29,448%*
Hotel	Hotels & Motels	0.80	3.28	4.24	13.1	2↑	100%	1↑	100%
Food & Beverage	Hotels & Motels	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Other		0.00	0.00	0.00	0.00	0↑	0%	0↑	0%

Key Exposures

	Revenues	Costs	Equity
Dollar	0.0%	0.0%	0.0%
Emerging currencies	0.0%	0.0%	0.0%
Euro	100.0%	100.0%	100.0%
Long-term global warming	50.0%	50.0%	50.0%
Long-term interest rates	0.0%	0.0%	100.0%
Power price (MWh in €)	0.0%	10.0%	0.0%

Sales By Geography

France	100.0%

We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Courbet's strategy and *business model*.

Courbet's strategy is to create a hotel cluster that optimises operations and marketing in established tourist destinations that offer development or redevelopment potential. The Group wishes to acquire units that are losing momentum or "sleeping", and require revitalisation. This strategy allows for low acquisition prices in return for an expected rapid return on investment after a phase of upgrading the assets (re-investment). This strategy was applied by Mr. Ott in Prague in the 1990s when there was no/no market offering abnormally low acquisition prices. Our economic analysis focuses on the only assets whose acquisition has been announced to date (La Bourboule and Cannes). The Company plans to announce further investments. There are currently many assets for sale and revitalisation throughout the country. Our analysis and estimates will be supplemented as acquisitions are made.

Location and risk management

Courbet aims to acquire units of potentially significant size at a local level. The Company's first project concerns a building in the centre of La Bourboule with a capacity of 130 rooms, i.e. half of the local hotel capacity by June 2022. The acquisition of this first building was announced in June 2022 for a price of €1.5m vs. a floor area of 8,400m² (i.e. less than €200/m² acquired, excluding costs and works). Overall, the initial *cash* risk is moderate. With an opening planned in several stages, the *forward* risk is considered manageable: the capital expenditure is gradually deployed as each project phase is successfully completed. This asset benefits from a remarkable Haussmann-style building quality. Although adjacent to a 12 hectare public landscaped park, the hotel does not have private exteriors or parking. Courbet has informed us of its intention to negotiate direct access to Fenestre Park and has communicated that it will be able to offer a parking solution to its clients as soon as it opens.

In Cannes, the location of the Hollywood Hotel is not *prime* but it is a very busy destination for a "good mid-range" asset once the refurbishment is completed. Cannes is, in our view, also a moderate risk asset mainly due to its location.

Turnover

- La Bourboule

After a first phase of light renovation, the hotel is looking to open 40 rooms (communicated in June 2022) which can be increased to 68 rooms for the summer season 2023. Given the supply delays and various other factors in the construction/renovation segment, we do not rule out an opening for the spring 2024 season, without significantly modifying the overall risk of the project or our valuation per Courbet share. We take into account 40 billable rooms in the first phase of opening. Note that Courbet will not only target the thermal cure customers (and their companions) but also tourists. This could thus ensure the optimisation of occupation rates in high season (May to September) although, in our opinion, this may not enable the attainment of a rate of 80% over the year.

	2022/2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2029
	2023	2024	2025	2026	2027	2028	2029
I - La Bourboule							
Hotel							
Number of available rooms		40	40	80	80	100	130
Sqm (full)		8 400	8 400	8 400	8 400	8 400	8 400
Sqm (full in operations)		2 500	2 500	5 000	6 000	7 000	8 400
OR (Occupancy rate)		30%	65%	65%	65%	65%	65%
Price per night (incl. VAT)		95	95	110	110	110	110
VAT		10%	10%	10%	10%	10%	10%
Price per night (ex-VAT)		86	86	100	100	100	100
Revenue (EUR k, ex-VAT)		378	820	1 898	1 898	2 373	3 084
RevPAR - Total /365 days		26	56	65	65	65	65
RevPAR - Total ex-annual closing period		62	67	78	78	78	78

At this stage, pending more information, our model includes no figures from the restaurant business, whose contribution to the net result (in euros) is initially considered to be low. Note that, for this asset, Courbet may have to offer full board or half board for long stays by thermal cure customers (18 days), which may significantly increase the volume of business reflected in our current estimates. We do not, however, expect a substantial contribution from F&B to free cash flows or valuation in the future. We focus on accommodation by simply including a breakfast capture rate of 80%. We assume an average "introductory" price of €95 per night including taxes, including breakfast and parking. This figure is compatible with: i/ the maximum rates charged locally by the competition; ii/ the positioning sought by Courbet (affordable tourism); iii/ the city centre location and the particularities of its assets. At this stage, our estimate is lower than that of Courbet which is €130 at maturity. This latter figure seems ambitious in our view.

In the short term, we assume an occupancy rate of 30% over 6 months of opening in the first year, i.e. the equivalent of c.60% over a full year. This occupancy rate partially takes into account the risk that a significant part of thermal cure customers – and their accompanying persons in the case of children – book their accommodation in advance, based on the scheduling of the treatments carried out by the thermal baths at the beginning of the season.

The occupancy rate of 65% assumed at maturity is consistent with the closure of the thermal baths in December and January (except in the event of the extension of the thermal cure season). By extrapolation, assuming the hotel is closed during this period, the occupancy rate for February-November would be 78%, a high hypothesis which will have to be confirmed. We do not have the current occupancy rates of the competitor hotels. However, the prices of assets currently for sale in La Bourboule, for lower quality or even dilapidated properties, suggest a moderate occupancy rate. Reaching this threshold will depend in part on the intrinsic attractiveness of Courbet's hotel relative to the competition as well as on any change in the attractiveness of the destination "La Bourboule".

Courbet believes that it can take full advantage of the change in tourist aspirations in favour of green tourism, in a sparsely populated, unpolluted region. Our opinion is that the evolution of consumer behaviour must by definition be assessed over time, beyond the triggering parameter of Covid.

This contribution from a tourism clientele to the occupation rate needs to be assessed over a long period: the number of tourists in La Bourboule – except for thermal cure customers – will not be multiplied by a factor 3-5x within the space of two seasons. Since the average duration of a thermal cure stay is 5 times higher than that of a tourism stay, in our view the bulk of the turnover will remain linked to the thermal cure activity. Since tourism will only saturate accommodation capacity during holidays and the high season, this will not drive the annual occupancy rate up towards a significantly higher level in our opinion.

In 2025, the RevPAR should be €65 (excluding adjustment for a closed period in December and January, €78 after adjustment) which is close to the national average but higher than the RevPAR of the Auvergne-Rhône Alpes region which is currently €52 (2019 figures). At a national level, RevPAR is significantly higher for mid-range and luxury establishments, which is the positioning sought by Courbet (€74 and €149 respectively).

- Cannes

Formerly operated under the Campanile banner, Courbet expects an occupancy rate of over 65% for an average price of €125 per night. This price seems to us coherent with the asset. The occupancy rate for the whole of the French Riviera (Cannes, Nice, Saint Tropez) was 63% in 2019 with a pronounced seasonality (usual in this tourist region: 86% in August, 42% in January), which is why we anticipate an occupancy of around 70% for this fully-renovated hotel with a good quality/price/location ratio.

	2022/2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2028
	2023	2024	2025	2026	2027	2028	2028
II - Cannes							
Hotel							
Number of available rooms	50	50	100	100	100	100	100
Sqm (full)	2 500	2 500	2 500	2 500	2 500	2 500	2 500
Sqm (full in operations)	1 500	1 500	2 500	2 500	2 500	2 500	2 500
OR (Occupancy rate)	55%	55%	65%	72%	72%	72%	72%
Price per night (incl. VAT)	90	100	115	120	120	120	120
VAT	10%	10%	10%	10%	10%	10%	10%
Price per night (ex-VAT)	82	91	105	109	109	109	109
Revenue (EUR k, ex-VAT)	821	913	2 480	2 867	2 867	2 867	2 867
RevPAR - Total /365 days	45	50	68	79	79	79	79
RevPAR - Total ex-annual closing period							

The phasing of the works (renovation of only half the building at any one time) should allow full economic maturity in the 2024-25 financial year.

Costs and investments

The *business model* is simple, namely that of a hotel operation. It is generally accepted that staff costs are 70% fixed and 30% variable. On the whole, a hotel is a mostly fixed cost model (including rent). In the case of Courbet, which favours full ownership of the “premises + business”, the usual fixed costs are significantly reduced by the absence of rent (generally 10-20% of turnover).

The staff/room ratio is on average 0.5 for a three star hotel, i.e. 50 employees for a 100 key unit. Staff is the main cost item and is mainly composed of employees paid at the minimum wage. Operating costs are assumed to be standard (staff, marketing, energy and heating, cleaning, textile rental and maintenance, taxes), with a low performance start-up phase over one season (EBITDAR 20% at La Bourboule) tending towards 35% at full capacity. As a *benchmark*, the remuneration of Accor's *top managers* in 2019 was based on a target EBITDAR margin of 27.5%. Given its size, and over the long term, Courbet will not incur significant head office costs or brand remuneration. It will benefit from full control over its pricing. The EBITDAR ratio as well as the turnover itself will be decisive for the long-term valuation of Courbet. As a first approach, we normalise the operating costs on the hotels acquired or to be acquired and anticipate an average normalised EBITDA margin of around 35% at maturity. This assumption will be able to be validated progressively between now and 2028, once La Bourboule and Cannes have reached maturity.

At 130 rooms, the La Bourboule asset is expected to generate an EBITDA/CapEx return of around 12-15%, giving a high return on investment (project IRR approach). Our model is based on CapEx (excluding VAT, including land acquisition) of €8.0m. The walls are depreciated over 30 years, the works over 20 years and the land is not depreciated. Given that there is no rent, the business should be profitable very quickly although the magnitude of this profit remains to be specified. At this stage, we do not have sufficient information to conclude that there is a usable tax loss carry forward that can be allocated to the operational activity. La Bourboule is in a "Zone de Revitalisation Rurale". Given the legal structure of the holding (dedicated SPV), we assume that Courbet will benefit from partial or complete tax exemptions over the first five years. At this stage, we are assuming a standardised tax rate of 25% applied as of year one, simply for the whole Group. The cumulative *forward* tax gain translated into the 2027 NAV could be around €0.02 per share.

In Cannes, the investment of around €6m could generate a return on investment (EBITDA/CapEx) of 25% according to Courbet (FCF before debt repayment of €1.5m per year at maturity). Our assumptions reflect a rate of the order of 12-15%, which in itself is already efficient.

For the group as a whole, we do not include any corporate costs related to the OTT group, nor any significant remuneration of the CEO or the Board of Directors. For management purposes we do not exclude the implementation of a stock option plan. In our opinion, this would not be dilutive to the current NAV of €1.20 (source Company, June 2022) nor our price target, and could be represented by the simple issue of warrants, the number of which remains to be determined.

In terms of costs, Courbet's projected scope over 2023 to 2025 is insufficient as it stands to create a platform that fully pools marketing costs and expenses. This subject will be dealt with at a later date in conjunction with the development of Courbet. This could result in an optimisation of the Occupancy

Rate and an EBITDAR margin which are higher than our estimates. In the event of very rapid growth of the Courbet perimeter towards 10-12 units, we may have to take into account such an optimisation in the future.

Investment and marketing

- La Bourboule

The €1.5m acquisition will eventually require major works of the order of €8-10m (excluding VAT). To reach full capacity at 130 rooms (Courbet objective), we budget: i/ €70-80k per room or iii/ works of less than €1,300 per m². This budget is compatible with a significant upgrade of the entire building.

The challenge of the project is to capture a “long-term” client base (thermal cure customers) together with tourists who are passing through and require shorter stays (generally 1 to 3 nights) via an offer in “family rooms” for half-board or full-board stays (parental room plus a children’s room with bunk beds). The family offer (ski holidays) could enable the average length of the tourism stays to be extended. We do not anticipate a significant number of foreign customers. This will require a marketing strategy that has not been fully detailed at this stage (distribution network, external communication). However, we expect the La Bourboule hotel to be listed on MyHotelMatch (an OTT group company, covered by AlphaValue, PFR). As mentioned in our market analysis, some of the marketing will depend on the external budgets allocated by the local authorities around the “destination La Bourboule” itself. Traditional modes of communication will need to be deployed by the Courbet team to also market more effectively. Trade shows, but also journalists, influencers and digital communication campaigns, will have to allow the re-creation of an image linked to the destination La Bourboule as well as to the hotel itself. Note that these expenses (local authorities and Courbet) should ideally be managed together in order to optimise their impact.

At this stage, the management team has not been appointed. The OTT Group has its own resources. The provision of staff or resources via a regulated agreement has not been discussed at this stage. Most of the operational staff can be recruited locally: the employment market is not tight.

	2022/2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2029
I - La Bourboule	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Revenue (EUR k, ex-VAT)		378	820	1 898	1 898	2 373	3 084
EBITDAR (EUR k)		76	164	569	664	830	1 079
EBITDAR margin		20%	20%	30%	35%	35%	35%
Rents (EURk)		0	0	0	0	0	0
EBITDA (EUR k)		76	164	569	664	830	1 079
EBITDA margin		20%	20%	30%	35%	35%	35%
Depreciation		83	165	315	315	440	440
EBIT (EURk)		-7	-1	254	349	390	639
Financial expenses (EUR k)		55	55	118	115	163	155
PBT (EUR k)		-62	-56	137	235	228	484
Corporate Tax (EUR k)		-15	-14	34	59	57	121
Net profit (EUR k)		-46	-42	102	176	171	363
Gross cash-flow (EUR k)		36	123	417	491	611	803
Gross cash-flow (EUR k)		**36**	**123**	**417**	**491**	**611**	**803**
Debt repayment (EUR k)		0	142	146	320	327	477
Dividends (EUR k)		0	0	0	0	0	0
Working capital (EUR k)		0	0	0	0	0	0
Free cash flow (EUR k)		36	-20	272	171	284	327

- Cannes

The “Cannes destination” does not require any communication effort from Courbet and is sufficient in itself. The unit acquired is already a classic 100-room hotel (ex-Campanile brand) requiring reinvestment at lower risk, without any major transformation. The location is not *prime* due to the nuisance of being close to the airport runways (business aviation) but the location is technically very convenient for customers for the same reason. We therefore consider the asset to be “good mid-range”.

We do not identify any specific risk on this project. Apart from an overall refurbishment to be carried out in two phases, the management of this unit requires the usual management skills: the Cannes hotel is not a special product because of its profile. This is a second risk control factor. Labour is available in large numbers on the Côte d’Azur, although its cost is likely to be higher than at La Bourboule.

Cannes should generate €1.5m of annual free cash flow according to Courbet, i.e. c.€30m (nominal, cumulative, undiscounted, uninfluenced, before loan repayments) over the period 2022-44. For our part, we are expecting around €0.7-0.8m per annum in operational *run rate* (full maturity over 2024-25) before deduction of the repayment of the principal of the financing (including bank loans) to be taken out for the completion of the works.

As with La Bourboule, we do not add a contribution from the restaurant business (potentially €0.5-1.0m of additional low-margin business volume) and restrict our analysis to the profitable component: accommodation. It is possible that the Cannes hotel could use its land to extend its activity to event hosting and thus improve its profitability. However, our FCF estimates are lower than Courbet’s projections, suggesting that there could be a significant potential upward revision to our estimates if the Company’s forecasts are achieved.

	2022/2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2028
II - Cannes	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2028**
Revenue (EUR k, ex-VAT)	821	913	2 480	2 867	2 867	2 867	2 867
EBITDAR (EUR k)	164	183	620	860	1 003	1 003	1 003
EBITDAR margin	20%	20%	25%	30%	35%	35%	35%
Rents (EURk)	116	116	203	207	211	215	220
EBITDA (EUR k)	48	67	417	653	792	788	784
EBITDA margin	6%	7%	17%	23%	28%	27%	27%
Depreciation	152	152	277	277	277	277	277
EBIT (EURk)	-103	-85	141	377	516	512	507
Financial expenses (EUR k)	0	55	51	47	43	38	34
PBT (EUR k)	-103	-140	90	330	473	473	473
Corporate Tax (EUR k)	-26	-35	22	82	118	118	118
Net profit (EUR k)	-78	-105	67	247	355	355	355
Gross cash-flow (EUR k)	74	47	344	524	632	632	632
Gross cash-flow (EUR k)	**74**	**47**	**344**	**524**	**632**	**632**	**632**
Debt repayment (EUR k)	0	0	184	188	193	197	201
Dividends (EUR k)	0	0	0	0	0	0	0
Working capital (EUR k)	0	0	0	0	0	0	0
Free cash flow (EUR k)	74	47	160	336	439	435	431

Divisional EBITDA/R

	06/23A	06/24E	06/25E	06/26E	Change 23E/22		Change 24E/23E	
					€M	of % total	€M	of % total
Total	**0.22**	**0.27**	**0.47**	**3.44**	**0↑**	**100%**	**0↑**	**100%**
Food & Beverage	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Hotel	0.16	0.27	0.47	3.44	0↑	220%	0↑	100%
Other/cancellations	0.06	0.00	0.00	0.00	0↓	-120%	0↑	0%

Divisional EBITDA/R margin

	06/23A	06/24E	06/25E	06/26E
Total	**27.5%**	**8.35%**	**11.0%**	**26.3%**
Food & Beverage				
Hotel	20.6%	8.35%	11.0%	26.3%

Valuation

Introduction

The market capitalisation of Courbet, prior to the announcement of the acquisition of the La Bourboule and Cannes property complexes, was €8m based on a quoted price of €1.20 per share. As Courbet was an empty shell with a negative equity of €2m at the time of last available accounts, this pre-announcement market capitalisation valued *goodwill* at around €10m, which is high. It is related to the reduced free float of Courbet (5%) and a low number of transactions on the stock market.

The valuation of empty shells is variable over time. It depends on a large number of factors, including the scarcity of shells available on the market in the first place, the quality of the balance sheet (current or potential litigation, etc.), the nature of the activity (allowing the use of possible tax losses carried forward), the costs of listing a new entity on a regulated market, etc. We do not have an example of an empty shell valued at €10m corresponding to Courbet's EV at the end of 2021 (market capitalisation of €8m plus approximately €2m of partner debt due in June 2022). Moreover, Courbet is listed on a non-regulated market, which increases the shell value.

Courbet's NAV

In June 2022, Courbet disclosed a NAV of €1.20 per share corresponding to the market value of the La Bourboule real estate complex, once the works are completed, with a fully operational hotel. This NAV by 2026-28 (AV estimate) does not take into account any discounting or risk of drift on the works budget to reach a unit of 130 keys. This NAV results from an independent valuation by experts, net of the acquisition price (€1.5m) and the works to be carried out, i.e. a gross new market value of around €17m or €2,000 per m² of floor space, or €138,000 per key delivered. In absolute terms, these figures can only be validated by the economic performance of the hotel itself at maturity, i.e. by 2026 at the earliest. For the time being, we consider them to be a high boundary with regard to transactions observable on the market for better-located hotels, or for well-placed luxury hotels of intermediate size, accessible for a slightly higher value (€20-25m per unit) and with a higher asset value (lower risk level).

As Courbet does not have SIIC status (*REIT*), it is automatically subject to corporation tax. This NAV, on which our price target is based, will depend heavily on the achievement of ambitious commercial performances which can only be validated by 2026-27 (occupancy rate, 130 keys in service, €130 invoiced per night in La Bourboule).

Courbet's NAV at June 2022 (€1.20 per share) will be increased by the market value of the Cannes hotel acquired in September 2022. We expect the consolidated published NAV to be around €1.50 by 2025-27, close to our price target. It should be remembered that the Cannes hotel is not fully owned: its market value will therefore be discounted as the residual term of the Temporary Occupancy Permit is used up.

Price target
Our price target is essentially based on NAV and DCF metrics and results in a unit valuation of €1.50 per share. Although it is constructed differently, our target price is in line with the NAV published by Courbet in June 2022, to which is added the estimated NAV increment over Cannes and a future value creation supplement. The upside potential vs. the current price (c.25%) is mainly explained by the high market capitalisation of Courbet prior to the announcement (€8m for an empty shell).

Our price target is equivalent to an NAV (AV estimate) of €0.70 per share/La Bourboule, which takes into account economic performances lower than Courbet's estimates for the La Bourboule hotel (Occupancy rate/Price per night/works budget). We add the expected increase in Cannes' NAV (€0.35) as well as a premium of €0.45 per share (i.e. €6m net) to anticipate part of the value creation linked to the three acquisition projects announced in June 2022 (excluding Cannes). This anticipated value creation remains dependent on: i/ the materialisation of these projects; ii/ their subsequent individual analysis; iii/ the financing method chosen (issue of new shares for the equity portion, including the issue price parameter and possible dilution). This €6m increment in net value corresponds to value creation resulting from one or two establishments in conditions close to those in Cannes. It is thus a question of anticipating the value creation of Mr. Ott, his team, and their ability to identify investment objects with hidden value to be extracted in the medium term.

DCF
Due to the absence of flows, it is difficult to value Courbet by the DCF method. Only the actual performance of the hotel asset in the long term will make it possible to specify the value beyond the business plan we are drawing up, which is by nature imprecise given the absence of a *business plan* presented by Courbet. The amount of work and the commercial success will determine the magnitude of any subsequent value creation (NAV). Our valuation may therefore vary significantly in the future, whether favourably or unfavourably.

Note that, to our DCF value, we have added an intangible of €0.45 per share corresponding to the future value creation linked to the projects not yet announced. Note that Mr. Ott has extensive experience in all types of real estate matters, including hotels. His networks should enable him to identify significant investment targets that will create value in the future. This value creation would be based on an ex-post market value higher than the acquisition price, generating an incremental NAV. Depending on the nature of the assets received, it will however be necessary to assess the need to apply a discount linked to illiquidity (ex-post market capitalisation of Courbet vs. growth dynamics), to the absence of SIIC status (taxation of profits at the corporation tax rate, deduction of an increasing proportion of tax on unrealised capital gains to lead to the NAV) or symmetrically a premium linked to the yield and quality of the assets contributed/acquired.

Recent transactions

There are no recent transactions that would allow us to determine a valuation of Courbet shares. The conditions for the acquisition of the 95% block of Courbet's capital by the OTT group – including the price for the purchase of the partner's debt – are not known. The market value of the Courbet shell before the announcement of the La Bourboule project is therefore not public.

Valuation _fully diluted

There are currently no dilutive instruments currently or potentially in circulation. In the event of the issue of a dilutive instrument, we will be able to reason on a *fully diluted* basis by analysing the *strike* of the instruments issued or to be issued by virtue of subsequent delegations of authority from the Board of Directors (BSA, OC, others). It should be noted that a *stock option* plan is possible although We do not expect this to be dilutive to our share price target.

In other words, the determination of the issue price of the future Courbet shares to be created is left entirely in the hands of the current majority shareholder (Mr Ott). To our knowledge, there will be no blocking minority to counter a decision by the reference shareholder. As the current nominal value per Courbet share is €0.035 per share, any further massive dilution on the basis of the nominal value (without issue premium) would make the price per share converge towards its current nominal value. As a result, the final valuation per Courbet share could technically be significantly lower than the current share price in the event of a substantial issue at a low unit price. However, it should be noted that, given its 95% shareholding in June 2022 (89% estimated in December 2022), the OTT group is not sensitive to the unit issue price if it subscribes to its share of any capital increase.

Tax

La Bourboule is located in a Zone de Revitalisation Rurale and as such benefits from income tax exemptions. We may have to account for no tax in years 1 to 5, which could generate €0.02 of additional NAV later. The corporate income tax rate in Cannes is assumed to be normalized.

Dividends

As Courbet is a development-oriented company, we do not expect any significant dividends in the foreseeable future. The *cash* generated by the activity will be reinvested in acquisitions and work on new units.

Valuation Summary

Benchmarks	Values (€)	Upside	Weight
NAV/SOTP per share	4.09	134%	75%
DCF	3.68	110%	25%
Target Price	**3.99**	**128%**	

Comparison based valuation

Computed on 18 month forecasts
Peers ratios
COURBET's ratios
Premium
Default comparison based valuation (€)

DCF Valuation Per Share

WACC	%	8.32	Avg net debt (cash) at book value	€M	62.0
PV of cashflow FY1-FY11	€M	48.0	Provisions	€M	0.00
FY11CF	€M	8.56	Unrecognised actuarial losses (gains)	€M	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€M	0.00
Sustainability "g"	%	1.50	Minorities interests (fair value)	€M	0.00
Terminal value	€M	125	Equity value	€M	42.3
PV terminal value	€M	56.4	Number of shares	Mio	11.5
PV terminal value in % of total value	*%*	*54.0*	**Implied equity value per share**	**€**	**3.68**
Total PV	€M	104	Sustainability impact on DCF	%	-9.53

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	250
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	6.00
Tax advantage of debt finance (normalised)	%	25.0	**Company beta (leveraged)**	**x**	**2.83**
Average debt maturity	Year	5	Company gearing at market value	%	267
Sector asset beta	x	1.00 (1)	Company market gearing	%	72.8
Debt beta	x	0.50	**Required return on geared equity**	**%**	**17.6**
Market capitalisation	€M	20.1	Cost of debt	%	4.50
Net debt (cash) at book value	€M	53.8	**Cost of ungeared equity**	**%**	**8.50**
Net debt (cash) at market value	€M	49.1	WACC	%	8.32

1. Petit portefeuille à ce stade, nécessitant un bêta plus élevé que le secteur

DCF Calculation

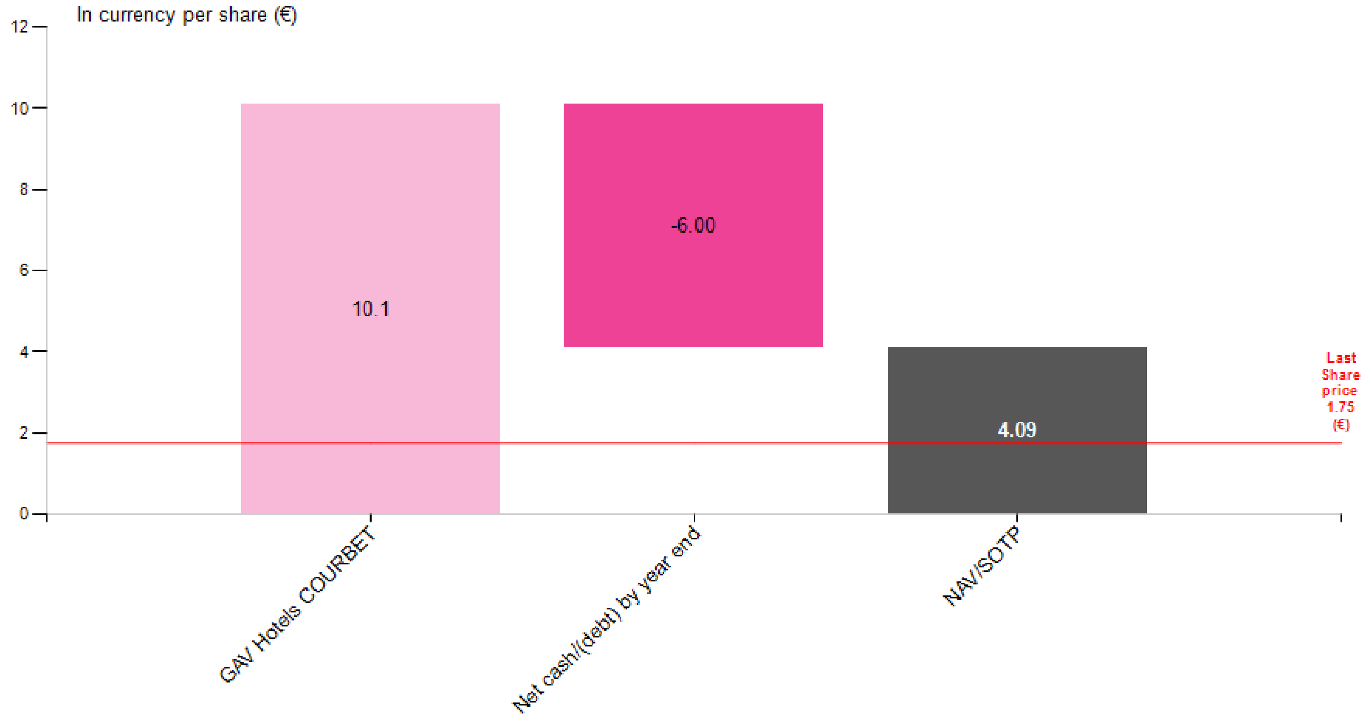
		06/23A	06/24E	06/25E	06/26E	**Growth**	06/27E	06/34E
Sales	€M	0.80	3.28	4.24	13.1	**2.00%**	13.4	15.4
EBITDA	€M	0.06	-0.02	-0.55	3.60	**2.00%**	3.67	4.21
EBITDA Margin	*%*	*6.91*	*-0.55*	*-12.9*	*27.4*		*27.4*	*27.4*
Change in WCR	€M	0.00	0.00	0.00	0.00	**2.00%**	0.00	0.00
Total operating cash flows (pre tax)	€M	0.06	-0.02	-0.55	3.60		3.67	4.21
Corporate tax	€M	0.00	0.05	0.01	0.17	**2.00%**	0.18	0.20
Net tax shield	**€M**	**-0.06**	**-0.02**	**-0.01**	**-0.27**	**2.00%**	**-0.28**	**-0.32**
Capital expenditure	€M	-5.00	-55.5	-16.0	-7.00	**2.00%**	-7.14	-8.20
Capex/Sales	*%*	*-628*	*-1,692*	*-377* (2)	*-53.4*		*-53.4*	*-53.4*
Pre financing costs FCF (for DCF purposes)	€M	-5.00	-55.5	-16.5	-3.51		-3.58	-4.11
Various add backs (incl. R&D, etc.) for DCF purposes	€M		0.00 (3)	40.0 (2)	4.00		5.00	12.5
Free cash flow adjusted	**€M**	**-5.00**	**-55.5**	**23.5** (2)	**0.49**		**1.42**	**8.39**
Discounted free cash flows	**€M**	**-5.00**	**-55.5**	**21.6**	**0.42**		**1.12**	**3.77**
Invested capital	€	8.76	67.9	83.5	87.5		94.3	184

2. Dont 40 millions d'euros de valeur provenant : i/ de la création de valeur future et ii/ d'actifs détenus improductifs de revenus et d'EBITDA en 2024.
3. Including an intangible of €10m related to the expectation of future value creation.

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
GAV Hotels COURBET	100%	GAV		116	116	10.1	100%
Other					0.00	0.00	0.00%
Total gross assets					**116**	**10.1**	**100%**
Net cash/(debt) by year end					-69.0 [1]	-6.00	-59.5%
Commitments to pay					0.00	0.00	0.00%
Commitments received							
NAV/SOTP					47.0	4.09	40.5%
Number of shares net of treasury shares - year end (Mio)					**11.5**		
NAV/SOTP per share (€)					**4.09**		
Current discount to NAV/SOTP (%)					**57.2**		

1. Debt corresponding to the cash out necessary to bring the entire portfolio to a stage of maturity allowing full exploitation



Debt

Introduction

Courbet's balance sheet structure remained unbalanced as at 30 June 2022, albeit simple following the disposal of its last asset in August 2021. Following the acquisition of the La Bourboule real estate complex in June 2022, the accounts closed on 30 June 2022 (fiscal year 2021-22) should show negative shareholders' equity of €2m, an associate current account of the same amount in favour of the OTT group (AlphaValue assumption), an insignificant WCR (AlphaValue estimates) and then symmetrically fixed assets of €1.5m (La Bourboule) as well as a debt towards the OTT group of €1.5m. The balance sheet total would thus be €1.6m. Our estimates anticipate a conversion of the €2m shareholders' current account at its nominal value in exchange for new Courbet shares before 30 June 2023.

Faced with negative equity of €2m at the end of June 2022 and in the absence of cash, Courbet will have a debt of €3.5m towards the OTT group, its 95% shareholder at the same date. We believe that these debts are a long-term resource. We anticipate their full conversion into equity (*debt to equity*) in order to facilitate the obtaining of bank financing.

Bank financing

Having contributed €1.5m in cash to finance the initial acquisition (prior to the sale to Courbet), the OTT group has provided sufficient cash to assume the backing of the La Bourboule renovation €6-7m in borrowings in several tranches, the first of which is €1-2m to deliver 40 rooms to be opened in the summer of 2023 (spring 2024 according to AlphaValue). In this first stage, the LTV (expressed in nominal terms) will be only 50-55%. The banks will probably finance the completion of the works in a second phase (tranches 2 and 3) if the success of tranche 1 is demonstrated. However, we do not exclude additional capital contributions in the future from the OTT group or any other partner to finance the acquisitions of projects 3 and beyond. In Cannes, the contribution is of the order of €3.6m against a second tranche of work of the order of €2.5m. The loan-to-cost ratio would thus be well below 50%. On the whole, the projected leverage seems quite reasonable.

Courbet has mentioned the possibility of a bond issue. Given its size, we exclude traditional drawings (green bonds, etc.) but will consider small-scale investments (€10-20m) in parallel with acquisitions. The cost of this solution has yet to be evaluated (liquidity/rate ratio by 2025).

Equity financing

Based on the NAV declared by Courbet in June 2022 (€1.20), the Company will issue approximately 6m new shares, i.e. a doubling of the number of shares existing at 30 June 2022, to remunerate the various contributions and conversions of receivables from the OTT group (Cannes, La Bourboule). The OTT group's shareholding would automatically fall from 95% to 89% of the capital on 31 December 2022. Although it has not yet been announced, we are including these issues in the 06/2023 financial year given their probable nature.

Even if some opportunistic real estate development operations are an option, our assumption is that Courbet will keep the renovated assets on its balance sheet as part of a long-term asset management strategy. Without counting on the sale of any hotels, any rapid development of Courbet on other projects in 2023-26 will therefore require the raising of new equity capital, which we will scenario later. Beyond 2026-28 (maturity on La Bourboule and Cannes), Courbet will be able to deploy its capitalised *free cash flow* to self-finance a regular acquisition policy up to one unit per year by optimising its financial leverage. In the future, the Company will be able to use deferred dilution tools (quasi-equity, commitment to block a current account in the medium term, pledging of the said current account to the banks, CBs, etc.). Depending on the speed of deployment, the acquisition of 8-10 additional hotels (reaching the cluster effect of 10-12 units) is a credible hypothesis by 2030. Net of cash generation, an additional injection of hard capital in the order of €5-10m seems likely, i.e. half the market capitalisation in November 2022.

Liquidity
For the time being, we are not aware of any firm or quantified commitment from the majority shareholder to support the operation. Courbet has not yet received any firm loan commitments from banks to finance the works phase at La Bourboule or the renovation phase at Cannes.

At La Bourboule, the necessary administrative authorisations and the planning of the works for an opening in the summer of 2023 suggest that the bank financing will be authorised at the beginning of 2023, with amounts, duration and interest rates still to be determined. Our estimates suggest that €7m (excluding VAT credit) of works loans will be put in place in three tranches, to be disbursed progressively between 2022 and 2026-27.

In Cannes, we expect bank financing of €2.0-2.5m to be drawn down in 2023-24.

The OTT Group and Mr. Jean-François Ott personally are, in our opinion, together sufficiently solvent to accompany Courbet in the projects known to date and to ensure the liquidity of the Company.

Detailed financials at the end of this report

Funding - Liquidity

		06/23A	06/24E	06/25E	06/26E
EBITDA	€M	0.06	-0.02	-0.55	3.60
Funds from operations (FFO)	€M	0.06	-0.05	-0.59	2.67
Ordinary shareholders' equity	**€M**	**0.72**	**9.42**	**8.40**	**8.07**
Gross debt	€M	13.0	63.2	79.3	85.2
+ Gross Cash	€M	5.81	9.50	8.95	10.5
= Net debt / (cash)	**€M**	**7.20**	**53.8**	**70.3**	**74.7**
Undrawn committed financing facilities	€M	0.00	0.00	0.00	
Gearing (at book value)	%	744	324	739	899
Equity/Total asset (%)	%	9.08	14.9	10.7	9.75
Adj. Net debt/EBITDA(R)	*x*	*41.2*	*82.0*	*526*	*17.4*
Adjusted Gross Debt/EBITDA(R)	*x*	*74.3*	*96.4*	*593*	*19.9*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*94.8*	*87.0*	*90.4*	*91.3*
Ebit cover	*x*	*0.33*	*-0.25*	*-3.03*	*0.61*
FFO/Gross Debt	*%*	*0.42*	*-0.08*	*-0.74*	*3.14*
FFO/Net debt	*%*	*0.76*	*-0.09*	*-0.84*	*3.58*
FCF/Adj. gross debt (%)	*%*	*-39.8*	*-87.8*	*-20.9*	*-5.08*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*		*-250*	*-4.92*	*3.53*
"Cash" FCF/ST debt	*x*		*-301*	*-10.7*	*-2.47*

Worth Knowing

Listing on an unregulated market

As Courbet is listed on Euronext Access, a non-regulated market (formerly known as the Marché Libre), minority shareholders do not benefit from the PACTE law which allows the implementation of an OPR/RO process (*squeeze out*) in favour of a shareholder holding more than 90% of the capital. However, shareholders benefit from a “voluntary buyout offer” process prior to delisting. The OTT Group holds 95% of the capital as of June 2022 and an estimated 89% at the end of 2022.

We have not been informed at this stage whether Courbet might be interested in changing its segment to a regulated market. However, Mr. Ott has informed us that he wants to make Courbet a long-term asset management vehicle and wishes to retain majority control for the foreseeable future.

Negative equity and tax losses carried forward

Courbet’s equity was a negative €2m at the end of 2021 for a balance sheet total of €0.2m. The precise structure of the liabilities (including liquid and payable debt) is not known in detail at this time.

The negative equity suggests the existence of a tax loss carry forward. Based on the information available, we cannot assess the material possibility of using this carry forward as a deduction for future profits, nor the possible possibilities of a “carry back”. As Courbet has not had any significant operational activity recently, our assumption is that the known losses are related to equity investments and cannot be carried forward or used. We therefore use a standardised tax rate from year one.

Short-term financing

At the last available accounts, Courbet’s available cash was zero. The continuity of operations must be ensured by the OTT group (reference shareholder). There is currently no firm commitment of financing received by Courbet that is public.

The acquisition of the La Bourboule real estate complex was financed by a 100% vendor loan. The creditor is the OTT group, holding 95% of Courbet’s capital. We believe that the financial structure will be strengthened by a global capital increase of €7m to be carried out by June 2023: i/ conversion of the OTT shareholders’ claims (€2m); ii/ conversion of the La Bourboule OTT claim (€1.5m); iii/ remuneration of the Cannes contribution (€2.4m from OTT and €1.2m from the original owner)

Medium term financing

The works phase at La Bourboule and Cannes is dependent on obtaining bank loans, various subsidies and significant support from the majority shareholder via debt (additional shareholders’ current account, convertible bonds, capital). The OTT group has assured us of its intention and ability to finance 100% of the project with equity if necessary.

Courbet wishes to explore the possibility of bond financing (dry or convertible). Given the size of the Company, we will consider this solution beyond the 2022-26 seed period. We will favour the idea of equity financing, bank financing and classic quasi-equity financing (CB, BSA), excluding the favourable hypothesis of a bond placement subscribed in the OTT sphere.

Further dilution

Beyond the capital increases of up to c.€7m in 2022-23, any significant or rapid project in the future will require the issuance of new shares. While the dilution cannot be assessed at this stage, the current minority shareholder is protected in the short term by the OTT Group's shareholding. With 95% of the capital (June 2022), the issue price per share is neutral for him and the risk of significant dilution for the minority shareholder is low.

Partner's current account

At 31 December 2021, we estimate the current account of associates at €2m (€2.9m at 30 June 2021 net of €1.0m of proceeds from the sale in August 2021). We assume that this current account was acquired by the OTT group at a value close to zero at the same time as the acquisition of 95% of the capital of Courbet. Courbet still owes the nominal value.

Beyond the €1.5m vendor credit granted by the OTT group for the acquisition of La Bourboule, this current account represents a substantial nominal value vis-à-vis the minority shareholders (5% of the capital in June 2022) and therefore a risk of dilution. For balance sheet purposes, it seems likely to us that this current account will be converted into capital at its nominal value, on the basis of a price per new share equal to the NAV published by Courbet in June 2022, i.e. €1.20 per share.

Consolidated financial statements, *reporting*.

The Company does not publish consolidated financial statements. The housing of assets in dedicated SPVs (La Bourboule, Cannes) may require consolidated financial statements from the fiscal year ending 30 June 2023.

In the event of a very fast development by acquisition-renovation, the Company does not communicate at this time on the possible depth of an analytical *reporting* (P&L per asset etc.) allowing validation of the success of the project by stage.

General and specific risks

The risks inherent in any real estate or hotel project are: i/ the location and quality of the asset; ii/ the appraisal and obtention of authorisations if necessary; iii/ the general implementation and works schedule; iv/ the economic conditions (downstream: market price at completion, upstream: financing and rates); v/ governance and vi/ the quality of the tenant coupled with the firm duration of the leases.

In the case of Courbet, the favourable acquisition prices in themselves significantly reduce the overall risk of the projects, without in themselves guaranteeing the value of the asset over time.

At this stage, the Board of Directors does not have broad powers to increase the share capital by issuing securities and other matters. We expect the Board of Directors to seek such authorisations from the General Meeting.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
OTT Heritage	95.0%	95.0%	0.00%
Apparent free float			**5.00%**

Sustainability

Sustainability of the activity

By extension the development model can be considered sustainable. In *run rate* a hotel consumes few incremental resources. Courbet has the opportunity to promote sustainable tourism by favouring green tourism by nature (type of accommodation) or proximity (limitation of carbon emissions).

Courbet's reporting

As Courbet has no activity, the company does not publish an environmental report and has not communicated its intention to publish one. When renovating the assets it acquires, Courbet wishes to develop alternative heating methods to fossil fuels. The modernisation of the Cannes hotel will involve the greening of the roof, while the Grand Hôtel de La Bourboule will benefit from a communal wood-fired boiler. The commune of La Bourboule has a heating network supplying 70 buildings. Geothermal energy will be considered in the most appropriate cases.

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	**0/10**	25%
Board geographic diversity	**5/10**	20%
Chairman vs. Executive split	✗	5%
Environment		
CO^2 Emission	**1/10**	25%
Water withdrawal	**2/10**	10%
Social		
Wage dispersion trend	**0/10**	5%
Job satisfaction	**0/10**	5%
Internal communication	**0/10**	5%
Sustainability score	**1.5/10**	100%

Governance & Management

Until 2022, Courbet was owned and managed by the Dumenil group (Mr Alain Dumenil and his family) via the companies PADIR and LAUREAN and also directly by Mr Dumenil. The latter was a director of Courbet (and manager of PADIR). Since 2003, Courbet has held a 100% stake in Editions de l'Herne, a stake which will be sold in 2021 to the Dumenil group prior to the transfer of control of Courbet to the OTT group. It should be noted that the OTT group and Mr. Dumenil are currently partners in the capital of MyHotelMatch (ex-Foncière Paris Nord, ex-SPAC, MHM is followed by AlphaValue, PFR) which is outside the scope of Courbet and has no connection with it. The OTT Group announced in June 2022 that it held 95% of the capital and voting rights of Courbet. The OTT group is managed and owned by Mr. Jean-François Ott. To our knowledge, the Dumenil family no longer holds any Courbet shares. Neither the Dumenil group nor any of its representatives continue to sit on the Board of Directors of Courbet.

Since February 2022 and the complete replacement of the Board of Directors, the latter has been composed of three members close to the OTT group. The functions of CEO and *Chairman* are not separated. According to our methodology, we do not identify any independent directors. In addition to Mr. Ott, CEO, the following are directors: i/ Mr. Mickael Benmoussa and; ii/ Mr. Emmanuel Blouin. Mr. Benmoussa is an entrepreneur and real estate professional. He was previously a consultant, analyst, member of the Board of Directors and Chairman of Foncière Paris Nord (now MHM, OTT Group). Mr. Emmanuel Blouin is the founder of Esterel Capital LLP. His structure offers investment and support services to the real estate sector (fundraising, contributions, debt restructuring, etc.). Given the size of the Company, the Board of Directors does not have a Committee. The governance can be considered stable due to the OTT Group's ownership.

Governance score

Company (Sector)	Independent board
4.5 (6.5)	No

Parameters	Company	Sector	Score	Weight
Number of board members	4	10	10/10	5.0%
Board feminization (%)	0	40	1/10	5.0%
Board domestic density (%)	75	61	5/10	10.0%
Average age of board's members	51	59	10/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	0	40	0/10	20.0%
One share, one vote			✔	10.0%
Chairman vs. Executive split			✘	0.0%
Chairman not ex executive			✘	5.0%
Full disclosure on mgt pay			✘	5.0%
Disclosure of performance anchor for bonus trigger			✘	5.0%
Compensation committee reporting to board of directors			✘	5.0%
Straightforward, clean by-laws			✔	15.0%
Governance score			**4.5/10**	**100.0%**

Management

Name			Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Jean-François OTT	M	France	CEO	1965	2021		(2023)	(2023)

Board of Directors

Name			Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Jean-François OTT	M	France	✘	President/Chairman of th...	2027	1965	2021		0.00 (2023)	8,503 (2023)
Michaël BENMOUSSA	M	France	✘	Member	2027	1983	2021		0.00 (2024)	363 (2024)
Emmanuel BLOUIN	M	France	✘	Member	2027	1972	2021		0.00 (2023)	0.00 (2023)
Brad TAYLOR	M	Canada	✘	Member	2028	1973	2024			

Environment

Direct impact

As a service business (hotel industry), the impact on the environment scope 1 & scope 2 is limited to operations: energy (electricity or even fossil fuels for heating, essentially) and miscellaneous (water consumed by customers, waste generated). We also consider that the entire environmental responsibility lies with the final consumer. At this stage, Courbet has not announced a strategy to take into account the reduction of its environmental footprint in its project to upgrade its assets (thermal insulation, heating, waste recycling, etc.).

Indirect impact

The takeover of an existing asset to be upgraded is in itself carbon neutral vs. the construction of a new accommodation facility. This avoided expenditure is not valued here. This strategy could by extension be considered to have a positive impact on the environment. Conversely, the “grandfather” carbon expenditure resulting from the original construction of the assets (concrete, metals, soil artificialisation, etc.) is not accounted for. In the long term, we do not anticipate that this original expenditure will have to be compensated.

Due to its location, Courbet will promote by nature a local accommodation model frequented by an essentially national clientele, with the correlative low environmental impact vs. distant destinations.

Courbet’s environmental reporting

As Courbet’s activity is embryonic, the Company does not publish an environmental report and does not communicate on its intention to publish one. It does not publish forecasts for emissions of any kind. The production of waste and the consumption of water in scopes 1 & 2 can nevertheless be anticipated as low in mass, even in the mature phase of the project.

Environmental score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
CO² Emission	1/10	4/10	30%
Water withdrawal	2/10	4/10	30%
Energy	1/10	4/10	25%
Waste	2/10	3/10	15%
Environmental score	**1.5**		**100%**

Company (Sector)

1.5 (4.0)

Environmental metrics

	Company						Sector
	2020	2021	2022	2023	2024	2025	2023
Energy (GJ) per €m in capital employed	n/a	n/a	n/a	n/a			250
			1.2	1.2	1.3	1.5	4.1
Tons waste generated per €m in capital employed	n/a	n/a	n/a	n/a			14
Cubic meter water withdrawal per €m in capital employed	n/a	n/a	n/a	n/a			494

Sector figures

Company	Country	Environment	Energy (total, in	CO2 Emissions (in	Water Withdrawal (in	Waste (total, (in

		score	GJ)	tons)	m3)	tons)
Entain		8/10	474,399	34,881	n/a	3,590
FDJ United		9/10	105,325	2,720	n/a	
Evolution AB		6/10	95,191	4,667	n/a	n/a
COURBET		1/10	n/a		n/a	n/a
AccorHotels		3/10	48,790,976	3,306,000	62,000,000	219,650
Compass		6/10	3,124,696	212,288		
OPAP		10/10	n/a	3,094	n/a	n/a
Sodexo		8/10	1,856,772	111,411	3,046,600	
TUI Group		2/10	84,093,487	6,089,710		91,217
Intercontinental Hotels Group		2/10	54,122,155	2,585,285	125,497,182	n/a
Whitbread		9/10	2,304,406	139,891	5,006,000	44,900
Mitchells & Butlers		5/10	2,650,909	151,237		
Flutter Entertainment		6/10	n/a	19,754	n/a	n/a
Melia Hotels International		7/10	1,709,988	134,063	9,076,101	26,474
J D Wetherspoon		5/10	1,361,644	93,788		52,781
Elior		8/10	403,118	34,900	243,649	

Social

Team

Apart from the Board, there is currently no management team in place. The number of direct employees of the Company is nil as of June 2022. With the launch of the La Bourboule hotel, excluding Cannes, we anticipate an increase in the number of employees to around 65 people by 2028 (130 rooms). This figure includes the equivalent of staff that could be subcontracted in the future within the OTT group for support functions (marketing, back office, accounting etc.). With a platform of 10-12 hotels, the group will have several hundred employees.

Courbet's social reporting

As Courbet has no activity at this stage, the Company does not publish a social report. The remuneration policies are not known at this time, nor their structure (internal/external to Courbet). To our knowledge, there are no specific regulated agreements.

Social score

Company (Sector)

1.7 (6.2)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	5/10	20%
Average wage trend	1/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	**1.8/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	0/10	25%
Human resources development	4/10	35%
Pay	0/10	20%
Job satisfaction	0/10	10%
Internal communication	0/10	10%
Qualitative score	**1.4/10**	**100%**

AlphaValue analysts tick boxes on essential components of the social/HR corporate life.
Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes ✔ / No ✘	Weight
Accidents at work		**25%**
Set targets for work safety on all group sites?	✘	10.0%
Are accidents at work declining?	✘	15.0%
Human resources development		**35%**
Are competences required to meet medium term targets identified?	✔	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✔	3.5%
Is there a training strategy tuned to the company objectives?	✘	3.5%
Are employees trained for tomorrow's objectives?	✘	3.5%
Can all employees have access to training?	✘	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✔	3.5%
Have key competences stayed?	✔	3.5%
Are managers given managerial objectives?	✘	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✘	3.5%
Is mobility encouraged between operating units of the group?	✘	3.5%
Pay		**20%**
Is there a compensation committee?	✘	6.0%
Is employees' performance combining group AND individual performance?	✘	14.0%
Job satisfaction		**10%**
Is there a measure of job satisfaction?	✘	3.3%
Can anyone participate ?	✘	3.4%
Are there action plans to prop up employees' morale?	✘	3.3%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✘	10.0%
Qualitative score	**1.4/10**	**100.0%**

Staff & Pension matters

As the Company has no operational activity, it has no employees. The remuneration of the CEO appointed in 2022 is not yet public. The future remuneration policy of the Board members and the Chairman is not known. We anticipate that the Chairman and the Board members will not be remunerated.

Team

The future management team has not yet been formed. The OTT Group has the resources to support the formation of a team or to allocate resources via employee sharing if necessary. Unemployment in La Bourboule is high (around 14%). As a result, we do not anticipate any major recruitment difficulties in terms of opening the hotel. We do not anticipate any recruitment difficulties in Cannes, although the salaries are likely to be higher.

Courbet's social reporting

The Courbet activity being null, the company does not publish a social report. The future activity of Courbet will consist of pure services. There is no public recruitment plan.

Recent updates

18/11/2024
Merger Project with MHM
M&A /Corp. Action

MyHotelMatch, a company in the Ott galaxy, announces a project to merge with Courbet Heritage.

Fact

- MHM may purchase Courbet Heritage.
- Regulatory approval is necessary.

Analysis
Governance
The Ott family almost entirely owns Courbet Heritage, with the Ott family owning less than 30% of MHM. Given Courbet Heritage's valuation advantage, if the transaction were fully compensated with new MHM shares, the Ott family's stake in NewMHM would exceed 30%, requiring a waiver from the French AMF. Regardless, we anticipate the Ott family will retain significant influence over NewMHM, which will become their main listed SPV. This transaction will effectively shift Courbet Heritage shares from the OTC market to the regulated Euronext market, where MHM is currently listed, improving transparency for Courbet Heritage's minority shareholders.

Economic implications
Economically, Courbet Heritage will become the primary activity of MHM, as MHM's main business, the Conciergerie, has been sold. Essentially, NewMHM will closely mirror the current economic structure of Courbet Heritage.

Transaction
The details of the merger are currently unknown. In a 100% share deal, the exchange terms need to be evaluated. If a cash component is included, it will provide clarity on the valuation of Courbet Heritage shares.

Impact
The merger project does not necessitate alterations to our presumptions regarding Courbet Heritage. Courbet Heritage should reveal information about its portfolio to elucidate the valuation.

Courbet's portfolio necessitates substantial investment in works, in addition to details on the timeline for planning permissions and the economic parameters of the investments, such as rents, return on cost, financing, and the business model of each asset.

24/10/2024 **Opinion change, due to market moves, from Sell to Buy**

19/08/2024
Preliminary update

Change in Opinion

Add vs Sell

Pending further details on the works programme, financing, timetable and other information, we are updating our model to take into account: i/ the integration of the Hotel Mozart in Prague and the Christ Roi in Lourdes, and ii/ the accretion resulting from the €20m capital increase (€9m immediate in 2024 and deferred via ORA for the balance). Given COURBET AM's expectations in terms of future value creation, our recommendation is positive.

Change in Target Price

€ 3.98 vs 1.50 +165%

The target price has been revised sharply upwards due to the accretive effect of substantial capital increases of €3.40 in 2024 and €4.0 thereafter (via ORA). The model will be revised by the end of 2024, resulting in a change in the year-end to 31 December 2024. This should not materially impact our price target.

The estimates are based on an operational approach: they include the operation of all hotels in order to give an overall picture of the scope of consolidation. They will be adjusted when the hotel management contracts come into effect.

Change in EPS

2023 : € -0.03 vs -0.01 ns
2024 : € -0.09 vs 0.00 ns

Given the still low contribution of assets to revenues and EBITDA in 2024-25, our EPS estimates are slightly modified. The number of shares has been adjusted for recent share issues as part of the 2024 capital increases. Our EPS sequence does not include the effect of the conversion of the ORAs, which will create an additional 24% of shares over an as yet undetermined timeframe.

Change in NAV

€ 4.09 vs 1.51 +171%

We are revising our GAV to take into account a valuation of the Mozart Hotel of €73m by 2026. Its value will then be revised (the Company's valuation target is €90-100m) based on current economic parameters. Added to this are the values at maturity of all the other assets, following major works at La Bourboule, Cannes and Lourdes.

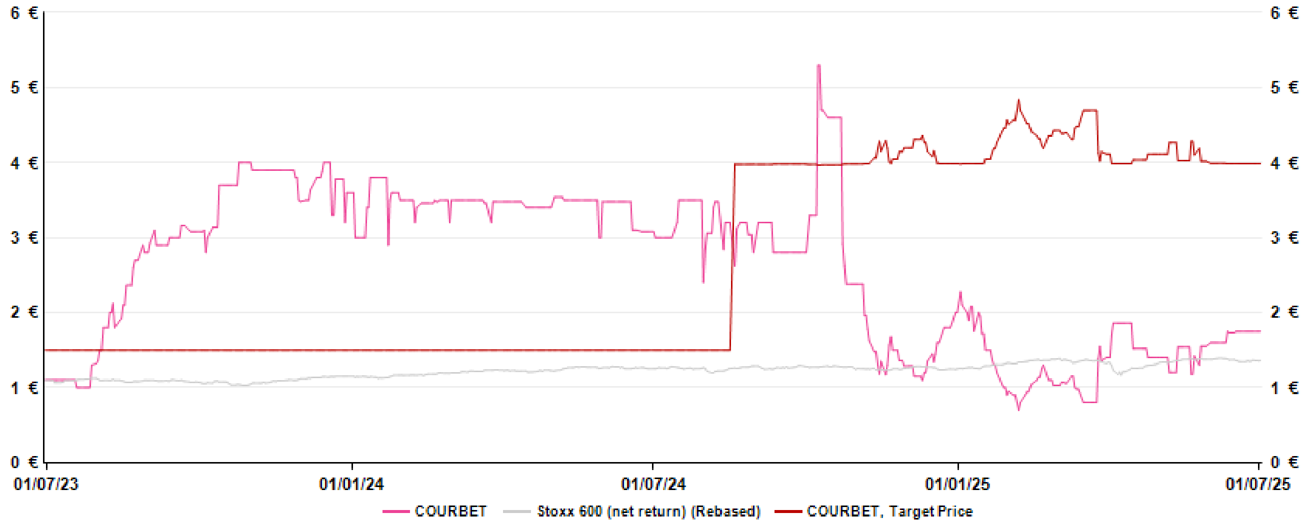
The debt used in our SOTP corresponds to the full forecast cash out (AV est.) linked to this works programme, which will enable the assets to be fully valued. Our NAV is close to the strike of the ORAs, i.e. €4.0 per share, which is intuitively consistent.

Change in DCF

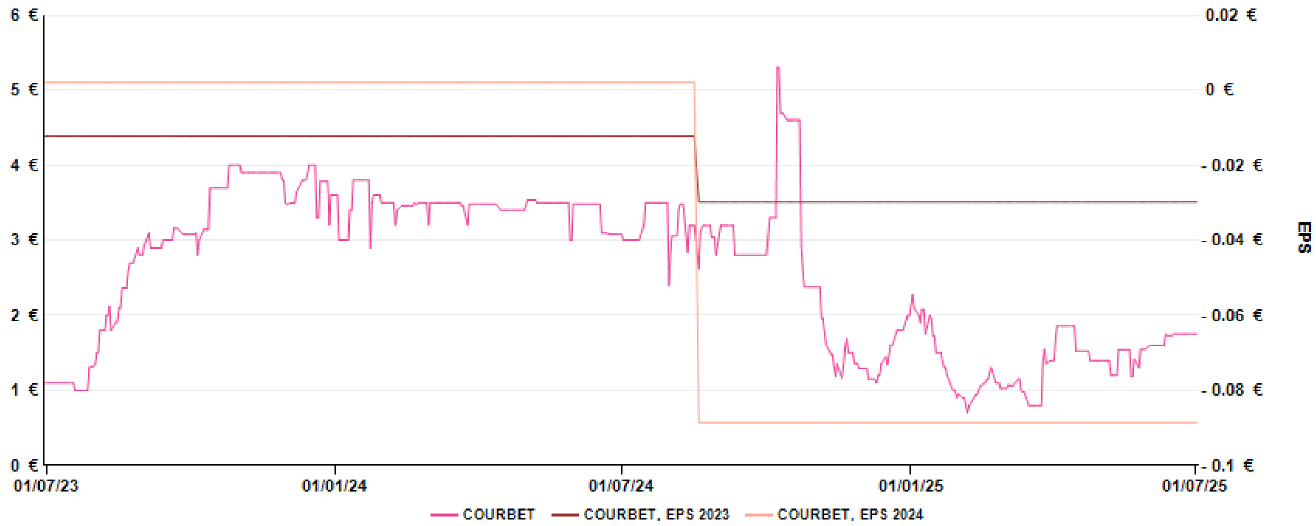
€ 3.64 vs 1.47 +148%

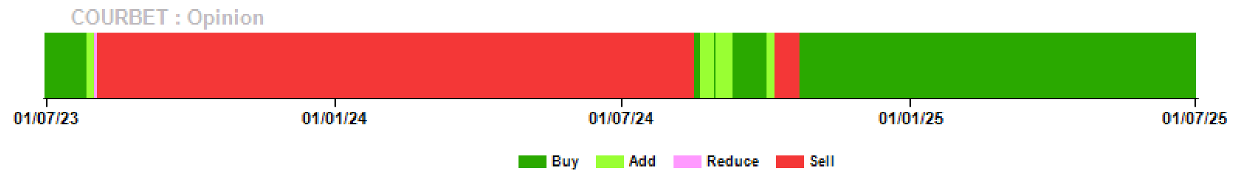
The general parameters of our DCF are unchanged (beta, ‘g’, etc.). The change in our DCF valuation is the result of the increase in cash flows, largely linked to the Mozart hotel in Prague, as well as the accretive equity financing to date. The result of our DCF is close to the strike of the ORAs, i.e. €4.0 per share, which is intuitively consistent.

Stock Price and Target Price

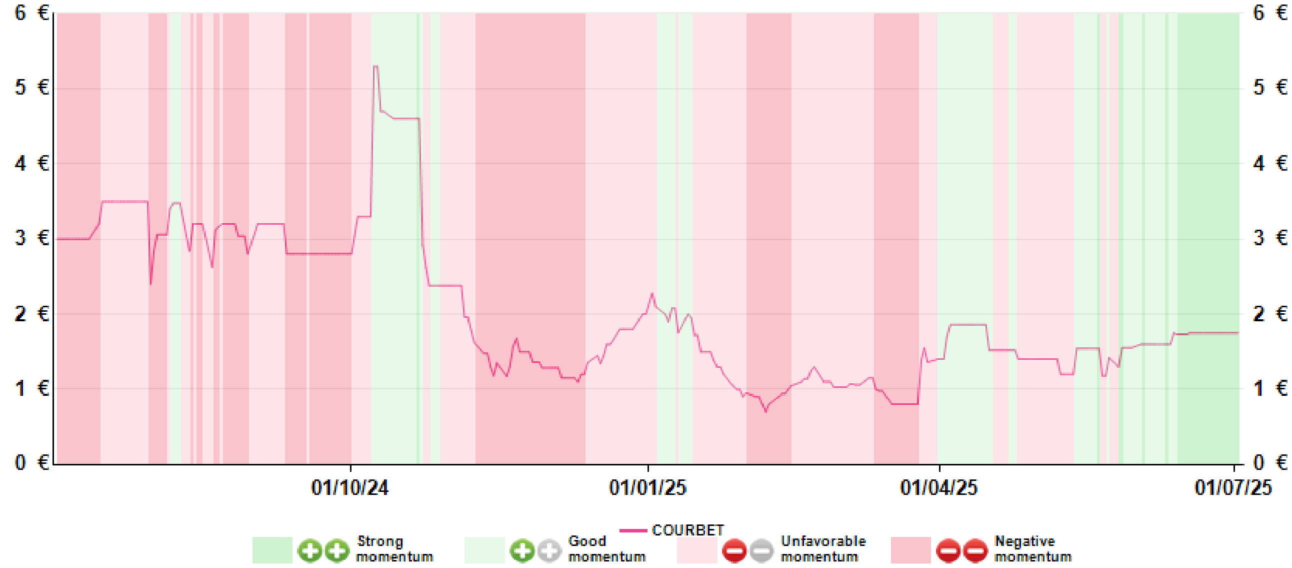


Earnings Per Share & Opinion





Momentum



Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.
The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.
For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

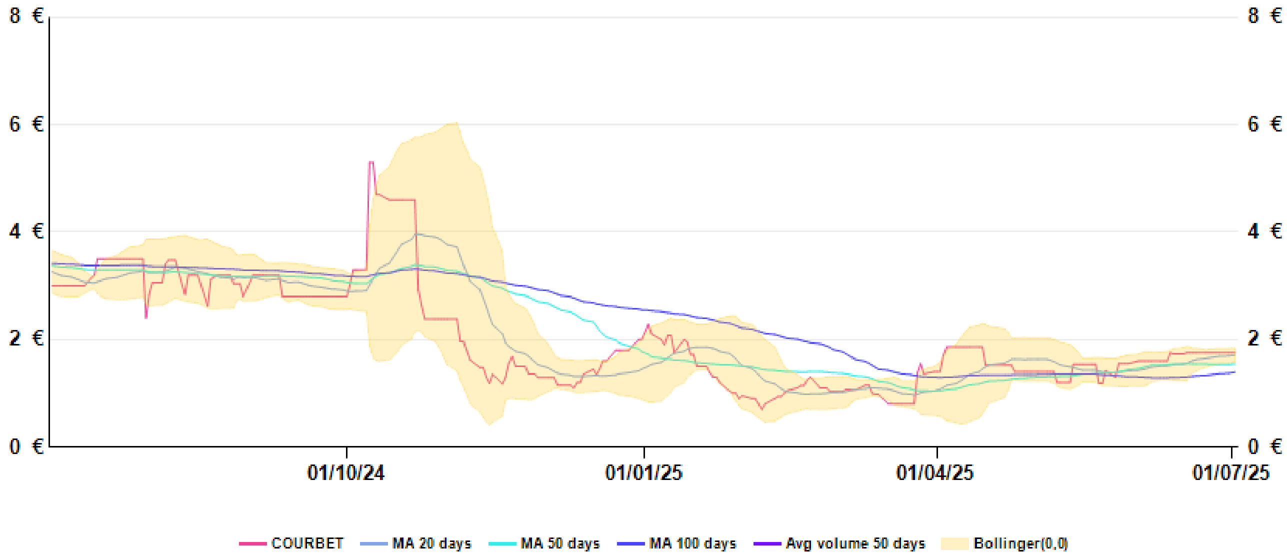
: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

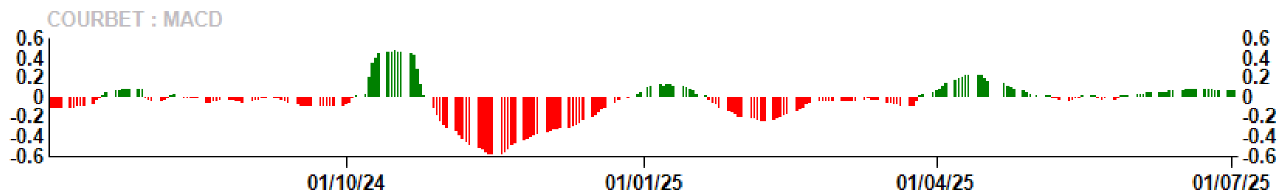
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

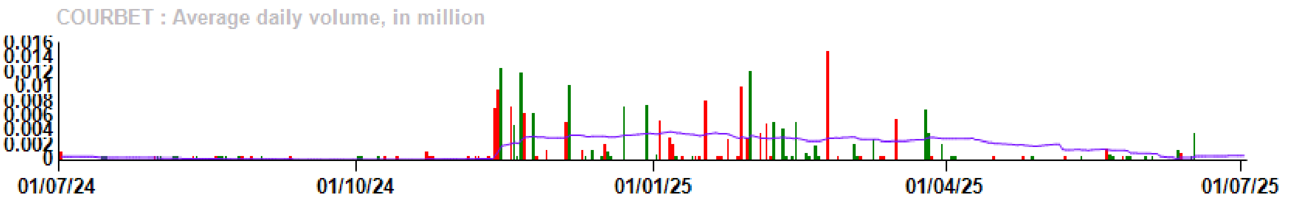
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

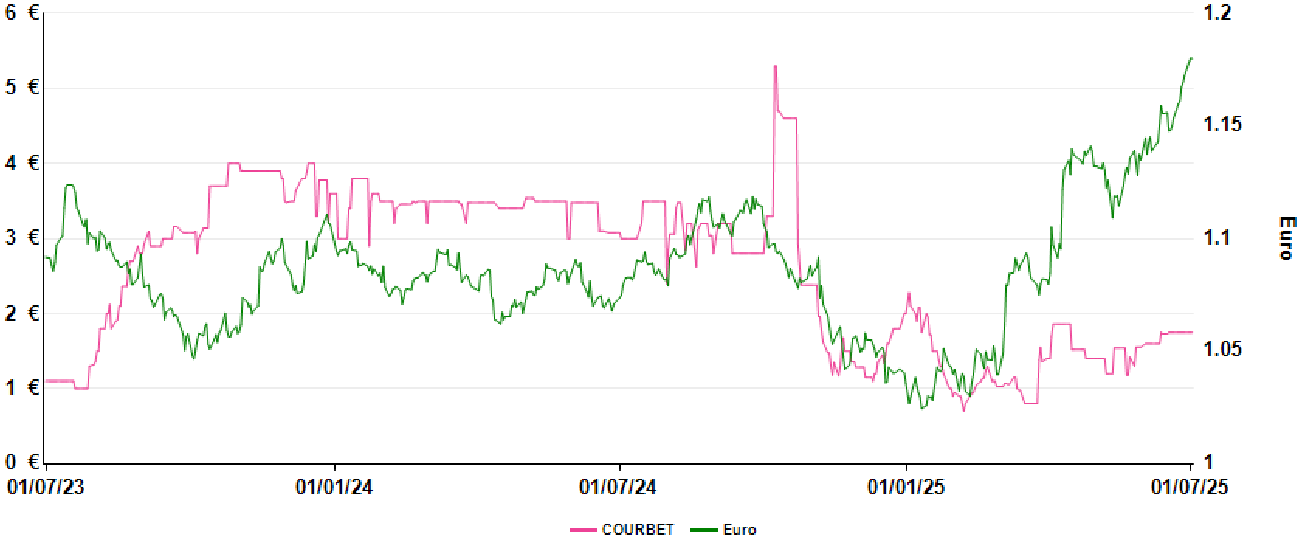
Moving Average MACD & Volume



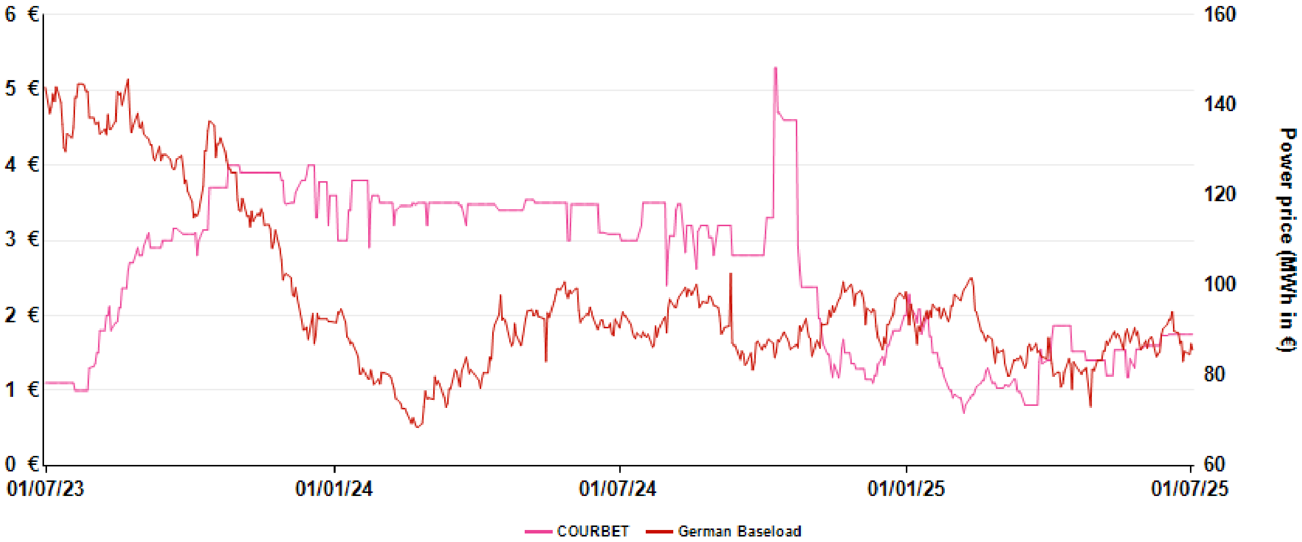




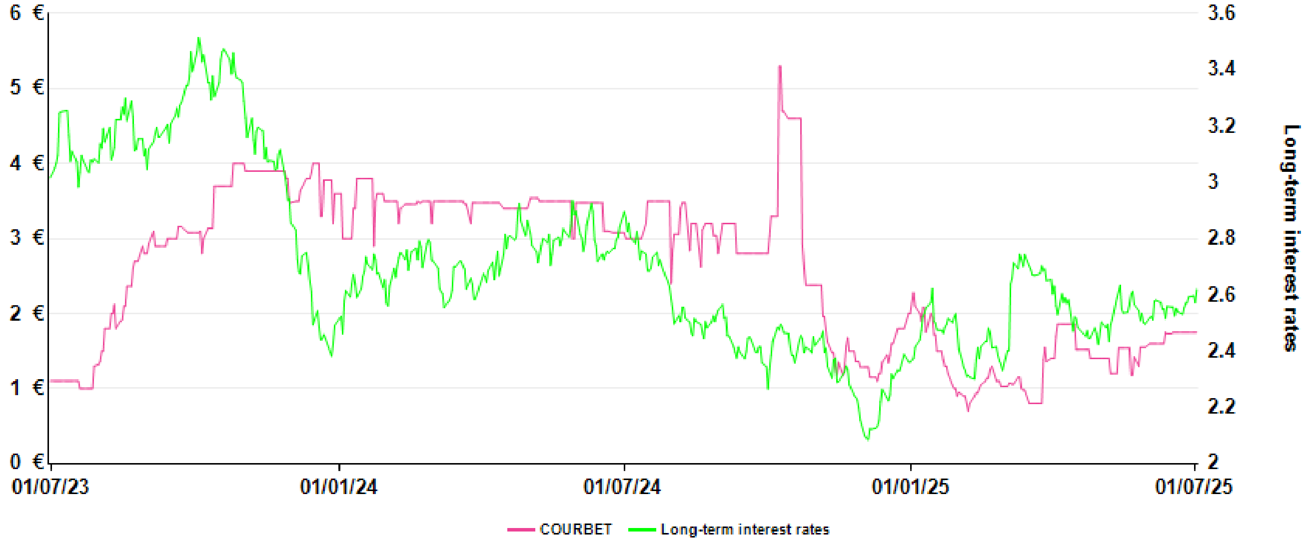
Euro sensitivity



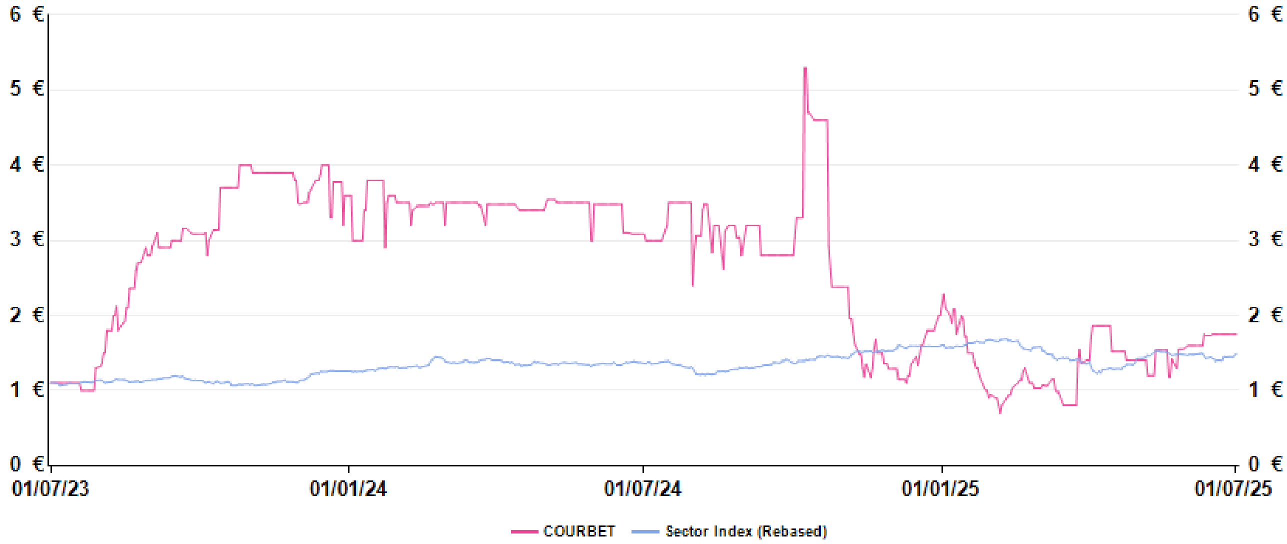
German Baseload sensitivity



Long-term interest rates sensitivity



Sector Hotel, Catering & Leisure



Detailed Financials

Valuation Key Data		06/23A	06/24E	06/25E	06/26E
Adjusted P/E	**x**	**-41.7**	**ns**	**-23.2**	**ns**
Reported P/E	x	-48.5	-120	-23.2	-59.8
EV/EBITDA(R)	**x**	**96.7**	**ns**	**ns**	**23.3**
EV/EBIT	x	ns	ns	ns	ns
EV/Sales	x	21.3	28.9	23.3	7.60
P/Book	**x**	**12.3**	**3.86**	**2.81**	**2.49**
Dividend yield	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow yield	*%*	*-58.4*	*-153*	*-70.1*	*-21.5*
Average stock price	€	1.00	3.17	2.06	1.75

Consolidated P&L

		06/23A	06/24E	06/25E	06/26E
Sales	€M	0.80	3.28 [4]	4.24	13.1
Sales growth	*%*	*ns*	*312*	*29.3*	*209*
Sales per employee	*€th*	*796*	*27.3*	*30.8*	*36.9*
Organic change in sales	*%*	*0.00*	*312*	*29.3*	*209*
Number of rooms	Rooms	50	230	255	410
Number of hotels	Hotels	2	2	3	4
Purchases and external costs (incl. IT)	€M	0.62	0.80	1.00	2.43
Staff costs	€M	0.00	-1.82	-3.11	-6.40
Operating lease payments	€M	-0.12	-0.67	-0.68	-0.68
Cost of sales/COGS (indicative)	€M	-0.62	-0.80	-1.00	-2.43
EBITDA	€M	0.06	-0.02	-0.55	3.60
EBITDA(R)	€M	0.18	0.66	0.13	4.28
EBITDA(R) margin	*%*	*22.0*	*20.0*	*3.15*	*32.7*
EBITDA(R) per employee	*€th*	*175*	*5.47*	*0.97*	*12.1*
Depreciation	€M	0.00	-0.25	-0.43	-3.01
Depreciations/Sales	*%*	*-0.13*	*7.75*	*10.1*	*23.0*
Amortisation	€M	0.00	0.00	0.00	0.00
of which amortisation of concession intangibles	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Additions to provisions	€M	0.00	0.00	0.00	0.00
Reduction of provisions	€M	0.00	0.00	0.00	0.00
Underlying operating profit	€M	0.06	-0.27	-0.98	0.59
Underlying operating margin	*%*	*7.04*	*-8.30*	*-23.0*	*4.49*
Other income/expense (cash)	€M	0.00	0.00	0.00	0.00
Other inc./ exp. (non cash; incl. assets revaluation)	€M	0.00	0.00	0.00	0.00
Mark to market on various operation-related hedges	€M	0.00	0.00	0.00	0.00
Earnings from joint venture(s)	€M	0.00	0.00	0.00	0.00
Actual dividends from Jvs	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Actual accrued cash flows from JV	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Operating profit (EBIT)	€M	0.06	-0.27	-0.98	0.59
Interest expenses	€M	-0.27	-0.08	-0.05	-1.10
of which effectively paid cash interest expenses	*€M*	*0.00*	*-0.08*	*-0.05*	*-1.10*
Financial income	€M	0.03	0.00	0.00	0.00
Other financial income (expense)	€M	0.00	0.00	0.00	0.00
Net financial expenses	€M	-0.24	-0.08	-0.05	-1.10
of which related to pensions	*€M*		*0.00*	*0.00*	*0.00*
Pre-tax profit before exceptional items	€M	-0.18	-0.35	-1.03	-0.51
Exceptional items and other (before taxes)	€M	0.00	0.00	0.00	0.00
of which cash (cost) from exceptionals	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Current tax	€M	0.00	0.05	0.01	0.17
Impact of tax loss carry forward	€M	0.00	0.00	0.00	0.00
Deferred tax	€M	0.00	0.00	0.00	0.00
Corporate tax	€M	0.00	0.05	0.01	0.17
Tax rate	*%*	*0.00*	*14.8*	*1.06*	*34.0*
Net margin	*%*	*-23.0*	*-9.22*	*-24.0*	*-2.57*
Equity associates	€M	0.00	0.00	0.00	0.00
Actual dividends received from equity holdings	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Minority interests	€M	0.00	0.00	0.00	0.00
Actual dividends paid out to minorities	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Income from discontinued operations	€M	0.00	0.00	0.00	0.00
Attributable net profit	€M	-0.18	-0.30	-1.02	-0.34
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Other adjustments	€M	0.00	0.00	0.00	0.00
Adjusted attributable net profit	€M	-0.18	-0.30	-1.02	-0.34

4. L'exercice initial se terminant le 30 juin 2024 (12 mois) a été prolongé jusqu'au 31 décembre 2024 (soit 18 mois) par décision de l'AGA de juin 2024.

Interest expense savings	€M	0.00	0.00	0.00	0.00
Fully diluted adjusted attr. net profit	€M	-0.18	-0.30	-1.02	-0.34
NOPAT	€M	0.04	-0.20	-0.73	0.44

Cashflow Statement

Cashflow Statement		06/23A	06/24E	06/25E	06/26E
EBITDA	€M	0.06	-0.02	-0.55	3.60
Change in WCR	€M	0.00	0.00	0.00	0.00
of which (increases)/decr. in receivables	€M	0.00	0.00	0.00	0.00
of which (increases)/decr. in inventories	€M	0.00	0.00	0.00	0.00
of which increases/(decr.) in payables	€M	0.00	0.00	0.00	0.00
of which increases/(decr.) in other curr. liab.	€M	0.00	0.00	0.00	0.00
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	0.00	0.05	0.01	0.17
Exceptional items	€M	0.00	0.00	0.00	0.00
Other operating cash flows	€M	0.00	0.00	0.00	0.00
Total operating cash flows	€M	0.06	0.03	-0.54	3.77
Capital expenditure	€M	-5.00	-55.5	-16.0	-7.00
Capex as a % of depreciation & amort.	%	-500,000	21,836	3,721	233
Net investments in shares	€M	0.00	0.00	0.00	0.00
Other investment flows	€M	0.00	0.00	0.00	0.00
Total investment flows	€M	-5.00	-55.5	-16.0	-7.00
Net interest expense	€M	-0.24	-0.08	-0.05	-1.10
of which cash interest expense	€M	0.00	-0.08	-0.05	-1.10
Dividends (parent company)	€M	0.00	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	3.00	9.00	0.00	0.00
of which (acquisition) release of treasury shares	€M	0.00	0.00	0.00	0.00
Change in gross debt	€M	0.00	50.2	16.0	5.88
Other financial flows	€M	0.00	0.00	0.00	0.00
Total financial flows	€M	3.00	59.2	16.0	4.78
Change in scope of consolidation, exchange rates & other	€M	0.00	0.00	0.00	0.00
Change in cash position	€M	-1.94	3.69	-0.55	1.55
Change in net debt position	€M	-1.94	-46.5	-16.6	-4.33
Free cash flow (pre div.)	€M	-5.18	-55.5	-16.6	-4.33
Operating cash flow (clean)	€M	0.06	0.03	-0.54	3.77
Reinvestment rate (capex/tangible fixed assets)	%	63.1	87.9	20.3	8.46

Balance Sheet

		06/23A	06/24E	06/25E	06/26E
Goodwill	€M				
Total intangible	€M	0.00	0.00	0.00	0.00
Tangible fixed assets	€M	7.92	63.2	78.7	82.7
Financial fixed assets (part of group strategy)	€M				
Other financial assets (investment purpose mainly)	€M				
WCR	€M	0.00	0.00	0.00	0.00
of which trade & receivables (+)	*€M*				
of which inventories (+)	*€M*				
of which payables (+)	*€M*				
of which other current liabilities (+)	*€M*				
Other current assets	€M				
of which tax assets (+)	*€M*				
Total assets (net of short term liabilities)	€M	7.92	63.2	78.7	82.7
Ordinary shareholders' equity (group share)	€M	0.72	9.42	8.40	8.07
Quasi Equity & Preferred	€M	0.00	0.00	0.00	0.00
Minority interests	€M	0.00	0.00	0.00	0.00
Provisions for pensions	€M	0.00	0.00	0.00	0.00
Other provisions for risks and liabilities	€M	0.00	0.00	0.00	0.00
Deferred tax liabilities	€M	0.00	0.00	0.00	0.00
Other liabilities	€M	0.00	0.00	0.00	0.00
Net debt / (cash)	€M	7.20	53.8	70.3	74.7
Total liabilities and shareholders' equity	€M	7.92	63.2	78.7	82.7
Gross Cash	€M	5.81	9.50	8.95	10.5
Average net debt / (cash)	€M	5.35	30.5	62.0	72.5
Adjusted net debt	€M	7.20	53.8	70.3	74.7
Parent company net debt / (cash)	€M	7.20			

EV Calculations

		06/23A	06/24E	06/25E	06/26E
EV/EBITDA(R)	**x**	**96.7**	**ns**	**ns**	**23.3**
EV/EBIT	**x**	**ns**	**ns**	**ns**	**ns**
EV/Sales	**x**	**21.3**	**28.9**	**23.3**	**7.60**
EV/Invested capital	x	1.93	1.40	1.18	1.14
Market cap	€M	8.88	36.4	23.6	20.1
+ Provisions (including pensions)	€M	0.00	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€M	7.20	53.8	70.3	74.7
+ Right-of-use (from 2019)/Leases debt equivalent	€M	0.84	4.72	4.77	4.79
- Financial fixed assets (fair value) & Others	€M	0.00	0.00	0.00	0.00
+ Minority interests (fair value)	€M	0.00	0.00	0.00	0.00
= Enterprise Value	**€M**	**16.9**	**94.9**	**98.8**	**99.6**

Per Share Data

		06/23A	06/24E	06/25E	06/26E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.02**	**-0.03**	**-0.09**	**-0.03**
Growth in EPS	%	*n/a*	*n/a*	*n/a*	*n/a*
Reported EPS	€	-0.02	-0.03	-0.09	-0.03
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Of which exceptional pay out	€	0.00	0.00	0.00	0.00
Free cash flow per share	€	-0.68	-5.46	-1.44	-0.38
Operating cash flow per share	€	0.01	0.00	-0.05	0.33
Book value per share	€	0.08	0.82	0.73	0.70
Restated NAV per share	€	1.20	3.40	3.60	3.90
Number of ordinary shares	**Mio**	**8.85**	**11.5**	**11.5**	**11.5**
Number of equivalent ordinary shares (year end)	Mio	8.85	11.5	11.5	11.5
Number of shares market cap.	Mio	8.85	11.5	11.5	11.5
Treasury stock (year end)	Mio	0.00	0.00	0.00	0.00
Number of shares net of treasury stock (year end)	Mio	8.85	11.5	11.5	11.5
Number of common shares (average)	**Mio**	**7.60**	**10.2**	**11.5**	**11.5**
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio	0.00	0.00	0.00	0.00
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Mio**	**7.60**	**10.2**	**11.5**	**11.5**
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.02	-0.03	-0.09	-0.03
EPS before goodwill amortisation (non-diluted)	€	-0.02	-0.03	-0.09	-0.03
Preferential dividend	€	0.00	0.00	0.00	0.00
Payout ratio	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Capital payout ratio (div +share buy back/net income)	**%**	**0.00**	**0.00**	**0.00**	

Funding - Liquidity		06/23A	06/24E	06/25E	06/26E
EBITDA	€M	0.06	-0.02	-0.55	3.60
Funds from operations (FFO)	€M	0.06	-0.05	-0.59	2.67
Ordinary shareholders' equity	**€M**	**0.72**	**9.42**	**8.40**	**8.07**
Gross debt	€M	13.0	63.2	79.3	85.2
o/w Less than 1 year - Gross debt	€M	0.00	0.18	1.55	1.75
o/w 1 to 5 year - Gross debt	€M	5.32	7.06	7.54	7.92
of which Y+2	€M	0.18	1.55	1.75	1.84
of which Y+3	€M	1.55	1.75	1.84	1.93
of which Y+4	€M	1.75	1.84	1.93	2.03
of which Y+5	€M	1.84	1.93	2.03	2.13
o/w Beyond 5 years - Gross debt	€M	7.69	56.0	70.2	75.5
+ Gross Cash	€M	5.81	9.50	8.95	10.5
= Net debt / (cash)	**€M**	**7.20**	**53.8**	**70.3**	**74.7**
Other financing	€M	13.0	63.2	79.3	85.2
Undrawn committed financing facilities	€M	0.00	0.00	0.00	
Gearing (at book value)	%	744	324	739	899
Equity/Total asset (%)	%	9.08	14.9	10.7	9.75
Adj. Net debt/EBITDA(R)	*x*	*41.2*	*82.0*	*526*	*17.4*
Adjusted Gross Debt/EBITDA(R)	*x*	*74.3*	*96.4*	*593*	*19.9*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*94.8*	*87.0*	*90.4*	*91.3*
Ebit cover	*x*	*0.33*	*-0.25*	*-3.03*	*0.61*
FFO/Gross Debt	*%*	*0.42*	*-0.08*	*-0.74*	*3.14*
FFO/Net debt	*%*	*0.76*	*-0.09*	*-0.84*	*3.58*
FCF/Adj. gross debt (%)	*%*	*-39.8*	*-87.8*	*-20.9*	*-5.08*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*		*-250*	*-4.92*	*3.53*
"Cash" FCF/ST debt	*x*		*-301*	*-10.7*	*-2.47*

ROE Analysis (Dupont's Breakdown)		06/23A	06/24E	06/25E	06/26E
Tax burden (Net income/pretax pre excp income)	x	1.00	0.85	0.99	0.66
EBIT margin (EBIT/sales)	%	7.04	-8.30	-23.0	4.49
Assets rotation (Sales/Avg assets)	%	16.9	9.23	5.98	16.2
Financial leverage (Avg assets /Avg equity)	x	-7.08	7.01	7.96	9.81
ROE	**%**	**27.5**	**-5.96**	**-11.4**	**-4.08**
ROA	%	0.71	-0.43	-1.24	0.71

Shareholder's Equity Review (Group Share)		06/23A	06/24E	06/25E	06/26E
Y-1 shareholders' equity	€M	-2.01	0.80	9.42	8.40
+ Net profit of year	€M	-0.18	-0.30	-1.02	-0.34
- Dividends (parent cy)	€M	0.00	0.00	0.00	0.00
+ Additions to equity	€M	3.00	9.00	0.00	0.00
o/w reduction (addition) to treasury shares	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
o/w stock option proceeds	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M	0.00	-0.08	0.00	0.00
= Year end shareholders' equity	**€M**	**0.80**	**9.42**	**8.40**	**8.07**

Staffing Analytics

Staffing Analytics		06/23A	06/24E	06/25E	06/26E
Sales per staff	€th	796	27.3	30.8	36.9
Staff costs per employee	€th	-1.00	-15.2	-22.6	-18.0
Change in staff costs	*%*	*-95.0*	*182,300*	*70.4*	*106*
Change in unit cost of staff	*%*	*-95.0*	*1,420*	*48.7*	*-20.3*
Staff costs/(EBITDA+Staff costs)	*%*	*1.79*	*101*	*121*	*64.0*
Average workforce	**unit**	**1.00**	**120**	**138**	**355**
Europe	unit	1.00	120	138	355
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	**€M**	**0.00**	**-1.82**	**-3.11**	**-6.40**
Wages and salaries	€M	0.00	-1.82	-3.11	-6.40
of which social security contributions	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Equity linked payments	€M	0.00	0.00	0.00	0.00
Pension related costs	€M		0.00	0.00	0.00
Benefits related payments	€M	0.00	0.00	0.00	0.00

Divisional Breakdown Of Revenues

Divisional Breakdown Of Revenues		06/23A	06/24E	06/25E	06/26E
Total sales	**€M**	**0.80**	**3.28**	**4.24**	**13.1**
O/w organic growth (%)	*%*	*0.00*	*312*	*29.3*	*209*
Hotel	€M	0.80	3.28	4.24	13.1
Food & Beverage	€M	0.00	0.00	0.00	0.00
Other	€M	0.00	0.00	0.00	0.00

Divisional Breakdown Of Earnings

Divisional Breakdown Of Earnings		06/23A	06/24E	06/25E	06/26E
EBITDA/R Analysis					
Food & Beverage	€M	0.00	0.00	0.00	0.00
Hotel	€M	0.16	0.27	0.47	3.44
Other/cancellations	€M	0.06	0.00	0.00	0.00
Total	**€M**	**0.22**	**0.27**	**0.47**	**3.44**
EBITDA/R margin	%	27.5	8.35	11.0	26.3

Revenue Breakdown By Country

Revenue Breakdown By Country		06/23A	06/24E	06/25E	06/26E
France	%	100	100		
Other	%	0.00	0.00		

ROCE

ROCE		06/23A	06/24E	06/25E	06/26E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*1.51*	*0.44*	*-0.27*	*1.09*
CFROIC	*%*	*-59.2*	*-81.8*	*-19.9*	*-4.94*
Goodwill	€M	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
All intangible assets	€M	0.00	0.00	0.00	0.00
Accumulated intangible amortisation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	€M	0.84	4.72	4.77	4.79
Other fixed assets	€M	7.92	63.2	78.7	82.7
Accumulated depreciation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€M	0.00	0.00	0.00	0.00
Other assets	€M	0.00	0.00	0.00	0.00
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€M**	**8.76**	**67.9**	**83.5**	**87.5**
Capital employed before depreciation	€M	8.76	67.9	83.5	87.5

Divisional Breakdown Of Capital Employed

Divisional Breakdown Of Capital Employed		06/23A	06/24E	06/25E	06/26E
Food & Beverage	€M				
Hotel	€M	8.33	64.6	80.2	84.2
Other	€M	0.43	3.24	3.29	3.32
Total capital employed	**€M**	**8.76**	**67.9**	**83.5**	**87.5**

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a **"value"** approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' instrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%