

Price (Euro)	5.01			
52 weeks range	5.10 / 4.37			
Key Data				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPI:AV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	341.3			
Number of shares (million)	68.1			
Free Float (approx.)	81%			
Free Float MarketCap (Euro million)	276.4			
CAGR (net profit 12-14e)	7.0%			
Multiples	2012	2013e	2014e	2015e
Market cap/ Revenues-Ratio	1.6	1.7	1.8	1.8
P/E-Ratio	17.0	14.0	13.4	12.0
Dividend Yield	3.0%	3.4%	4.0%	4.0%
Key Data per Share (Euro)	2012	2013e	2014e	2015e
Earnings per Share (EpS)	0.36	0.37	0.42	0.44
Dividends per Share (DpS)	0.15	0.17	0.20	0.20
Book Value per Share (BVpS)	6.94	7.15	7.36	7.60
EPRA NAV per share	9.18	9.60	9.89	10.09
FFO per share	0.48	0.53	0.56	0.59
Financial Data (Euro '000)	2012	2013e	2014e	2015e
Revenues	196,676	192,210	190,017	192,868
Rental income	118,535	114,979	112,679	113,792
Net revaluation result	16,756	6,500	7,000	7,500
Operating cash profit (EBITDA)	98,819	96,810	95,170	97,785
Operating Profit (EBIT)	106,810	94,276	93,904	96,540
Pre-tax profit (EBT)	32,198	33,995	37,509	39,540
Net profit after minorities	24,302	25,375	28,322	29,739
Shareholders' Equity	472,955	486,750	501,449	517,564
RoE after tax	5.2%	5.3%	5.7%	5.8%
Financial Calendar				
2013 prelims		March 27, 2014		
2013 annual report		April 29, 2014		
1Q 2014 report		May 27, 2014		
AGM		June 11, 2014		
Main Shareholders				
Vienna Insurance Group		10%		
Erste Bank Group		10%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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9M FFO +11%, gross profit +5%, pre-tax +13%, rental income almost unchanged despite the high trading, dividend to be lifted – Buy affirmed

Today, S IMMO released its interim report for 9M and hosted an analysts' conference call in the afternoon.

The numbers were decent, as the firm maintained a high rental income and a high occupancy rate (90%) despite the high trading volume in 2013 and former years. The property related expenses declined and allowed to boost gross profit (+5%), FFO (+11%) and even more the pre-tax result (+13%) with an improved financial result.

Total rental revenues were only 1% below last year at Euro 145m despite the high trading volume of Euro 91m. The gross profit even hiked by almost 5% to Euro 81m as the directly attributable expenses (for the property investment portfolio and hotel operating expenses) came down by 7% to only Euro 69m (9M 2012: Euro 71m).

The firm is already near to the Euro 100m trading target for the full year as Euro 91m is already sold after 9M (sale of German properties and Vienna-based properties). Profit from trading was high at Euro 5m. Compared to the appraised values at September 2012, S IMMO even generated a trading profit of Euro 10m which is a high double-digit margin of 11%. At present, S IMMO has Euro 50m in its available-for-sale property portfolio to be realized in 4Q or the first half of 2014. We expect the firm to sell about 50% of the available-for-sale portfolio (c. 25m) already in the fourth quarter, which would translate into a full year trading volume of more than Euro 115m, clearly above the target and speaking for the quality of the portfolio.

The 9M pre-tax profit soared by 13% to Euro 25.6m (2012: Euro 22.7m). This steep hike was not only supported by the improved profitability in operating business but also by an improved financial result. Net financial expenses significantly came down with a smaller portfolio size from Euro 42m to now only Euro 38m (-9%). The net profit just slightly hiked to Euro 19.6m (19.3m) as taxation was relatively high in 3Q (32% tax-rate, c.20% normal).

The share price increased by c. 8% since October, but with an EPRA NAV continuously rising from Euro 9.02 per share to now Euro 9.45 per share (+5%), the NAV gap is still much too high at 47%. Keep in mind the high FFO yield of 11.6% in relation to current market cap. As the firm confirmed the guidance to beat the 2012 net profit and at the given guidance to lift the dividend (15 Cents so far) we expect the positive growth momentum for the share to continue. Our dividend expectation is at least 17 Cents. We reiterate our Buy and retain our Euro 7.00 TP, which is not too optimistic in the light of 9M and coming 2013 results.

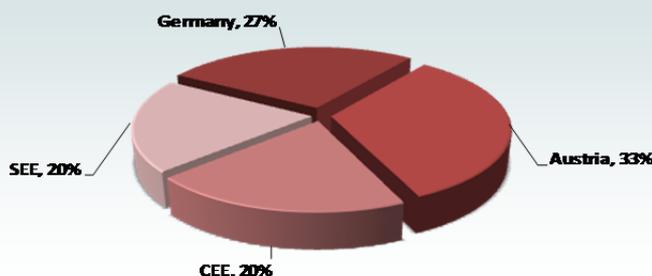
S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed	CEO Ernst Vejdovsky	
Country:	Austria	Friedrich Wachernig, MBA	
Headquarter:	Vienna		
Foundation:	1986		
Employees (without Hotels):	84	Supervisory Board:	
		Dr. Martin Simhandl (Chairman)	
		Dr. Gerald Antonitsch	Franz Kerber
		Christian Hager	Erwin Hammerbacher
		Michael Matlin, MBA	Dr. Wilhelm Rasinger
		Dr. Ralf Zeitlberger	
IR Contact			
Dr. Sylwia Milke			
(Sylwia.Milke@simmoag.at)			

S IMMO is a Vienna-based real estate holding company founded in 1986. Since 1987 the company is listed on the Vienna stock exchange and therefore Austria's longest standing property investment company. First acquisitions and activities started in Austria. Expansion activities to foreign countries were started close to the millenium. Within recent years the company acquired, according to its Buy and Hold strategy, a real estate portfolio that comprises more than 200 properties, a lettable space of some 1,300k sqm amounting to a value of almost Euro 1.8bn at present. In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of residential, office, business and hotel properties selected for sustainable value.

S IMMO aims on a long investment horizon and majority participations. In terms of portfolio value a large share of approx. 27% is located in Germany. Austria accounts for 33% while SEE stands and SEE each stand for about 20% of the total portfolio value (Dec. 2012). Looking at the tenant structure it is very granulated in terms of rental income. The Top 20 tenants stand only for about 25% of rental income (excluding hotels with management contracts). Of these 86% have a lease term structure of more than 5 years. Half of them even more than 10 years.

Value of portfolio by region



Source: Company data (Dec. 2012)

Furthermore, the company has development activities in Austria and CEE/SEE region which are on account of the economical situation on hold at present. The lion's share of the company's historically development activity was done here. Hence, a significant share of already finished properties (like Sun shopping mall in Bukarest and Serdika Center in Sofia), held within the CEE/ SEE portfolio, results from own development. The occupancy rate of the total portfolio is at present at high 90% providing a stable rental income while the gross rental yield is at 6.9% for the total portfolio (9M 2013). The core shareholders are Erste Bank (10% of shares) and Vienna Insurance Group (10%).

Erste Bank is an Austrian retail bank founded in 1819 with a client base of some 17m customers. Vienna Insurance Group is an Austrian insurance company and since September 2008 among shareholders. Hence, S IMMO has two of the largest financial services providers of Austria and CEE as its core shareholder which is definitely a source of long-term strength for the company and the future development. Furthermore we assume an easier access in terms of financing. The balance sheet improved as LTV significantly went down to 52%. The firm paid a 10 Cents dividend for 2011 which was strongly lifted to 15 Cents for 2012. A higher dividend payment for 2013 is guided by the management. The remaining cash flow is used to reduce debt and to buy back own shares and participating certificates.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ The firm has a well diversified portfolio with a total of c. 200 properties and a rental space of ~ 1,300k sqm, amounting to a value of Euro 1.8bn. The properties are located across eight countries. A focus is on Germany and Austria (c. 60% of portfolio) while the other countries are located in CEE and SEE (approx. 20% each), thus geographical diversification is high. Furthermore the portfolio is well diversified in terms of its type of use. Residential (19%), office (40%), retail (27%) and hotels (14%) are covered, thus all major types are under one roof. In addition, all shares of each sector are quite balanced. However we assume that this kind of portfolio will attract more the general equity investors than specialized investors that might be more focused on "Pure-Plays".
- ▶ The present share price level offers a huge discount of approx. 47% to the EPRA NAV of Euro 9.45 as of 30 September 2013 (year-end 2012: Euro 9.18).
- ▶ The occupancy rate is still high after the trading volumes of the last two years at very comfortable 90% providing a stable rental income (yield 6.9%) while the LTV came down to 52% and is supposed to reduce to 50% until year-end 2014.
- ▶ Two of the largest financial services firms in Austria, Erste Bank and Vienna Insurance, are the largest shareholders accounting for 10% each of the shares. Both shareholders have a positive effect on the business and help for a more stable share price.
- ▶ Granulated tenant structure. The top 25 tenants count only for 40% of yearly rental income. Furthermore the majority of rental contracts are long-term. Both shopping centers Sun and Serdika in Romania and Bulgaria are now fully let (the shopping space)

Weaknesses

- ▶ Although S IMMO is present on the stock market since 1987, the awareness for the success story at the equity markets is still not that high in our view, as the market cap is split between the S IMMO share and the two participation certificates.
- ▶ There are participation certificates in the financing structure with a hybrid character between equity and debt. This form of financing is unusual to many international investors.

Opportunities

- ▶ The repurchasing program of participation certificates lowers the share of payments to certificate holders and offers the opportunity to pay out a dividend. S IMMO increased dividend payment for 2012 by 50% from 10 Cents to 15 Cents. The management guided a higher dividend for 2013 after 9M as the firm expects to beat 2012 net profit and FFO.
- ▶ S IMMO realized a huge premium on their disposals of some 10% in 9M 2013. In contrast to that the stock trades with a discount of almost 50% to its EPRA NAV.
- ▶ The firm already made some steps to bring down LTV from near 60% levels to now 52%. We welcome the target to bring LTV down to about 50% in the next 18 months.

Threats

- ▶ Austria lost its S&P AAA rating, mainly due to its high engagement in CEE and SEE. Due to higher restrictions for credits in those regions, higher refinancing costs and higher equity requirements and stricter covenants are very likely to occur. S IMMO works on reducing LTV and overall exposure in this region. The firm also made some good steps to improve tenant structure and gain new tenants in Sun and Serdika office properties.
- ▶ S IMMO faced unpaid rents at Sun Plaza and Serdika Center in the past, but managed a significant improvement here. We also welcome new rental contracts with Abbott, Merck and Atos in 4Q 2012. Additional rental contracts were closed in 1H 2013.

P&L Account for S IMMO AG

	2008	2009	2010	2011	2012	2013e	2014e	2015e	CAGR '12 - '15e
31/12 IFRS (Euro '000)									
Revenues	125,682	153,555	174,943	207,812	196,676	192,210	190,017	192,868	-0.6%
└ thereof rental income	85,737	87,553	103,992	125,943	118,535	114,979	112,679	113,792	
└ thereof revenues from service charges	23,474	29,105	32,640	41,257	36,170	35,243	34,931	34,716	
└ thereof revenues from hotel operations	16,471	36,897	38,311	40,612	41,971	41,988	42,407	44,360	
Other operating income	2,587	8,246	4,973	7,737	6,860	5,831	5,131	6,450	-2.0%
Expenses directly attributable to properties	-45,207	-61,192	-70,095	-76,982	-67,037	-61,140	-60,650	-61,405	
<i>Gross margin property segment</i>	<i>58.6%</i>	<i>47.5%</i>	<i>48.7%</i>	<i>54.0%</i>	<i>56.7%</i>	<i>59.3%</i>	<i>58.9%</i>	<i>58.7%</i>	
Hotel operating expenses	-12,575	-29,701	-29,617	-31,576	-32,112	-31,491	-31,382	-31,441	
Gross operating profit hotels (GOP)	3,896	7,196	8,694	9,036	9,859	10,497	11,026	12,919	
<i>Gross margin within hotel segment</i>	<i>23.7%</i>	<i>19.5%</i>	<i>22.7%</i>	<i>22.2%</i>	<i>23.5%</i>	<i>25.0%</i>	<i>26.0%</i>	<i>29.1%</i>	
Revenues less directly attributable expenses	70,487	70,908	80,204	106,991	104,387	105,410	103,117	106,472	
<i>Total Gross margin</i>	<i>56.1%</i>	<i>46.2%</i>	<i>45.8%</i>	<i>51.5%</i>	<i>53.1%</i>	<i>54.8%</i>	<i>54.3%</i>	<i>55.2%</i>	
Net operating income (NOI)	67,900	62,662	75,231	99,254	97,527	99,579	97,986	100,022	
<i>NOI-margin</i>	<i>54.0%</i>	<i>40.8%</i>	<i>43.0%</i>	<i>47.8%</i>	<i>49.6%</i>	<i>51.8%</i>	<i>51.6%</i>	<i>51.9%</i>	
Net Gains on property disposal	8,318	1,900	8,879	11,584	10,840	6,500	6,700	6,500	-15.7%
Management expenses	-19,594	-19,533	-18,650	-17,169	-16,408	-15,100	-14,647	-15,187	
└ thereof personnel expenses	n.s.	-4,517	-5,726	-6,581	-6,533	-5,738	-5,566	-5,700	
EBITDA	59,211	53,275	71,433	101,406	98,819	96,810	95,170	97,785	-0.4%
<i>EBITDA-margin</i>	<i>47.1%</i>	<i>34.7%</i>	<i>40.8%</i>	<i>48.8%</i>	<i>50.2%</i>	<i>50.4%</i>	<i>50.1%</i>	<i>50.7%</i>	
Depreciation	-4,737	-9,113	-10,054	-9,266	-8,765	-9,034	-8,266	-8,745	
Property Revaluation	-30,682	-97,238	-833	146	16,756	6,500	7,000	7,500	
Operating profit (EBIT)	23,792	-53,076	60,546	92,286	106,810	94,276	93,904	96,540	
<i>EBIT-margin</i>	<i>18.9%</i>	<i>-34.6%</i>	<i>34.6%</i>	<i>44.4%</i>	<i>54.3%</i>	<i>49.0%</i>	<i>49.4%</i>	<i>50.1%</i>	
EBIT-profit without revaluation result	54,474	44,162	61,379	92,140	90,054	87,776	86,904	89,040	-0.4%
Net financial result	-9,552	-35,541	-41,201	-51,458	-61,803	-48,781	-46,145	-46,350	
Participating certificates expenses (hybrid capital)	-6,442	11,161	-10,222	-11,185	-12,809	-11,500	-10,250	-10,650	
Earnings before tax (EBT)	7,798	-77,456	9,123	29,643	32,198	33,995	37,509	39,540	
<i>EBT margin</i>	<i>6.2%</i>	<i>-50.4%</i>	<i>5.2%</i>	<i>14.3%</i>	<i>16.4%</i>	<i>17.7%</i>	<i>19.7%</i>	<i>20.5%</i>	
Income tax expense	-2,072	-1,412	-6,989	-8,398	-6,170	-6,320	-6,887	-7,401	
<i>Tax rate</i>	<i>27%</i>	<i>n.m.</i>	<i>77%</i>	<i>28%</i>	<i>19%</i>	<i>19%</i>	<i>18%</i>	<i>19%</i>	
Net profit	5,726	-78,868	2,134	21,245	26,028	27,675	30,622	32,139	
Minorities	87	309	-291	-1,211	-1,726	-2,300	-2,300	-2,400	
Net profit after minorities	5,813	-78,559	1,843	20,034	24,302	25,375	28,322	29,739	7.0%
<i>Return on sales</i>	<i>4.6%</i>	<i>-51.2%</i>	<i>1.1%</i>	<i>9.6%</i>	<i>12.4%</i>	<i>13.2%</i>	<i>14.9%</i>	<i>15.4%</i>	
Number of shares (in million)	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	
Earnings per Share (EPS) in Euro	0.09	-1.15	0.03	0.29	0.36	0.37	0.42	0.44	
Dividends per Share (DPS) in Euro	0.00	0.00	0.00	0.10	0.15	0.17	0.20	0.20	
Book Value per Share (BVPS) in Euro	8.47	7.03	7.07	6.86	6.94	7.15	7.36	7.60	
Total assets	2,144,585	2,235,196	2,256,163	2,175,378	2,013,382	1,932,847	1,874,861	1,890,150	-2.1%
Shareholders' equity (after dividend payment)	576,998	479,003	481,272	467,230	472,955	486,750	501,449	517,564	
Shareholders' equity incl. participating certificates	863,877	740,661	739,092	698,027	695,438	711,750	726,449	742,564	
Equity ratio without minorities with hybrid capital	40%	33%	33%	32%	35%	37%	39%	39%	
Return on Equity (RoE)	1.0%	-14.9%	0.4%	4.2%	5.2%	5.3%	5.7%	5.8%	
Key ratios & figures	2008	2009	2010	2011	2012	2013e	2014e	2015e	
Growth rates in %									
Revenues	31.1%	22.2%	13.9%	18.8%	-5.4%	-2.3%	-1.1%	1.5%	
EBITDA	n.s.	-10.0%	34.1%	42.0%	-2.6%	-2.0%	-1.7%	2.7%	
EBIT	n.s.	-323.1%	-214.1%	52.4%	15.7%	-11.7%	-0.4%	2.8%	
EBT	n.s.	-1093.3%	-111.8%	224.9%	8.6%	5.6%	10.3%	5.4%	
Net profit after minorities	n.s.	-1477.4%	-102.7%	895.5%	22.5%	6.3%	10.6%	5.0%	
Margins in %									
EBITDA	47.1%	34.7%	40.8%	48.8%	50.2%	50.4%	50.1%	50.7%	
EBIT	18.9%	-34.6%	34.6%	44.4%	54.3%	49.0%	49.4%	50.1%	
EBT	6.2%	-50.4%	5.2%	14.3%	16.4%	17.7%	19.7%	20.5%	
Expense ratios in %									
Depreciation to sales	-3.8%	-5.9%	-5.7%	-4.5%	-4.5%	-4.7%	-4.4%	-4.5%	
Tax rate	26.6%	n.m.	76.6%	28.3%	19.2%	18.6%	18.4%	18.7%	
Profitability in %									
Profit margin	4.6%	-51.4%	1.2%	10.2%	13.2%	14.4%	16.1%	16.7%	
Return on equity (RoE) after tax	1.0%	-14.9%	0.4%	4.2%	5.2%	5.3%	5.7%	5.8%	
Return on Assets (RoA)	2.0%	-2.1%	1.8%	3.2%	3.8%	4.1%	1.6%	1.7%	
Return on Investment (RoI)	0.3%	-3.5%	0.1%	1.0%	1.3%	1.4%	1.6%	1.7%	
Valuation									
P/E-ratio	58.71	-4.34	185.17	17.03	14.04	13.45	12.05	11.48	
P/E-ratio (historical share price by year-end)	25.08	-4.31	195.15	-	-	-	-	-	
P/S-ratio	2.72	2.22	1.95	1.64	1.74	1.78	1.80	1.77	
Price/BVpS (PBV)	0.59	0.71	0.71	0.73	0.72	0.70	0.68	0.66	
Dividend yield in %	0.0%	0.0%	0.0%	2.0%	3.0%	3.4%	4.0%	4.0%	
Data per share									
Share price by year end	2.14	4.97	5.28	4.52	-	-	-	-	
Number of shares in m	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	
EPS	0.09	-1.15	0.03	0.29	0.36	0.37	0.42	0.44	
DPS	0.00	0.00	0.00	0.10	0.10	0.10	0.10	0.10	
BVPS	8.47	7.03	7.07	6.86	6.94	7.15	7.36	7.60	
FFO per share	0.50	0.32	0.27	0.42	0.48	0.53	0.56	0.59	

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Rating Chronicle	Date	Rating	Former Price	Former Target
S IMMO	28 August 2013	Buy	4.64 €	7.00 €
S IMMO	23 May 2013	Buy	4.89 €	7.00 €
S IMMO	26 March 2013	Buy	4.77 €	7.00 €
S IMMO	25 February 2013	Buy	4.67 €	6.75 €
S IMMO	23 November 2012	Buy	4.90 €	6.50 €

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 20 November 2013. S IMMO mandated SRC Research for covering the S IMMO share.

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