

■ Price (Euro)	7.75
52 weeks range	10.60 / 6.40

■ Key Data

ISIN	DE000A0KFKB3
Bloomberg	E7S:GR
Reporting standard	IFRS
Market Cap (Euro million)	251
Number of shares (million)	32.4
Free Float	11.9%
Free Float Market Cap (Euro million)	30
CAGR EBIT ('19 -'22e)	7.2%

■ Multiples	2019	2020e	2021e	2022e
Market Cap / Total revenues	8.4	7.8	7.1	6.6
PE-Ratio	9.6	15.8	9.7	8.5
Dividend Yield	2.1%	2.1%	2.3%	2.6%
Price-to-Book-Ratio	1.14	1.09	1.00	0.92

■ Key Data per share (Euro)	2019	2020e	2021e	2022e
Earnings per share (EPS)	0.81	0.49	0.80	0.91
Dividend per share (DPS)	0.16	0.16	0.18	0.20
Book Value per Share (BVPS)	6.81	7.14	7.76	8.47

■ Financial Data (Euro '000)	2019	2020e	2021e	2022e
Capital gains from property sales	29,842	32,201	35,230	37,961
Net rental income	6,518	7,403	8,059	8,516
Net service income	2,363	3,222	4,014	5,034
Operating profit (EBIT)	39,805	34,530	44,442	49,047
Net interest income	-7,353	-13,667	-11,482	-11,976
Pre-tax profit (EBT)	32,488	20,902	33,011	37,118
Income taxes	-6,189	-5,014	-7,124	-7,588
Net profit after Minorities	26,467	15,894	25,926	29,602
Shareholders' equity (Euro million)	474	581	645	717
Privatization Portfolio (Euro million)	389	418	447	491
RoE (after tax)	12.6%	7.0%	10.7%	11.2%
Equity ratio	38.0%	35.9%	35.1%	34.8%

■ Main Shareholders

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

■ Financial calendar

1Q 2020 report	14 May 2020
1H 2020 report	13 August 2020

■ Analysts

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

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

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

2019 EBIT at record level - portfolio expanded both in size and regional diversification - Lars Schriewer appointed new CEO - cautious view leads to reduced target to 9.50 Euros, still Buy

On 26 March, the company released the 2019 annual report. The numbers were in the range of our estimates and the most recent guidance of the firm from December. Overall revenues came in at Euro 143m, as expected significantly below last year's number, which was influenced by the Gehrensee sale. While gains from property sales came down slightly from Euro, the margin in that segment improved from 27.6% to 29.9%. Net rental income increased by more than 6% from Euro 6.1m to Euro 6.5m due to the portfolio expansion. Net service income remained more or less stable at more than Euro 2m, however, last year's number was coined by brokering a large portfolio. Overall, the gross profit came in at Euro 40m (FY 2018: Euro 43m). Following the reclassification of some properties from inventories to investment properties, which is based on a potential strategy to create more value, a first time revaluation gain was recognized in 2019 of Euro 11.4m. Thus, the firm's EBIT hiked by more than 21% from Euro 33m to Euro 40m, representing a new record level. While interest expenses hiked following the increase in liabilities, the net interest income benefited from a hike in interest income and came down from Euro -8.9m to Euro -7.4m, leading to a pre-tax profit of Euro 32.5m, up almost 36%. Net profit after minorities was at Euro 26.5m compared to Euro 18.2m last year. The company has not yet made any statement regarding a dividend payment, which we expect to happen in the coming weeks, however. Nevertheless, due to the current uncertainties in the market, we decided to slightly reduce our estimate from 18 cents to 16 cents, which would mean an unchanged level compared to last year.

The inventory portfolio further grew in 2019 and also experienced some further regional expansion. Over the course of the last year a total of 896 units were acquired, of which 812 units at a volume of about Euro 165m were already closed. At the same time, 830 units were sold, leading to an overall increase in inventory properties from Euro 345m to Euro 417m. In terms of regional diversification, the acquisitions in 2019 included a larger real estate portfolio in upper Bavaria and real estate holdings in the Rhine-Main region.

On 18 March, ACCENTRO announced that Lars Schriewer was appointed as new CEO effective immediately. We believe that he is a good successor of Jacopo Mingazzini and that he has the required experience to bring the company to further growth in the coming years.

For 2020 the company gave a guidance of a lower double-digit percentage growth in revenues and an EBIT on the level of 2019. Given the current Corona environment we are more cautious and for the moment expect a total revenue growth of about 5% and an EBIT below last year at about Euro 35m. Even though the residential market should generally not be impacted to heavily, we believe there could be hesitation of buyers to invest a larger amount of money at uncertain times or to take on further credits in the current environment. Furthermore, we also see issues regarding the sales process in terms of e.g. viewings. Our more cautious view leads us to slightly reduce our target price from Euro 10.00 to Euro 9.50. We stick to our Buy recommendation.

SWOT Analysis

Strengths

- The new CEO, Lars Schriewer, has a long-lasting experience in the real estate industry with a high know-how and a very good network
- 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% (as of 9M 2019) 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 portfolio is currently located in the city of Berlin (as of 9M 2019), 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 to other locations, such as Leipzig and North Rhine Westphalia and Bavaria 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. This could currently be the case with the Corona pandemic. Worst case, however, 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	Management Board of ACCENTRO:
Sub-segment:	Residential	Lars Schriewer (CEO/CFO)
Region:	Germany	
Headquarter:	Berlin	
Foundation	2006	
Employees:	60	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 as of 9M 2019 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 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 417m at FY 2019. Currently more than 2,300 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 55,9% and an equity ratio of 38% at FY 2019. The results of the recent 2019 FY showed a hike in the operating profit on EBIT basis from Euro 33m to Euro 40m and the bottom line from more than Euro 18m to more than Euro 26m. The firm delivered a lucrative gross margin from sales of 29.9% in 2019.

In terms of financing the company has strengthened its financing structure due to the early repurchase of a bond in early 2020 combined with the placement of a now, larger bond. An equity capital hike with a volume of Euro 20m was completed in October 2018.

Privatisation portfolio as of 30 June 2019				
City	Book value/purchase price (in mEUR)	Units	sqm	Selling prices (EUR/sqm)
Berlin	288.7	1,287	92,532	4,180
Greater Berlin	26.8	157	16,402	2,477
Leipzig and Greater Leipzig	23.5	366	22,666	1,313
Rostock and Usedom	15.7	112	7,919	2,771
Rhein-Ruhr area (Cologne, Ratingen)	8.6	56	3,922	3,015
Hamburg area	3.5	17	1,579	2,826
Others (Chemnitz, Bayreuth)	19.5	351	20,236	1,078
Total	386.3	2,346	165,257	3,130

Source: Company Data, SRC Research

Further portfolio expansion planned in 2020, first units already acquired

Refinancing activities give the firm further leeway

Lars Schriewer became new CEO/CFO of ACCENTRO

High news flow already after the reporting date

For the current fiscal year 2020, the company aims to further expand the privatization portfolio. First successful news on that regard was already released. Next to the 84 units that were acquired in 2019 but will be transferred into the portfolio in 2020, the company announced the acquisition of another 115 units on 25 February. These units are located in central Berlin and have a total investment volume of Euro 24m. Furthermore, on 24 March, the company announced the acquisition of 190 residential units in Potsdam and the Leipzig region with a volume of more than Euro 9m. Thus, the inventory portfolio of ACCENTRO has already grown early in 2020 and now includes about 2,430 units.

This growth plan is supported by the capital markets activities in February. On 7 February the company reported on the successful placement of a new unsubordinated and unsecured bond with a volume of Euro 250m. The maturity is three years, until 2023. The coupon is at 3.625%. The proceeds of the placement were already partially used to prematurely redeem the Euro 100m, which would have been due in 2020. The tender offer for the note resulted in an acceptance of about Euro 90m. With these steps, the company on the one side has more fire power for the planned expansion of the privatization portfolio and at the same time now has a good liquidity puffer during the Corona pandemic.

On March 18, ACCENTRO announced a change in the firm's management board. The former director and founder of the company, Jacopo Mingazzini decided to leave the company effective immediately. He will continue to contribute as a consultant to the firm and after a cooling-off period of two years, he will join the firm's supervisory board.

The new sole director of the company is Lars Schriewer. We see him as a very good successor and believe he is well connected in the industry. His former positions include the SSN Group AG, VIVACON AG and WESTGRUND AG. In our opinion Mr. Schriewer has the necessary know-how to bring the firm to the next level. We believe that one of his key focuses will be to significantly grow the business and the awareness of the company.

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues from sales of inventory properties	116,920	137,859	194,009	129,503	134,852	149,686	166,151	
Expenses from sales of inventory properties	-80,543	-103,167	-160,924	-99,661	-102,651	-114,456	-128,190	
Capital gains from property sales	36,377	34,692	33,085	29,842	32,201	35,230	37,961	8.4%
Letting revenues	6,597	7,769	8,806	10,261	11,595	12,754	13,775	
Letting expenses	-2,032	-2,335	-2,676	-3,743	-4,192	-4,695	-5,259	
Net rental income	4,565	5,434	6,130	6,518	7,403	8,059	8,516	9.3%
Revenues from services	1,588	1,714	2,794	3,510	4,247	5,097	6,116	
Expenses from services	-979	-766	-511	-1,147	-1,025	-1,083	-1,082	
Net service income	609	948	2,283	2,363	3,222	4,014	5,034	28.7%
Other operating income	997	3,260	1,663	1,207	2,687	2,425	2,426	
Gross profit or loss	42,548	44,334	43,161	39,930	45,513	49,728	53,937	10.5%
Net revaluation result	0	0	0	11,399	853	5,788	7,842	
Total payroll and benefit costs	-2,986	-3,339	-4,613	-5,835	-6,141	-6,531	-7,014	
Depreciation and amortisation	-114	-114	-349	-731	-812	-856	-902	
Impairments of inventories and accounts receivable	-951	0	-205	-123	-147	-153	-167	
Other operating expenses	-4,561	-4,465	-5,131	-6,079	-5,147	-4,987	-5,224	
Net income from associates	514	-14	2	1,244	411	1,453	575	
Earnings before interest and taxes (EBIT)	34,450	36,402	32,865	39,805	34,530	44,442	49,047	7.2%
Other income from investments	18	35	36	36	39	51	47	
Interest income	298	304	944	4,854	2,547	1,741	1,887	
Interest expenses	-6,695	-9,107	-9,869	-12,207	-16,214	-13,223	-13,863	
Net interest income	-6,397	-8,803	-8,925	-7,353	-13,667	-11,482	-11,976	
Profit/loss before taxes (EBT)	28,071	27,634	23,976	32,488	20,902	33,011	37,118	4.5%
Income taxes	-7,390	-7,316	-5,675	-6,189	-5,014	-7,124	-7,588	
	26%	26%	24%	19%	24%	22%	20%	
Consolidated income from Continuing Operation	20,681	20,318	18,301	26,299	15,888	25,887	29,530	3.9%
Earnings after taxes of Discontinued Operation	5,792	-197	0	0	0	0	0	
Consolidated income	26,473	20,121	18,301	26,299	15,888	25,887	29,530	3.9%
Minorities	-181	24	-103	168	6	39	72	
Net profit/loss after minorities	26,292	20,145	18,198	26,467	15,894	25,926	29,602	3.8%
Number of shares ('000)	24,734	24,925	32,438	32,438	32,438	32,438	32,438	
Earnings per share (EPS)	1.07	0.81	0.56	0.81	0.49	0.80	0.91	
Dividend per share (DPS)	0.15	0.17	0.16	0.16	0.16	0.18	0.20	
Shareholders' Equity	136,836	153,697	199,104	220,811	231,515	251,602	274,716	7.6%
Balance Sheet sum	300,546	347,785	474,205	580,757	644,640	716,840	788,524	
Equity Ratio	45.5%	44.2%	42.0%	38.0%	35.9%	35.1%	34.8%	
RoE (after tax)	21.4%	13.9%	10.3%	12.6%	7.0%	10.7%	11.2%	-3.7%
Privatisation Portfolio (Euro million)	216	302	344	389	418	447	491	
Book Value per share (Euro)	5.53	6.17	6.14	6.81	7.14	7.76	8.47	7.6%

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	20 December 2019	Buy	7.70 €	10.00 €
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 €

Please note:

The share price mentioned in this report is from 27 March 2020. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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