

# AROUNDTOWN

**Buy** (unchanged) **Target: Euro 9.50** (unchanged)

24 | January | 2020



<b>Price (Euro)</b>	<b>8.21</b>			
52 weeks range	8.25 / 6.85			
<b>Key Data</b>				
ISIN	LU1673108939			
Ticker	AT1			
Bloomberg	AT1 GR			
Reporting standard	IFRS			
Market Cap (Euro million)	10,046			
Number of shares (million)	1,223.6			
Free Float	73.1%			
Free Float Market Cap (Euro million)	7,343			
CAGR Adj. EBITDA profit ('18-'21e)	17.2%			
<b>Multiples</b>				
	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Market Cap/ Total revenues	13.4	11.2	9.7	8.5
PE-Ratio	5.3	5.9	5.7	5.6
Dividend Yield	3.1%	3.4%	3.6%	3.9%
Price-to-Book-Ratio	1.10	1.05	0.96	0.88
P/ NAV-ratio	1.07	0.94	0.86	0.79
<b>Key Data per share (Euro)</b>				
	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Earnings per share (EPS)	1.54	1.39	1.44	1.46
Dividend per share (DPS)	0.25	0.28	0.30	0.32
Book Value per Share (BVPS)	7.44	7.78	8.59	9.35
EPRA NAV per share	7.70	8.69	9.59	10.44
<b>Financial Data (Euro Millions)</b>				
	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Revenues (rental income)	747.1	896.5	1,031.0	1,185.6
Capital gains, Prop. Revaluations	1,536.4	1,387.5	1,426.4	1,466.3
EBITDA profit	2,295.1	2,392.3	2,550.1	2,723.0
Adj. EBITDA profit (cash driven)	606.0	743.4	849.0	975.1
Operating profit (EBIT)	2,293.5	2,390.5	2,548.1	2,721.0
Net financial result	-208.4	-28.2	-182.7	-204.5
Pre-tax profit (EBT)	2,085.1	2,362.2	2,365.4	2,516.5
Taxation	-257.3	-305.9	-354.8	-377.5
Net profit after minorities	1,620.4	1,643.6	1,785.2	1,902.2
FFO I	405.7	504.8	570.3	648.4
Shareholders' equity (Euro billion)	7.8	9.2	10.7	12.2
Property portfolio (Euro billion)	16.2	22.0	25.7	30.1
RoE (after tax)	18.8%	14.6%	13.2%	12.3%
Equity ratio (incl. equity minorities)	52.2%	50.7%	49.2%	47.9%
<b>Main Shareholders</b>				
TLG	15%			
Avisco Group Plc.	12%			
<b>Financial calendar</b>				
Annual report 2019			March 2020	
1Q 2020 report			May 2020	
<b>Analysts</b>				
	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA			
E-Mail	scharff@src-research.de mehl@src-research.de			
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**Initial tender offer period results in an acceptance rate of 59.4%, total holding amounts to over 70% – Additional acceptance period to start tomorrow – still Buy and Euro 9.50**

Today, the company announced the results of the initial acceptance period regarding the TLG takeover offer for 3.6 shares of Aroundtown for each share of TLG, which ended on 21 January. As of that date, the company's holding of TLG shares amounts to about 60% and thus the result can already be classified as a successful take over, resulting in a gain of control over TLG. Including the 10.4% shares held due to the irrevocable undertaking agreement with Ouram, the former majority shareholder of TLG, the holding rate is even slightly more than 70%. Following the initial acceptance period is an additional acceptance period starting tomorrow on 25 January and ending on 7 February. We expect another significant hike in tendered shares during that time period, which would enable the company to even faster integrate the company and to set free synergies.

As reported in our recent updates, we believe that the estimated synergies of the combined operations of a total pre-tax FFO improvement potential of Euro 110m to Euro 139m annually are a realistic assumption. On the operational side the companies estimate between Euro 24m and Euro 34m of annual savings due to joint operations, HQ, portfolio overlap, etc., while combined financial savings between Euro 86m and Euro 105m are estimated. These are to be achieved due to an acceleration of reaching a rating upgrade to the long term target rating "A", resulting from the combined business (increased size and diversification, etc.). The high acceptance rate of the initial offer period shows that the market has the same opinion.

As the holding rate including the irrevocable agreement with Ouram already is at more than 70%, it can already be concluded, that the management body will consist of a CEO nominated by Aroundtown, a CFO nominated by TLG and a Co-CEO from one of TLG's nominees. Furthermore, the remaining positions of the management body, respectively the CIO, COO, and CDO will include one member nominated by TLG. The chairman of the board of directors will be nominated by TLG and has a casting vote.

**The acceptance rate of the initial tender offer period was as expected high and we believe that another hike will be seen in the additional offer period. The final results will be published on 13 February. For the time being, we clearly confirm our Euro 9.50 target price and maintain our Buy rating for the Aroundtown share.**

### Aroundtown SA

**Industry:** Real Estate  
**Sub-segments:** Commercial (incl. Hotel)/ Residential  
**Target Countries:** Germany  
**Registered:** Luxembourg  
**German Office:** Berlin  
**Foundation:** 2004  
**Employees:** 374  
**IR Contact:** Timothy Wright  
**Email:** info@aroundtownholdings.com  
**Credit Rating:** BBB+ by S&P (Investment Grade)  
**Stock exchange:** Prime Standard Frankfurt  
**ISIN:** LU1673108939  
**Bloomberg:** AT1 GR

MANAGEMENT			
 Shmuel Mayo CEO	 Andrew Wallis Deputy CEO	 Eyal Ben David CFO	
Jelena Afxentiou Director	Oschrie Massatschi Director	Frank Roseen Director	Markus Kreuter Indep. Director
Markus Leininger Indep. Director			

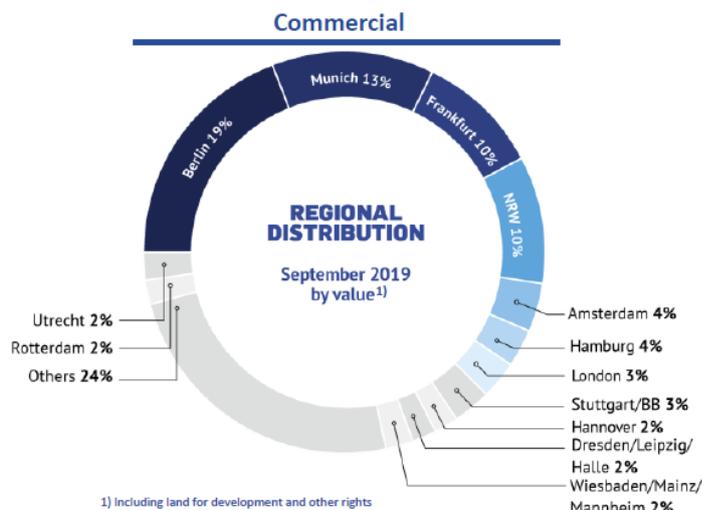
ADVISORY BOARD
 Dr. Gerhard Cromme Chairman
 Yakir Gabay
 Claudio Jarczyk
 David Maimon

Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

AT's primary real estate target markets are economically attractive and densely populated regions in Germany. The company is active in both the commercial as well as the residential real estate sector. Nonetheless, it more plays an active role in the commercial sector since the residential exposure within the portfolio is represented by an interest in the publicly listed company Grand City Properties ("GCP") with a stake of 39% as of 9M 2019. Grand City is a German MDax member since 18 Sept. 2017. Commercial properties have a share of 86% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 14%. Since 2015, AT no longer consolidates GCP for the presentation of its consolidated financial statement since IFRS 10 resp. the principle of control as the new measure for consolidation applies. The commercial part of the portfolio consists to 53% of office properties followed by hotel, industrial, and retail. Hotel properties currently have a portfolio share of about 33%, and like residential properties, their exposure is also indirect via an interest in another company, namely the publicly listed company Prime City Investments ("PCI") with a stake of 98% as of FY 2018. The geographical allocation of the commercial portfolio by value is illustrated in the graph below.

AT comes along with a well-experienced management team where each member supplements the team with a distinctive professional background in various fields like investment banking, real estate investment and asset management and project development for instance. AROUNDTOWN targets turnaround opportunities of distressed and/or mismanaged properties and has a strong track record with regard to property turnaround by working out sound individual business plans. Detailed property-related data are deliberately not disclosed. AT argues that they are doing so in order to direct investors' attention on the bottom line on company level rather than being monitored on the performance of each individual property.

Apart from a proven turnaround strategy AT also benefits from its preferred buyer status among its long-time established network within the real estate industry, from excellent refinancing opportunities due to its investment grade credit rating of BBB+, assigned by S&P in December 2017 and from its strong organizational setup in terms of personnel resources and capital intense infrastructure. One very good example is the GCP's service center which operates 24/7 hours - the only one among its peer group with Deutsche Wohnen, Vonovia, LEG and TAG for instance - and uses sophisticated data bases and ERP management software in order to analyze huge bulk of information data for the sake of a better tenant satisfaction and retention rates and for an improved fulfillment of requirements of perspective tenants.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
<b>Revenues</b>	<b>273.7</b>	<b>527.1</b>	<b>747.1</b>	<b>896.5</b>	<b>1,031.0</b>	<b>1,185.6</b>	<b>16.6%</b>
<b>Capital gains, property revaluations and others</b>	<b>719.5</b>	<b>1,326.6</b>	<b>1,536.4</b>	<b>1,387.5</b>	<b>1,426.4</b>	<b>1,466.3</b>	
thereof net revaluation result	654.8	1,315.2	1,459.6	1,318.1	1,355.0	1,393.0	
thereof capital gains and bargain purchase	64.7	11.4	76.8	69.4	71.3	73.3	
Share in profit from investment in equity-accounted investees	197.1	228.4	251.6	380.3	403.1	427.3	
Property-related operating expenses	-75.4	-147.1	-219.1	-246.5	-283.5	-326.1	
Administrative and other expenses	-7.9	-14.7	-22.5	-27.3	-28.9	-33.2	
thereof depreciation and amortization	-2.0	-2.0	-1.6	-1.8	-2.0	-2.0	
<b>Operating profit (EBITDA)</b>	<b>1,109.0</b>	<b>1,922.3</b>	<b>2,295.1</b>	<b>2,392.3</b>	<b>2,550.1</b>	<b>2,723.0</b>	
<b>Operating Profit (EBIT)</b>	<b>1,107.0</b>	<b>1,920.3</b>	<b>2,293.5</b>	<b>2,390.5</b>	<b>2,548.1</b>	<b>2,721.0</b>	
Finance expenses	-47.4	-69.7	-114.6	-135.2	-155.5	-178.8	
Other financial results	-35.9	-15.0	-93.8	107.0	-27.2	-25.7	
<b>Net financial result</b>	<b>-83.3</b>	<b>-84.7</b>	<b>-208.4</b>	<b>-28.2</b>	<b>-182.7</b>	<b>-204.5</b>	
<b>Pre-tax profit (EBT)</b>	<b>1,023.7</b>	<b>1,835.6</b>	<b>2,085.1</b>	<b>2,362.2</b>	<b>2,365.4</b>	<b>2,516.5</b>	<b>6.5%</b>
Tax (cash and deferred)	-122.6	-296.6	-257.3	-305.9	-354.8	-377.5	
<b>Net profit before minorities</b>	<b>901.1</b>	<b>1,539.0</b>	<b>1,827.8</b>	<b>2,056.3</b>	<b>2,010.6</b>	<b>2,139.0</b>	
Minorities	-172.9	-256.4	-207.4	-412.7	-225.4	-236.8	
<b>Net profit after minorities</b>	<b>728.2</b>	<b>1,282.6</b>	<b>1,620.4</b>	<b>1,643.6</b>	<b>1,785.2</b>	<b>1,902.2</b>	
<b>Number of shares (weighted average, without dilution)</b>	<b>653.2</b>	<b>821.5</b>	<b>1,052.6</b>	<b>1,183.2</b>	<b>1,242.4</b>	<b>1,304.5</b>	
<b>Number of shares (weighted average, diluted)</b>	<b>829.5</b>	<b>925.0</b>	<b>1,082.8</b>	<b>1,267.2</b>	<b>1,330.6</b>	<b>1,397.1</b>	
<b>Earnings per share (EPS, basic)</b>	<b>1.11</b>	<b>1.56</b>	<b>1.54</b>	<b>1.39</b>	<b>1.44</b>	<b>1.46</b>	
<b>Earnings per share (EPS, diluted)</b>	<b>0.87</b>	<b>1.35</b>	<b>1.49</b>	<b>1.28</b>	<b>1.32</b>	<b>1.34</b>	
<b>Dividend per share (DPS)</b>	<b>0.16</b>	<b>0.23</b>	<b>0.25</b>	<b>0.28</b>	<b>0.30</b>	<b>0.32</b>	
<b>EBITDA</b>	<b>1,109.0</b>	<b>1,922.3</b>	<b>2,295.1</b>	<b>2,392.3</b>	<b>2,550.1</b>	<b>2,723.0</b>	<b>5.9%</b>
- Capital Gains, revaluations and other income	-719.5	-1,326.6	-1,536.4	-1,387.5	-1,426.4	-1,466.3	
- Net adjustment for Grandcity and others	-123.4	-138.1	-142.3	-253.0	-258.1	-263.2	
- Other adjustments	2.1	-28.3	-10.4	-8.4	-16.7	-18.4	
<b>Adjusted EBITDA</b>	<b>268.2</b>	<b>429.3</b>	<b>606.0</b>	<b>743.4</b>	<b>849.0</b>	<b>975.1</b>	<b>17.2%</b>
AT's finance expenses	-47.4	-69.7	-114.6	-135.2	-155.5	-178.8	
AT's share in GCP's finance expenses	-11.8	-10.3	-17.6	-20.4	-23.9	-26.4	
Adjusted Finance Expenses	-59.2	-80.0	-132.2	-155.6	-179.4	-205.2	
<b>ICR (Interest coverage ratio)</b>	<b>4.5</b>	<b>5.4</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	
Financing expenses	-47.4	-69.7	-114.6	-135.2	-155.5	-178.8	
Current cash tax expenses	-19.9	-27.5	-44.4	-47.6	-61.9	-80.4	
Adjustments for the holdings rates in GCP and other adjustments	-35.3	-33.1	-41.3	-55.7	-61.3	-67.4	
<b>FFO I</b>	<b>165.6</b>	<b>299.0</b>	<b>405.7</b>	<b>504.8</b>	<b>570.3</b>	<b>648.4</b>	<b>16.9%</b>
<b>FFO I per share (weighted average, without dilution)</b>	<b>0.25</b>	<b>0.36</b>	<b>0.39</b>	<b>0.43</b>	<b>0.46</b>	<b>0.50</b>	
<b>Shareholders' Equity (without minorities)</b>	<b>3,090.2</b>	<b>5,402.3</b>	<b>7,829.5</b>	<b>9,209.4</b>	<b>10,666.4</b>	<b>12,197.9</b>	<b>15.9%</b>
<b>Shareholders' Equity (including minorities)</b>	<b>3,941.1</b>	<b>7,249.9</b>	<b>9,944.3</b>	<b>12,547.0</b>	<b>14,503.0</b>	<b>16,552.1</b>	
<b>Growth Shareholders' Equity (without minorities)</b>	<b>47%</b>	<b>75%</b>	<b>45%</b>	<b>18%</b>	<b>16%</b>	<b>14%</b>	
<b>EPRA NAV</b>	<b>3,870.8</b>	<b>6,483.0</b>	<b>8,742.4</b>	<b>10,283.2</b>	<b>11,910.1</b>	<b>13,620.2</b>	<b>15.9%</b>
Balance Sheet sum	8,089.0	13,770.4	19,040.8	24,752.1	29,451.3	34,525.6	
<b>Equity Ratio</b>	<b>48.7%</b>	<b>52.6%</b>	<b>52.2%</b>	<b>50.7%</b>	<b>49.2%</b>	<b>47.9%</b>	
<b>RoE (after tax)</b>	<b>22.9%</b>	<b>22.9%</b>	<b>18.8%</b>	<b>14.6%</b>	<b>13.2%</b>	<b>12.3%</b>	<b>-13.4%</b>
<b>Property portfolio (including equity-accounted investees)</b>	<b>7,306.6</b>	<b>12,231.5</b>	<b>16,221.9</b>	<b>21,987.3</b>	<b>25,725.1</b>	<b>30,098.4</b>	
<b>Book Value per share (Euro) - undiluted</b>	<b>4.73</b>	<b>6.58</b>	<b>7.44</b>	<b>7.78</b>	<b>8.59</b>	<b>9.35</b>	<b>7.9%</b>
<b>NAV per share (Euro) - undiluted</b>	<b>4.90</b>	<b>6.50</b>	<b>7.70</b>	<b>8.69</b>	<b>9.59</b>	<b>10.44</b>	<b>10.7%</b>

## SRC Research

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### Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	November 27, 2019	Buy	7.65 €	9.50 €
Aroundtown	November 19, 2019	Buy	7.68 €	9.50 €
Aroundtown	October 28, 2019	Buy	7.41 €	9.50 €
Aroundtown	August 28, 2019	Buy	7.47 €	9.00 €
Aroundtown	May 29, 2019	Buy	7.38 €	8.70 €
Aroundtown	April 1, 2019	Buy	7.35 €	8.70 €
Aroundtown	November 28, 2018	Buy	7.29 €	8.70 €

### Please note:

The share price mentioned in this report is from 23 January 2020. AROUNDTOWN SA mandated SRC Research for covering the share.

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