

Buy (unchanged) Target: Euro 10.00 (unchanged)

20 | December | 2019

Price (Euro) **7.70**  
52 weeks range 9.90 / 6.40

**Housing estate with 206 units in greater Berlin area sold for Euro 43.5m resulting in a better than expected EBIT guidance for the full year - Euro 10.00 and Buy rating affirmed**

## Key Data

ISIN	DE000A0KFKB3
Bloomberg	E7S:GR
Reporting standard	IFRS
Market Cap (Euro million)	250
Number of shares (million)	32.4
Free Float	11.9%
Free Float Market Cap (Euro million)	30
CAGR EBIT ('18 -'21e)	12.5%

Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	7.5	8.7	7.6	6.7
<b>PE-Ratio</b>	<b>13.6</b>	<b>8.9</b>	<b>11.5</b>	<b>9.2</b>
Dividend Yield	2.1%	2.3%	2.6%	3.0%
<b>Price-to-Book-Ratio</b>	<b>1.25</b>	<b>1.11</b>	<b>0.98</b>	<b>0.87</b>

Key Data per share (Euro)	2018	2019e	2020e	2021e
<b>Earnings per share (EPS)</b>	<b>0.56</b>	<b>0.86</b>	<b>0.67</b>	<b>0.83</b>
Dividend per share (DPS)	0.16	0.18	0.20	0.23
<b>Book Value per Share (BVPS)</b>	<b>6.14</b>	<b>6.94</b>	<b>7.84</b>	<b>8.86</b>

Financial Data (Euro '000)	2018	2019e	2020e	2021e
Capital gains from property sales	33,085	28,736	32,885	37,047
Net rental income	6,130	7,183	8,349	9,700
Net service income	2,283	1,624	1,909	2,438
<b>Operating profit (EBIT)</b>	<b>32,863</b>	<b>40,630</b>	<b>39,866</b>	<b>46,835</b>
Net interest income	-8,925	-7,679	-11,551	-11,884
<b>Pre-tax profit (EBT)</b>	<b>23,976</b>	<b>33,226</b>	<b>28,765</b>	<b>35,576</b>
Income taxes	-5,675	-5,314	-7,045	-8,556
<b>Net profit after Minorities</b>	<b>18,198</b>	<b>27,885</b>	<b>21,726</b>	<b>27,059</b>
Shareholders' equity (Euro million)	348	474	538	597
<b>Privatization Portfolio (Euro million)</b>	<b>344</b>	<b>389</b>	<b>418</b>	<b>447</b>
<b>RoE (after tax)</b>	<b>10.3%</b>	<b>13.2%</b>	<b>9.1%</b>	<b>10.0%</b>
Equity ratio	42.0%	41.8%	42.6%	42.4%

## Main Shareholders

Brookline Real Estate S.a.r.l.	83.3%
Adler Real Estate AG	4.8%

## Financial calendar

2019 annual report	26 March 2020
1Q 2020 report	14 May 2020
1H 2020 report	13 August 2020

## Analysts

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On Wednesday evening, 18 December, the company reported the sale of a housing estate in the greater Berlin area. The property is located in the town of Blankenfelde-Mahlow in the state of Brandenburg. The about 16k sqm property with 206 flats was sold to an institutional investor for a sales price of Euro 43.5m. With that sale shortly before the end of the fiscal year, the company stated that it will finish the year with an EBIT above expectations. So far the company expected to reach a low double-digit percentage growth in EBIT compared to last year's number of Euro 32.9m, thus at least Euro 36m. Now an EBIT of more than Euro 40m is expected, which would be a new record level for the company. Our expectation, which we already lifted with the 9M numbers, was at Euro 38.5m and thus also below the firm's new expectation. We now expect an EBIT of Euro 40.6m for the full year. The firm also announced that the total revenues will amount to slightly more than Euro 140m for 2019.

**With the lifted guidance and the good developments of the portfolio, which at 9M was at about Euro 350m, 2019 is going to be a good fiscal year for the company. The announced sale and the resulting better than expected EBIT gave the share some push and lifted it by about 6% in the last two days. We believe the share is still trading too low and see further upside in the coming quarters. We confirm our Euro 10.00 target price and stick to our Buy rating.**

## SWOT Analysis

### Strengths

- 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 11.9% 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 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 82% 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 75% of the privatization portfolio is currently located in the city of Berlin, a declining Berlin market demand may result from economic factors or due to political risks such as the current Berlin Senate decision for a Rent Cap. The company has already expanded 3 years ago to other locations, such as Leipzig and North Rhine Westphalia to dilute this threat.
- 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

<b>Industry:</b>	Real Estate	<b>Management Board of ACCENTRO:</b>
<b>Sub-segment:</b>	Residential	Jacopo Mingazzini (CEO/CFO)
<b>Region:</b>	Germany	
<b>Headquarter:</b>	Berlin	
<b>Foundation</b>	2006	
<b>Employees:</b>	56	<b>Supervisory Board of ACCENTRO:</b>
		Axel Harloff
<b>IR Contact:</b>		Dr. Dirk Hoffmann
ir@accentro.ag		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 almost 75% 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 more than 15 years. Over the recent years ACCENTRO managed to build up a strong track record. For example, a total of more than 4,200 apartments with a volume of almost Euro 510m have been sold since 2015 (1,615 Units in 2018) and the inventory portfolio has significantly been expanded from Euro 155m book value in 2015 to Euro 348m at 9M 2019. Currently about 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 43% and an equity ratio of 40% at 9M 2019. The results of the recent 2018 FY showed a hike of almost 40% in the topline from Euro 147m in 2017 to Euro 206m in 2018, however a decline in the operating profit on EBIT basis and the bottom line. The firm delivered a lucrative gross margin from sales of 27.6% in 2018. It even climbed to 28.6% after the first nine months of 2019.

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.

Inventories portfolio as of 30 September 2019				
City	Book value/purchase price (in mEUR)	Units	sqm	Selling prices (EUR/sqm)
Berlin	259.7	1,089	78,049	4,420
Greater Berlin	27.6	260	16,283	2,571
Leipzig and Greater Leipzig	22.7	351	21,759	1,321
Rostock and Usedom	15.9	112	7,919	2,803
Rhein-Ruhr area (Cologne, Ratingen)	8.5	49	3,494	3,319
Hamburg area	3.1	15	1,396	2,850
Others (Weidenberg, Bayreuth)	10.9	191	11,360	1,147
<b>Total</b>	<b>348.4</b>	<b>2,067</b>	<b>140,260</b>	<b>3,325</b>

Source: Company Data, SRC Research

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues from sales of inventory properties	116,920	137,859	194,009	127,589	141,624	157,202	
Expenses from sales of inventory properties	-80,543	-103,167	-160,924	-98,853	-108,738	-120,156	
<b>Capital gains from property sales</b>	<b>36,377</b>	<b>34,692</b>	<b>33,085</b>	<b>28,736</b>	<b>32,885</b>	<b>37,047</b>	<b>3.8%</b>
Letting revenues	6,597	7,769	8,806	10,127	11,646	13,393	
Letting expenses	-2,032	-2,335	-2,676	-2,944	-3,297	-3,692	
<b>Net rental income</b>	<b>4,565</b>	<b>5,434</b>	<b>6,130</b>	<b>7,183</b>	<b>8,349</b>	<b>9,700</b>	<b>16.5%</b>
Revenues from services	1,588	1,714	2,794	2,347	2,934	3,521	
Expenses from services	-979	-766	-511	-723	-1,025	-1,083	
<b>Net service income</b>	<b>609</b>	<b>948</b>	<b>2,283</b>	<b>1,624</b>	<b>1,909</b>	<b>2,438</b>	<b>2.2%</b>
Other operating income	997	3,260	1,663	1,598	2,687	2,425	
<b>Gross profit or loss</b>	<b>42,548</b>	<b>44,334</b>	<b>43,161</b>	<b>39,141</b>	<b>45,830</b>	<b>51,609</b>	<b>6.1%</b>
<b>Net revaluation result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,020</b>	<b>4,522</b>	<b>5,788</b>	
Total payroll and benefit costs	-2,986	-3,339	-4,613	-5,314	-4,814	-5,036	
Depreciation and amortisation	-114	-114	-349	-359	-378	-386	
Impairments of inventories and accounts receivable	-951	0	-205	-269	-147	-153	
Other operating expenses	-4,561	-4,465	-5,131	-4,589	-5,147	-4,987	
<b>Earnings before interest and taxes (EBIT)</b>	<b>33,936</b>	<b>36,416</b>	<b>32,863</b>	<b>40,630</b>	<b>39,866</b>	<b>46,835</b>	<b>12.5%</b>
Net income from associates	514	-14	2	248	411	574	
Other income from investments	18	35	36	27	39	51	
Interest income	298	304	944	1,678	436	589	
Interest expenses	-6,695	-9,107	-9,869	-9,357	-11,987	-12,473	
<b>Net interest income</b>	<b>-6,397</b>	<b>-8,803</b>	<b>-8,925</b>	<b>-7,679</b>	<b>-11,551</b>	<b>-11,884</b>	
<b>Profit/loss before taxes (EBT)</b>	<b>28,071</b>	<b>27,634</b>	<b>23,976</b>	<b>33,226</b>	<b>28,765</b>	<b>35,576</b>	<b>14.1%</b>
Income taxes	-7,390	-7,316	-5,675	-5,314	-7,045	-8,556	
	26%	26%	24%	16%	24%	24%	
<b>Consolidated income from Continuing Operation</b>	<b>20,681</b>	<b>20,318</b>	<b>18,301</b>	<b>27,912</b>	<b>21,720</b>	<b>27,020</b>	<b>13.9%</b>
Earnings after taxes of Discontinued Operation	5,792	-197	0	0	0	0	
<b>Consolidated income</b>	<b>26,473</b>	<b>20,121</b>	<b>18,301</b>	<b>27,912</b>	<b>21,720</b>	<b>27,020</b>	<b>13.9%</b>
Minorities	-181	24	-103	-27	6	39	
<b>Net profit/loss after minorities</b>	<b>26,292</b>	<b>20,145</b>	<b>18,198</b>	<b>27,885</b>	<b>21,726</b>	<b>27,059</b>	<b>14.1%</b>
<b>Number of shares ('000)</b>	<b>24,734</b>	<b>24,925</b>	<b>32,438</b>	<b>32,438</b>	<b>32,438</b>	<b>32,438</b>	
<b>Earnings per share (EPS)</b>	<b>1.07</b>	<b>0.81</b>	<b>0.56</b>	<b>0.86</b>	<b>0.67</b>	<b>0.83</b>	
<b>Dividend per share (DPS)</b>	<b>0.15</b>	<b>0.17</b>	<b>0.16</b>	<b>0.18</b>	<b>0.20</b>	<b>0.23</b>	
<b>Shareholders' Equity</b>	<b>136,836</b>	<b>153,697</b>	<b>199,104</b>	<b>224,988</b>	<b>254,236</b>	<b>287,287</b>	<b>13.0%</b>
<b>Balance Sheet sum</b>	<b>300,546</b>	<b>347,785</b>	<b>474,205</b>	<b>538,223</b>	<b>597,427</b>	<b>678,080</b>	
<b>Equity Ratio</b>	<b>45.5%</b>	<b>44.2%</b>	<b>42.0%</b>	<b>41.8%</b>	<b>42.6%</b>	<b>42.4%</b>	
<b>RoE (after tax)</b>	<b>21.4%</b>	<b>13.9%</b>	<b>10.3%</b>	<b>13.2%</b>	<b>9.1%</b>	<b>10.0%</b>	<b>-1.1%</b>
<b>Privatisation Portfolio (Euro million)</b>	<b>216</b>	<b>302</b>	<b>344</b>	<b>389</b>	<b>418</b>	<b>447</b>	
<b>Book Value per share (Euro)</b>	<b>5.53</b>	<b>6.17</b>	<b>6.14</b>	<b>6.94</b>	<b>7.84</b>	<b>8.86</b>	<b>13.0%</b>

**SRC Research**  
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**Rating chronicle:**

Company	Date	Rating	former share price	former target
ACCENTRO	7 November 2019	Buy	7.05 €	10.00 €
ACCENTRO	9 August 2019	Buy	8.30 €	12.00 €
ACCENTRO	6 May 2019	Buy	8.45 €	12.00 €
ACCENTRO	25 March 2019	Buy	8.50 €	12.00 €
ACCENTRO	11 February 2019	Buy	8.90 €	13.00 €
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 19 December 2019. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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