

Benelux Morning Notes

20 November 2024

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Company comments

Ahold Delhaize: Walmart 3Q24/25 results

IBA: Rhodotron contract to equip a sterilization facility in Mexico.

NEPI Rockcastle: Sound operational momentum

UCB: Final approval for Bimzelx in the United States

Events Calendar

THIS MORNING'S RESEARCH (click on link for full report)

[Zabka/Kings of convenience/HOLD](#)

We initiate on Zabka with a HOLD and a target price of PLN20.5. We view Zabka as a unique asset in the Food Retail segment, given its fully franchised business model and focus on Convenience.

Thanks to this, and a supportive Polish macro environment, we expect Zabka to continue to deliver double-digit sales and Adj. EBIT growth CAGR over 2023-28F. At our PLN20.5 target price, Zabka would trade broadly in line with its most comparable peer, Dino Polska, on EV/EBIT and PER 2026F, which we deem warranted with Zabka's superior EBIT growth being offset by a riskier balance sheet and lack of track record as a listed company.

Company comments

Maintained

Hold

Price (19/11/24)

€32.56

Maintained

Target price (12m)

€32

Forecast total return

1.7%

Market cap

€30,150.6m

Bloomberg

AD NA

Ahold Delhaize: Walmart 3Q24/25 results

Event: Walmart 3Q24/25 results

Outcome: Negative

Conclusion: Walmart published 3Q24/25 results yesterday afternoon, showing sales of US\$115bn for Walmart USA, a beat of 1.1% to Visible Alpha consensus on superior Comparable Sales Growth excl. gas at +5.5% (CSS +3.8%). Walmart USA beat expectations at operating income level at US\$5.4bn, an increase of 9.1% YoY and a beat of 1.5% to Visible Alpha consensus. At group level, Walmart upgrades its full year guidance for the third time in a row, management now expecting net sales at constant currency to grow by 4.8-5.1% (vs. 3.75-4.75% previously) and Adj. Operating Income to grow by 8.5-9.25% at constant currency (vs. 6.5-8.0% previously).

As per Walmart's press release, one of the key drivers of this strong performance was continued market share gain, especially with high income households. We view this as a negative for Ahold Delhaize as this subpopulation usually shopping at traditional retailers. It is the seventh quarter in a row that Walmart USA outperforms Ahold Delhaize USA, both on top line growth and margin. On top of this market share gain, we believe this is driven by the strength of Walmart US' eCommerce activity showing superior growth, epitomised by the 22% growth in 3Q24/25, c.670bp above Ahold Delhaize USA (excl. FreshDirect divestment).

Grocery Inflation picked up again as per Walmart's data, showing a 100bp inflation in 3Q24/25, vs. 80/60bp in 1Q and 2Q respectively. This, combined with Ahold Delhaize USA price investment, may be further pressure on margin in the near term, in our view.

Walmart: 3Q24/25 results vs. 3Q23/24 results and Visible Alpha Consensus

US\$m	3Q24	3Q25	% YoY	Visible Alpha	Diff (%)
Consolidated sales	159,439	168,003	5.4	166,131	1.1
US net sales	131,417	137,726	4.8	136,257	1.1
Total US CSG ex-gas (%)	4.7	5.5	80bp	3.8	173bp
Walmart US	109,419	114,875	5.0	113,480	1.2
Walmart US CSG ex-gas (%)	4.9	5.3	40bp	3.7	156bp
Sam's Club	21,998	22,851	3.9	22,777	0.3
Sam's Club CSG ex-gas (%)	3.8	7.0	320bp	4.0	300bp
Group operating income	6,202	6,708	8.2	6,535	2.6
Walmart US	4,981	5,435	9.1	5,354	1.5
Sam's Club	593	634	6.9	631	0.5
Group operating income (%)	3.9	4.0	10bp	3.9	6bp
Walmart US	4.6	4.7	18bp	4.7	1bp
Sam's Club	2.7	2.8	8bp	2.8	1bp
Adj. EPS (\$)	1.53	0.58	-62.1	0.53	9.4

Source: Company data, Visible Alpha consensus

Highlights:

- Walmart published 3Q24/25 results yesterday in the afternoon for the period August to end October, which is not perfectly aligned with Ahold Delhaize's 3Q24 results (July to end September).
- Walmart recorded 3Q25 US net sales (Walmart US + Sam's Club) of US\$138bn, 5.4% higher YoY and 1.1% above consensus at US\$136bn.** Comparable sales growth (CSG) ex-gas arrived at +5.5% (3Q24: +4.7%) vs consensus of +3.8%.
 - Walmart US recorded CSG of 5.3%** led by transactions (+3.1%), average ticket (+2.1%) and eCommerce contribution of c.290bp. The growth in sales reflected its broad-based strength coupled with strong

transaction counts and volumes. Upper-income households supported the market share gains in 3Q25.

- **Sam's Club US reported CSG of 7.0%** led by transactions (+6.4%), average ticket (+0.5%) and eCommerce contribution of c.290bp. Food and Health & Wellness were the major categories contributing the sales growth. Grocery and general merchandise categories, including apparel and consumer electronics were the main drivers of market share gains.
- **Group operating income stood at US\$6.7bn (+8.2% YoY), beating consensus' US\$6.5bn**, resulting in an operating income margin of 4.0% (3Q24: 3.9%), driven by higher gross margins and growth in membership income, also stemming from reduced losses in eCommerce.
- **Adjusted EPS of US\$0.58 is 9.4% above consensus at US\$0.53 per share**
- **Outlook for FY24/25:** Upgraded guidance. Walmart expects consolidated net sales at constant FX to increase by 4.8-5.1% (previously: 3.75-4.75%) and consolidated adjusted operating income at constant FX to increase by 8.5-9.25% (previously: 6.5-8.0%). Adj. EPS is expected to be US\$2.42-2.47 (previously: US\$2.35-2.43)

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Maintained

Hold

Price (19/11/24) €12.46

Maintained

Target price (12m) €14.5

Forecast total return 18.1%

Market cap €377.3m

Bloomberg IBAB BB

IBA: Rhodotron contract to equip a sterilization facility in Mexico.

Event: Press release**Outcome:** Positive

Conclusion: A rhodotron is a very large accelerator, contract size typically €8.5-11m, so this is good news and seems again to confirm management bullish view on the “other accelerators” commercial momentum for 4Q24, following a series of other press releases. Now, we need to see how the order intake has developed to understand how good it is. It also follows a weaker period for the division, while a recovery is needed to refill the orderbook. Indeed, the division benefited from a Covid sterilisation boom, had a very strong order intake and later sales momentum delivering this orderbook, meaning tough comps going forward. Management is probably also keen to stress the order recovery of the “other accelerators” division while we have not seen many PT orders.

Highlights:

- IBA announced that they have signed a contract with BENEbION, a sterilisation service provider, to install a Rhodotron TT1000 at the new irradiation site in San Luis Potosí, Mexico. This facility is expected serve as a service center for phytosanitary treatments and medical device sterilization in the region.
- The Rhodotron TT1000 electron accelerator with X-ray conversion capabilities will aid to BENEbION establishing a substantially productive facility, potentially quadrupling the company's total production capacity. This would enhance BENEbION's position as a global leader in phytosanitary irradiation, leading to increasing demand for high-efficiency irradiation services across Mexico and beyond.
- Further, IBA and BENEbION is expected to work together on research and development to expand the use of X-ray irradiation technology in new applications.
- The typical price for Rhodotron TT1000, is between €8.5-11m, varying on the options and configuration. The first payment has been received.
- X-ray irradiation has become a superior choice for phytosanitary treatment due to its distinctive ability to effectively control a wide range of invasive pests without contaminating chemical residues. Further, X-ray irradiation is also a fast, reliable treatment that can be altered to different pest types, making it a popular option in sustainable agriculture and global trade.
- The president of IBA Industrial Solutions stated: *"This partnership marks a significant advancement in increasing irradiation capacity for Mexico and the surrounding region. By integrating our advanced X-ray irradiation technology, BENEbION is positioned to expand its operations and meet the growing demand for safe, reliable, and residue-free irradiation services across the agricultural and medical sectors. This state-of-the-art solution brings essential, high-scale capacity to the region's food producers and medical device manufacturers, helping to ensure a steady, safe, and efficient supply chain."*

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Maintained

Buy

Price (19/11/24) €7.35

Maintained

Target price (12m) €8

Forecast total return 16.2%

Market cap €4,857.1m

Bloomberg NRP NA

NEPI Rockcastle: Sound operational momentum

Event: 9M24 trading update

Outcome: Positive

Conclusion: Sound results and sound operational trends continued during Q3. Net operating income (NOI) saw growth of 12.3% YoY at €411m, driven mainly by a strong LFL of 8.4% (13% in 2023). Impressive also are the underlying trends for retail tenants that posted LFL sales growth of 9.0% YoY, with the average basket size up 8.3%. The occupancy cost ratio was at 12.5% (excluding hypermarkets) vs 12.2% at end-2023. The LTV was at 150 bp lower at 30.7% vs 32.2% at end-1H24 and end-2023. At end-October 2024, LTV is at 29.2%, following the €300m capital increase.

Management reiterated the guidance released in mid-August 2024 that distributable earnings per share for the year will be c.5.5% higher YoY with no change in the company's current 90% dividend payout. Our estimates are consistent with this.

We like this set of results that impressed for the sound operational trends and impressive tenants performance. What we like the most of NEPI is its growth ambitions: on the back of the recently completed Magnolia Park acquisition (Wroclaw, Poland) we expect more to come in light of the recently raised new equity that give ample room for new investments being development or new acquisition (this is what we would prefer as immediately accretive).

No conference call planned.

NEPI Rockcastle: Operational KPIs

	1H23	9M23	12M23	1Q24	1H24	9M24	YoY (%)
Leasing activity							
New leases and lease renewals	534	882	1,307	272	559	904	2.5
GLA (k sqm)	123.6	188.2	288.7	72.7	128.0	199.2	5.8
Portion of total GLA (%)	n/m	n/m	n/m	3.4	n/m	1.0	n/a
Operational KPIs							
Tenant sales growth (%)	16.3	14.0	12.6	10.5	8.7	9.0	-500bp
Footfall LFL growth (%)	9.8	6.0	4.6	2.1	1.0	1.4	-460bp
Basket size (%)	8.0	6.0	7.8	8.8	8.2	8.3	230bp
Retail vacancy rate (%)	n/m	2.2	2.1	2.2	2.3	2.0	-20bp
Rent collection (%)	97.0	97.0	98.0	96.0	97.0	99.0	200bp
Debt and liquidity KPIs							
Cash and undrawn committed credit facilities (€bn)	1.0	1.0	0.9	1.4	1.3	1.5	51.4
Value of the invt. portfolio (€bn)	6.8	6.8	6.9	7.0	7.1	7.1	4.4
Development pipeline (€m)	722	600	600	650	817	788	31.3

Source: Company data

Highlights:

- **Net operating income saw a growth of 12.3% YoY at €411m in 9M24** (vs €365m in 9M23) driven by a LFL growth of 8.4% (compared to 14% in 9M23 and 13% average growth seen in 2023). Rent collection was stable at 99% (by end-October 2024) compared to last year at 98% (end-2023).
- **Leasing activity.** Good the performance of new contracts: 904 new leases/lease renewals occurred in 9M24, 2.5% higher YoY (345 new leases in 3Q24, 34% by GLA were new leases). International tenants accounted for 61% of newly leased GLA. The average rental uplift in 9M24 was 3.6% above indexation, supported by continued strong demand for space in the NRP's shopping centres.
- **LFL retail tenants saw sales growth of 9.0% YoY in 9M24** (excluding hypermarkets) vs 14.0% growth seen in 9M23. Growth was in line with the trend at half year, however, 3Q growth at +9.2%, was above that in 2Q at +7.3%, and significantly above inflation. All the product categories saw higher sales YoY. The best performing

categories were Health & Beauty (+16%) and Services (+12%). Fashion, the largest segment, saw an 8% sales increase.

- **Footfall was up by 1.4% YoY in 9M24** (vs +6% in 9M23) while the average basket size increased 8.3% YoY in 9M24 (vs +6% in 9M23) regardless of the inflation de-accelerating extensively since 2023.
- **EPRA retail occupancy was higher at 98%** vs 97.3% at end-June 2024.
- **Occupancy cost ratio was slightly higher at 12.5%** (excluding hypermarkets) vs 12.2% at end-2023 (end-9M23 at 12.4%). Higher tenant sales more than offset the growth in rents and tenants' contributions to operating expenses.
- **The LTV was at 150 bp lower at 30.7%** vs 32.2% at end-1H24 and end-2023, comfortably below the NRP's 35% strategic threshold. At end-October 2024, LTV is at 29.2% resulting from the €300m capital increase. Average cost of debt in 9M24 increased to 3.0% (corresponding to 2.6%, adjusted for the finance income resulting from the placement of the excess liquidity) vs 2.5% in 2023.
- **Short term refinancing needs.** NRP maintained a very strong liquidity position, with €815m in cash and €670m in undrawn committed credit facilities on 30 September 2024. Funds from €300m cap hike, €177m Promenada Novi Sad sale, and €70m saved in 39% take-up of scrip dividend will be used to re-pay the €500m bond maturing in November 2024 and finance the Group's significant and highly promising acquisitions and development pipeline. Please note that company also completed the acquisition of Magnolia Park in Wroclaw, Poland, for a total cash consideration paid of €353m in early October 2024.
- **Capital increase of €300m:** NEPI Rockcastle launched an ABB of €300m in October 2024 to enable the company to execute on its ongoing growth strategy. 41.7m new ordinary shares were issued which represented 6.2% of the pre-cap raise ordinary shares at an issue price of €7.19 which represents a discount of c.4.98% on the 30-day volume weighted average price prior to issuance. With the share placement company entered a 90-day lock-up period.
- **Confirmed FY24 guidance.** Management confirms its guidance released in mid-August 2024 that distributable earnings per share for the year will be c.5.5% higher YoY vs 2023 at €56.98 cents, with no change in the company's current 90% dividend payout ratio. This implies a €60.11 cents basic DEPS. On a 90% pay-out the DPS is guided at €54.10 cents. Our 2024F estimates are at a DEPS of €59.47 cents and a DPS of €53.52 cents, 1.1% marginally lower than the guidance.
- **Valuation:** NEPI Rockcastle currently trades at a 2024F PER multiple of 12.4x (vs retail peers: 9.8x), a 2.8% premium to 2024F EPRA NTA (peers at a -29.3% discount) with a 7.3% 2024F dividend yield (peers: 7.5%).

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Maintained

Buy

Price (19/11/24) €164.35

Maintained

Target price (12m) €212

Forecast total return 29.8%

Market cap €31,967.0m

Bloomberg UCB BB

UCB: Final approval for Bimzelx in the United States

Event: Press release**Outcome:** Positive

Conclusion: UCB announced this morning before markets opened that the US FDA has granted approval to Bimzelx for the treatment of adults with moderate-to-severe Hidradenitis Suppurativa (HS). This marks the fifth and, as far as we understand, final indication for Bimzelx in the country.

We have been particularly positive on this indication over the last year, driven by peers like Novartis and Moonlake Immunotherapeutics (both not covered by ING) being bullish on the growth forecast in this indication. Recent comment from Novartis pointed toward a market valuation of >\$3bn today, and probably >\$5bn by the end of the decade. We believe this to be particularly positive for UCB's Bimzelx, which has shown strong results in its two Clinical Trials in Phase 3.

Our bullishness on this indication is mainly driven by the competitive landscape, with only two biologics currently approved in this indication, Humira (AbbVie) and Cosentyx (Novartis). Cosentyx was only approved a year ago in this indication, and we therefore expect Bimzelx's ramp-up to be stronger than in Plaque Psoriasis as of early 2025F.

We model peak sales of c.€6bn for Bimzelx worldwide, of which c.€2.2bn in Hidradenitis Suppurativa. We believe the market will react positively to this approval, which fully de-risks UCB's key growth engine to the end of the decade.

Highlights:

- UCB announced this morning before markets opened that the US FDA granted approval to Bimzelx for the treatment of adults with moderate-to-severe Hidradenitis Suppurativa (HS).
- BE HEARD I and BE HEARD II are randomized, double-blind, placebo-controlled, parallel group, multicenter, Phase 3 studies designed to evaluate the efficacy and safety of bimekizumab-bkzx in adults with moderate to severe hidradenitis suppurativa (HS).
- We model peak sales of c.€6bn for Bimzelx worldwide, of which c.€2.2bn in Hidradenitis Suppurativa

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Events Calendar

Date	Company	Event
20-Nov	NEPI Rockcastle	3Q24 results
21-Nov	Gimv	1H24
21-Nov	IBA	3Q24 Business Update
22-Nov	Bekaert	3Q24 Results
22-Nov	CFE	3Q24 Results
22-Nov	Ackermans & van Haaren	3Q24
29-Nov	Elia	3Q24 Results
29-Nov	Fastned	EGM
02-Dec	Prosus	1H25 Results
10-Dec	Colruyt	1H25 Results
10-Dec	Aalberts	ING Benelux Conference New York
10-Dec	Basic-Fit	ING Benelux Conference New York
10-Dec	Besi	ING Benelux Conference New York
10-Dec	Aalberts	CMD
10-Dec	TKH group	ING Benelux Conference New York

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Buy	66%	47%
Hold	32%	43%
Sell	2%	0%
	100%	

* Percentage of companies in each rating category that are Investment Banking clients of ING Financial Markets LLC or an affiliate.

RATING DEFINITIONS

Buy: Forecast 12-mth absolute total return greater than +15%

Hold: Forecast 12-mth absolute total return of +15% to -5%

Sell: Forecast 12-mth absolute total return less than -5%

Total return: forecast share price appreciation to target price plus forecast annual dividend. Price volatility and our preference for not changing recommendations too frequently means forecast returns may fall outside of the above ranges at times.

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