ALPHAVALUE
CORPORATE SERVICES

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Sponsored research
Retail - Property
France

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Altarea

Gradual recovery starting in 2025?

Opinion	**Reduce**
Upside (%)	-2.62
Price (€)	98.68
Target Price (€)	96.1
Bloomberg Code	ALTA FP
Market Cap (€M)	2,253
Enterprise Value (€M)	5,154

Momentum	NEGATIVE
Sustainability	4/10
Credit Risk	B→

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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	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

PROS

- Altarea has swiftly adapted to the French residential development crisis since 2022, maintaining resilience in a now stabilising environment.
- The company's largely hedged debt offers time and flexibility to manage the balance sheet and FFO effectively, allowing Altarea to support a potentially gradual recovery in the residential market.
- Altarea, with its entrepreneurial management since inception, can capitalise on opportunities across the real estate market, both within and beyond its traditional operations.

CONS

- The outlook for Residential Development in 2025 largely depends on long-term interest rate trends. Since 2023, the dividend has surpassed the annual distribution capacity.
- Management anticipates FFO to triple from 2023 to 2028. However, due to the continued low activity in Tertiary Development, we believe it is premature to confirm this forecast.
- Limited public information hinders forming a precise opinion on the group's share of debt. Altarea operates as a partnership ("commandite") with a free float of just 20%.

KEY DATA	12/23A	12/24A	12/25E	12/26E	12/27E
Adjusted P/E (x)	**20.3**	**15.5**	**16.1**	**15.6**	**17.0**
Dividend yield (%)	*7.92*	*8.75*	*8.11*	*5.07*	*5.07*
EV/EBITDA(R) (x)	31.1	18.6	18.2	19.5	18.3
Adjusted EPS (€)	**4.97**	**5.91**	**6.14**	**6.34**	**5.80**
Growth in EPS (%)	*-63.7*	*18.8*	*4.03*	*3.22*	*-8.55*
Dividend (€)	8.00	8.00	8.00	5.00	5.00
Sales (€M)	2,867	2,915	2,982	3,032	3,107
EBITDA/R margin (%)	*8.79*	*9.15*	*10.2*	*10.4*	*9.65*
Attributable net profit (€M)	-473	6.10	70.5	61.8	82.5
ROE (after tax) (%)	**-22.9**	**0.35**	**4.17**	**3.70**	**5.02**
Gearing (%)	*113*	*121*	*123*	*128*	*136*

Altarea (Reduce)

Detailed financials at the end of this report

Key Ratios		12/24A	12/25E	12/26E	12/27E
Adjusted P/E	x	15.5	16.1	15.6	17.0
EV/EBITDA	x	18.6	18.2	19.5	18.3
P/Book	x	1.18	1.32	1.40	1.43
Dividend yield	%	8.75	8.11	5.07	5.07
Free Cash Flow Yield	%	7.57	5.99	4.38	4.41
ROE (after tax)	%	0.35	4.17	3.70	5.02
ROCE	%	2.08	2.41	2.33	2.65
Net debt/EBITDA	x	7.81	7.38	7.93	7.67

Consolidated P&L		12/24A	12/25E	12/26E	12/27E
Sales	€M	2,915	2,982	3,032	3,107
EBITDA	€M	263	283	272	295
Underlying operating profit	€M	239	233	222	255
Operating profit (EBIT)	€M	200	233	222	255
Net financial expenses	€M	-134	-55.0	-60.0	-65.0
Pre-tax profit before exceptional items	€M	66.0	178	162	190
Corporate tax	€M	10.9	-44.5	-40.6	-47.5
Attributable net profit	€M	6.10	70.5	61.8	82.5
Adjusted attributable net profit	€M	127	140	150	140

Cashflow Statement		12/24A	12/25E	12/26E	12/27E
Total operating cash flows	€M	449	238	232	247
Capital expenditure	€M	-163	-50.0	-70.0	-80.0
Total investment flows	€M	-163	-50.0	-70.0	-80.0
Dividends (parent company)	€M	-166	-175	-183	-119
New shareholders' equity	€M	92.5	93.3	97.3	0.00
Total financial flows	€M	-144	-157	-165	-196
Change in net debt position	€M	65.1	-38.4	-73.5	-101
Free cash flow (pre div.)	€M	152	133	102	102

Balance Sheet		12/24A	12/25E	12/26E	12/27E
Goodwill	€M	359	359	359	359
Total intangible	€M	359	359	359	359
Tangible fixed assets	€M	4,295	4,315	4,355	4,407
WCR	€M	2,461	2,461	2,461	2,461
Total assets (net of short term liabilities)	€M	7,570	7,597	7,647	7,711
Ordinary shareholders' equity (group share)	€M	1,694	1,683	1,659	1,623
Provisions for pensions	€M	0.00	0.00	0.00	0.00
Net debt / (cash)	€M	2,050	2,088	2,162	2,262
Total liabilities and shareholders' equity	€M	7,570	7,597	7,647	7,711
Gross Cash	€M	779	741	667	567

Per Share Data		12/24A	12/25E	12/26E	12/27E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**5.91**	**6.14**	**6.34**	**5.80**
Net dividend per share	**€**	**8.00**	**8.00**	**5.00**	**5.00**
Free cash flow per share	€	7.05	5.86	4.31	4.24
Book value per share	€	77.4	74.6	70.5	68.9
Number of diluted shares (average)	**Mio**	**21.5**	**22.8**	**23.7**	**24.1**

Contents

Businesses & Trends

Investment Case, in a Nutshell

Altarea, a French real estate company, has been operating for over 30 years in residential and commercial real estate development, with significant activity in the retail property segment. The company is almost entirely French. Typically, its activities respond to distinct cycles, mitigating risk. However, recent years have seen concurrent crises. Currently, while Altarea's assets perform well, market and operational challenges focus on a recovery in real estate development, primarily influenced by interest rates on 10- to 20-year maturities.

Altarea has demonstrated adaptability to new environments. A stabilising French residential market is now a bit more likely, with 2025-26 still posing risks, though the worst of the residential development crisis seems behind us.

The Story, in a Nutshell

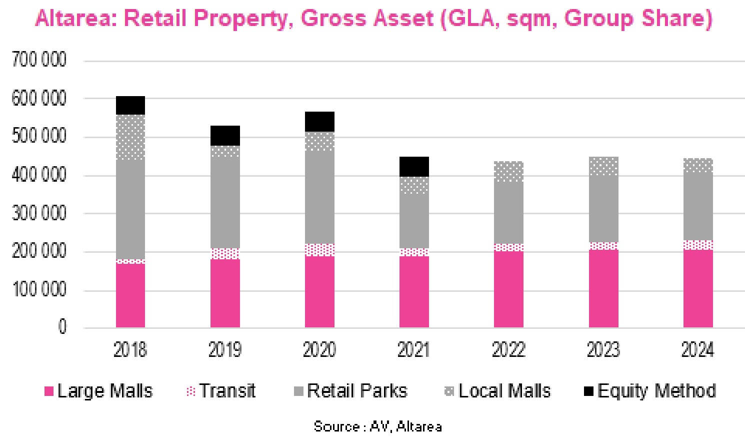
Founded in 1994 by Alain Taravella, Altarea is a French real estate group that went public in 2004. The Taravella family remains the major shareholder. Initially, the group managed a couple of commercial assets on top of a small development business, reinvesting profits and leveraging debt to finance group development.

Today, its main expertise lies in owning and managing investment-oriented retail assets and real estate development, primarily residential but also commercial. In the early 2000s, Altarea expanded into Italy. In 2007, it increased its residential development exposure by acquiring COGEDIM. In 2011, it acquired RueDuCommerce, later sold to Carrefour in 2015. Over 30 years, Altarea has acquired, built, renovated, or converted large-scale commercial assets, mainly in France (see Intercontinental in Marseille, First tower in La Défense, Cap 3000 shopping mall in Nice and Montparnasse station in Paris). In 2019, it acquired a stake in Woodeum (wood buildings), holding 100% since 2023.

In June 2021, Altarea proposed a merger with Primonial group, raising €350m in cash in advance. The deal was abandoned in 2022 and is currently under trial, with initial results in February 2025 favouring Altarea. The core businesses, Property and Development, offer low operational but strategic synergies, stabilising the consolidated portfolio. We will analyse them separately, with minimal focus on developing side businesses like photovoltaics or asset management.

Retail Property

Altarea manages a retail asset portfolio of 1m sqm, primarily in France, with some assets in Italy and Spain. This size has remained stable for a decade, with significant changes in ownership. Owned square metres decreased from 650,000 in 2011 to 450,000 in 2023, while minority shareholders' holdings increased from 150,000 in 2012 to 400,000 in 2024. Assets managed for third parties have remained stable since 2018 at around 200,000 sqm.



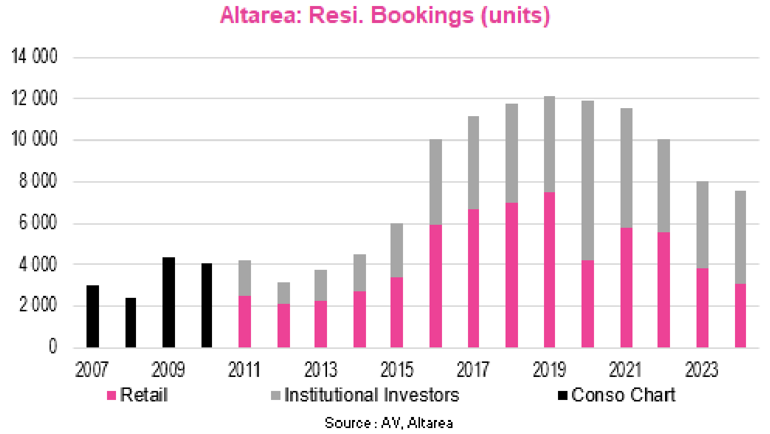
The second major development is the shift from "local retail" to larger shopping centres, such as Avenue 83 in Toulon and Cap 3000 in Nice. This shift favours higher quality with fewer ground but improved risk-reward. Group share assets were €3.0bn between 2016 and 2018, then €2.2bn in 2024, returning to 2013 nominal levels. Large malls accounted for 46% of Retail GAV in 2013 (group share), increasing to 62% in 2024.

The ownership structure of many assets, including Cap 3000, means most revenues and EBITDA from this €5bn asset base are fully consolidated, though minority interests impact the P&L.

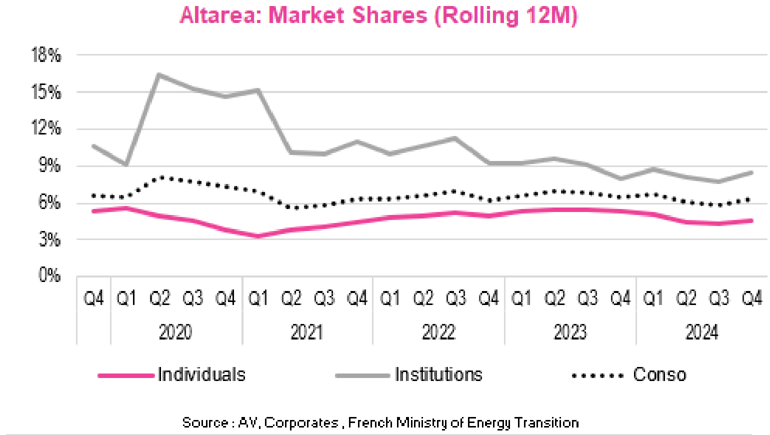
Despite managing €5bn in 100% AuM, the market remains fragmented, and Altarea's market share is in the low single digit. Prime assets rarely change hands and are typically held by leading property companies such as Klépierre or URW. Due to stagnant growth in new space, market share reallocations are infrequent, and retail assets are generally buy-and-hold investments.

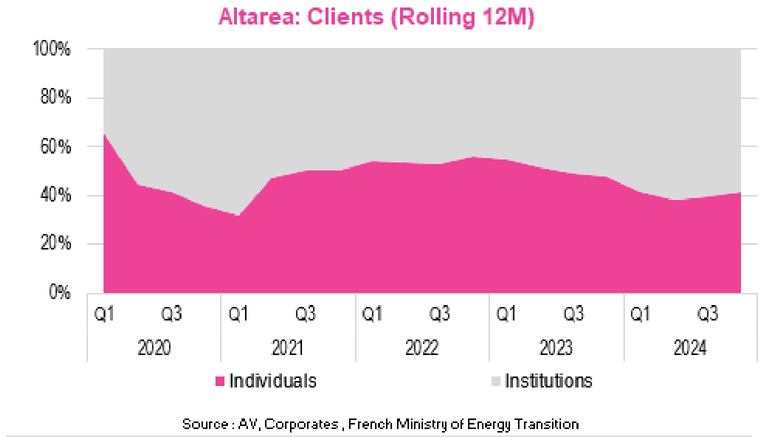
Looking ahead, we expect minimal or no growth in retail ground in France, driven by environmental constraints ("ZANs") and the existing surplus of developed land, which is often unoccupied, distressed, or in need of revitalisation in a couple of secondary locations. For Altarea, we foresee limited growth in owned asset, with few new authorisations anticipated. Altarea's growth is likely to stem from increased nominal rents due to the scarcity of prime locations, contingent on GDP growth, or from a more aggressive M&A strategy. The impact of e-commerce and stagnant GDP may continue to pose challenges. We believe in the resilience of malls, although their golden age appears to be behind us.

Residential Development
Since 2011, residential development has accounted for 75% of consolidated revenue, 32% of recurring EBITDA, and 37% of net profit (group share). This business is focused on France, with Altarea holding nearly 100%. Its market share is estimated at 5% for individual investors, 9% for institutional investors, and 6% nationally.



From 2007 to 2022, new building construction benefited from low mortgage interest rates and favourable tax schemes. Strong household solvency maintained high volumes, absorbing rising construction costs. These drivers weakened between 2022 and 2024, exposing the market's reliance on low interest rates. Housing bookings in multi-family housing fell by a third from the 2019-22 peak, with a decline in individual housing partly offset by low-rent housing orders.



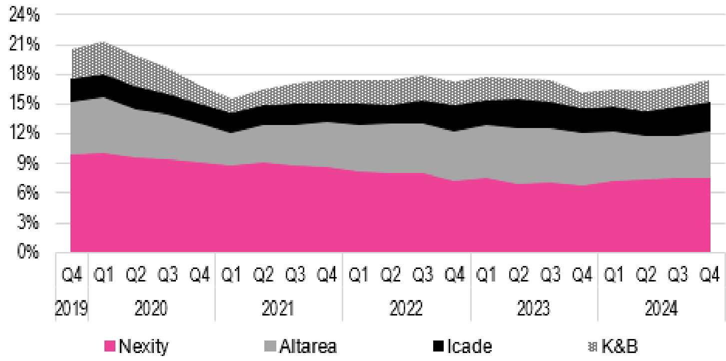


The private sector, including Altarea, is now about 60% dependent on institutional orders (almost public) and 40% on individuals. Support measures in early 2025 aim to boost first-time buyers' solvency (see "PTZ"), but not other individual bookings. After significant institutional apartment acquisitions from 2020-24, a slowdown became a material threat in late 2024. A recovery requires a combination of smaller housing sizes, lower long-term rates, and nominal wage increases to restore buyer solvency if new-build prices remain stable.

To significantly improve volumes and revenues for developers, as well as their profits (refer to our Money Making section), a combination of factors must materialise: i) a stimulus through the reduction of the size of marketed properties, for which Altarea is well-prepared; ii) a decrease in long-term interest rates; and iii) sustained nominal wage increases to restore buyers' solvency, assuming new property prices remain stable in nominal terms. Without two or a combination of these factors, a market with low volumes may persist, offering developers respectable margins, albeit on lower revenues.

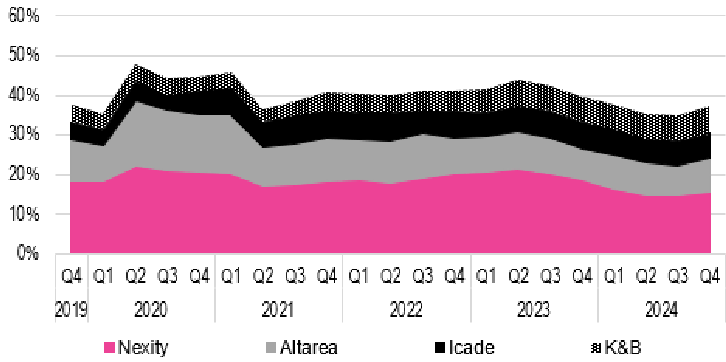
Despite the significant market attrition, with the disappearance of many small property developers since 2022, it is noteworthy that the market share of leading companies (including Altarea, Icade, and Nexity, all being covered companies) has not significantly increased. In our view, the real estate development sector in France has not yet undergone the necessary adaptation or transition, partly due to public support. To clarify, state intervention has prevented a severe market correction, leaving it fragmented (with the leader, Nexity, holding approximately 11% of the market). Until 2024, public procurement has largely favoured major developers, as evidenced by the overweighting of institutional bookings in the backlogs of Altarea and other groups we cover.

French Residential: Market Share, Individuals (Rolling 12M, units)



Source : AV, Corporates , French Ministry of Energy Transition

French Residential: Market Share, Institutions (Rolling 12M, units)



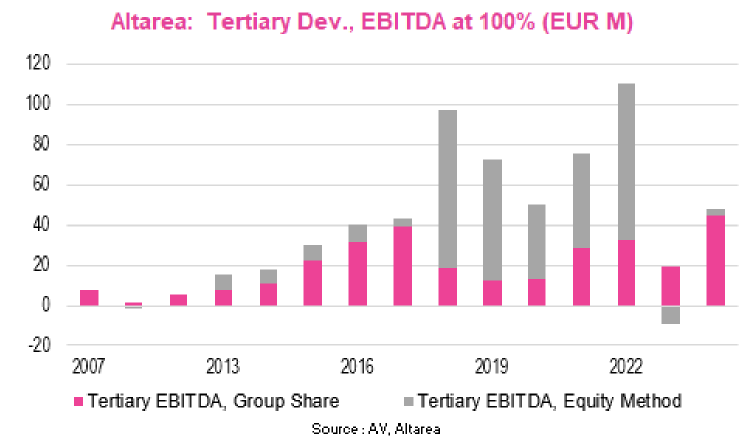
Source : AV, Corporates , French Ministry of Energy Transition

During a recovery phase, market leaders are expected to capture additional volumes and increase their market share. Only with healthy balance sheets will they benefit from significantly improved pricing conditions on top of rising revenue. We understand that in recent years, Altarea's divestment decisions in certain segments (see Retail) have aligned with the development business cycle, preserving its expertise and associated free options. The gradual deleveraging accompanying this aims to enhance the group's overall risk profile, in our view (derisking).

In the broader macroeconomic context and considering "mega-trends," a significant question is emerging regarding the housing demand in France over the next 20 years. This is linked to demographics (ageing population coupled with a recent rapid decline in birth rates, which is a newer trend in France) and the high cost of housing, which may lead to changes in usage patterns. Consequently, we believe there is a real possibility that the new housing market size may trend downwards over the next 20 years (see our "Worth Knowing" section on this). In this scenario, agile developers specialising in a specific type of offering or geographic region may have a preferential position over broad, national, and mass-market models. In this context, we believe Altarea's size and philosophy are well-suited.

Side Businesses

Side businesses have generated 12% of revenue and 8% of consolidated EBITDA since 2008, with a third from partnership transactions. This segment contributes approximately 7% of long-term net profit (group share), with high volatility.



This business line is heavily reliant on the macroeconomic environment for large-scale projects with extended maturity periods. It experiences significant inertia during economic downturns due to ongoing projects and similarly during economic recovery due to the resumption of design and financing activities.

Regarding office spaces, we foresee remote working and potential future impacts of AI as risks rather than opportunities. Consequently, we expect a prolonged period of low contribution from this business line, extending beyond 2027, after the completion of existing projects. However, outside of office spaces, there is a substantial pool of potential projects, such as conversions, renovations, and transformations, which can provide opportunities for Altarea, especially through partnerships. By the end of 2024, the backlog of €214m suggests a minimal contribution from this business line to consolidated profits in the near term.

Altarea's market share is negligible nationally, but it has expertise in large-scale transactions. Altarea's platform allows testing of adjacent market niches, such as renewable energies, following the acquisition of Prejeance Industrial in 2023 for €140m. Despite a growing 1 GW portfolio, this business coupled with other side businesses are not expected to contribute significantly to recurring profit growth soon.

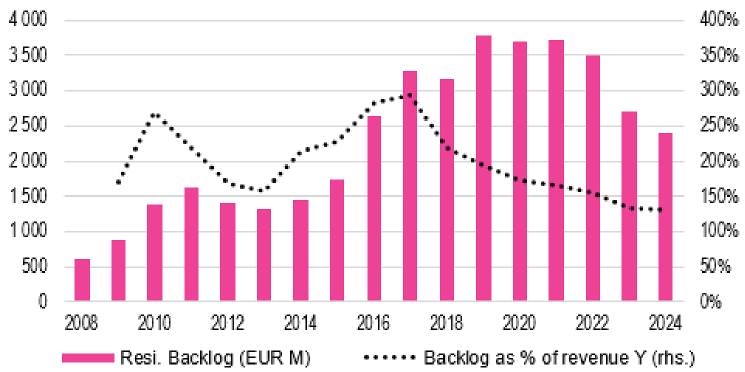
Consolidated Growth Profile
The aggregation of assets results in a multifactor growth profile. Alongside recurring retail revenues, there is significant volatility in development businesses. After a threefold decrease between 2019 and 2023 (from €300m to €101m, Group share), Altarea expects consolidated recurring profits to triple between 2023 and 2028. This expectation highlights the cyclicality of the group's business, necessitating a strong and rapid recovery in development, particularly in residential. We believe the consolidated accounts will continue to reflect this volatility, albeit cushioned by recurring property retail profits. In the

current residential development cycle, a sharp recovery could occur, but we consider the likelihood of this happening in 2025-26 to be low.

Retail assets serve as a profit buffer and are a distinctive feature of Altarea compared to many competitors, providing a competitive advantage. For instance, Nexity has divested nearly all significant assets to manage its debt. Beyond a "fundamental bottom-of-cycle" value, Altarea's profile and valuation will remain partly cyclical. Monitoring a substantial recovery in residential development will be crucial, as it could significantly impact the share price.

We do not categorise Altarea as a growth play. This is supported by the long-term observation of NAV per share and the evolution of FFO net of inflation. Historically, Altarea has prioritised significant dividend distribution. It is challenging to pay large dividends while pursuing strong growth under acceptable risk conditions, unless risks are taken during opportune market phases. This is the key question for 2025-30: a period of ongoing uncertainty in the residential development sector, yet with potential opportunities in retail property.

Altareit: Resi. Dev, Backlog



Source : AV, Altareit

M&A

In real estate, transformative transactions often occur at or near the peak of a cycle. For Altarea, the acquisition of Cogedim and the Primonial project exemplify this trend. Currently, the cycle is more mature, and Altarea's balance sheet has strengthened due to recent asset disposals and a €350m cash capital increase in 2021. Beyond transformative deals, we anticipate potential value-creating transactions, such as selective land acquisitions or share-based mergers, facilitated by the partnership status.

Following a decade of refocusing retail property assets, a significant acquisition in the Retail segment, paid in shares, is possible. This would be viewed positively.

In the Development segment, we do not foresee substantial acquisitions. Instead, we expect market share gains driven by a cycle recovery, which will help manage working capital needs. A major acquisition in this segment would be viewed negatively. In side businesses, we anticipate tactical M&A operations or initiatives of moderate size relative to the consolidated scope.

International & Asset Liquidity
International operations are not a priority for Altarea, despite past ventures in Italy and Spain. Their contribution is low in terms of NAV and revenue, despite high-quality assets in Retail and Italian train stations. Altarea's focus remains on the French market, with some international-class assets like Cap 3000 in Nice. In our opinion, this type of asset remains very liquid if needed.

Strategic Roadmap
Altarea does not provide a detailed strategic roadmap. Given the cyclical nature of its businesses and the current low visibility in the construction market, this approach appears prudent. It allows the group to remain flexible and responsive, avoiding rigid adherence to a specific strategy. This adaptability is a hallmark of entrepreneurial management.

In times of high risk or reduced visibility, such as the present, we find guidance unreliable for assessing the investment case. We prefer a top-down approach. This strategy can be adjusted if conditions improve, allowing Altarea to pursue more aggressive opportunities under acceptable risk conditions.

Divisional Breakdown Of Revenues

	Sector	12/24A	12/25E	12/26E	12/27E	Change 25E/24		Change 26E/25E	
						€M	of % total	€M	of % total
Total sales		**2,915**	**2,982**	**3,032**	**3,107**	**67↑**	**100%**	**50↑**	**100%**
Retail Property	Retail - Property	244	251	256	261	7↑	10%	5↑	10%
Real Estate Development	Retail - Property	2,462	2,536	2,587	2,639	74↑	110%	51↑	102%
Other	Retail - Property	209	195	189	208	-14↓	-21%	-6↓	-12%
Other									

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	0.0%	0.0%	0.0%
Long-term interest rates	100.0%	0.0%	100.0%

Sales By Geography

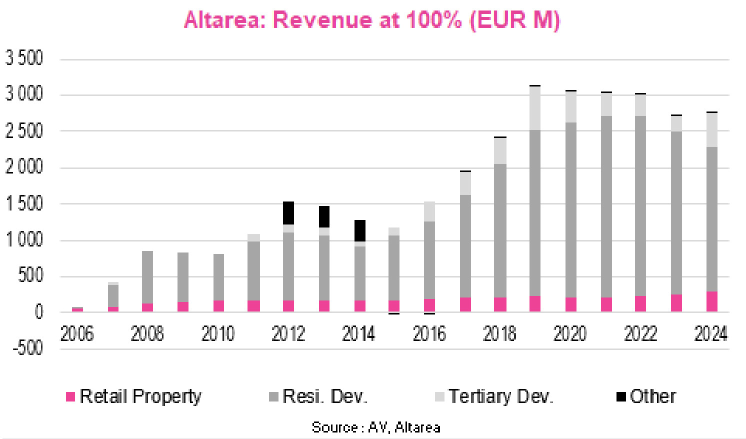
France	100.0%

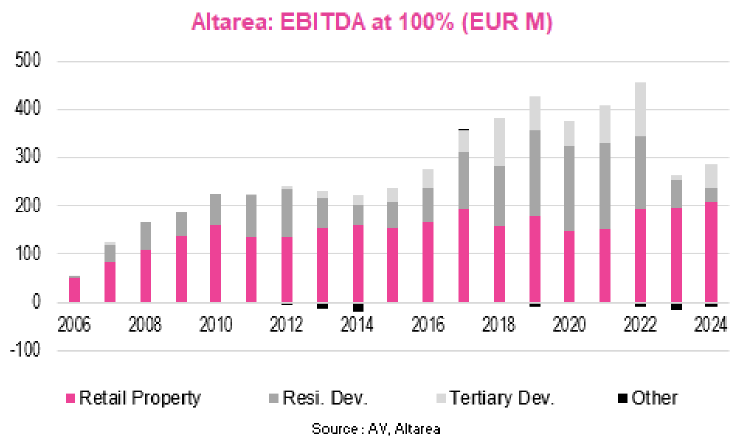
We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. 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

In a nutshell

Altarea's dual business model results in distinct economic drivers for each segment.

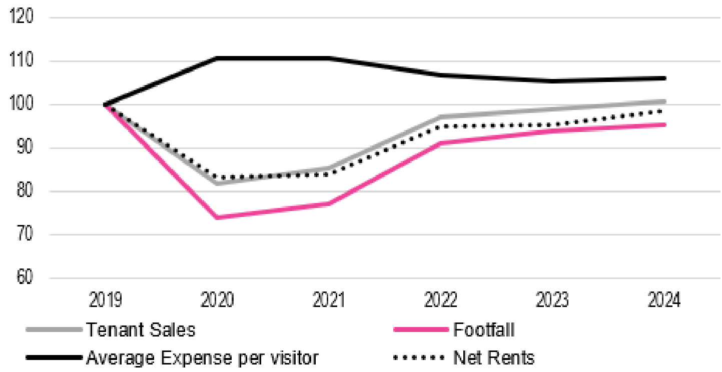




Retail property

Altarea operates in Europe's most resilient property format: retail. This involves owning commercial spaces and leasing them to national or international brands. These properties are primarily "non-prime" on a worldwide scale but hold significant regional or continental importance. Notable assets include Cap 3000 in Nice, attracting over 10m visitors annually (and Qwartz, 8m), demonstrating resilience since the COVID crisis.

Altarea: Operational metrics, net of inflation, Index 100-2019



Source : AV, Altarea, Fed of Saint Louis

At the EBITDA level, cash flow is driven by managing operational factors such as vacancy ratio, effort ratios, nominal rents, management and maintenance costs, incentives, while considering environmental constraints like GDP, competing retail units in the catchment area, accessibility, and demographics. Following the recent inflationary period, we lack information on the remaining reversionary potential, which is the difference between passing rents and potential revenue at full re-lettings. Consequently, we cannot assess the potential growth of nominal rents in the coming years, especially net of inflation. We therefore consider current operating cash flow generation to be near-optimal, assuming a constant scope and net of inflation, from 2026, after the final favourable effects of indexation in 2025.

Existing landlords are currently benefiting from and will continue to benefit from a near-zero increase in competing retail space in France. This results in a relatively fixed maximum supply on both national and local scales, creating a “sclerotic” market that favours owners in areas with the highest population growth.

Altarea prioritises a high occupancy ratio for its assets, even if it requires flexibility with rents, to maintain footfall. The current occupancy ratio is frictional, but we lack detailed data for a comprehensive assessment. Based on our experience and analysis of Altarea’s peers, we consider Altarea’s retail asset management to be of high quality. The company demonstrates proactive and efficient on-site management, exemplified by responsive incentive policies. The rental base turnover is notably above average, indicating a strong commercial focus.

Information on the management fees and cost structure of the Third-Party Asset Management segment is limited. However, we believe its contribution to recurring EBITDA (Group share) is relatively small even if highly profitable (EBITDA/Capital employed). This also applies to assets co-owned with minority shareholders but managed by Altarea. Notably, third-party investors own approximately 57% of the €5bn consolidated AuM.

Residential development

Residential development profitability depends on secure land prices, construction cost changes, and customer solvency. Operating margins exceeded 10% in the early 2000s but fell to 6-7% between 2018 and 2022. Altarea's success stemmed from acquiring cheap land in the 1990s, preceding the real estate boom and low interest rates of the 2000s. Cash recycling and strategic risk-taking have shaped Altarea's current profile. Long-term, Altarea focuses on managing size and risk profile, particularly through debt, based on economic conditions and shareholder expectations.

The Residential Development operating margin is not the sole metric; the EBIT/gross margin ratio and ROCE are crucial. While committed capital is typically low risk, significant value destruction occurred over 2022-24, highlighting cyclical risks. Crisis years can erode a third to half of accumulated value creation.

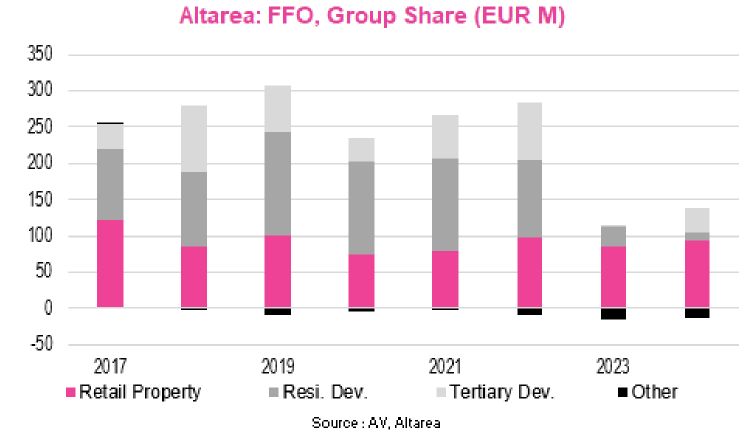
Cost and risk control are vital. In low inflation periods, market prices are set by client solvency, benefiting from subcontractor competition. Depending on macro factors, margins may be high or moderate, as seen since 2022. We expect a return to positive margins of 3-5%, applied to potentially still low revenue in 2025-27.

Cost management
Altarea's business costs are largely variable and unlikely to change significantly. Revenue control is more critical than cost control, particularly in the Retail Property segment.

In the current market phase, Altarea may accept operational under-profitability to maintain expertise, potentially enabling a rapid margin rebound if market conditions improve.

Financial expenses
Altarea's average debt cost is below 2% in 2024, applied to €2bn of net cash debt, resulting in €34m in recurring cash financial expenses. Aligning with a 5.2% marginal cost would increase expenses by c.€50m (group share, AV estimate), compared to €127m FFO in 2024.

With debt overhedged until 2027, short-term changes are unlikely, but medium-term debt roll impacts on FFO require careful monitoring. The net impact on FFO will depend on the Development segment's FFO recovery at EBITDA level.



Altarea's management is aware of this challenge. Persistent risk of higher financial expenses could hinder a rapid return to €300m FFO and affect the dimension of sustainable dividend level.

Divisional EBITDA/R

	12/24A	12/25E	12/26E	12/27E	Change 25E/24		Change 26E/25E	
					€M	of % total	€M	of % total
Total	**267**	**305**	**314**	**300**	**38**↑	**100%**	**9**↑	**100%**
Retail Property	204	210	214	220	6↑	16%	4↑	44%
Real Estate Development	73.6	100	110	80.0	26↑	69%	10↑	111%
Other	-10.6	-5.00	-10.0	0.00	6↑	15%	-5↓	-56%
Other/cancellations								

Divisional EBITDA/R margin

	12/24A	12/25E	12/26E	12/27E
Total	**9.15%**	**10.2%**	**10.4%**	**9.65%**
Retail Property	83.7%	83.7%	83.7%	84.3%
Real Estate Development	2.99%	3.94%	4.25%	3.03%
Other	-5.06%	-2.57%	-5.30%	0.00%

Valuation

In a nutshell

Altarea reports a diluted liquidation NAV using its proprietary methodology (mostly DCF applied to development businesses). The GAV lacks formal detail and is not published in EPRA standards. The structure of the FFO Group share is also not detailed.

We provide analytical insights, acknowledging the limited granularity of publicly available information, to facilitate a more precise valuation of Altarea. This is reflected in our 10% governance discount.

Partnership

The articles of association provide for the dissolution of Altarea's partnership (French "commandite"), compensated by issuing 120,000 new shares, representing 0.55% of the capital. Altarea indicates that this moderate dilution would also cover the dissolution of the limited partnership in Altareit. We have verified that the partner's compensation is not excessive (see Governance section). Therefore, despite the partnership's existence, we see no reason to apply a specific discount to Altarea as a whole.

Dividend policy

The cash dividend paid to minority shareholders significantly influences stock market status. Since 2006, the AGM has approved €2.5bn in dividends, representing a 77% payout of FFO, with €1.5bn distributed in cash, equating to 48% of FFO. The remaining €1bn primarily results from the scrip dividend, either total or partial, selected by the reference shareholders, who currently hold 69% of the capital. This difference should be considered in the context of the current market cap of €2.5bn.

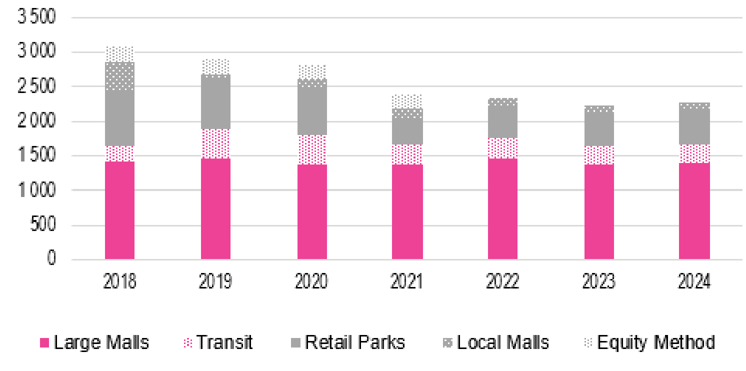
DCF valuation

A DCF model is of limited relevance for property companies. Retail property assets constitute the bulk of Altarea's value. This is also true for development models, whose economic performance is highly cyclical. We prefer the GAV/NAV approach over DCF valuation.

GAV / NAV

Due to limited public data, we assume 73% of Altarea's consolidated debt relates to its shareholders, implying minority shareholders are underleveraged. We value the retail GAV at the 2024 appraisal value of €2.1bn (Group share, ex-transfer taxes), applying a 5% discount (€100m) to reflect current arbitrage opportunities for equivalent assets.

Altarea: Value at share (EUR M)

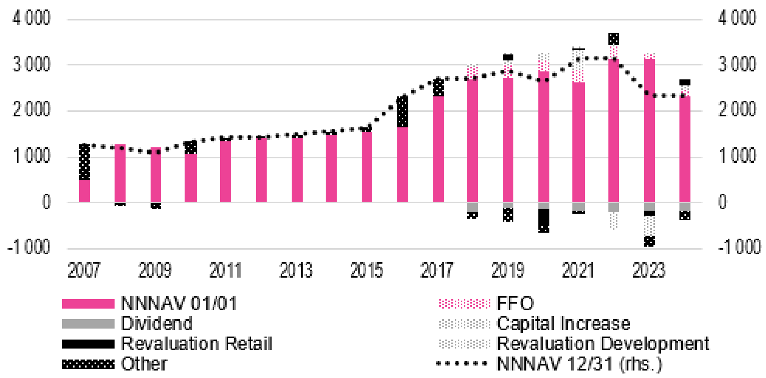


Source : AV, Altarea

We value residential and tertiary development assets based on a mid-cycle EBITDA multiple for each segment. We do not adjust intangible assets, which are moderately significant at Altarea.

All residual equity method assets and development businesses are valued together at an EV of €1.7bn, including unrealised capital gains (AV est.) on data centre and logistics projects, 100% owned by Altarea.

Altarea: NNNAV at share (EUR M)



Source : AV, Altarea

Minorities, hybrids, equity method, IFRS 16 & other

Minority interests are primarily in retail property (€68m recurring FFO in this segment vs. €15m for the rest of the group in FY 23). We consider annual independent appraisals to provide a fair market value in mark-to-market terms, retaining their balance sheet value of €1.2bn. Minorities are therefore provided with a 6.6% FFO yield.

Public information is insufficient to determine the extent of specific debt in equity method segments. An EPRA LTV ratio would offer more precision in studying equity methods.

There are €0.2bn of hybrid securities (TSDI, subordinated notes) paying 3% in perpetuity. Credit agencies consider them equity equivalents since they are repayable after rated debt. We consider them 100% debt in valuation, despite their market value being theoretically lower than their book value. Shareholder loans are treated as cash debt.

We consider commercial paper as debt, but since 2024, there is no NEU-CP programme due to higher short-term rates. In our risk analysis (ICR and ND/EBITDA ratios, AV methodology), estimated outgoing rents payable by the concession business are deducted from EBITDA (approximately €15m in financial expenses under IFRS 16 are deducted from recurring EBITDA published by Altarea).

Historical valuation and alternative valuation methods

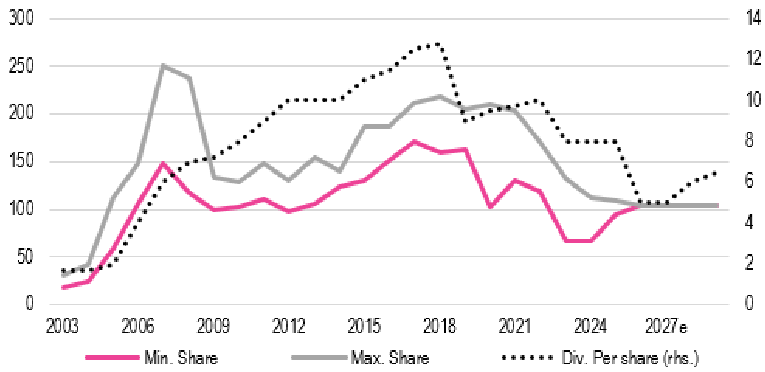
For real estate developers, book equity often serves as a reference point for market cap, which we monitor as a potential inflection point signal. This indicator does not appear positive for 2025.

Altarea's NAV per share (company's methodology, nominal and net of dividend scrip dilution) often returns to similar nominal levels at the cycle's bottom: €112 in 2005, €109 in 2009, €124 in 2014, and €112 in 2023. Leverage is created during the cycle's upswing, particularly when residential and tertiary development profits coincide.

For the past twenty years, the nominal value per share at the cycle's bottom has been almost constant, with most shareholder returns from dividends, supplemented by potential returns (unrealised capital gains) during recovery phases or low interest rates.

Our valuation model does not incorporate a dividend discount method. The dividend is currently higher than Altarea's FFO, thus questioning its sustainability. Altarea has guided for a stable dividend of €8 per share for 2025, payable in 2026. We readily admit that there remains a possibility of maintaining a dividend of around €8 p.a. over a transitional period, potentially several years, in the event of a series of capital gains on development operations in the Logistics or Data Centers segments. These capital gains could be of quite significant size in our opinion, but it remains to be seen whether these businesses can be materially converted into recurring operations bringing regular profits in the long term (i.e. "recurring FFO"). As far as the short term is concerned, we believe €8 would still exceed FFO in 2025-26. We include the corresponding new share creation in 2026 in our estimates.

Altarea: Dividend per share (EUR)



Source : AV, Altarea

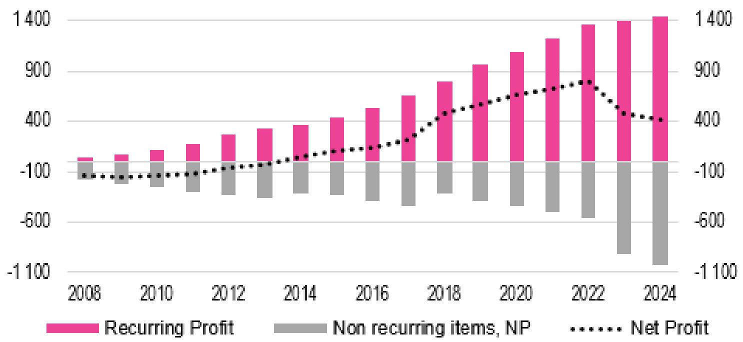
Beyond that, we align the dividend with a sustainable payout ratio of 75-80% of expected published FFO, the latter being mostly based on Altarea's "traditional" segments, thus considering a low contribution of further capital gains. We are not factoring in new share issues in out years. Our dividend expectation beyond 2026 (below €6) is significantly lower than Altarea's long-term guidance, which was €10 in 2023, adjusted to €8 payable in 2025 and 2026. We will later consider revising the dividend level that we consider sustainable upward if: i/ the restart of Residential is stronger than expected at the moment or ii/ we are convinced that capital gains on the tertiary segment can be considered more recurrent.

If management maintains a nominal dividend of €8 per share, payable in cash, this would represent a cash dividend yield of approximately 8% at the current share price for minority shareholders. However, there is a risk of a nominal dividend reduction if interest rates remain high. A further adjustment could affect Altarea's share price through changes in its stock market status: a €5 dividend, for example, representing a yield of approximately 5%, would no longer be differentiating.

Side parameters and risk assessment

We discuss additional valuation parameters in the Governance and Environment sections. Including Altarea's entire debt, we estimate the EPRA LTV is above 42% (28% in Altarea credit-oriented methodology). This level remains reasonable, assuming business development recovers in the coming years, with EBITDA returning closer to mid-cycle levels.

Altareit: Full Development, accrued profits through cycles



Source : AV, Altareit

Long run

A long-term observation of Altarea shows that the main shareholder benefit has come from dividends paid since the IPO. At the previous cycle's peak, equity per share was €148 in 2007. It is €77 in 2024, closer to the cycle's bottom. This is a nominal valuation before accounting for inflation and after deducting the increase in the number of shares largely due to scrip dividends.

Stock market status

With a 20% free float (approximately €0.5bn), Altarea is positioned as a French small cap with low liquidity. The stock benefits from a premium due to the cash dividend yield offered to minority shareholders. This cash dividend is supported by the majority block, which currently receives 75% of its dividends in new shares. The compensation of minority shareholders based on the current dividend cash would be around €53m annually, an amount we believe is sustainable if expressed in relation to FFO, ignoring the balance sheet.

As long as the nominal dividend remains high, Altarea benefits from its dividend yield status, which is favourable to the stock price.

Capital increase & dilution
Altarea has stated it will not require fresh cash in the near future. There are currently no substantial dilutive instruments outstanding. The reference shareholders' option for scrip dividend demonstrates a need for balance sheet support, nevertheless.

Target price vs. NAV
At the cycle's peak in 2021-22, the published NAV was €3.1bn vs. the current €2.3bn. The difference between NAV and our target price being roughly €0.3bn, it compares to a 100% GAV of €5bn according to Altarea methodology. This difference is primarily due to a more conservative approach to valuing the Development division.

Valuation Summary

Benchmarks	Values (€)	Upside	Weight
NAV/SOTP per share	95.1	-4%	75%
DCF	99.0	0%	25%
Target Price	**96.1**	**-3%**	

Comparison based valuation

Computed on 18 month forecasts
Peers ratios
Altarea's ratios
Premium
Default comparison based valuation (€)
Klépierre
Icade
Mercialys
Nexity

DCF Valuation Per Share

WACC	%	6.49
PV of cashflow FY1-FY11	€M	1,928
FY11CF	€M	301
Normalised long-term growth"g"	%	2.00
Sustainability "g"	%	1.80
Terminal value	€M	6,423
PV terminal value	€M	3,426
PV terminal value in % of total value	*%*	*64.0*
Total PV	€M	5,354

Avg net debt (cash) at book value	€M	2,125
Provisions	€M	0.00
Unrecognised actuarial losses (gains)	€M	0.00
Financial assets at market price	€M	407
Minorities interests (fair value)	€M	1,245
Equity value	€M	2,391
Number of shares	Mio	24.1
Implied equity value per share	**€**	**99.0**
Sustainability impact on DCF	%	-6.01

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50
Target equity risk premium	%	5.00
Tax advantage of debt finance (normalised)	%	25.0
Average debt maturity	Year	5
Sector asset beta	x	0.61 (1)
Debt beta	x	0.40
Market capitalisation	€M	2,227
Net debt (cash) at book value	€M	2,088
Net debt (cash) at market value	€M	1,937

Company debt spread	bp	200 (2)
Marginal Company cost of debt	%	5.50
Company beta (leveraged)	**x**	**1.01**
Company gearing at market value	%	93.8
Company market gearing	%	48.4
Required return on geared equity	**%**	**8.54**
Cost of debt	%	4.13
Cost of ungeared equity	**%**	**6.55**
WACC	%	6.49

1. Due to its exposure to both residential development and retail property, Sector Beta seems appropriate.
2. The current debt spread is in line with current market conditions. It is aligned with the company's BBB- credit rating (S&P, 2024).

DCF Calculation

		12/24A	12/25E	12/26E	12/27E	12/28E	12/29E	Growth	12/30E
Sales	€M	2,915	2,982	3,032	3,107	3,196	3,284	**1.50%**	3,333
EBITDA	€M	263	283	272	295	320	345	**1.50%**	350
EBITDA Margin	*%*	*9.01*	*9.49*	*8.99*	*9.49*	*10.0*	*10.5*		*10.5*
Change in WCR	€M	114	0.00	0.00	0.00	0.00	0.00	**0.50%**	0.00
Total operating cash flows (pre tax)	€M	438	283	272	295	320	345		350
Corporate tax	€M	10.9	-44.5	-40.6	-47.5	-48.7	-46.3	**0.50%**	-46.5
Net tax shield	**€M**	**-33.6**	**-13.8**	**-15.0**	**-16.3**	**-18.8**	**-25.0**	**0.50%**	**-25.1**
Capital expenditure	€M	-163	-50.0	-70.0	-80.0	-60.0	-60.0	**0.50%**	-60.3
Capex/Sales	*%*	*-5.61*	*-1.68*	*-2.31*	*-2.57*	*-1.88*	*-1.83*		*-1.81*
Pre financing costs FCF (for DCF purposes)	€M	252	175	147	151	192	214		218
Various add backs (incl. R&D, etc.) for DCF purposes	€M		31.5	68.7	49.8	61.5	63.7		75.0
Free cash flow adjusted	**€M**	**252**	**206**	**216**	**201**	**254**	**278**		**293**
Discounted free cash flows	**€M**	**252**	**206**	**202**	**177**	**210**	**216**		**214**
Invested capital	€	7,515	7,542	7,592	7,656	7,693	7,723		7,837

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
Altarea Retail Property	100%	GAV		2,000	2,000 (1)	82.9	53.3%
Altarea Development	100%	GAV		1,150	1,150	47.6	30.7%
Altarea Equity Method	100%	GAV		450	450 (2)	18.6	12.0%
Other					150 (3)	6.21	4.00%
Total gross assets					**3,750**	**155**	**100%**
Net cash/(debt) by year end					-1,482 (4)	-61.4	-39.5%
Commitments to pay							
Commitments received					28.1 (5)	1.17	0.75%
NAV/SOTP					2,296	95.1	61.2%
Number of shares net of treasury shares - year end (Mio)					**24.1**		
NAV/SOTP per share (€)					**95.1**		
Current discount to NAV/SOTP (%)					**-3.75**		

1. GAV Proportionate, Net of 5% Discount
2. Equity Method and Solar Business
3. Latent Capital Gains (AV Est.)
4. Full cash net debt
5. Discounted Tax Loss Carry Forward

Debt

Altarea's Special Features

Altarea operates as a hybrid entity with two primary businesses, both centrally financed within the group. It employs a comprehensive consolidated approach, particularly in its LTV and ND/EBITDA metrics (refer to our Worth Knowing section on this).

Credit Rating

Altarea holds a BBB- credit rating and has issued a €300m bond in 2024 with a 5.5% yield, currently trading at 5.2% as of March 2025. This investment-grade status is supported by a "credit oriented" LTV ratio of 28% according to the company's methodology.

Altarea: Net Debt vs. Property Asset (EUR M)

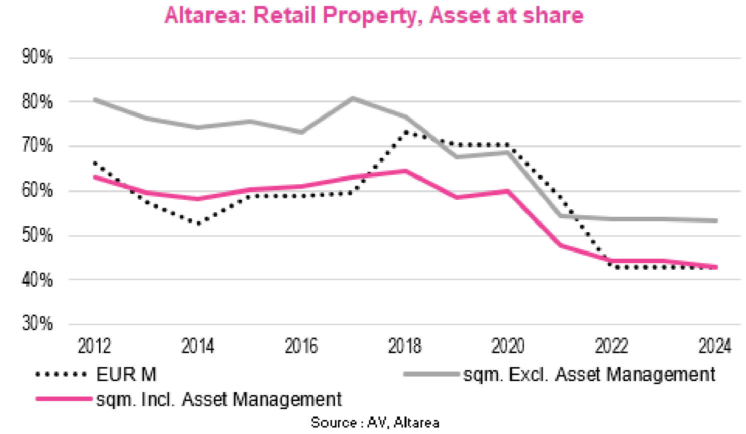
Source : AV, Altarea

Debt Structure, Maturities, and Hedging

The €1.4bn bond debt constitutes half of the €2.8bn gross cash debt at the end of 2024 (including €0.2bn hybrid debt, excluding IFRS 16). The group's debt is well-hedged. Following asset disposals and a significant reduction in working capital in the Residential Development segment, Altarea has effectively invested excess cash, generating financial income and strengthening FFO in 2024, with potential continuation into 2025-26. This is reflected in the net cost of debt at 1.9% in 2024, significantly below current market conditions.

This advantage may become thinner as refinancing progresses, influenced by credit spreads and market conditions. In summary, FFO is well-protected for the coming years, though uncertainties remain towards the decade's end. This is a common issue among property companies and not specific to Altarea.

We believe Altarea manages its debt maturities and hedges more effectively than some major competitors, providing more time and flexibility for adaptation. The €350m capital increase at the end of 2021 exemplifies this. Altarea holds a competitive advantage relative to the market average, except against more capitalised competitors like K&B, which can leverage their resources more aggressively.



€1.0bn of gross debt is attributed to bank financing of various maturities, and €0.15bn to associates loan. Gradual refinancing is expected, including Altareit (€350m, yield 2.88% by June 2025) and Altarea (€450m in 2028 yielding 1.88%, plus €350m mortgage debt on Cap 3000 in Nice). Despite quality hedges, we anticipate net financial expenses will impact consolidated FFO.

We foresee no refinancing or liquidity risk for Altarea, but a risk of persistently higher debt costs affecting free cash flow generation.

Superior Skills

The €350m capital increase in 2021, anticipating the Primonial acquisition, significantly strengthened Altarea's balance sheet. This capital was valuable during the residential development market turnaround in 2022. Whether by chance or strategic foresight, this move was successful in risk management, akin to strategies observed in logistics models like Segro and WDP.

The 2021 capital increase extended debt maturity and enhanced hedging effectiveness, protecting FFO. This advantage may decrease if short term interest rates fall, as seen with the current yield curve steepening. However, Altarea, like other property companies, is expected to reallocate short-term financing, now affordable due to ECB policies, to finance long-term assets.

What's Missing

Altarea's debt presentation is from a credit perspective, focusing on lenders and bondholders. We lack detailed information to assess shareholder-level ratios, such as EBITDA, net debt, and LTV to EPRA standards. While we understand Altarea's balance sheet structure, precise diagnosis relative to peers is challenging due to the company's methodology. Altarea's benchmarks have been consistent since its 2004 IPO, well-integrated by credit rating agencies and the bond market.

Cross-Checks

We estimate three-quarters of consolidated cash debt, or €1.5bn, is attributable to Altarea's shareholder, implying minimal net debt for minority shareholders. Assuming a hypothetical complete sale of Retail Property, the real estate development segment would be net cash.

This suggests Altarea's current market cap of €2.5bn values the development division at approximately €2bn EV for a recurring EBITDA of €80m in 2024. This valuation may align with the Development segment potentially returning to an EBITDA closer to €200m in the medium term, driven by a robust market recovery.

Asset Arbitrage and Risk Management

Altarea appears to manage asset risk effectively, as evidenced by regular asset disposals, capital increases, etc. Management seems to have reduced the group's risk level and debt dependence, reflected in its dividend policy. We infer two conclusions: a reassessment of the cycle's risk level in both businesses and/or preparation for a significant industrial transaction. We believe the risk level remains too high for a major transaction, favouring continued operations within the current scope.

Dividend

Since 2006, Altarea has maintained a 75% payout ratio of recurring FFO, leaving 25% to cover non-recurring expenses and manage debt, especially during growth phases. Management has prioritised yield, adapting by reducing dividends per share (€11.0-12.8 paid between 2016 and 2019, €10 promised in early 2023, €8 payable in 2024-2026). Core shareholders have opted for a 75% share-based payment. Since its IPO, Altarea has paid €2.4bn in dividends, with a NAV of €2.3bn at the end of 2024. The current payout ratio exceeds Altarea's distribution capacity (see Valuation section on this).

As noted for all property companies, the French REIT regulation requiring profit distribution is incompatible with long-term portfolio development (see Worth Knowing section on this), risking impoverishment. Companies that thrive are those capable of raising capital or whose shareholders can forgo cash dividends to reduce debt and support balance sheet recovery or portfolio growth.

Detailed financials at the end of this report

Funding - Liquidity

		12/24A	12/25E	12/26E	12/27E
EBITDA	€M	263	283	272	295
Funds from operations (FFO)	€M	209	183	172	182
Ordinary shareholders' equity	**€M**	**1,694**	**1,683**	**1,659**	**1,623**
Gross debt	€M	2,829	2,829	2,829	2,829
+ Gross Cash	€M	779	741	667	567
= Net debt / (cash)	**€M**	**2,050**	**2,088**	**2,162**	**2,262**
Undrawn committed financing facilities	€M	1,589	1,589	1,589	1,589
Gearing (at book value)	%	121	123	128	136
Equity/Total asset (%)	%	22.4	22.2	21.7	21.0
Adj. Net debt/EBITDA(R)	*x*	*7.81*	*7.38*	*7.93*	*7.67*
Adjusted Gross Debt/EBITDA(R)	*x*	*10.8*	*10.00*	*10.4*	*9.59*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*62.5*	*62.7*	*63.0*	*63.5*
Ebit cover	*x*	*1.78*	*4.24*	*3.71*	*3.92*
FFO/Gross Debt	*%*	*7.38*	*6.49*	*6.07*	*6.45*
FFO/Net debt	*%*	*10.2*	*8.79*	*7.95*	*8.06*
FCF/Adj. gross debt (%)	*%*	*5.35*	*4.72*	*3.60*	*3.62*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*4.99*	*12.6*	*14.8*	*2.23*
"Cash" FCF/ST debt	*x*	*0.32*	*0.68*	*0.64*	*0.10*

Worth Knowing

Tax Regime and Dividends

Altarea has chosen the SIIC (French REIT) regime for its property assets, which mandates the annual distribution of most profits as dividends to shareholders. French law does not require these dividends to be entirely in cash. Since 2019, 3m shares have been issued under dividend scrips, compared to 16m shares at the end of 2018.

Due to the REIT regime and recent net losses in the Development segment, changes in corporate taxes for French big corporates will not affect Altarea from 2025 to 2027.

Primonial Deal

In 2021, Altarea announced negotiations for the transformative acquisition of Primonial for €1.9bn, a multi-product platform in France, including asset management of French private retail RE funds (SCPIs). To finance this acquisition, Altarea raised €350m in cash at the end of 2021. In March 2022, it abandoned the deal, leading to a legal battle. Initial findings in February 2025 were favourable to Altarea. Given the stakes for Primonial's owners, a lengthy legal battle is expected. Due to the clear outcome of the first instance, no discount is applied to Altarea related to this dispute. However, the final outcome remains a risk until proceedings conclude.

Reliability of Guidance

Altarea has provided guidance in recent years amidst an unstable market environment, often not achieving or delaying targets. This reflects unprecedented market momentum continuing into 2024. A sustained market recovery could reverse this trend, but short-term prospects remain uncertain.

In 2023, Altarea anticipated a stable dividend of around €10, payable 50/50 in shares/cash. In 2024, the dividend was €8, paid entirely in cash or 75% in shares and 25% in cash. The same terms apply for 2025. For 2026, Altarea plans a stable dividend without specifying payment terms. This remains well below initial 2023 expectations. The option to pay dividends in shares indicates a priority to reduce debt, which continues in 2025.

Medium-term guidance aims to return to the €300m nominal FFO generated in 2019. At the start of 2024 (€101m FFO in 2023), Altarea planned to reach this by 2027-28. By early 2025 (€127m FFO in 2024), a 2028-29 horizon seems more realistic. This assumes a rapid turnaround in the Development division, which we find unlikely given the sector's inertia and medium-term financial risks. The return to this historic FFO level (nominal, not adjusted for in-between inflation) suggests that Altarea expects a significant contribution from its new businesses by 2027-29. The extent of this contribution from Logistics or Data Centres, for example, to the medium-term profitability objective is not known. We may therefore be required in the future to significantly revise our consolidated FFO estimates upwards if Altarea succeeds in converting one-off capital gains into permanent and sustainable value creation.

Partnership

Altarea's holding structure, a Partnership (French "Commandite"), ensures control continuity for the Taravella family, maintaining strategic and management consistency. Its impact on valuation is discussed in our Valuation section.

Financial Communication

Since its IPO, Altarea has used credit-oriented metrics not aligned with EPRA standards, complicating valuation comparisons with peers. Missing metrics include proportionate LTV excluding duties, NAV by business, and proportionate ICR. Altarea does not publish ratios like reversion potential, incentives granted etc.

In Property businesses, non-recurring items are identifiable, but in Development, they are less clear. Since 2008, recurring net income totalled €1.4bn, while group share net income was €0.4bn, indicating €1bn in non-recurring items. This questions the use of recurring FFO for valuation and the adequacy of the 25% long-term retained cash dividend or the EV/EBITDA ratio for the development division at Altarea's published NAV.

The €5bn portfolio and 1m square metres include third-party managed assets, contributing little to income but providing a broader shareholder wealth picture. From an AuM perspective, this is accurate.

This communication policy has been consistent since the IPO, though some details have been lost over time. This affects transparency and analysis compared to peers, particularly in Property. We apply a discount via the Joker analyst view in the Governance section. However, this communication is necessarily integrated over time by the stock and bond markets, as well as the credit rating agencies.

Associates Loans & EBITDA

At the end of 2024, Altarea's partners had a €145m receivable, about 7% of market cap. This receivable is primarily a cash pool using equity methods, with no dilution risk identified. Remuneration terms for this loan are unspecified. Like Commercial Paper and hybrids, covenants exclude third-party loans. We consider this in our risk assessment. It was restated in our valuation multiples too.

Rents and royalties on concessions are partially recorded below EBITDA, not included in debt metrics (ND/EBITDA or ICR at Altarea standards) but considered in FFO Group share which is a stable cash metric. One can note that non-recurring items are significant long-term compared to recurring EBITDA.

Minorities & Equity Method

Since the 2004 IPO, the equity method's contribution to EBITDA has grown, reflecting more partnerships, especially in Tertiary Development, where equity investments account for a third of recurring EBITDA. In Residential Development, risk sharing often involves minority shareholders, absorbing 13% of recurring net profit since 2017. It was restated in our valuation multiples too.

Altarea's key development subsidiary (Altareit, listed, not covered) allows for balance sheet deductions, mainly for Retail Property. Greater financial information granularity, particularly in EPRA standards, would improve precision, nevertheless.

Minorities (excluding hybrid debt) represented €1.2bn in 2024, compared to €1.7bn pure shareholder equity (before €0.4bn intangibles deduction). The Equity Method share was €358m versus a NAV of €2.3bn (Altarea methodology), a substantial portion of Altarea's value. Limited information is available on the financial structure of vehicles consolidated by Equity Method.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Taravella Family	45.5%	45.8%	0.00%
Crédit Agricole Assurances	24.1%	24.3%	0.00%
APG Asset Management	6.65%	6.69%	0.00%
Gournay	1.59%	1.60%	0.00%
Altarea Employees	1.20%	1.21%	0.00%
Altarea Treasury Shares	0.66%	0.00%	0.00%
Apparent free float			**20.3%**

Sustainability

Altarea is notably committed to the sustainability taxonomy. While exact comparisons are challenging, Altarea appears to have embraced this theme swiftly and earnestly. If sustainability is defined as constructing optimal apartments, Altarea deserves high recognition. The units delivered comply with stringent norms for low energy and carbon consumption. However, the construction sector inherently generates significant emissions, and reducing its footprint may necessitate lower long-term deliveries.

Altarea, like other developers, faces a global paradox: increasing apartment numbers, space per inhabitant, and comfort, while aiming to improve humanity's environmental impact. Frugality is the ideal solution, yet it is unlikely that individuals will willingly reduce their footprints. Our belief is that sustainability is costly. Since 2023, the question has been whether sustainability is affordable for buyers, as it is challenging to align with mass markets.

Governments must guide citizens towards sustainable behaviours. The French residential development market accounts for less than 1% of existing homes annually, highlighting the need for renovation. Existing buildings still carry the burden of past carbon emissions, akin to non-recourse debt. Stricter regulations could favour the secondary market or compel developers to build new structures, benefiting only the wealthiest. This is the challenge governments must address, and Altarea may need to adapt accordingly.

A final consideration is the long-term impact of demographics in France. The ageing population and declining birth rate will soon question the annual need for new housing. While demand will persist in economically vibrant areas, the market may naturally rebalance housing practices. Until then, a tense transition period for housing and rents is expected to last at least another decade.

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	**2/10**	25%
Board geographic diversity	**2/10**	20%
Chairman vs. Executive split	✖	5%
Environment		
CO^2 Emission	**8/10**	25%
Water withdrawal	**7/10**	10%
Social		
Wage dispersion trend	**0/10**	5%
Job satisfaction	**3/10**	5%

Internal communication	**10/10**	5%
Sustainability score	**4.2/10**	100%

Governance & Management

Partnership

The structure of a partnership typically necessitates a valuation discount when converting to a more conventional governance model. However, Altarea's articles of association already account for this, negating the need for a discount. The Taravella family effectively controls the company, with power concentrated in the hands of the entrepreneur.

The group operates under a dual-tier limited partnership, both at Altarea and its listed subsidiary, Altareit, which handles development activities. The dissolution of Altarea's limited partnership would likely lead to the dissolution of Altareit's limited partnership too, eliminating the need for a specific discount at both levels.

Altarea's structure is designed to be a robust fortress, theoretically allowing for a predatory profile. A significant share-based operation, diluting the Taravella family's control (from 72% in 2006 to 45% today), would not affect their effective control over the group's affairs.

Board independence

In the partnership model, the General Partner holds complete authority. Altarea has a supervisory board with mainly consultative powers, allowing Crédit Agricole (holding 24% of the capital and acting as a "Sponsor" or "limited partner") to participate in governance. Crédit Agricole is also a business partner at various levels, particularly in Property.

According to AlphaValue standards, none of Altarea's Board members are considered independent due to business proximity or mandate length. This has a negligible impact on the group's overall rating, as the General Partner inherently exercises broad powers. The governance discount for the Board's lack of independence aligns with the overall governance discount of 10% applied for financial transparency.

Operational governance

In 2024, Mr Arkwright was appointed Chief Operating Officer, working alongside Mr Taravella, the founder and controlling shareholder. Mr Arkwright brings extensive retail property experience. Before Mr Arkwright, Mr Taravella recruited Mr Jacques Ehrmann in 2019, who left in 2024. Mr Ehrmann had a similar profile, having contributed to the creation of Mercialys (covered) and Carmila. Altarea's COO role is retail-focused, as the Taravella family, through the limited partnership with Altareit, directly manages development.

Altarea's retail assets have evolved significantly, with improved risk-reward, focusing on large regional shopping centres and retail parks. The portfolio has been streamlined. While Mr Arkwright can support structural change, it will primarily be driven by Mr Taravella.

Management continuity

Mr Taravella, aged 76, has not publicly addressed succession. As a passionate entrepreneur, he is expected to continue leading the group, while remaining open to transformative transactions.

Long-term shareholding & scrip dividend / commitment

The Taravella family maintains control of Altarea with a 45% stake, despite dilution and share sales since the IPO. Crédit Agricole, a long-term shareholder, increased its stake from 10% in 2006 to 24% through institutional exits and Taravella family sales. The APG fund, holding 5.7% since 2008, now holds 6.7% and partners with Altarea at various business levels (Cap 3000). Minority shareholders, including Mr Nicolet and Mr de Gournay, also sit on the Board. Employees hold about 1% of the capital.

The free float increased from 7% in 2006 to 20%, mainly due to cash capital increases since the IPO. When Altarea offered dividends in shares, the reference shareholder chose this option, reflecting the Taravella family's commitment. Occasionally, the family resells shares received as dividends, without affecting control significantly.

As of 31 December 2023, 11.7% of the Taravella family's stake was pledged to Natixis, likely for asset management in private holdings, leaving over 33% unencumbered, representing a statutory blocking minority. By opting for mixed dividend payments, the family receives approximately €20m annually, excluding additional cash from share sales. The family's private holding activities remain undisclosed.

Board, compensation & committees

Altarea has a Nominations and Compensation Committee and an Audit Committee. The main committee is the Investment Committee, comprising principal shareholders. Top management's compensation is determined by a contract between the Company and the General Partner, approved by the General Meeting. In a partnership, the Board's role is primarily advisory.

Beyond the annual fixed compensation of €1.8m, a significant portion is variable, capturing 3% of annual FFO per share above €15.50. In 2023, the variable compensation was low (€0.5m), and it is expected to remain low in 2025, which is considered fair to minority shareholders.

Governance score

Company (Sector)	Independent board
5.7 (6.8)	No

Parameters	Company	Sector	Score	Weight
Number of board members	12	8	6/10	5.0%
Board feminization (%)	37	33	7/10	5.0%
Board domestic density (%)	91	83	2/10	5.0%
Average age of board's members	62	60	4/10	5.0%
Type of company : Large cap, not controlled			10/10	25.0%
Independent directors rate	16	41	2/10	20.0%
One share, one vote			✓	5.0%
Chairman vs. Executive split			✗	5.0%
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			✓	5.0%
Analyst's Joker View on Governance			-10%	
Governance score			**5.7/10**	**100.0%**

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Edward ARKWRIGHT	M	Deputy CEO	1974	2025		0.00 (2024)	0.00 (2024)
Alain TARAVELLA	M	Chief Executive (not Chairman)	1948	1994		1,200 (2024)	(2024)

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)
Christian DE GOURNAY	M	✗	President/Chairman of th...	2029	1952	2014		164 (2024)	31,742 (2024)
ALTA PAT. (TARAVELLA)		✗	Member	2028		2020		0.00 (2024)	969,255 (2024)
ALTAGER (TARAVELLA)		✗	Member	2029		2024		0.00 (2024)	969,255 (2024)
APG		✗	Member	2029		2015		16.0 (2024)	132,918 (2024)
Marie-Catherine CHAZEAUX	F	✗	Member	2027	1969	2018		10.0 (2024)	0.00 (2024)
Nicolas DEUZE	M	✗	Member	2025	1985	2022		8.00 (2024)	0.00 (2024)
Matthieu LANCE	M	✗	Member	2029	1968	2022		0.00 (2024)	0.10 (2024)
Paris MOURATOGLOU	M	✓	Member	2029	1941	2025			
Jacques NICOLET	M	✗	Member	2029	1956	2007		11.0 (2024)	1,012 (2024)
PREDICA		✗	Member	2029		2019		0.00 (2024)	515,772 (2024)
Michaela ROBERT	F	✗	Member	2028	1969	2016		16.0 (2024)	47.7 (2024)
Isabelle ROSSIGNOL	F	✓	Member	2029	1962	2025			

Environment

Global Warming and Real Estate Development

We believe that global warming will significantly impact housing in the West and, consequently, the real estate development sector in the long term. However, this impact is too distant to be currently assessed or valued.

Altarea's Specificity

Altarea is notably committed to adapting to the taxonomy, demonstrating a level of sincerity uncommon among developers. While this does not provide a competitive advantage, it reflects a commitment we value, warranting a 5% "Analyst Joker's View" bonus.

Property

Property companies typically experience significant carbon emissions at the start of construction, with minimal emissions thereafter. This is also applicable to developments on large land areas, such as car parks. Subsequent carbon consumption is low, as most extensions are minor in terms of square metres annually, whether at constant or current perimeters.

Water and energy consumption are low but remain crucial in showcasing retail property companies' sustainability efforts. Shopping malls, akin to hypermarkets, are central consumer spending hubs. This setup may optimise the physical flow of goods compared to peer-to-peer online distribution, which involves increased deliveries, transportation, and warehousing.

Development

Similar to oil companies, buyers and tenants are primarily responsible for initial carbon emissions. Altarea's efforts to optimise emissions align with French law, and it should promote alternative construction methods, such as wood and pre-fabricated structures. However, it is uncertain if these higher-cost constraints align with buyers' financial capabilities. Renovation could be a viable alternative, alongside citizens altering their habits, as the number of inhabitants per house is at a historic low, while square metres per inhabitant are at a historic high.

By delivering state-of-the-art buildings, Altarea helps optimise heating and air conditioning costs, though this alone does not qualify its business as "green." The rise of remote work may lead to more decentralised uses, necessitating further land transformation at the expense of centralised offices. In summary, Altarea could benefit from the work-from-home trend. Citizens must adopt positive habits independently.

Environmental score

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

Parameters	Score	Sector	Weight
CO² Emission	8/10	4/10	30%
Water withdrawal	7/10	4/10	30%
Energy	10/10	6/10	25%
Waste	9/10	4/10	15%

Company (Sector)

8.8 (4.6)

Analyst's Joker View	5%	
Environmental score	**8.8**	**100%**

Environmental metrics

	Company					Sector
	2021	2022	2023	2024	2025	2024
Energy (GJ) per €m in capital employed	23	38	39	34		43
					8.8	4.4
CO^2 tons per €m in capital employed	0	0	0	0		1
Tons waste generated per €m in capital employed	1	1	1	1		2
Cubic meter water withdrawal per €m in capital employed	33	39	47	34		64

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
Aroundtown		6/10	403,097	56,590	3,203,245	1,602,893
LEG Immobilien		4/10	5,158,742	324,989	5,456,644	31,593
HIAG		5/10	81,092	1,655	79,107	
Unibail-Rodamco-Westfield		7/10	1,963,933	23,493	4,152,330	1,963,933
Landsec		7/10	412,682	23,476	556,347	28,448
British Land Co		6/10	367,875	18,423	708,005	80,350
Hammerson		5/10	175,100	27,338	237,517	10,536
Segro		7/10	740,954	6,971	1,055,066	n/a
Klépierre		7/10	735,134	10,242	n/a	40,999
Covivio		7/10	n/a	19,166	n/a	5,869
Icade		7/10	1,078,074	3,718	649,252	10,944
Wereldhave		8/10	107,816	1,294	131,468	3,690
PSP Swiss Property		7/10	313,756	8,373	402,594	
Nexity		7/10	156,967	7,466	n/a	n/a
Gecina		8/10	459,424	6,639	752,889	1,419
Swiss Prime Site		6/10	884,660	14,685	700,366	13,031
Allreal Holding		6/10	256,504	8,700	411,997	
Mercialys		7/10	33,986	4,795	117,229	5,261
Deutsche Euroshop		2/10	243,520	17,058	348,415	7,299
Inmobiliaria Colonial		8/10	519,321	6,842	328,296	8,595
Deutsche Wohnen		1/10	n/a	275,061	n/a	n/a
Branicks Group		4/10	886,371	799	473,297	575,665
Mobimo		4/10	251,368,261	6,937	393,873	22,789
Warehouses De Pauw		10/10	1,912	325	3,139	8
Altarea		9/10	254,234	3,228	257,912	5,407
TAG Immobilien		1/10	2,213,096	4,670	3,317,129	310,885
VIB Vermögen		6/10	12,219	4,038	37,227	102
PATRIZIA SE		1/10		2,883		
Vonovia		1/10	526,253	829,543	48,071	861

Social

With 2,000 employees, Altarea is a significant player in French residential development. However, as the company subcontracts all construction work, assessing social issues at this level is challenging.

Altarea has maintained team integrity despite a sharp market adjustment since 2022. To continue this stability, consistent bookings are essential for 2025-26. Management appears committed to preserving the group's expertise to be well-positioned when the market rebounds. This alignment of interests between shareholders and employees is a positive social aspect.

Altarea designs apartments, indirectly addressing broader social issues such as wellbeing, amenities, co-working, and student residences. As a major provider of affordable housing for non-profit organisations like French HLMs and "intermediate buy-to-let" landlords such as Action Logement and CDCH, Altarea is responsible for constructing state-of-the-art buildings that comply with the latest standards, including RE-2020.

Social score

Company (Sector)

7.5 (6.0)

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	7/10	20%
Average wage trend	4/10	35%
Share of added value taken up by staff cost	10/10	25%
Share of added value taken up by taxes	9/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	**7.1/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	7/10	35%
Pay	10/10	20%
Job satisfaction	3/10	10%
Internal communication	10/10	10%
Qualitative score	**8.3/10**	**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	**8.3/10**	**100.0%**

Staff & Pension matters

In 2023, the group employed 2,200 people, representing, by subtraction, 1,670 in the Development division (Altareit) and approximately 500 in the rest of the group (including holding, Retail Property, and side businesses).

Despite the sharp decline in the Residential Development market since 2022, Altarea has so far avoided a major restructuring and thus preserved most of its core competencies. In this segment, we believe that management is capable of accepting sustained underprofitability in order to preserve its expertise, i.e., moderate but positive margins that allow it to reach a positive “recurring” Net Profit. For us, this is a positive social aspect.

Recent updates

05/05/2025

Gradual recovery starting in 2025?
Initiation cov.

The initiation of coverage allows us to encompass the majority of the French residential development market, including companies such as Nexity, Icade, Bouygues, Vinci, and Eiffage. Additionally, we monitor some non-covered entities like Kaufman & Broad and Bassac. This also enhances our coverage of the retail property sector in France, including Mercialys, Klépierre, URW, Hammerson, and Wereldhave, with the latter two pursuing exit strategies.

Altarea began over 30 years ago as an entrepreneurial venture. In France, it manages retail assets exceeding €2.1bn (group share) and generates €2.5bn annually from real estate development, primarily residential.

The target for 2028-29 is to restore FFO to the €300m level achieved in 2019, up from €127m recorded in 2024. To achieve this, Altarea aims to enhance its economic performance in residential development and significantly leverage contributions from its new ventures: solar farms, data centres, and logistics.

The retail property buffer
Altarea's €2bn in assets (Group share), including Tier 1 shopping centres in France, closely align with its market cap of €2.5bn. These assets, under French REIT status, ensure consistent EBITDA. Additionally, Altarea manages approximately €3bn in assets for third parties, including asset management, minorities, and associates in JVs.

The 450,000 sqm owned by Altarea (Group share) represents a significant value reservoir, surpassing our estimated consolidated net debt (Group share). These assets provide a competitive advantage over less capitalised residential development peers.

The challenge of the French residential turnaround
In 2019, the Development division contributed two-thirds to the consolidated FFO of €300m. By 2024, this contribution declined to €47m out of a consolidated €127m, mainly due to a downturn in Residential Development. In response to market adjustments over the past two years, Altarea has swiftly adapted, aligning its offerings with market demands.

We anticipate the Residential market will remain risky in 2025 (refer to French Mortgages and our Nexity coverage). However, Altarea manages the skills to potentially outperform and increase market share. Nonetheless, we do not expect a return to the division's historically high contribution levels (2019) in the near future.

New businesses and cash dividend

Altarea has utilised cash from asset disposals and reduced working capital in Residential development to accelerate growth in three new sectors: data centres, logistics, and solar farms. The group anticipates a significant, though unspecified, contribution to FFO in the coming years. We recognise the potential for capital gains but question their sustainability or merely strict recurring contribution.

A sustainable high-level cash dividend, such as €8-10 per share, depends on the rapid success of these new ventures. In the short term, we believe a proposed dividend of €8 at the 2026 AGM would exceed strictly recurring FFO for the third consecutive year.

A bit too early?
We are focusing on short-term indicators for the group’s two core businesses. In French Residential, we expect a gradual market recovery, with 2025 remaining uncertain. The second challenge is managing consolidated financial expenses by the decade’s end, influenced by long-term interest rate fluctuations.

These challenges are common among Property companies and Developers in our coverage. Altarea appears to understand these issues and is well-prepared to address them. Altarea benefits from an entrepreneurial management style that provides agility. High-quality retail assets, combined with an intermediate size that allows for flexibility, are two key advantages. However, these are insufficient for adopting a positive opinion immediately.

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

Long-term interest rates sensitivity

Sector Real Estate

Detailed Financials

Valuation Key Data

Valuation Key Data		12/24A	12/25E	12/26E	12/27E
Adjusted P/E	**x**	**15.5**	**16.1**	**15.6**	**17.0**
Reported P/E	x	328	31.6	37.6	28.2
EV/EBITDA(R)	**x**	**18.6**	**18.2**	**19.5**	**18.3**
EV/EBIT	x	20.5	22.1	23.9	21.2
EV/Sales	x	1.68	1.73	1.75	1.74
P/Book	**x**	**1.18**	**1.32**	**1.40**	**1.43**
Dividend yield	**%**	**8.75**	**8.11**	**5.07**	**5.07**
Free cash flow yield	*%*	*7.57*	*5.99*	*4.38*	*4.41*
Average stock price	€	91.4	98.7	98.7	98.7

Consolidated P&L

		12/24A	12/25E	12/26E	12/27E
Sales	€M	2,915	2,982	3,032	3,107
Sales growth	*%*	*1.69*	*2.28*	*1.67*	*2.50*
Sales per employee	*€th*	*1,472*	*1,468*	*1,457*	*1,457*
Commercial space for rent	sqm (,000)	1,014	1,034	1,042	1,050
Loan to Value	%	28.7	28.0	28.0	28.5
Staff costs	€M	-237	-246	-256	-266
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M				
EBITDA	€M	263	283	272	295
Reported EBITDA	€M	274	305	314	300
EBITDA(R)	€M	263	283	272	295
EBITDA(R) margin	*%*	*9.01*	*9.49*	*8.99*	*9.49*
EBITDA(R) per employee	*€th*	*133*	*139*	*131*	*138*
Depreciation	€M	-23.7	-50.0	-50.0	-40.0
Depreciations/Sales	*%*	*0.81*	*1.68*	*1.65*	*1.29*
Amortisation	€M				
Underlying operating profit	€M	239	233	222	255
Underlying operating margin	*%*	*8.20*	*7.81*	*7.34*	*8.20*
Other income/expense (cash)	€M	4.10	0.00	0.00	0.00
Other inc./ exp. (non cash; incl. assets revaluation)	€M	-42.8	0.00	0.00	0.00
Impairment charges/goodwill amortisation	€M				
Operating profit (EBIT)	€M	200	233	222	255
Interest expenses	€M	-126	-90.0	-85.0	-85.0
of which effectively paid cash interest expenses	*€M*	*-126*			
Financial income	€M	92.0	55.0	45.0	40.0
Other financial income (expense)	€M	-99.9	-20.0	-20.0	-20.0
Net financial expenses	€M	-134	-55.0	-60.0	-65.0
of which related to pensions	*€M*		*0.00*	*0.00*	*0.00*
Pre-tax profit before exceptional items	€M	66.0	178	162	190
Exceptional items and other (before taxes)	€M				
Current tax	€M	10.9	-44.5	-40.6	-47.5
Deferred tax	€M				
Corporate tax	€M	10.9	-44.5	-40.6	-47.5
Tax rate	*%*	*-16.5*	*25.0*	*25.0*	*25.0*
Net margin	*%*	*2.64*	*4.48*	*4.02*	*4.58*
Equity associates	€M	9.20	7.00	10.0	12.0
Actual dividends received from equity holdings	*€M*				
Minority interests	€M	-80.0	-70.0	-70.0	-72.0
Income from discontinued operations	€M				
Attributable net profit	€M	6.10	70.5	61.8	82.5
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Other adjustments	€M	121	69.5	88.2	57.5
Adjusted attributable net profit	€M	127	140	150	140
Fully diluted adjusted attr. net profit	€M	127	140	150	140
NOPAT	€M	156	182	177	203

Cashflow Statement		12/24A	12/25E	12/26E	12/27E
EBITDA	€M	263	283	272	295
Change in WCR	€M	114	0.00	0.00	0.00
of which (increases)/decr. in receivables	*€M*	*217*	*0.00*	*0.00*	*0.00*
of which (increases)/decr. in inventories	*€M*		*0.00*	*0.00*	*0.00*
of which increases/(decr.) in payables	*€M*	*-103*	*0.00*	*0.00*	*0.00*
of which increases/(decr.) in other curr. liab.	*€M*		*0.00*	*0.00*	*0.00*
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	-10.9	-44.5	-40.6	-47.5
Exceptional items	€M	83.5	0.00	0.00	0.00
Other operating cash flows	€M				
Total operating cash flows	€M	449	238	232	247
Capital expenditure	€M	-163	-50.0	-70.0	-80.0
Capex as a % of depreciation & amort.	*%*	*689*	*100*	*140*	*200*
Net investments in shares	€M				
Other investment flows	€M				
Total investment flows	€M	-163	-50.0	-70.0	-80.0
Net interest expense	€M	-134	-55.0	-60.0	-65.0
of which cash interest expense	*€M*	*-126*	*-55.0*	*-60.0*	*-65.0*
Dividends (parent company)	€M	-166	-175	-183	-119
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	92.5	93.3	97.3	0.00
of which (acquisition) release of treasury shares	*€M*				
Change in gross debt	€M	76.4	0.00	0.00	0.00
Other financial flows	€M	-20.9	-20.0	-20.0	-12.0
Total financial flows	€M	-144	-157	-165	-196
Change in scope of consolidation, exchange rates & other	€M		-70.0	-70.0	-72.0
Change in cash position	€M	141	-38.4	-73.5	-101
Change in net debt position	€M	65.1	-38.4	-73.5	-101
Free cash flow (pre div.)	€M	152	133	102	102
Operating cash flow (clean)	€M	366	238	232	247
Reinvestment rate (capex/tangible fixed assets)	*%*	*3.80*	*1.16*	*1.61*	*1.82*

Balance Sheet

Balance Sheet		12/24A	12/25E	12/26E	12/27E
Goodwill	€M	359	359	359	359
Total intangible	€M	359	359	359	359
Tangible fixed assets	€M	4,295	4,315	4,355	4,407
Financial fixed assets (part of group strategy)	€M	400	407	417	429
Other financial assets (investment purpose mainly)	€M				
WCR	€M	2,461	2,461	2,461	2,461
of which trade & receivables (+)	*€M*	*2,461*	*2,461*	*2,461*	*2,461*
of which inventories (+)	*€M*				
of which payables (+)	*€M*				
of which other current liabilities (+)	*€M*				
Other current assets	€M	55.3	55.3	55.3	55.3
of which tax assets (+)	*€M*				
Total assets (net of short term liabilities)	€M	7,570	7,597	7,647	7,711
Ordinary shareholders' equity (group share)	€M	1,694	1,683	1,659	1,623
Minority interests	€M	1,245	1,245	1,245	1,245
Provisions for pensions	€M	0.00	0.00	0.00	0.00
Other provisions for risks and liabilities	€M				
Deferred tax liabilities	€M	-41.8	-41.8	-41.8	-41.8
Other liabilities	€M	2,623	2,623	2,623	2,623
Net debt / (cash)	€M	2,050	2,088	2,162	2,262
Total liabilities and shareholders' equity	€M	7,570	7,597	7,647	7,711
Gross Cash	€M	779	741	667	567
Average net debt / (cash)	€M	2,045	2,069	2,125	2,212
Adjusted net debt	€M	2,050	2,088	2,162	2,262

EV Calculations

EV Calculations		12/24A	12/25E	12/26E	12/27E
EV/EBITDA(R)	**x**	**18.6**	**18.2**	**19.5**	**18.3**
EV/EBIT	**x**	**20.5**	**22.1**	**23.9**	**21.2**
EV/Sales	**x**	**1.68**	**1.73**	**1.75**	**1.74**
EV/Invested capital	x	0.65	0.68	0.70	0.71
Market cap	€M	2,001	2,227	2,323	2,323
+ 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	2,050	2,088	2,162	2,262
+ Right-of-use (from 2019)/Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M	400	407	417	429
+ Minority interests (fair value)	€M	1,245	1,245	1,245	1,245
= Enterprise Value	**€M**	**4,896**	**5,154**	**5,313**	**5,402**

Per Share Data

Per Share Data		12/24A	12/25E	12/26E	12/27E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**5.91**	**6.14**	**6.34**	**5.80**
Growth in EPS	*%*	*18.8*	*4.03*	*3.22*	*-8.55*
Reported EPS	€	0.28	3.12	2.63	3.50
Net dividend per share	**€**	**8.00**	**8.00**	**5.00**	**5.00**
Free cash flow per share	€	7.05	5.86	4.31	4.24
Operating cash flow per share	€	17.2	10.7	10.1	10.5
Book value per share	€	77.4	74.6	70.5	68.9
Restated NAV per share	€	107	108	108	113
Number of ordinary shares	**Mio**	**21.9**	**22.8**	**23.8**	**23.8**
Number of equivalent ordinary shares (year end)	Mio	21.9	22.8	23.8	23.8
Number of shares market cap.	Mio	21.9	22.8	23.8	23.8
Treasury stock (year end)	Mio	0.01	0.26	0.26	0.26
Number of shares net of treasury stock (year end)	Mio	21.9	22.6	23.5	23.5
Number of common shares (average)	**Mio**	**21.2**	**22.2**	**23.1**	**23.5**
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio	0.40	0.48	0.48	0.48
Other commitments to issue new shares	Mio	0.12	0.12	0.12	0.12
Increase in shares outstanding (average)	Mio	0.26	0.56	0.60	0.60
Number of diluted shares (average)	**Mio**	**21.5**	**22.8**	**23.7**	**24.1**
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	5.91	6.14	6.34	5.80
EPS before goodwill amortisation (non-diluted)	€	0.29	3.17	2.68	3.50
Payout ratio	**%**	**2,871**	**256**	**190**	**143**
Capital payout ratio (div +share buy back/net income)	**%**	**138**	**130**	**79.3**	**85.0**

Funding - Liquidity

Funding - Liquidity		12/24A	12/25E	12/26E	12/27E
EBITDA	€M	263	283	272	295
Funds from operations (FFO)	€M	209	183	172	182
Ordinary shareholders' equity	**€M**	**1,694**	**1,683**	**1,659**	**1,623**
Gross debt	€M	2,829	2,829	2,829	2,829
o/w Less than 1 year - Gross debt	€M	505	196	159	1,012
o/w 1 to 5 year - Gross debt	€M	1,103	1,484	1,842	1,029
of which Y+2	€M	50.0	13.0	866	174
of which Y+3	€M	13.0	866	174	431
of which Y+4	€M	866	174	431	371
of which Y+5	€M	174	431	371	53.0
o/w Beyond 5 years - Gross debt	€M	1,221	1,149	828	788
+ Gross Cash	€M	779	741	667	567
= Net debt / (cash)	**€M**	**2,050**	**2,088**	**2,162**	**2,262**
Bank borrowings	€M	1,010	1,010	1,010	1,010
Issued bonds	€M	1,447	1,447	1,447	1,447
Other financing	€M	373	373	373	373
of which commercial paper	€M	0.00	0.00	0.00	0.00
Undrawn committed financing facilities	€M	1,589	1,589	1,589	1,589
Gearing (at book value)	%	121	123	128	136
Equity/Total asset (%)	%	22.4	22.2	21.7	21.0
Adj. Net debt/EBITDA(R)	*x*	*7.81*	*7.38*	*7.93*	*7.67*
Adjusted Gross Debt/EBITDA(R)	*x*	*10.8*	*10.00*	*10.4*	*9.59*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*62.5*	*62.7*	*63.0*	*63.5*
Ebit cover	*x*	*1.78*	*4.24*	*3.71*	*3.92*
FFO/Gross Debt	*%*	*7.38*	*6.49*	*6.07*	*6.45*
FFO/Net debt	*%*	*10.2*	*8.79*	*7.95*	*8.06*
FCF/Adj. gross debt (%)	*%*	*5.35*	*4.72*	*3.60*	*3.62*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*4.99*	*12.6*	*14.8*	*2.23*
"Cash" FCF/ST debt	*x*	*0.32*	*0.68*	*0.64*	*0.10*

ROE Analysis (Dupont's Breakdown)

ROE Analysis (Dupont's Breakdown)		12/24A	12/25E	12/26E	12/27E
Tax burden (Net income/pretax pre excp income)	x	0.09	0.40	0.38	0.43
EBIT margin (EBIT/sales)	%	6.87	7.81	7.34	8.20
Assets rotation (Sales/Avg assets)	%	38.5	39.3	39.8	40.5
Financial leverage (Avg assets /Avg equity)	x	4.40	4.49	4.56	4.68
ROE	**%**	**0.35**	**4.17**	**3.70**	**5.02**
ROA	%	2.81	3.27	3.10	3.53

Shareholder's Equity Review (Group Share)

Shareholder's Equity Review (Group Share)		12/24A	12/25E	12/26E	12/27E
Y-1 shareholders' equity	€M	1,747	1,680	1,683	1,659
+ Net profit of year	€M	6.10	70.5	61.8	82.5
- Dividends (parent cy)	€M	-166	-175	-183	-119
+ Additions to equity	€M	92.5	93.3	97.3	0.00
o/w reduction (addition) to treasury shares	*€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	14.5	0.00	0.00
= Year end shareholders' equity	**€M**	**1,680**	**1,683**	**1,659**	**1,623**

Staffing Analytics

Staffing Analytics		12/24A	12/25E	12/26E	12/27E
Sales per staff	€th	1,472	1,468	1,457	1,457
Staff costs per employee	€th	-120	-121	-123	-125
Change in staff costs	*%*	*-1.78*	*4.00*	*4.00*	*4.00*
Change in unit cost of staff	*%*	*6.65*	*1.46*	*1.46*	*1.46*
Staff costs/(EBITDA+Staff costs)	*%*	*47.4*	*46.5*	*48.5*	*47.5*
Average workforce	**unit**	**1,981**	**2,031**	**2,081**	**2,133**
Europe	unit	1,981	2,031	2,081	2,133
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**	**-237**	**-246**	**-256**	**-266**
Wages and salaries	€M	-237	-246	-256	-266
Pension related costs	€M		0.00	0.00	0.00

Divisional Breakdown Of Revenues

Divisional Breakdown Of Revenues		12/24A	12/25E	12/26E	12/27E
Total sales	**€M**	**2,915**	**2,982**	**3,032**	**3,107**
Retail Property	€M	244	251	256	261
Real Estate Development	€M	2,462	2,536	2,587	2,639
Other	€M	209	195	189	208
Other	€M				

Divisional Breakdown Of Earnings

Divisional Breakdown Of Earnings		12/24A	12/25E	12/26E	12/27E
EBITDA/R Analysis					
Retail Property	€M	204	210	214	220
Real Estate Development	€M	73.6	100	110	80.0
Other	€M	-10.6	-5.00	-10.0	0.00
Other/cancellations	€M				
Total	**€M**	**267**	**305**	**314**	**300**
EBITDA/R margin	%	9.15	10.2	10.4	9.65

Revenue Breakdown By Country

Revenue Breakdown By Country		12/24A	12/25E	12/26E	12/27E
France	%	100	100		
Other	%	0.00	0.00		

ROCE

ROCE		12/24A	12/25E	12/26E	12/27E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*2.08*	*2.41*	*2.33*	*2.65*
CFROIC	*%*	*2.02*	*1.77*	*1.34*	*1.34*
Goodwill	€M	359	359	359	359
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	0.00	0.00	0.00	0.00
Other fixed assets	€M	4,295	4,315	4,355	4,407
Accumulated depreciation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€M	2,461	2,461	2,461	2,461
Other assets	€M	400	407	417	429
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€M**	**7,515**	**7,542**	**7,592**	**7,656**
Capital employed before depreciation	€M	7,515	7,542	7,592	7,656

Divisional Breakdown Of Capital Employed

Divisional Breakdown Of Capital Employed		12/24A	12/25E	12/26E	12/27E
Retail Property	€M				
Real Estate Development	€M				
Other	€M				
Other	€M	7,515	7,542	7,592	7,656
Total capital employed	**€M**	**7,515**	**7,542**	**7,592**	**7,656**

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%