

■ **Price (Euro)** **9.56**  
52 weeks range 11.50 / 7.50

■ **Key Data**

ISIN DE000A0KFKB3  
Bloomberg E7S:GR  
Reporting standard IFRS  
Market Cap (Euro million) 310  
Number of shares (million) 32.4  
Free Float 12.1%  
Free Float Market Cap (Euro million) 38  
CAGR EBIT ('17-'20e) 11.4%

Multiples	2017	2018e	2019e	2020e
Market Cap / Total revenues	8.9	8.2	7.6	7.1
<b>PE-Ratio</b>	<b>11.8</b>	<b>14.4</b>	<b>12.3</b>	<b>10.9</b>
Dividend Yield	1.8%	2.1%	2.4%	2.7%
<b>Price-to-Book-Ratio</b>	<b>1.55</b>	<b>1.56</b>	<b>1.38</b>	<b>1.22</b>

Key Data per share (Euro)	2017	2018e	2019e	2020e
<b>Earnings per share (EPS)</b>	<b>0.81</b>	<b>0.66</b>	<b>0.78</b>	<b>0.88</b>
Dividend per share (DPS)	0.17	0.20	0.23	0.26
<b>Book Value per Share (BVPS)</b>	<b>6.17</b>	<b>6.15</b>	<b>6.94</b>	<b>7.85</b>

Financial Data (Euro '000)	2017	2018e	2019e	2020e
Capital gains from property sales	34,692	37,878	40,631	43,518
Net rental income	5,434	6,550	7,652	8,934
Net service income	948	3,229	3,642	4,737
<b>Operating profit (EBIT)</b>	<b>36,416</b>	<b>39,499</b>	<b>44,671</b>	<b>50,331</b>
Net interest income	-8,803	-10,822	-10,930	-12,125
<b>Pre-tax profit (EBT)</b>	<b>27,634</b>	<b>29,043</b>	<b>34,016</b>	<b>38,656</b>
Income taxes	-7,316	-7,486	-8,847	-10,158
<b>Net profit after Minorities</b>	<b>20,145</b>	<b>21,506</b>	<b>25,142</b>	<b>28,504</b>
Shareholders' equity (Euro million)	301	348	452	513
<b>Privatization Portfolio (Euro million)</b>	<b>302</b>	<b>395</b>	<b>447</b>	<b>481</b>
<b>RoE (after tax)</b>	<b>13.9%</b>	<b>12.2%</b>	<b>11.8%</b>	<b>11.9%</b>
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**

3Q 2018 report 6 November 2018

■ **Analysts**

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### Equity capital hike brings Euro 20m of fresh capital for further growth – increased free float lifts attractiveness and liquidity of share – Euro 13.00 and Buy confirmed

Last Monday, on 15 October, the company announced that it approved a share capital hike against cash contribution for up to 1.6 million new shares. Only one day later, on 16 October, the capital hike was successfully completed and due to the high demand, the volume was even increased. ACCENTRO issued a total of 2.12 million new shares at a placement price of Euro 9.50, at a small discount of about 4% to the closing price of Euro 9.92 on 15 October. This led to more than Euro 20m of fresh capital. The placement was with exclusion of shareholder subscription rights and the new shares are entitled to dividends as of 1 January 2018. The new shares are already trading on the Frankfurt stock exchange.

The proceeds of the capital hike are to be used for the company's further growth by acquiring residential properties in order to increase the privatization portfolio. The portfolio stood at about Euro 310m or 2,375 units respectively after the first six months of the year. Since then, the company reached purchase agreements for an additional 336 residential units primarily in the cities of Berlin and Leipzig, which are expected to be closed in the current fourth quarter. Following the capital increase we expect further transactions to follow before the end of the year.

As discussed in our opening coverage from 22 May, the firm's free float was very low and we argued that we expect an increase by the means of e.g. a capital hike within the next months. Thus, we see the news as positive and very welcoming, as the recent capital hike has increased free float of the share, which was at only about 6% before the placement of the new shares and has now increased to more than 12%. Even though we still see room for improvement in that regard, the share has become more attractive to investors as the liquidity increased and volatility should decrease.

**With the continuous additions to the privatization portfolio over the course of the year and the fresh capital the company should continue to grow over the coming quarters. For the rest of the year, we expect further additions to the portfolio as well as a strong increase in the number of units sold. The increased free float should give the stock further tail wind. We confirm our Euro 13.00 target price and also our Buy recommendation.**

## 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 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

<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>	44	<b>Supervisory Board of ACCENTRO:</b>
		Axel Harloff
<b>IR Contact:</b>		Dr. Dirk Hoffmann
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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 almost Euro 310m at 1H 2018. Currently more than 2.500 units are on the firm's balance sheet and another hike is planned for the remainder of 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 49% and an equity ratio of about 41% at 1H 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 30 June 2018				
City	Book value/purchase price (in mEUR)	Units	sqm (('000))	Selling prices (EUR/sqm)
Berlin	224.7	1,292	83,831	3,597
Greater Berlin (ex Berlin)	32.7	243	21,754	1,761
Greater Leipzig	15.1	359	21,172	959
Hanover	10.5	62	5,610	2,265
Cologne	5.9	49	2,875	2,885
Hamburg area	3.1	20	1,499	2,836
Others (Chemnitz, Bayreuth)	17.5	350	20,080	1,010
<b>Total</b>	<b>309.5</b>	<b>2,375</b>	<b>156,821</b>	<b>2,587</b>

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	221,217	198,931	220,813	
Expenses from sales of inventory properties	-25,876	-80,543	-103,167	-183,339	-158,299	-177,295	
<b>Capital gains from property sales</b>	<b>5,553</b>	<b>36,377</b>	<b>34,692</b>	<b>37,878</b>	<b>40,631</b>	<b>43,518</b>	<b>7.8%</b>
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	
<b>Net rental income</b>	<b>4,301</b>	<b>4,565</b>	<b>5,434</b>	<b>6,550</b>	<b>7,652</b>	<b>8,934</b>	<b>18.0%</b>
Revenues from services	2,314	1,588	1,714	3,841	4,609	5,762	
Expenses from services	-942	-979	-766	-612	-967	-1,025	
<b>Net service income</b>	<b>1,372</b>	<b>609</b>	<b>948</b>	<b>3,229</b>	<b>3,642</b>	<b>4,737</b>	<b>71.0%</b>
Other operating income	1,291	997	3,260	1,786	2,147	2,687	
<b>Gross profit or loss</b>	<b>12,517</b>	<b>42,548</b>	<b>44,334</b>	<b>49,443</b>	<b>54,073</b>	<b>59,875</b>	<b>10.5%</b>
Total payroll and benefit costs	-2,256	-2,986	-3,339	-4,125	-3,614	-3,957	
Depreciation and amortisation	-97	-114	-114	-160	-160	-160	
Impairments of inventories and accounts receivable	-884	-951	0	-746	-875	-799	
Other operating expenses	-3,183	-4,561	-4,465	-4,913	-4,753	-4,628	
<b>Earnings before interest and taxes (EBIT)</b>	<b>6,097</b>	<b>33,936</b>	<b>36,416</b>	<b>39,499</b>	<b>44,671</b>	<b>50,331</b>	<b>11.4%</b>
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	241	324	351	
Interest expenses	-6,163	-6,695	-9,107	-11,063	-11,254	-12,476	
<b>Net interest income</b>	<b>-5,857</b>	<b>-6,397</b>	<b>-8,803</b>	<b>-10,822</b>	<b>-10,930</b>	<b>-12,125</b>	
<b>Profit/loss before taxes (EBT)</b>	<b>813</b>	<b>28,071</b>	<b>27,634</b>	<b>29,043</b>	<b>34,016</b>	<b>38,656</b>	<b>11.8%</b>
Income taxes	-1,530	-7,390	-7,316	-7,486	-8,847	-10,158	
	188%	26%	26%	26%	26%	26%	
<b>Consolidated income from Continuing Operation</b>	<b>-717</b>	<b>20,681</b>	<b>20,318</b>	<b>21,557</b>	<b>25,169</b>	<b>28,498</b>	<b>11.9%</b>
Earnings after taxes of Discontinued Operation	23,502	5,792	-197	0	0	0	
<b>Consolidated income</b>	<b>22,785</b>	<b>26,473</b>	<b>20,121</b>	<b>21,557</b>	<b>25,169</b>	<b>28,498</b>	<b>12.3%</b>
Minorities	-148	-181	24	-51	-27	6	
<b>Net profit/loss after minorities</b>	<b>22,637</b>	<b>26,292</b>	<b>20,145</b>	<b>21,506</b>	<b>25,142</b>	<b>28,504</b>	<b>12.3%</b>
<b>Number of shares ('000)</b>	<b>24,678</b>	<b>24,734</b>	<b>24,925</b>	<b>32,438</b>	<b>32,438</b>	<b>32,438</b>	
<b>Earnings per share (EPS)</b>	<b>0.92</b>	<b>1.07</b>	<b>0.81</b>	<b>0.66</b>	<b>0.78</b>	<b>0.88</b>	
<b>Dividend per share (DPS)</b>	<b>0.00</b>	<b>0.15</b>	<b>0.17</b>	<b>0.20</b>	<b>0.23</b>	<b>0.26</b>	
<b>Shareholders' Equity</b>	<b>109,241</b>	<b>136,836</b>	<b>153,697</b>	<b>199,347</b>	<b>225,262</b>	<b>254,546</b>	<b>18.3%</b>
<b>Balance Sheet sum</b>	<b>395,295</b>	<b>300,546</b>	<b>347,785</b>	<b>452,121</b>	<b>513,157</b>	<b>569,604</b>	
<b>Equity Ratio</b>	<b>27.6%</b>	<b>45.5%</b>	<b>44.2%</b>	<b>44.1%</b>	<b>43.9%</b>	<b>44.7%</b>	
<b>RoE (after tax)</b>	<b>23.2%</b>	<b>21.4%</b>	<b>13.9%</b>	<b>12.2%</b>	<b>11.8%</b>	<b>11.9%</b>	<b>-5.0%</b>
<b>Privatisation Portfolio (Euro million)</b>	<b>155</b>	<b>216</b>	<b>302</b>	<b>395</b>	<b>447</b>	<b>481</b>	
<b>Book Value per share (Euro)</b>	<b>4.43</b>	<b>5.53</b>	<b>6.17</b>	<b>6.15</b>	<b>6.94</b>	<b>7.85</b>	<b>8.4%</b>

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**Rating chronicle:**

Company	Date	Rating	former share price	former target
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 22 October 2018. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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