

# ACCENTRO

**Buy** (unchanged) **Target: Euro 12.00** (unchanged)

6 | May | 2019



THOMSON REUTERS  
ANALYST AWARDS  
2018 WINNER



Der Spezialist für Finanzaktien

■ **Price (Euro)** **8.45**  
52 weeks range 11.50 / 8.00

■ **Key Data**

ISIN DE000A0KFKB3  
Bloomberg E7S:GR  
Reporting standard IFRS  
Market Cap (Euro million) 274  
Number of shares (million) 32.4  
Free Float 12.1%  
Free Float Market Cap (Euro million) 33  
CAGR EBIT ('18-'21e) 12.6%

■ Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	8.3	8.2	7.3	6.6
<b>PE-Ratio</b>	<b>15.0</b>	<b>13.8</b>	<b>12.0</b>	<b>10.1</b>
Dividend Yield	1.9%	2.1%	2.4%	2.7%
<b>Price-to-Book-Ratio</b>	<b>1.38</b>	<b>1.22</b>	<b>1.08</b>	<b>0.95</b>

■ Key Data per share (Euro)	2018	2019e	2020e	2021e
<b>Earnings per share (EPS)</b>	<b>0.56</b>	<b>0.61</b>	<b>0.71</b>	<b>0.84</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	33,626	37,325	41,431
Net rental income	6,130	7,183	8,349	9,700
Net service income	2,283	2,606	3,166	3,946
<b>Operating profit (EBIT)</b>	<b>32,863</b>	<b>36,563</b>	<b>41,041</b>	<b>46,940</b>
Net interest income	-8,925	-10,665	-11,551	-11,884
<b>Pre-tax profit (EBT)</b>	<b>23,976</b>	<b>26,173</b>	<b>29,940</b>	<b>35,681</b>
Income taxes	-5,675	-6,312	-7,045	-8,556
<b>Net profit after Minorities</b>	<b>18,198</b>	<b>19,834</b>	<b>22,901</b>	<b>27,164</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>9.4%</b>	<b>9.6%</b>	<b>10.0%</b>
Equity ratio	42.0%	41.8%	42.6%	42.4%

■ **Main Shareholders**

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

■ **Financial calendar**

AGM 14 May 2019  
1H report 2019 8 August 2019  
SRC Forum Financials & Real Estate 3 September 2019

■ **Analysts**

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**1Q 2019 numbers off to a slow start but sales to pick and make up in the next three quarters – full year guidance confirmed by management – still Euro 12 and Buy**

Last week Friday, on 3 May, Accentro released the 1Q 2019 report, marking a slow start in terms of numbers and sales. However, the groundwork was done for the remainder of the year and the firm clearly reaffirmed its full year guidance. Total revenues came in at almost Euro 15m, less than half the amount of last year's almost Euro 31m. Capital gains from property sales were at almost Euro 3m compared to last year's almost Euro 9m, as so far only 80 units were sold. The reason for the drop in revenues and capital gains is that the sales for several projects will only kick off during the second quarter and will not have an effect on the firm's financials before the second half of the year, as the closing will only take place in the second half of 2019. Net rental income was at Euro 1.4m only slightly below last year's number of Euro 1.5m. The same applies to the firm's net service income, which slightly came down from Euro 168k to Euro 24k, but should pick up till year end. With a slight hike in the company's payroll and benefit costs, caused by an increased number of employees, the operating profit on EBIT basis was at Euro 2m after the first quarter of 2019 (1Q 2018: Euro 8.4m). While the firm received interest income of almost Euro 600k compared to Euro 9k in the last year, interest expenses came down as well from Euro 2.7m to Euro 1.9m due to the elimination of costly financing arrangements, leading to a net financial result of Euro -1.4m compared to last year's number of Euro -2.7m. Pre-tax profit was at Euro 658k, resulting in a bottom line after minorities of Euro 226k.

The privatization portfolio was at Euro 363m and showed a hike of almost 6% from Euro 344m at year-end 2018. The number of units in the portfolio climbed to 2,267, up 86 units. Another 145 units were already signed but not yet closed at the reporting date. The regional expansion of the portfolio proceeded as well as with recent acquisitions in Hamburg, Leipzig and the new locations of the Island of Usedom and Ratingen near Düsseldorf. The portfolio furthermore currently has hidden reserves of Euro 118m according to an external appraisal. The equity ratio was at 41%.

**Even though sales were slow in 1Q, the pace is expected to pick up in remainder of the year. Until July, more than 290 units with a targeted revenue contribution of more than Euro 106m and earnings of more than Euro 35m will go into retailing. We stick to our full year estimates and also to our Euro 12.00 target price. As this currently represents an upside of more than 40% we clearly stick to our Buy rating for the Accentro share.**

## 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>	45	<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 73% 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 4,100 apartments with a volume of almost Euro 500m 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 363m at 1Q 2019. Currently almost 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 52% and an equity ratio of 41% at 1Q 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.

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 31 March 2019				
City	Book value/purchase price (in mEUR)	Units	sqm ('000)	Selling prices (EUR/sqm)
Berlin	265.7	1,202	85,340	4,241
Greater Berlin	26.2	157	16,394	1,978
Leipzig and Greater Leipzig	23.6	368	22,887	1,309
Rostock and Usedom	15.6	112	7,919	2,761
Rhein-Ruhr area (Cologne, Ratingen)	8.8	58	4,021	2,981
Hamburg area	3.7	19	1,737	2,797
Others (Chemnitz, Bayreuth)	19.1	351	20,232	1,092
<b>Total</b>	<b>362.7</b>	<b>2,267</b>	<b>158,530</b>	<b>3,060</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	153,589	170,484	189,237	
Expenses from sales of inventory properties	-80,543	-103,167	-160,924	-119,963	-133,159	-147,806	
<b>Capital gains from property sales</b>	<b>36,377</b>	<b>34,692</b>	<b>33,085</b>	<b>33,626</b>	<b>37,325</b>	<b>41,431</b>	<b>7.8%</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	3,353	4,191	5,029	
Expenses from services	-979	-766	-511	-747	-1,025	-1,083	
<b>Net service income</b>	<b>609</b>	<b>948</b>	<b>2,283</b>	<b>2,606</b>	<b>3,166</b>	<b>3,946</b>	<b>20.0%</b>
Other operating income	997	3,260	1,663	2,987	2,687	2,425	
<b>Gross profit or loss</b>	<b>42,548</b>	<b>44,334</b>	<b>43,161</b>	<b>46,402</b>	<b>51,527</b>	<b>57,502</b>	<b>10.0%</b>
Total payroll and benefit costs	-2,986	-3,339	-4,613	-4,458	-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	-4,753	-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>36,563</b>	<b>41,041</b>	<b>46,940</b>	<b>12.6%</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	324	436	589	
Interest expenses	-6,695	-9,107	-9,869	-10,989	-11,987	-12,473	
<b>Net interest income</b>	<b>-6,397</b>	<b>-8,803</b>	<b>-8,925</b>	<b>-10,665</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>26,173</b>	<b>29,940</b>	<b>35,681</b>	<b>14.2%</b>
Income taxes	-7,390	-7,316	-5,675	-6,312	-7,045	-8,556	
	26%	26%	24%	24%	24%	24%	
<b>Consolidated income from Continuing Operation</b>	<b>20,681</b>	<b>20,318</b>	<b>18,301</b>	<b>19,861</b>	<b>22,895</b>	<b>27,125</b>	<b>14.0%</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>19,861</b>	<b>22,895</b>	<b>27,125</b>	<b>14.0%</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>19,834</b>	<b>22,901</b>	<b>27,164</b>	<b>14.3%</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>0.61</b>	<b>0.71</b>	<b>0.84</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>9.4%</b>	<b>9.6%</b>	<b>10.0%</b>	<b>-0.9%</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	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 3 May 2019. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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