

■ Price (Euro)	11.15
52 weeks range	11.30 / 7.01

■ Key Data

ISIN	DE000A0KFKB3
Bloomberg	E7S:GR
Reporting standard	IFRS
Market Cap (Euro million)	337
Number of shares (million)	30.2
Free Float	5.6%
Free Float Market Cap (Euro million)	19
CAGR EBIT ('17 -'20e)	10.4%

■ Multiples	2017	2018e	2019e	2020e
Market Cap / Total revenues	9.7	8.7	8.0	7.4
PE-Ratio	13.8	15.0	13.1	11.3
Dividend Yield	1.5%	1.8%	2.1%	2.3%
Price-to-Book-Ratio	1.81	1.88	1.66	1.47

■ Key Data per share (Euro)	2017	2018e	2019e	2020e
Earnings per share (EPS)	0.81	0.74	0.85	0.99
Dividend per share (DPS)	0.17	0.20	0.23	0.26
Book Value per Share (BVPS)	6.17	5.93	6.70	7.57

■ Financial Data (Euro '000)	2017	2018e	2019e	2020e
Capital gains from property sales	34,692	38,864	41,942	45,216
Net rental income	5,434	6,319	7,345	8,535
Net service income	948	1,202	1,501	2,060
Operating profit (EBIT)	36,416	38,867	43,580	49,000
Net interest income	-8,803	-8,931	-9,223	-9,395
Pre-tax profit (EBT)	27,634	30,302	34,632	40,055
Income taxes	-7,316	-7,788	-8,847	-10,158
Net profit after Minorities	20,145	22,463	25,758	29,903
Shareholders' equity (Euro million)	301	348	452	513
Privatization Portfolio (Euro million)	302	395	447	481
RoE (after tax)	13.9%	13.5%	13.4%	13.8%
Equity ratio	44.2%	39.8%	39.6%	40.3%

■ Main Shareholders

Brookline Real Estate S.a.r.l.	89.3%
Adler Real Estate AG	5.1%

■ Financial calendar

1H 2018 report	10 August 2018
SRC Forum Financials & Real Estate	6 September 2018
3Q 2018 report	6 November 2018

■ 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

ACCENTRO acquires a stake in Berlin portfolio with 567 units through a joint venture with exclusive sales partnership for the portfolio – Buy and still €13.00 TP

Last week, on 15 June, the company announced the acquisition of a stake in a portfolio with 567 residential units. This deal was done via a joint venture in which ACCENTRO holds a small stake, but has the exclusivity as a sales partner for the entire portfolio. The units are spread across 26 buildings and amount to a total area of about 44,000 sqm. The buildings are in central locations in Berlin. Close to all of the locations are within the Berlin S-Bahn ring and therefore in attractive locations for buyers.

The deal is very lucrative for ACCENTRO in our opinion, as the company only had to make a small investment, but is the exclusive sales partner for the entire portfolio and can clearly increase the revenues from services. We estimate the earnings resulting from that deal clearly in the double digit millions area over the next 6 to 7 years. With the closing of the transaction the privatization portfolio increases to approximately 3,700 apartments, of which about 3,000 are held in the firm's inventory property portfolio. The deal further strengthens the firm's home market in Berlin.

As reported in our opening coverage on 22 May, we are very optimistic to see a steep hike of c. 15% in revenues and about 10% to 12% in bottom line regarding the 2018 results. The company has already landed some good deals in the current year and has thereby expanded its privatization portfolio. This becomes also visible in the development of the share, which is up more than 30% YTD and almost 10% in the last month since the initiation of our coverage on 22 May. We expect further deals to come in the remainder of 2018 that will further drive the value. We confirm our Euro 13.00 target price and also our Buy recommendation for ACCENTRO.

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 was significantly reduced to only 5.55%. This clearly brings down the liquidity of the share and could lead to a higher volatility of the share.

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 now holds almost 90% 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	Management Board of ACCENTRO:
Sub-segment:	Residential	Jacopo Mingazzini (CEO/CFO)
Region:	Germany	
Headquarter:	Berlin	
Foundation	2006	
Employees:	37	Supervisory Board of ACCENTRO:
		Axel Harloff
IR Contact:		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 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 318m at 1Q 2018. Currently more than 2.900 units are on the firm's balance sheet and another significant hike is planned in 2018. 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 47% and an equity ratio of about 40% at 1Q 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.

Privatisation portfolio as of 31 March 2018

City	Book value/purchase price (in mEUR)	Units	sqm ('000)	Selling prices (EUR/sqm)
Berlin	233.0	1,838	117,437	2,595
Greater Berlin	32.6	243	21,754	1,759
Leipzig metro region	15.2	364	21,210	981
Hanover	10.5	62	5,610	2,328
Others	26.8	424	24,850	1,335
Total	318.1	2,931	190,861	2,149

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	158.538	175.977	195.334	
Expenses from sales of inventory properties	-25.876	-80.543	-103.167	-119.674	-134.035	-150.119	
Capital gains from property sales	5.553	36.377	34.692	38.864	41.942	45.216	9,2%
Letting revenues	5.754	6.597	7.769	8.934	10.275	11.816	
Letting expenses	-1.453	-2.032	-2.335	-2.615	-2.929	-3.281	
Net rental income	4.301	4.565	5.434	6.319	7.345	8.535	16,2%
Revenues from services	2.314	1.588	1.714	2.057	2.468	3.085	
Expenses from services	-942	-979	-766	-855	-967	-1.025	
Net service income	1.372	609	948	1.202	1.501	2.060	29,5%
Other operating income	1.291	997	3.260	1.786	2.147	2.687	
Gross profit or loss	12.517	42.548	44.334	48.171	52.936	58.498	9,7%
Total payroll and benefit costs	-2.256	-2.986	-3.339	-3.581	-3.614	-3.957	
Depreciation and amortisation	-97	-114	-114	-114	-114	-114	
Impairments of inventories and accounts receivable	-884	-951	0	-746	-875	-799	
Other operating expenses	-3.183	-4.561	-4.465	-4.863	-4.753	-4.628	
Earnings before interest and taxes (EBIT)	6.097	33.936	36.416	38.867	43.580	49.000	10,4%
Net income from associates	525	514	-14	325	248	411	
Other income from investments	48	18	35	41	27	39	
Interest income	306	298	304	317	324	351	
Interest expenses	-6.163	-6.695	-9.107	-9.248	-9.547	-9.746	
Net interest income	-5.857	-6.397	-8.803	-8.931	-9.223	-9.395	
Profit/loss before taxes (EBT)	813	28.071	27.634	30.302	34.632	40.055	13,2%
Income taxes	-1.530	-7.390	-7.316	-7.788	-8.847	-10.158	
	188%	26%	26%	26%	26%	25%	
Consolidated income from Continuing Operation	-717	20.681	20.318	22.514	25.785	29.897	13,7%
Earnings after taxes of Discontinued Operation	23.502	5.792	-197	0	0	0	
Consolidated income	22.785	26.473	20.121	22.514	25.785	29.897	14,1%
Minorities	-148	-181	24	-51	-27	6	
Net profit/loss after minorities	22.637	26.292	20.145	22.463	25.758	29.903	14,1%
Number of shares ('000)	24.678	24.734	24.925	30.318	30.318	30.318	
Earnings per share (EPS)	0,92	1,07	0,81	0,74	0,85	0,99	
Dividend per share (DPS)	0,00	0,15	0,17	0,20	0,23	0,26	
Shareholders' Equity	109.241	136.836	153.697	179.825	203.203	229.619	14,3%
Balance Sheet sum	395.295	300.546	347.785	452.121	513.157	569.604	
Equity Ratio	27,6%	45,5%	44,2%	39,8%	39,6%	40,3%	
RoE (after tax)	23,2%	21,4%	13,9%	13,5%	13,4%	13,8%	-0,1%
Privatisation Portfolio (Euro million)	155	216	302	395	447	481	
Book Value per share (Euro)	4,43	5,53	6,17	5,93	6,70	7,57	7,1%

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	22 May 2018	Buy	10.25 €	13.00 €

Please note:

The share price mentioned in this report is from 21 June 2018. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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