

Price (Euro)	5.27			
52 weeks range	5.63 / 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)	352.7			
Number of shares (million)	66.9			
Free Float (approx.)	80%			
Free Float MarketCap (Euro million)	282.1			
CAGR (pre-tax profit '13-16e)	7.1%			
Multiples				
	2013e	2014e	2015e	2016e
Market cap/ Revenues-Ratio	1.8	1.8	1.9	1.8
P/E-Ratio	14.8	12.9	12.4	11.7
Dividend Yield	3.8%	3.8%	4.7%	5.7%
Key Data per Share (Euro)				
	2013e	2014e	2015e	2016e
Earnings per Share (EpS)	0.41	0.43	0.45	0.48
Dividends per Share (DpS)	0.20	0.20	0.25	0.30
Book Value per Share (BVpS)	10.64	7.61	7.93	8.23
EPRA NAV per share	9.63	9.92	10.12	10.42
FFO per share	0.53	0.56	0.59	0.62
Financial Data (Euro '000)				
	2013e	2014e	2015e	2016e
Revenues	193,735	188,611	191,743	194,961
Rental income	116,707	112,875	115,133	117,435
Net revaluation result	6,879	10,700	6,250	6,200
Operating cash profit (EBITDA)	100,907	91,002	97,136	100,300
Operating Profit (EBIT)	95,794	93,214	94,641	97,755
Pre-tax profit (EBT)	32,607	36,078	38,503	40,050
Net profit after minorities	27,354	28,036	29,281	30,362
Shareholders' Equity	486,926	501,779	514,830	526,017
RoE after tax	5.7%	5.7%	5.8%	5.8%
Financial Calendar				
2013 annual report		April 29, 2014		
1Q 2014 report		May 27, 2014		
AGM		June 11, 2014		
SRC Forum Financials & Real Estate 2013	September 10, 2014			
Main Shareholders				
Vienna Insurance Group		10%		
Erste Bank Group		10%		
Analyst				
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S IMMO reports prelim net profit growing 12% – financing costs down and dividend hike ahead

On last Thursday, 27 March, S IMMO released some 2013 prelims and hosted an analysts' conference call. Despite the company again successfully generating a high trading volume above target, as 12 properties were sold for 128m (2012: Euro 132m), the total revenues only slightly declined by Euro 3m to Euro 194m (-1.5%). Our forecast was only at Euro 192m. The picture was similar with regards to rental income. Despite the total portfolio size declined by 6.2% from Euro 1.87bn to Euro 1.76bn, the rental income was almost unchanged at Euro 116.7m (Euro 118.5m in 2012). Our forecast was again below that at Euro 115.0m. With bringing down admin and property expenses, **S IMMO managed to lift the cash-driven EBITDA from Euro 99m above the Euro 100m threshold, to Euro 101m (+2%, the second best result in firm's history).** As in 2012, management expenses in relation to the property portfolio were at only 0.9%.

The EBIT was a little bit below the 2012 level due to a much lower revaluation result. S IMMO took a cautious stance for its office properties in Hungary leading to a negative revaluation in CEE of almost Euro -18m plus another Euro -5m in SEE. With regards to the positive revaluation results in Germany and Austria (Euro +24m / Euro +5m), S IMMO managed a positive overall revaluation result, Euro 6.9m, close to our forecast Euro 6.5m but clearly below 2012 (Euro 16.8m). **With regards to the financial result, S IMMO made a big step ahead as net financing costs including the expenses for participation certificates disproportionately shrunk by 15% from Euro 75m to now only 63m.**

The decline of the property related expenses in connection with the good trading results and the strongly declining financing costs allowed for a higher pre-tax profit and for a higher bottom line, despite the weaker revaluation. Pre-tax was at Euro 32.6m (2012 Euro 32.2m). Thanks to a low tax rate (14%) and small minorities, net income amounted to Euro 27.3m (+12%, 2012: 24.3m). Our projection was at only Euro 25.4m as we calculated a higher taxation and higher minorities coming from the Serdika Center (JV with ECE). Thanks to the declining number of shares after the buybacks (-1.2 million shares), EPS strongly hiked from 36 Cents to 41 Cents allowing for a higher dividend. The firm will continue to deliver slightly rising profits and will start some residential developments in the high yielding Berlin market. Furthermore, the firm stated some remarkable letting success in Sofia and Bucharest offices, which will contribute to future top-line. **With a dividend yield of 3.8% and a rising NAV per share (+5% to €9.63), we lift our target price to €7.25.**

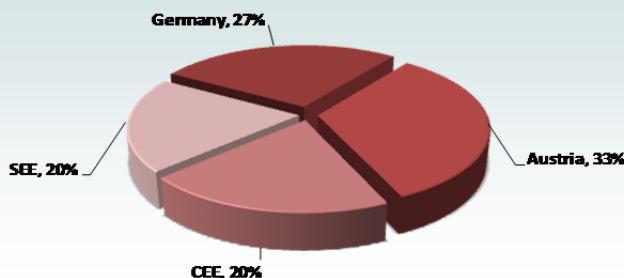
S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed	CEO Ernst Vejdovszky	
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
IR Contact		Michael Matlin, MBA	Dr. Wilhelm Rasinger
Dr. Sylwia Milke		Dr. Ralf Zeitlberger	
(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 existing 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 CEE stands and SEE each stand for about 20% of the total portfolio value (Sept. 2013). 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 historical 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 2008 a shareholder. 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 almost 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. 45% to the EPRA NAV of Euro 9.63 per share as of 31 December 2013 (year-end 2012: Euro 9.18). The dividend yield is high at 3.8%.
- ▶ 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 and almost fully let regarding the office 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 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 the excellent prelim 2013 numbers. We expect 20 Cents.
- ▶ S IMMO realized a decent premium on their disposals of some 5% in 2013. In contrast to that the stock trades with a discount of almost 45% to its EPRA NAV.
- ▶ The firm already made some steps to bring down LTV from near 60% levels to now c. 52%. Financing costs in 2013 significantly came down from Euro 62m to Euro 54m.

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 as well as 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 2012. Additional important rental contracts were closed in 2013.

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2010	2011	2012	2013e	2014e	2015e	2016e	2017e	CAGR '13e - '16e
Revenues	174,943	207,812	196,676	193,735	188,611	191,743	194,961	198,266	0.2%
└ thereof rental income	103,992	125,943	118,535	116,707	112,875	115,133	117,435	119,784	
└ thereof revenues from service charges	32,640	41,257	36,170	36,827	34,931	34,582	34,236	33,894	
└ thereof revenues from hotel operations	38,311	40,612	41,971	40,201	40,805	42,029	43,290	44,589	
Other operating income	4,973	7,737	6,860	6,186	5,444	5,335	5,228	5,124	
Expenses directly attributable to properties	-70,095	-76,982	-67,037	-60,603	-60,650	-59,437	-58,248	-57,083	
<i>Gross margin property segment</i>	<i>48.7%</i>	<i>54.0%</i>	<i>56.7%</i>	<i>60.5%</i>	<i>59.0%</i>	<i>60.3%</i>	<i>61.6%</i>	<i>62.9%</i>	
Hotel operating expenses	-29,617	-31,576	-32,112	-29,747	-30,277	-31,186	-32,121	-33,085	
Gross operating profit hotels (GOP)	8,694	9,036	9,859	10,454	10,528	10,844	11,169	11,504	
<i>Gross margin within hotel segment</i>	<i>22.7%</i>	<i>22.2%</i>	<i>23.5%</i>	<i>26.0%</i>	<i>25.8%</i>	<i>25.8%</i>	<i>25.8%</i>	<i>25.8%</i>	
Revenues less directly attributable expenses	80,204	106,991	104,387	109,571	103,127	106,456	109,820	113,222	0.1%
<i>Total Gross margin</i>	<i>45.8%</i>	<i>51.5%</i>	<i>53.1%</i>	<i>56.6%</i>	<i>54.7%</i>	<i>55.5%</i>	<i>56.3%</i>	<i>57.1%</i>	
Net operating income (NOI)	75,231	99,254	97,527	103,385	97,684	101,121	104,592	108,098	0.4%
<i>NOI-margin</i>	<i>43.0%</i>	<i>47.8%</i>	<i>49.6%</i>	<i>53.4%</i>	<i>51.8%</i>	<i>52.7%</i>	<i>53.6%</i>	<i>54.5%</i>	
Net Gains on property disposal	9,879	11,584	10,840	6,414	2,500	5,200	5,000	5,000	
Management expenses	-18,650	-17,169	-16,408	-15,078	-14,626	-14,520	-14,520	-14,520	
└ thereof personnel expenses	-5,726	-6,581	-6,533	-5,730	-5,558	-5,700	-5,700	-5,700	
EBITDA	71,433	101,406	98,819	100,907	91,002	97,136	100,300	103,702	-0.2%
<i>EBITDA-margin</i>	<i>40.8%</i>	<i>48.8%</i>	<i>50.2%</i>	<i>52.1%</i>	<i>48.2%</i>	<i>50.7%</i>	<i>51.4%</i>	<i>52.3%</i>	
Depreciation	-10,054	-9,266	-8,765	-11,992	-8,487	-8,745	-8,745	-8,745	
Property Revaluation	-833	146	16,756	6,879	10,700	6,250	6,200	5,000	
Operating profit (EBIT)	60,546	92,286	106,810	95,794	93,214	94,641	97,755	99,957	0.7%
<i>EBIT-margin</i>	<i>34.6%</i>	<i>44.4%</i>	<i>54.3%</i>	<i>49.4%</i>	<i>49.4%</i>	<i>49.4%</i>	<i>50.1%</i>	<i>50.4%</i>	
EBIT-profit without revaluation result	61,379	92,140	90,054	88,915	82,514	88,391	91,555	94,957	1.0%
Net financial result	-41,201	-51,458	-61,803	-53,901	-49,586	-49,720	-52,250	-52,550	
Participating certificates expenses (hybrid capital)	-10,222	-11,185	-12,809	-9,286	-7,550	-6,418	-5,455	-4,637	
Earnings before tax (EBT)	9,123	29,643	32,198	32,607	36,078	38,503	40,050	42,770	7.1%
<i>EBT margin</i>	<i>5.2%</i>	<i>14.3%</i>	<i>16.4%</i>	<i>16.8%</i>	<i>19.1%</i>	<i>20.1%</i>	<i>20.5%</i>	<i>21.6%</i>	
Income tax expense	-6,989	-8,398	-6,170	-4,553	-6,817	-7,865	-8,543	-9,821	
<i>Tax rate</i>	<i>77%</i>	<i>28%</i>	<i>19%</i>	<i>14%</i>	<i>19%</i>	<i>20%</i>	<i>21%</i>	<i>23%</i>	
Net profit	2,134	21,245	26,028	28,054	29,261	30,638	31,507	32,949	3.9%
Minorities	-291	-1,211	-1,726	-700	-1,225	-1,357	-1,145	-500	
Net profit after minorities	1,843	20,034	24,302	27,354	28,036	29,281	30,362	32,449	3.5%
<i>Return on sales</i>	<i>1.1%</i>	<i>9.6%</i>	<i>12.4%</i>	<i>14.1%</i>	<i>14.9%</i>	<i>15.3%</i>	<i>15.6%</i>	<i>16.4%</i>	
Number of shares (in million)	68.1	68.1	68.1	66.9	65.9	64.9	63.9	63.9	
Earnings per Share (EPS) in Euro	0.03	0.29	0.36	0.41	0.43	0.45	0.48	0.51	5.1%
Dividends per Share (DPS) in Euro	0.00	0.10	0.15	0.20	0.20	0.25	0.30	0.30	
Book Value per Share (BVPS) in Euro	7.07	6.86	7.17	10.64	7.61	7.93	8.23	8.44	
Total assets	2,256,163	2,175,378	2,013,382	1,932,847	1,874,861	1,890,150	1,833,446	1,890,151	-1.7%
Shareholders' equity (after dividend payment)	481,272	467,230	472,955	486,926	501,779	514,830	526,017	539,291	2.6%
Shareholders' equity incl. participating certificates	739,092	698,027	695,438	711,926	726,779	739,830	751,017	764,291	
Equity ratio without minorities with hybrid capital	33%	32%	35%	37%	39%	39%	41%	40%	
Return on Equity (RoE)	0.4%	4.2%	5.2%	5.7%	5.7%	5.8%	5.8%	6.1%	
Key ratios & figures	2010	2011	2012	2013e	2014e	2015e	2016e	2017e	
Growth rates in %									
Revenues	13.9%	18.8%	-5.4%	-1.5%	-2.6%	1.7%	1.7%	1.7%	
EBITDA	34.1%	42.0%	-2.6%	2.1%	-9.8%	6.7%	3.3%	3.4%	
EBIT	-214.1%	52.4%	15.7%	-10.3%	-2.7%	1.5%	3.3%	2.3%	
EBT	-111.8%	224.9%	8.6%	1.3%	10.6%	6.7%	4.0%	6.8%	
Net profit after minorities	-102.7%	895.5%	22.5%	7.8%	4.3%	4.7%	2.8%	4.6%	
Margins in %									
EBITDA	40.8%	48.8%	50.2%	52.1%	48.2%	50.7%	51.4%	52.3%	
EBIT	34.6%	44.4%	54.3%	49.4%	49.4%	49.4%	50.1%	50.4%	
EBT	5.2%	14.3%	16.4%	16.8%	19.1%	20.1%	20.5%	21.6%	
Expense ratios in %									
Depreciation to sales	-5.7%	-4.5%	-4.5%	-6.2%	-4.5%	-4.6%	-4.5%	-4.4%	
Tax rate	76.6%	28.3%	19.2%	14.0%	18.9%	20.4%	21.3%	23.0%	
Profitability in %									
Profit margin	1.2%	10.2%	13.2%	14.5%	15.5%	16.0%	16.2%	16.6%	
Return on equity (RoE) after tax	0.4%	4.2%	5.2%	5.7%	5.7%	5.8%	5.8%	6.1%	
Return on Assets (RoA)	1.8%	3.2%	3.8%	4.1%	1.6%	1.6%	1.7%	1.7%	
Return on Investment (Rol)	0.1%	1.0%	1.3%	1.5%	1.6%	1.6%	1.7%	1.7%	
Valuation									
P/E-ratio	194.78	17.92	14.77	12.89	12.39	11.68	11.09	10.38	
P/E-ratio (historical share price by year-end)	195.15	-	-	-	-	-	-	-	
P/S-ratio	2.02	1.70	1.79	1.82	1.87	1.84	1.81	1.78	
Price/BVpS (PBV)	0.75	0.77	0.74	0.50	0.69	0.66	0.64	0.62	
Dividend yield in %	0.0%	1.9%	2.8%	3.8%	3.8%	4.7%	5.7%	5.7%	
Data per share									
Number of shares in m	68.1	68.1	68.1	66.9	65.9	64.9	63.9	63.9	
EPS	0.03	0.29	0.36	0.41	0.43	0.45	0.48	0.51	
DPS	0.00	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
BVPS	7.07	6.86	7.17	10.64	7.61	7.93	8.23	8.44	
FFO per share	0.27	0.42	0.48	0.53	0.56	0.59	0.62	0.66	

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Rating Chronicle	Date	Rating	Former Price	Former Target
S IMMO	21 November 2013	Buy	5.01 €	7.00 €
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 €
S IMMO	29 October 2012	Buy	4.86 €	6.50 €
S IMMO	23 August 2012	Buy	4.63 €	6.50 €
S IMMO	25 May 2012	Buy	4.25 €	6.50 €

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 28 March 2013. S IMMO mandated SRC Research for covering the S IMMO share.

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