

AROUNDTOWN

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



Der Spezialist für Finanzaktien

27 | May | 2020

■ **Price (Euro)** **4.84**
52 weeks range 8.88 / 2.88

■ **Key Data**

ISIN	LU1673108939
Ticker	AT1
Bloomberg	AT1 GR
Reporting standard	IFRS
Market Cap (Euro million)	7,436
Number of shares (million)	1,536.4
Free Float	78.4%
Free Float Market Cap (Euro million)	5,830
CAGR Adj. EBITDA profit ('19-'22e)	19.6%

■ Multiples	2019	2020e	2021e	2022e
Market Cap/ Total revenues	8.3	6.1	5.3	4.7
PE-Ratio	4.3	7.1	6.1	4.9
Dividend Yield	0.0%	6.4%	6.7%	7.2%
Price-to-Book-Ratio	0.59	0.50	0.50	0.47
P/ NAV-ratio	0.56	0.39	0.39	0.37

■ Key Data per share (Euro)	2019	2020e	2021e	2022e
Earnings per share (EPS)	1.12	0.68	0.79	0.99
Dividend per share (DPS)	0.00	0.31	0.32	0.35
Book Value per Share (BVPS)	8.17	9.69	9.73	10.21
EPRA NAV per share	8.70	12.39	12.44	13.05

■ Financial Data (Euro Millions)	2019	2020e	2021e	2022e
Revenues (rental income)	894.8	1,221.6	1,404.8	1,587.5
Capital gains, Prop. Revaluations	1,217.5	552.3	675.0	1,034.0
EBITDA profit	2,157.5	1,781.1	2,039.8	2,553.1
Adj. EBITDA profit (cash driven)	772.7	1,041.8	1,172.6	1,321.8
Operating profit (EBIT)	2,155.8	1,785.1	2,044.2	2,558.5
Net financial result	-96.0	-233.4	-280.2	-317.0
Pre-tax profit (EBT)	2,059.8	1,551.7	1,764.0	2,241.6
Taxation	-350.7	-232.8	-264.6	-336.2
Net profit after minorities	1,308.1	898.0	1,105.4	1,403.9
FFO I	503.4	634.5	695.2	760.1
Shareholders' equity (Euro billion)	9.6	12.9	13.5	14.5
Property portfolio (Euro billion)	21.2	29.0	35.6	41.7
RoE (after tax)	11.2%	5.7%	6.0%	7.2%
Equity ratio (incl. equity minorities)	52.6%	49.9%	49.3%	48.6%

■ **Main Shareholders**

Treasury shares (held by TLG)	12%
Avisco Group Plc.	9.6%

■ **Financial calendar**

AGM	24 June 2020
1H 2020 report	26 August 2020
SRC Forum Financials & Real Estate	10 September 2020

■ **Analysts**

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1Q 2020 in line with our estimates with a hike of 33% in rental income and +25% in FFO - share buyback announced, which will drive shareholders value - still Buy and Euro 9.50

Today, the company released the 1Q 2020 report and held a conference call.

The results, which now for the first time include the TLG numbers as of 19 February, were in line with our estimates and did not reflect any material impact from the Corona pandemic. Revenues came in at Euro 278m, up 34% to last year's Euro 208m. Included here is net rental income of Euro 236m, which hiked by 33% from Euro 178m. The like-for-like increase was solid at 3.7%. Revaluations and capital gains were at Euro 318m (1Q 2019: Euro 240m), while the share in profit from equity-accounted investees came down from Euro 91m to Euro 25m due to lower net profits recorded mainly by GCP. The adjusted EBITDA, excluding the revaluation result came in at Euro 237m, reflecting a hike of 32% to last year's number of Euro 180m. The financial result was at Euro -132m, significantly below the result at 1Q 2019 of Euro 15m, mostly driven by the other financial result of Euro -86m compared to a positive amount of Euro 49m last year, as mainly non-recurring and non-cash items such as fair value changes of derivatives and contingent liabilities relating to the TLG takeover are included, as well as expenses related to bond refinancing. A significant hike was also seen in the tax expenses, climbing from Euro -57m to Euro -159m. Thus, the bottom line after minorities was at Euro 183m compared to Euro 412m. The cash-driven FFO, however, increased by 25%, from Euro 118m to Euro 147m or respectively by 9% from 10.5 cents per share to 11.4 cents.

More news came already a week ago, on 20 May, when the company announced that the planned dividend proposal of 28 cents per share will be suspended for the time being, but might be proposed at a later time depending on the further developments and impacts of the Corona pandemic. While this news is somewhat surprising at the relatively late point of time and the financial strength of the firm, we also can understand the precautionary approach by the company as the duration and the final impact of the crisis continue to be uncertain. **As very pleasing news on the other hand we see the announced share buyback program, where further details are pending. At the currently very low share price level of around 5 Euros, which is both significantly below the book value and the NAV per share and in our opinion not justified at all, this initiative will create further shareholder value also in the long run.** The company certainly has the required financials with a liquidity of Euro 3bn, an equity ratio of 50% and a low LTV of 36%.

While the first quarter showed no significant impact from COVID-19, the second quarter will see some effects. The overall collection rate excluding hotels in April was at 90% and similar levels are expected for May and June. Looking at the hotel share of the portfolio, which makes up about 23%, the vast majority of rents has been deferred and only somewhat more than 10% were collected. As of now, the company expects to receive these payments at a later time, however, and does not see major losses. Furthermore, as of the end of May, about 50% of the hotels are up and running again, which is a first step in the right direction, while it will still take a long time for operations to come back to normal in our opinion. **As these effects are already considered in our P&L estimates and also most certainly in our valuation, we confirm our Euro 9.50 target price and clearly stick to our Buy rating.**

Aroundtown SA

Industry: Real Estate
Sub-segments: Commercial (incl. Hotel)/ Residential




Target Countries: Germany
Registered: Luxembourg
German Office: Berlin
Foundation: 2004
Employees: 492
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
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Jelena Afxentiou Director	Oschrie Massatschi Director	Frank Roseen Director	Markus Kreuter Indep. Director
Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director	

ADVISORY BOARD

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 Yakir Gabay
 Claudio Jarczyk
 David Maimon

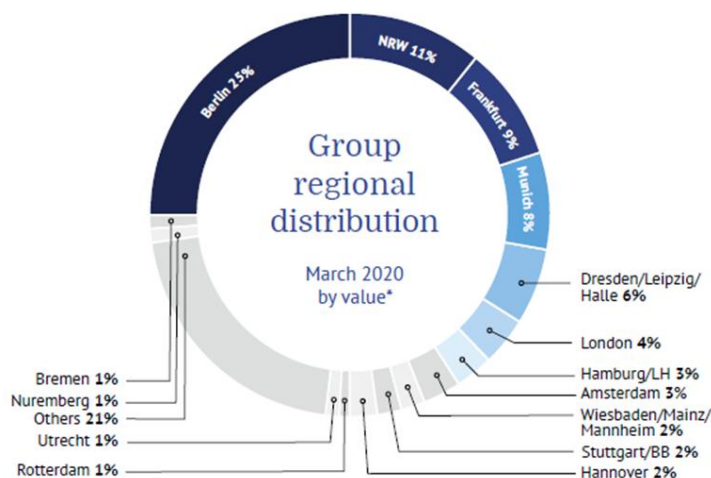
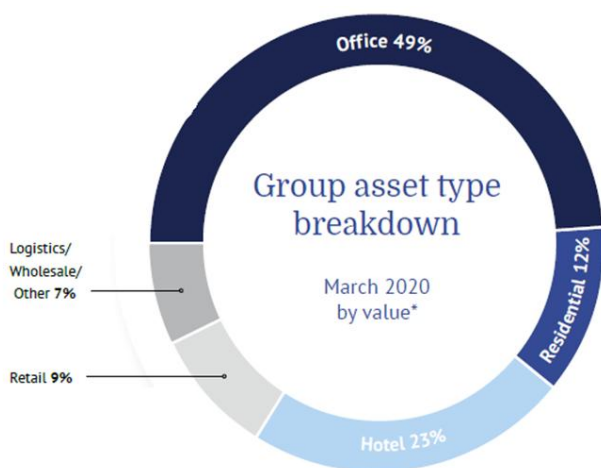
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 1Q 2020. Grand City is a German MDax member since 18 Sept. 2017. Including the new assets coming from the takeover of TLG, which was completed in February 2020, the firm's total portfolio has grown significantly and currently amounts to more than Euro 26bn. Commercial properties have a share of 88% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 12%. The commercial part of the portfolio consists of 49% of office properties followed by hotel and retail. Hotel properties currently have a portfolio share of about 23%. The geographical allocation of the commercial portfolio by value as of March 2020 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. We believe a rating upgrade could happen soon.

Aroundtown was recently added to the newly launched DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index. Following the finalization of the merger with TLG Immobilien in mid February, we believe an uplisting to the German DAX is within reach.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	527.1	747.1	894.8	1,221.6	1,404.8	1,587.5	21.1%
Capital gains, property revaluations and others	1,326.6	1,536.4	1,217.5	552.3	675.0	1,034.0	
thereof net revaluation result	1,315.2	1,459.6	1,156.6	524.7	641.3	982.3	
thereof capital gains and bargain purchase	11.4	76.8	60.9	27.6	33.8	51.7	
Share in profit from investment in equity-accounted investees	228.4	251.6	298.7	316.6	335.6	355.8	
Property-related operating expenses	-147.1	-219.1	-227.9	-256.5	-323.1	-365.1	
Administrative and other expenses	-14.7	-22.5	-27.3	-48.9	-49.2	-55.6	
thereof depreciation and amortization	-2.0	-1.6	-1.8	4.0	4.4	5.4	
Operating profit (EBITDA)	1,922.3	2,295.1	2,157.5	1,781.1	2,039.8	2,553.1	
Operating Profit (EBIT)	1,920.3	2,293.5	2,155.8	1,785.1	2,044.2	2,558.5	
Finance expenses	-69.7	-114.6	-141.7	-221.3	-254.5	-292.7	
Other financial results	-15.0	-93.8	45.7	-12.1	-25.7	-24.3	
Net financial result	-84.7	-208.4	-96.0	-233.4	-280.2	-317.0	
Pre-tax profit (EBT)	1,835.6	2,085.1	2,059.8	1,551.7	1,764.0	2,241.6	2.9%
Tax (cash and deferred)	-296.6	-257.3	-350.7	-232.8	-264.6	-336.2	
Net profit before minorities	1,539.0	1,827.8	1,709.1	1,319.0	1,499.4	1,905.3	
Minorities	-256.4	-207.4	-401.0	-421.0	-394.0	-501.4	
Net profit after minorities	1,282.6	1,620.4	1,308.1	898.0	1,105.4	1,403.9	
Number of shares (weighted average, without dilution)	821.5	1,052.6	1,172.9	1,326.3	1,392.6	1,420.5	
Number of shares (weighted average, diluted)	925.0	1,082.8	1,174.0	1,328.5	1,394.9	1,464.7	
Earnings per share (EPS, basic)	1.56	1.54	1.12	0.68	0.79	0.99	
Earnings per share (EPS, diluted)	1.35	1.49	1.11	0.66	0.77	0.94	
Dividend per share (DPS)	0.23	0.25	0.00	0.31	0.32	0.35	
EBITDA	1,922.3	2,295.1	2,157.5	1,781.1	2,039.8	2,553.1	5.8%
- Capital Gains, revaluations and other income	-1,326.6	-1,536.4	-1,217.5	-552.3	-675.0	-1,034.0	
- Net adjustment	-138.1	-142.3	-167.0	-170.3	-173.7	-177.2	
- Other adjustments	-28.3	-10.4	-0.3	-16.7	-18.4	-20.1	
Adjusted EBITDA	429.3	606.0	772.7	1,041.8	1,172.6	1,321.8	19.6%
AT's finance expenses	-69.7	-114.6	-141.7	-221.3	-254.5	-292.7	
Adjustments of finance expenses	-10.3	-17.6	-20.4	10.4	15.6	19.4	
Adjusted Finance Expenses	-80.0	-132.2	-162.1	-210.9	-238.9	-273.3	
ICR (Interest coverage ratio)	5.4	4.7	4.8	4.9	4.9	4.8	
Financing expenses	-69.7	-114.6	-141.7	-221.3	-254.5	-292.7	
Current cash tax expenses	-27.5	-44.4	-70.6	-91.8	-119.3	-155.1	
Adjustments for the holdings rates	-33.1	-41.3	-57.0	-94.2	-103.6	-114.0	
FFO I	299.0	405.7	503.4	634.5	695.2	760.1	14.7%
FFO I per share (weighted average, without dilution)	0.36	0.39	0.43	0.48	0.50	0.54	
Shareholders' Equity (without minorities)	5,402.3	7,829.5	9,585.5	12,856.0	13,548.9	14,501.0	14.8%
Shareholders' Equity (including minorities)	7,249.9	9,944.3	13,378.9	17,907.7	18,835.3	20,118.5	
Growth Shareholders' Equity (without minorities)	75%	45%	22%	34%	5%	7%	
EPRA NAV	6,483.0	8,742.4	10,633.4	16,434.4	17,320.2	18,537.3	20.4%
Balance Sheet sum	13,770.4	19,040.8	25,444.7	35,862.4	38,182.1	41,401.7	
Equity Ratio	52.6%	52.2%	52.6%	49.9%	49.3%	48.6%	
RoE (after tax)	22.9%	18.8%	11.2%	5.7%	6.0%	7.2%	-13.7%
Property portfolio (including equity-accounted investees)	12,231.5	16,221.9	21,213.3	28,974.7	35,638.9	41,697.5	
Book Value per share (Euro) - undiluted	6.58	7.44	8.17	9.69	9.73	10.21	7.7%
NAV per share (Euro) - undiluted	6.50	7.70	8.70	12.39	12.44	13.05	14.5%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	March 24, 2020	Buy	4.11 €	9.50 €
Aroundtown	January 24, 2020	Buy	8.21 €	9.50 €
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 €

Please note:

The share price mentioned in this report is from 26 May 2020. AROUNDTOWN SA mandated SRC Research for covering the share.

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