

AROUNDTOWN

Buy (unchanged) **Target: Euro 9.00** (old: Euro 8.70)

28 | August | 2019



Price (Euro)	7.47			
52 weeks range	7.92 / 6.98			
Key Data				
ISIN	LU1673108939			
Ticker	AT1			
Bloomberg	AT1 GR			
Reporting standard	IFRS			
Market Cap (Euro million)	9,140			
Number of shares (million)	1,223.6			
Free Float	73.1%			
Free Float Market Cap (Euro million)	6,681			
CAGR Adj. EBITDA profit ('18-21e)	16.9%			
Multiples				
	2018	2019e	2020e	2021e
Market Cap/ Total revenues	12.2	10.5	9.2	8.0
PE-Ratio	4.9	5.0	5.2	5.1
Dividend Yield	3.4%	3.6%	3.9%	4.2%
Price-to-Book-Ratio	1.00	0.95	0.86	0.79
P/ NAV-ratio	0.97	0.85	0.77	0.71
Key Data per share (Euro)				
	2018	2019e	2020e	2021e
Earnings per share (EPS)	1.54	1.49	1.43	1.45
Dividend per share (DPS)	0.25	0.27	0.29	0.32
Book Value per Share (BVPS)	7.44	7.88	8.68	9.44
EPRA NAV per share	7.70	8.80	9.69	10.54
Financial Data (Euro Millions)				
	2018	2019e	2020e	2021e
Revenues (rental income)	747.1	866.6	996.6	1,146.1
Capital gains, Prop. Revaluations	1,536.4	1,387.5	1,426.4	1,466.3
EBITDA profit	2,295.1	2,389.0	2,545.6	2,716.1
Adj. EBITDA profit (cash driven)	606.0	740.1	844.5	968.2
Operating profit (EBIT)	2,293.5	2,387.2	2,543.6	2,714.1
Net financial result	-208.4	-106.6	-182.7	-204.5
Pre-tax profit (EBT)	2,085.1	2,280.6	2,360.9	2,509.6
Taxation	-257.3	-305.9	-354.1	-376.4
Net profit after minorities	1,620.4	1,760.0	1,781.4	1,896.3
FFO I	405.7	495.6	559.3	634.3
Shareholders' equity (Euro billion)	7.8	9.3	10.8	12.3
Property portfolio (Euro billion)	16.2	22.0	25.7	30.1
RoE (after tax)	18.8%	15.7%	13.2%	12.2%
Equity ratio (incl. equity minorities)	52.2%	50.7%	49.3%	48.0%
Main Shareholders				
Avisco Group Plc.	26.9%			
Financial calendar				
SRC Forum Financials & Real Estate			3 September 2019	
9M 2019 report			27 November 2019	
Analysts				
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Strong 1H 2019 numbers result in a lifted full-year FFO I guidance – Portfolio at more than Euro 16bn, more growth already secured – target up to Euro 9.00, Buy affirmed

Today, the company published the report for the first half of 2019 and invited to a conference call. The numbers of the six months were very good and the management lifted the full year FFO guidance, as we already expected in our last report after the 1Q numbers. Revenues were up 21% from Euro 348m to Euro 421m. Recurring long-term net rental income accounts for Euro 355m of that revenue and hiked by almost 28%. The driver of that growth is the increase of the portfolio but also a good like-for-like growth of 4.4%. Property revaluations, capital gains and other income added an additional almost Euro 680m (1H 2018: Euro 900m). From the revaluation result, more than 50% comes from a like-for-like basis. Overall, about 40% of the portfolio was appraised at 1H, thus we expect another significant uplift in the second half of the year. The share in profit from investments in equity-accounted investees – mainly the 39% stake in GCP – amounted to Euro 198m and is about 75% above last year's number of Euro 113m. The property operating expenses only increased by less than 7%. The firm's EBITDA thus came in at almost Euro 1.18bn compared to Euro 1.25bn last year. Adjusted EBITDA, excluding non-operational items such as revaluation, however, amounted to Euro 363m and hiked by about 30% from last year's Euro 280m. Finance expenses grew from more than Euro 52m to more than Euro 70m. The other financial result was at Euro 37m. Last year's number was at negative Euro 52m. This change is the result of changes in fair value of financial derivatives and traded securities. The firm's bottom line was at almost Euro 970m and thus unchanged to last year, despite a significantly lower valuation result. The FFO I results increased from Euro 189m to Euro 239m, a plus of more than 26%. FFO I per share was at 21 cents. Given the strong FFO I result at 1H and keeping in mind the acquisitions that will contribute for the remainder of 2019, the management lifted the full year FFO I guidance from a range of Euro 460m to Euro 470m to now more than Euro 490m. Our new estimate is at Euro 496m.

The commercial portfolio of Aroundtown has grown to Euro 16.2bn as of 1H. In the first six months, about Euro 1.2bn of new assets were taken over and another approx. Euro 1.3bn have already been signed. So far this year, the company has already raised Euro 4.6bn of fresh capital. The EPRA NAV per share climbed by 8% (11% adjusted for dividend) in the first six months from Euro 7.70 to Euro 8.30. Including perpetual notes, EPRA NAV per share already crossed the 10 Euro mark and is at Euro 10.10.

With the good half-year numbers and our lifted FFO I estimate for 2019 and the following years, we decided to bring up our target price from Euro 8.70 to Euro 9.00. Our outlook remains very positive and we expect that Aroundtown can continue to grow their numbers via acquisitions as well as operational improvements on a like-for-like basis. We stick to our Buy rating.

Aroundtown SA

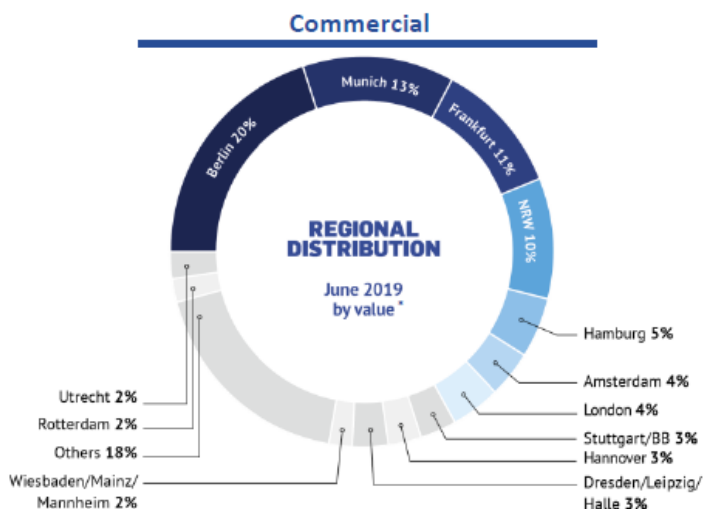
<p>Industry: Real Estate Sub-segments: Commercial (incl. Hotel)/ Residential</p> <p>Target Countries: Germany Registered: Luxembourg German Office: Berlin Foundation: 2004 Employees: 374 IR Contact: Timothy Wright Email: info@aroundtownholdings.com</p> <p>Credit Rating: BBB+ by S&P (Investment Grade)</p> <p>Stock exchange: Prime Standard Frankfurt</p> <p>ISIN: LU1673108939 Bloomberg: AT1 GR</p>	<p style="text-align: center;">MANAGEMENT</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> Shmuel Mayo CEO </div> <div style="text-align: center;"> Andrew Wallis Deputy CEO </div> <div style="text-align: center;"> Eyal Ben David CFO </div> </div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="padding: 2px;">Jelena Afxentiou Director</td> <td style="padding: 2px;">Oschrie Massatschi Director</td> <td style="padding: 2px;">Frank Roseen Director</td> <td style="padding: 2px;">Markus Kreuter Indep. Director</td> </tr> <tr> <td colspan="4" style="padding: 2px; text-align: center;">Markus Leininger Indep. Director</td> </tr> </table>	Jelena Afxentiou Director	Oschrie Massatschi Director	Frank Roseen Director	Markus Kreuter Indep. Director	Markus Leininger Indep. Director				<p style="text-align: center;">ADVISORY BOARD</p> <div style="text-align: center;"> Dr. Gerhard Cromme Chairman </div> <div style="text-align: center; margin-top: 10px;"> Yakir Gabay </div> <div style="text-align: center; margin-top: 10px;"> Claudio Jarczyk </div> <div style="text-align: center; margin-top: 10px;"> David Maimon </div>
Jelena Afxentiou Director	Oschrie Massatschi Director	Frank Roseen Director	Markus Kreuter Indep. Director							
Markus Leininger Indep. Director										

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 1H 2019. Grand City is a German MDax member since 18 Sept. 2017. Commercial properties have a share of 85% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 16%. 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 56% of office properties followed by hotel, industrial, and retail. Hotel properties currently have a portfolio share of about 28%, 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 prospective tenants.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	273.7	527.1	747.1	866.6	996.6	1,146.1	15.3%
Capital gains, property revaluations and others	719.5	1,326.6	1,536.4	1,387.5	1,426.4	1,466.3	
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	398.7	422.6	448.0	
Property-related operating expenses	-75.4	-147.1	-219.1	-238.3	-274.1	-315.2	
Administrative and other expenses	-7.9	-14.7	-22.5	-27.3	-27.9	-32.1	
thereof depreciation and amortization	-2.0	-2.0	-1.6	-1.8	-2.0	-2.0	
Operating profit (EBITDA)	1,109.0	1,922.3	2,295.1	2,389.0	2,545.6	2,716.1	
Operating Profit (EBIT)	1,107.0	1,920.3	2,293.5	2,387.2	2,543.6	2,714.1	
Finance expenses	-47.4	-69.7	-114.6	-135.2	-155.5	-178.8	
Other financial results	-35.9	-15.0	-93.8	28.6	-27.2	-25.7	
Net financial result	-83.3	-84.7	-208.4	-106.6	-182.7	-204.5	
Pre-tax profit (EBT)	1,023.7	1,835.6	2,085.1	2,280.6	2,360.9	2,509.6	6.4%
Tax (cash and deferred)	-122.6	-296.6	-257.3	-305.9	-354.1	-376.4	
Net profit before minorities	901.1	1,539.0	1,827.8	1,974.7	2,006.8	2,133.1	
Minorities	-172.9	-256.4	-207.4	-214.7	-225.4	-236.8	
Net profit after minorities	728.2	1,282.6	1,620.4	1,760.0	1,781.4	1,896.3	
Number of shares (weighted average, without dilution)	653.2	821.5	1,052.6	1,183.2	1,242.4	1,304.5	
Number of shares (weighted average, diluted)	829.5	925.0	1,082.8	1,267.2	1,330.6	1,397.1	
Earnings per share (EPS, basic)	1.11	1.56	1.54	1.49	1.43	1.45	
Earnings per share (EPS, diluted)	0.87	1.35	1.49	1.37	1.32	1.34	
Dividend per share (DPS)	0.16	0.23	0.25	0.27	0.29	0.32	
EBITDA	1,109.0	1,922.3	2,295.1	2,389.0	2,545.6	2,716.1	5.8%
- 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	
Adjusted EBITDA	268.2	429.3	606.0	740.1	844.5	968.2	16.9%
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	
ICR (Interest coverage ratio)	4.5	5.4	4.7	4.8	4.7	4.7	
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	-61.7	-67.9	-74.7	
FFO I	165.6	299.0	405.7	495.6	559.3	634.3	16.1%
FFO I per share (weighted average, without dilution)	0.25	0.36	0.39	0.42	0.45	0.49	
Shareholders' Equity (without minorities)	3,090.2	5,402.3	7,829.5	9,325.8	10,785.0	12,317.9	16.3%
Shareholders' Equity (including minorities)	3,941.1	7,249.9	9,944.3	12,547.0	14,481.3	16,506.3	
Growth Shareholders' Equity (without minorities)	47%	75%	45%	19%	16%	14%	
EPRA NAV	3,870.8	6,483.0	8,742.4	10,413.1	12,042.5	13,754.1	16.3%
Balance Sheet sum	8,089.0	13,770.4	19,040.8	24,752.1	29,399.8	34,413.9	
Equity Ratio	48.7%	52.6%	52.2%	50.7%	49.3%	48.0%	
RoE (after tax)	22.9%	22.9%	18.8%	15.7%	13.2%	12.2%	-13.4%
Property portfolio (including equity-accounted investees)	7,306.6	12,231.5	16,221.9	21,987.3	25,725.1	30,098.4	
Book Value per share (Euro) - undiluted	4.73	6.58	7.44	7.88	8.68	9.44	8.3%
NAV per share (Euro) - undiluted	4.90	6.50	7.70	8.80	9.69	10.54	11.0%

SRC Research

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Rating chronicle:

Company	Date	Rating	former share price	former target
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 €
Aroundtown	August 29, 2018	Accumulate	7.60 €	8.30 €
Aroundtown	May 29, 2018	Buy	6.91 €	8.30 €
Aroundtown	March 29, 2018	Buy	6.20 €	7.70 €
Aroundtown	November 27, 2017	Buy	6.04 €	7.00 €
Aroundtown	November 2, 2017	Buy	6.11 €	6.80 €
Aroundtown	September 20, 2017	Buy	6.03 €	6.60 €
Aroundtown	August 30, 2017	Buy	5.38 €	6.60 €

Please note:

The share price mentioned in this report is from 27 August 2019. AROUENTOWN SA mandated SRC Research for covering the share.

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