



Price (Euro)	8.30
52 weeks range	11.50 / 6.40

Key Data

ISIN	DE000A0KFKB3
Bloomberg	E7S:GR
Reporting standard	IFRS
Market Cap (Euro million)	269
Number of shares (million)	32.4
Free Float	11.9%
Free Float Market Cap (Euro million)	32
CAGR EBIT ('18 -'21e)	11.4%

Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	8.1	8.0	7.2	6.5
PE-Ratio	14.7	13.0	12.4	10.5
Dividend Yield	1.9%	2.2%	2.4%	2.8%
Price-to-Book-Ratio	1.35	1.20	1.06	0.94

Key Data per share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	0.56	0.64	0.67	0.79
Dividend per share (DPS)	0.16	0.18	0.20	0.23
Book Value per Share (BVPS)	6.14	6.94	7.84	8.86

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	1,624	1,909	2,438
Operating profit (EBIT)	32,863	33,500	39,784	45,431
Net interest income	-8,925	-7,679	-11,551	-11,884
Pre-tax profit (EBT)	23,976	26,096	28,683	34,172
Income taxes	-5,675	-5,314	-7,045	-8,556
Net profit after Minorities	18,198	20,755	21,644	25,655
Shareholders' equity (Euro million)	348	474	538	597
Privatization Portfolio (Euro million)	344	389	418	447
RoE (after tax)	10.3%	9.8%	9.0%	9.5%
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

SRC Forum Financials & Real Estate	3 September 2019
9M report 2019	6 November 2019

Analysts

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1H 2019 numbers significantly below last year – gains from sales down 45%, bottom line - 49% – second half expected to catch up in numbers, guidance confirmed

Yesterday the company published the report for the first half of 2019. The numbers are significantly below last year's period, however, the company reaffirmed its full year guidance as the second half of the year is ought to make up and result in an the guided results. Revenues were at Euro 34.5m compared to last year's Euro 97.9m. One thing to keep in mind however is, that last year's revenues were lifted by more than Euro 42m from the integration of ACCENTRO Gehrensee GmbH into a joint venture. Capital gains from inventory property were at Euro 7.4m about almost cut half of last year's Euro 13.5m. On the bright side to notice is however, that the margin of the so far 159 sold apartments was at a high 33.2% and the company has already notarized sales of another Euro 42m which have not yet been closed and are not considered in the 1H numbers. Net rental income was at Euro 3.1m about the same as last year and in line with our expectations. Net service income was on the other hand at only Euro 154k significantly below last year's more than Euro 1.5m. As the company has already contracted additional service mandates and is currently marketing development projects with a sales volume of Euro 320m, we see that number to be picking up till year-end however. The overall gross profit came in at Euro 11.8m (1H 2018: Euro 19.2m). While total payroll and benefit costs hiked from Euro 1.9m to Euro 2.6m, other operating expenses came down from Euro 2.8m to Euro 2.2m. A significant reduction was achieved in the net interest income position. While last year the company paid net interest of Euro -5.8m, this year's net interest was at only Euro -3.1m. This is the result of a hike in interest income by more than Euro 1.4m, but also due to a reduction of Euro 1.2m in interest expenses following an optimized financing structure. The bottom line after minorities was at Euro 2.95m about half of last year's Euro 5.8m.

The privatization portfolio hiked to Euro 386m up more than 12% from Euro 344m at year-end 2018. The number of units in the portfolio climbed to 2346. Additionally, 238 units in Berlin, Rostock and Dusseldorf were already signed but not closed.

Even though the numbers in 1H were significantly lower than last year, the pace is expected to pick up in remainder of the year and we expect the numbers to catch up to our P&L estimates and stick to these for the time being. The company also sticks to its guidance of a modest increase in revenues excluding Gehrensee and a double digit percentage growth in EBIT. The share has seen a lot of pressure recently and hit a 52-week low at Euro 6.40 in early July. Since then the share has started to recover. We currently see an upside of more than 40% to our Euro 12.00 target price and thus confirm 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 either due to economic factors or due to political risks such as the current discussions could have a significant impact on ACCENTRO's business. 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

Industry:	Real Estate	Management Board of ACCENTRO:
Sub-segment:	Residential	Jacopo Mingazzini (CEO/CFO)
Region:	Germany	
Headquarter:	Berlin	
Foundation	2006	
Employees:	56	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 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 386m at 1H 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% and an equity ratio of 40% at 1H 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 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

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	
Capital gains from property sales	36,377	34,692	33,085	33,626	37,325	41,431	7.8%
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	
Net rental income	4,565	5,434	6,130	7,183	8,349	9,700	16.5%
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	
Net service income	609	948	2,283	1,624	1,909	2,438	2.2%
Other operating income	997	3,260	1,663	1,598	2,687	2,425	
Gross profit or loss	42,548	44,334	43,161	44,031	50,270	55,993	9.1%
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	
Earnings before interest and taxes (EBIT)	33,936	36,416	32,863	33,500	39,784	45,431	11.4%
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	
Net interest income	-6,397	-8,803	-8,925	-7,679	-11,551	-11,884	
Profit/loss before taxes (EBT)	28,071	27,634	23,976	26,096	28,683	34,172	12.5%
Income taxes	-7,390	-7,316	-5,675	-5,314	-7,045	-8,556	
	26%	26%	24%	20%	25%	25%	
Consolidated income from Continuing Operation	20,681	20,318	18,301	20,782	21,638	25,616	11.9%
Earnings after taxes of Discontinued Operation	5,792	-197	0	0	0	0	
Consolidated income	26,473	20,121	18,301	20,782	21,638	25,616	11.9%
Minorities	-181	24	-103	-27	6	39	
Net profit/loss after minorities	26,292	20,145	18,198	20,755	21,644	25,655	12.1%
Number of shares ('000)	24,734	24,925	32,438	32,438	32,438	32,438	
Earnings per share (EPS)	1.07	0.81	0.56	0.64	0.67	0.79	
Dividend per share (DPS)	0.15	0.17	0.16	0.18	0.20	0.23	
Shareholders' Equity	136,836	153,697	199,104	224,988	254,236	287,287	13.0%
Balance Sheet sum	300,546	347,785	474,205	538,223	597,427	678,080	
Equity Ratio	45.5%	44.2%	42.0%	41.8%	42.6%	42.4%	
RoE (after tax)	21.4%	13.9%	10.3%	9.8%	9.0%	9.5%	-2.8%
Privatisation Portfolio (Euro million)	216	302	344	389	418	447	
Book Value per share (Euro)	5.53	6.17	6.14	6.94	7.84	8.86	13.0%

SRC Research
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Rating chronicle:

Company	Date	Rating	former share price	former target
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 8 August 2019. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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