



■ Price (Euro)	8.90
52 weeks range	11.50 / 7.52

■ Key Data

ISIN	DE000A0KFKB3
Bloomberg	E7S:GR
Reporting standard	IFRS
Market Cap (Euro million)	289
Number of shares (million)	32.4
Free Float	12.1%
Free Float Market Cap (Euro million)	35
CAGR EBIT ('17 -'20e)	10.0%

■ Multiples	2017	2018e	2019e	2020e
Market Cap / Total revenues	8.3	9.1	7.3	6.8
PE-Ratio	11.0	15.8	12.3	10.9
Dividend Yield	1.9%	2.2%	2.6%	2.9%
Price-to-Book-Ratio	1.44	1.45	1.28	1.13

■ Key Data per share (Euro)	2017	2018e	2019e	2020e
Earnings per share (EPS)	0.81	0.56	0.72	0.82
Dividend per share (DPS)	0.17	0.20	0.23	0.26
Book Value per Share (BVPS)	6.17	6.15	6.94	7.85

■ Financial Data (Euro '000)	2017	2018e	2019e	2020e
Capital gains from property sales	34,692	31,649	39,632	42,499
Net rental income	5,434	6,550	7,652	8,934
Net service income	948	2,729	2,922	3,837
Operating profit (EBIT)	36,416	32,539	42,952	48,412
Net interest income	-8,803	-8,843	-10,930	-12,125
Pre-tax profit (EBT)	27,634	23,834	32,297	36,737
Income taxes	-7,316	-5,527	-8,847	-10,158
Net profit after Minorities	20,145	18,256	23,423	26,585
Shareholders' equity (Euro million)	301	348	452	513
Privatization Portfolio (Euro million)	302	305	352	418
RoE (after tax)	13.9%	10.3%	11.0%	11.1%
Equity ratio	44.2%	44.1%	43.9%	44.7%

■ Main Shareholders

Brookline Real Estate S.a.r.l.	83.1%
Adler Real Estate AG	4.8%

■ Financial calendar

Annual report 2018	20 March 2019
1Q report 2019	3 May 2019

■ Analysts

Christopher Mehl, MBA
Dipl.-Kfm. Stefan Scharff, CREA

E-Mail scharff@src-research.de
mehl@src-research.de

Internet www.src-research.de
www.aktienmarkt-international.at
www.aktienmarkt-international.de

2018 prelims show 30% hike in revenues – EBIT and net profit below last year due to delays in projects – Euro 13.00 target price and Buy recommendation affirmed

Last week, on 6 February, Accentro released some first key data for the 2018 fiscal year. On a preliminary basis, revenues are up by almost 30% from more than Euro 159m to almost Euro 207m, representing a record high. Included in that number are the sold units from the Gehrensee joint venture, which were more or less sold at book value and did not have any material impact on the firm's profits. The firm's EBIT was at Euro 32.5m, down from last year's more than Euro 36m and hence below our estimate of more than Euro 37m and below the company's guidance in a range between Euro 36m to Euro 40m. This lower result was mainly due to delays in projects which were not closed in time but will contribute to income in subsequent periods instead. The bottom line is at more than Euro 18m.

Regarding the not yet published numbers we continue to expect a double-digit return on equity, a hike in equity to about Euro 200m and an increase in the privatization portfolio at year end. The firm's annual report with the remaining details will be released on 20 March. We expect the company to also give an outlook for the current 2019 FY by then. For the time being we confirm our Euro 13.00 target price and also our Buy recommendation.

Strengths

SWOT Analysis

- The CEO Jacopo Mingazzini is highly senior, experienced and well-known in the German real estate sector. He founded the ACCENTRO GmbH already in 1999.
- ACCENTRO has a leading position and a strong network in the market of residential privatization, on which they can built over the coming years
- Next to its core business of privatization, ACCENTRO offers services in the form of marketing- and sales-cooperation for other real estate companies and has entered into cooperations with renowned partners such as Vonovia and TAG. These partnerships are a good revenue addition to the revenues from the sale of inventory properties and should also further increase in the coming years
- The firm benefits from the rental income of the objects in the portfolio between the purchase and sale of these assets. With the intended buildup of the portfolio, the rental income will also climb.

Weaknesses

- ACCENTRO still lacks reputation in the market, which leads to a discount in their share price. As the firm gains more popularity and awareness with investors we see this current weakness turning into an opportunity for shareholders.
- The firm's free float is at only 12.1% still low. This clearly brings down the liquidity of the share and could lead to a higher volatility of the share. The recent capital hike was a first step to a more attractive capital markets profile, however.

Opportunities

- With the new major shareholder Brookline Real Estate, ACCENTRO will be able to push their strategic goals faster. We believe that Brookline will support ACCENTRO to realize their organic growth potential in the privatization business and also make use of the further potential in regards to marketing- and sales cooperation with large developers and investors.
- The continued supply shortage in the market offers an opportunity to ACCENTRO to leverage their position and increase their numbers over the coming years. The good network of the company should allow ACCENTRO to continue to find lucrative objects on the market and also off-market, which can then be privatized and sold at a good margin as the demand continues to be high.
- ACCENTRO's main focus is currently on the city of Berlin, where about 83% of the privatization portfolio is located. Recently the company has already expanded to other locations such as the currently strong growing region of Leipzig. We also see other locations in Germany that fit in the acquisition profile of the company and that offer further potential for expansion and diversification.

Threats

- As more than 80% of the privatization portfolio is currently located in the city of Berlin, a declining Berlin market either due to economic factors or due to political risks could have a significant impact on ACCENTRO's business. We currently don't see such a downturn in the next few years, however. Furthermore, the company has already expanded to other locations, such as Leipzig, and we believe the portfolio will further be diversified in the coming years.
- A general downturn of the Germany residential market conditions, the economy or a change in demographics could negatively impact ACCENTRO's sales of the privatization portfolio. We don't see a big threat in the foreseeable future however. Furthermore, worst case, the company can still keep the objects in the portfolio and create cash flow from renting the apartments in times of weaker market conditions.
- The company's business could be negatively affected if ACCENTRO fails to find new deals to add to their privatization portfolio.
- Brookline Real Estate holds about 83% of all shares, thereby holding the large majority and has enough voting rights at the firm's annual meeting to decide on almost all of the matters of the company.
- A change in European monetary policy by the ECB regarding the termination of the currently all-time low-interest period could result in a relatively high increase of interest expenses and might also lead to higher expenses for ACCENTRO. We currently do not see any drastic changes in the near future however and the company has also already locked in some long term financing at good rates.

ACCENTRO Real Estate AG

Industry:	Real Estate
Sub-segment:	Residential
Region:	Germany
Headquarter:	Berlin
Foundation	2006
Employees:	44
 IR Contact:	
ir@accentro.ag	

Management Board of ACCENTRO:
Jacopo Mingazzini (CEO/CFO)
 Supervisory Board of ACCENTRO:
Axel Harloff
Dr. Dirk Hoffmann
Natig Ganiyev

ACCENTRO Real Estate AG is a leading company for privatization of residential properties in economically strong regions in Germany, as well as for the marketing and sales for property investors and project developers. The company's strongest focus is on the city of Berlin, where currently more than 70% of the firm's inventory portfolio is located or including the greater Berlin area even more than 80% respectively. Furthermore, ACCENTRO has recently expanded in growth markets such as the Leipzig area or Hamburg.

Accentro GmbH was founded in 1999 by Jacopo Mingazzini and in 2011 became a subsidiary of Estavis AG, which was formed in 2006 and was renamed to ACCENTRO Real Estate AG in 2015. The firm has a focus on the German residential market since 15 years. Over the recent years ACCENTRO managed to build up a strong track record. For example, a total of more than 2.6k apartments with a volume of more than Euro 314m have been sold since 2015 (992 Units in 2017) and the inventory portfolio has significantly been expanded from Euro 155m book value in 2015 to more than Euro 290m at 9M 2018. Currently more than 2.100 units are on the firm's balance sheet. Furthermore, the strong sales cooperations with investors and developers offer the company further potential for a rise in revenues in the coming years.

The financial position of the company is solid. The firm has an LTV of about 52% and an equity ratio of about 42% at 9M 2018. The results of the recent 2017 FY were good with a hike of almost 18% in the topline from Euro 125m in 2016 to Euro 147m in 2017 and a more than 8% hike in the operating profit on EBIT basis from Euro 33.9m to Euro 36.4m. The firm delivered a lucrative gross margin from sales of 33.6% in 2017.

In terms of financing the company has strengthened its financing structure due to the early repurchase of a high-yield bond as of 30 June 2017. The company has further called its high-coupon convertible bond prior to maturity and has issued a Euro 100m 3 years corporate bond with a coupon of 3.75% in January 2018. An equity capital hike with a volume of Euro 20m was completed in October 2018.

Privatisation portfolio as of 30 September 2018

City	Book value/purchase price (in mEUR)	Units	sqm ('000)	Selling prices (EUR/sqm)
Berlin	216.6	1,199	78,817	3,679
Greater Berlin	25.4	157	16,793	1,771
Greater Leipzig	12.9	316	18,163	946
Hanover	10.5	62	5,428	2,248
Cologne	5.9	42	2,639	3,135
Hamburg area	3.0	19	1,527	2,682
Others (Chemnitz, Bayreuth)	18.1	350	20,080	1,036
Total	292.4	2,145	143,447	2,664

Source: Company Data, SRC Research

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
Revenues from sales of inventory properties	31,429	116,920	137,859	193,127	188,931	209,713	
Expenses from sales of inventory properties	-25,876	-80,543	-103,167	-161,478	-149,299	-167,215	
Capital gains from property sales	5,553	36,377	34,692	31,649	39,632	42,499	7.0%
Letting revenues	5,754	6,597	7,769	10,544	12,126	13,944	
Letting expenses	-1,453	-2,032	-2,335	-3,994	-4,473	-5,010	
Net rental income	4,301	4,565	5,434	6,550	7,652	8,934	18.0%
Revenues from services	2,314	1,588	1,714	3,241	3,889	4,862	
Expenses from services	-942	-979	-766	-512	-967	-1,025	
Net service income	1,372	609	948	2,729	2,922	3,837	59.4%
Other operating income	1,291	997	3,260	1,621	2,147	2,687	
Gross profit or loss	12,517	42,548	44,334	42,549	52,354	57,956	9.3%
Total payroll and benefit costs	-2,256	-2,986	-3,339	-4,314	-3,614	-3,957	
Depreciation and amortisation	-97	-114	-114	-314	-160	-160	
Impairments of inventories and accounts receivable	-884	-951	0	-469	-875	-799	
Other operating expenses	-3,183	-4,561	-4,465	-4,913	-4,753	-4,628	
Earnings before interest and taxes (EBIT)	6,097	33,936	36,416	32,539	42,952	48,412	10.0%
Net income from associates	525	514	-14	97	248	411	
Other income from investments	48	18	35	41	27	39	
Interest income	306	298	304	378	324	351	
Interest expenses	-6,163	-6,695	-9,107	-9,221	-11,254	-12,476	
Net interest income	-5,857	-6,397	-8,803	-8,843	-10,930	-12,125	
Profit/loss before taxes (EBT)	813	28,071	27,634	23,834	32,297	36,737	10.0%
Income taxes	-1,530	-7,390	-7,316	-5,527	-8,847	-10,158	
	188%	26%	26%	23%	27%	28%	
Consolidated income from Continuing Operation	-717	20,681	20,318	18,307	23,450	26,579	9.4%
Earnings after taxes of Discontinued Operation	23,502	5,792	-197	0	0	0	
Consolidated income	22,785	26,473	20,121	18,307	23,450	26,579	9.7%
Minorities	-148	-181	24	-51	-27	6	
Net profit/loss after minorities	22,637	26,292	20,145	18,256	23,423	26,585	9.7%
 Number of shares ('000)	24,678	24,734	24,925	32,438	32,438	32,438	
Earnings per share (EPS)	0.92	1.07	0.81	0.56	0.72	0.82	
Dividend per share (DPS)	0.00	0.15	0.17	0.20	0.23	0.26	
 Shareholders' Equity	109,241	136,836	153,697	199,347	225,262	254,546	18.3%
Balance Sheet sum	395,295	300,546	347,785	452,121	513,157	569,604	
Equity Ratio	27.6%	45.5%	44.2%	44.1%	43.9%	44.7%	
RoE (after tax)	23.2%	21.4%	13.9%	10.3%	11.0%	11.1%	-7.2%
Privatisation Portfolio (Euro million)	155	216	302	305	352	418	
Book Value per share (Euro)	4.43	5.53	6.17	6.15	6.94	7.85	8.4%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating chronicle:

Company	Date	Rating	former share price	former target
ACCENTRO	6 November 2018	Buy	9,98 €	13,00 €
ACCENTRO	23 October 2018	Buy	9,56 €	13,00 €
ACCENTRO	9 August 2018	Buy	10,85 €	13,00 €
ACCENTRO	22 June 2018	Buy	11,15 €	13,00 €
ACCENTRO	22 May 2018	Buy	10,25 €	13,00 €

Please note:

The share price mentioned in this report is from 8 February 2019. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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