

AROUNDTOWN

Buy (old: Accumulate) **Target: Euro 8.70** (old: Euro 8.30)



Der Spezialist für Finanzaktien

28 | November | 2018

Price (Euro) **7.29**
52 weeks range 7.91 / 5.64

Key Data

ISIN LU1673108939
Ticker AT1
Bloomberg AT1 GR
Reporting standard IFRS
Market Cap (Euro million) 8,167
Number of shares (million) 1,120.3
Free Float 66.0%
Free Float Market Cap (Euro million) 5,390
CAGR Adj. EBITDA profit ('17-'20e) 26.4%

Multiples	2017	2018e	2019e	2020e
Market Cap/ Total revenues	15.5	12.2	9.8	8.2
PE-Ratio	4.7	5.6	5.3	5.1
Dividend Yield	3.2%	3.4%	4.3%	5.0%
Price-to-Book-Ratio	1.11	1.00	0.90	0.82
P/ NAV-ratio	1.12	0.92	0.83	0.76

Key Data per share (Euro)	2017	2018e	2019e	2020e
Earnings per share (EPS)	1.56	1.31	1.38	1.43
Dividend per share (DPS)	0.23	0.24	0.31	0.36
Book Value per Share (BVPS)	6.58	7.32	8.11	8.86
EPRA NAV per share	6.50	7.92	8.78	9.59

Financial Data (Euro Millions)	2017	2018e	2019e	2020e
Revenues (rental income)	527.1	667.4	834.3	1,001.1
Capital gains, Prop. Revaluations	1,326.6	1,372.9	1,387.5	1,426.4
EBITDA profit	1,922.3	2,101.9	2,255.2	2,427.4
Adj. EBITDA profit (cash driven)	429.3	576.8	729.3	867.0
Operating profit (EBIT)	1,920.3	2,099.9	2,253.2	2,425.4
Net financial result	-84.7	-191.5	-119.2	-116.8
Pre-tax profit (EBT)	1,835.6	1,908.4	2,134.0	2,308.6
Taxation	-296.6	-286.3	-320.1	-346.3
Net profit after minorities	1,282.6	1,408.8	1,560.8	1,697.6
FFO I	299.0	405.0	544.6	663.1
Shareholders' equity (Euro billion)	5.4	7.9	9.2	10.5
Property portfolio (Euro billion)	12.2	16.3	19.8	23.1
RoE (after tax)	22.9%	16.6%	14.9%	14.1%
Equity ratio (incl. equity minorities)	52.6%	46.7%	46.0%	44.7%

Main Shareholders

Avisco Group Plc. 34.0%

Financial calendar

2018 annual report March 2019
1Q 2019 report May 2019

Analysts

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9M FFO I up by 46%, bottom line hiked by 37% – Portfolio already at more than Euro 13bn and more growth to come in 4Q – Target price lifted to Euro 8.70, rating up to Buy

Today, Aroundtown released its 9M report. The results were fully in line with our estimates and the company has delivered three strong quarters highlighted by a significant growth in earnings, FFO and the portfolio while maintaining a very solid balance sheet at an equity ratio of 51% and a low LTV of 38%. Next to the increased number of properties in the portfolio, a high like-for-like growth of 4.5% resulted in a hike of 44% in revenues from Euro 374m to Euro 540m, including an even stronger hike of recurring net rental income of 50% from almost Euro 293m to almost Euro 440m. The Property revaluations, capital gains, and other income position was at more than Euro 1.24bn. This is to a large part coming from the operational work the company has done with the objects in the portfolio while about 30% is the result of yield compression. Share in profit from investment in equity-accounted investees was at more than Euro 191m about 43% higher than last year, reflecting mostly the positive development of the residential part of the portfolio held by Grand City Properties. The firm's operating profit was at almost Euro 1.8bn about 32% on top of last year's number of almost Euro 1.37bn. The financial result was at more than Euro -163m clearly higher (9M 2017: almost -65m), which is in part the result of the significantly higher amount of debt resulting from the portfolio growth, as well as due to non-cash and one-off expenses from the financing and refinancing activities. The bottom line after minorities hiked by almost 37%, from Euro 905m to Euro 1.24bn. The firm's adjusted EBITDA and FFO I results, which best reflect the operational work by the company as they do not include non-operational items such as revaluation gains, both hiked significantly as well and were up 45% and 46% respectively. The FFO I was at Euro 297m (9M 2017: Euro 204m) while the adjusted EBITDA came in at Euro 440m (9M 2017: Euro 303m).

The firm's commercial portfolio was at Euro 13.2bn after the first nine months, up about 35% since FY 2017. This growth was despite the sale of about Euro 740m, which were sold at 11% over net book value. Furthermore, since the reporting date another Euro 500m of new properties were signed by the company. The EPRA vacancy was further reduced from 8.9% at 1H to 8.7% while the WALT increased slightly to 7.5 years over the same time. The rental yield remained constant at 5.2%.

The company's EPRA NAV including perpetual notes is up more than 17% since year-end 2017 and now is at Euro 8.90 per share. The company's portfolio has grown more rapid than expected and we believe we will see another hike till year end which could translate into further growth already early in 2019. Our outlook for AROUNDTOWN is very positive for the coming years. Thus, we decided to lift our target price from Euro 8.30 to Euro 8.70. Given the upside potential of almost 20%, we also lift our rating from Accumulate to Buy.

Aroundtown SA

Industry: Real Estate
 Sub-segments: Commercial (incl. Hotel)/ Residential
 Target Countries: Germany
 Registered: Luxembourg
 German Office: Berlin
 Foundation: 2004
 Employees: 270
 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	Dr. Axel Froese Indep. Director	

ADVISORY BOARD

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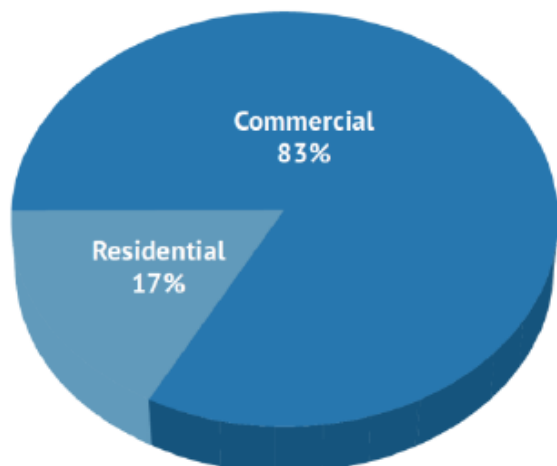
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 November 2018. Grand City is a German MDax member since 18 Sept. 2017. Commercial properties have a share of 83% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 17%. 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 of 57% of office properties followed by hotel, industrial, and retail. Hotel properties currently have a portfolio share of about 25%, 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 9M 2018. The geographical allocation of the commercial portfolio by value is illustrated in the graph below.

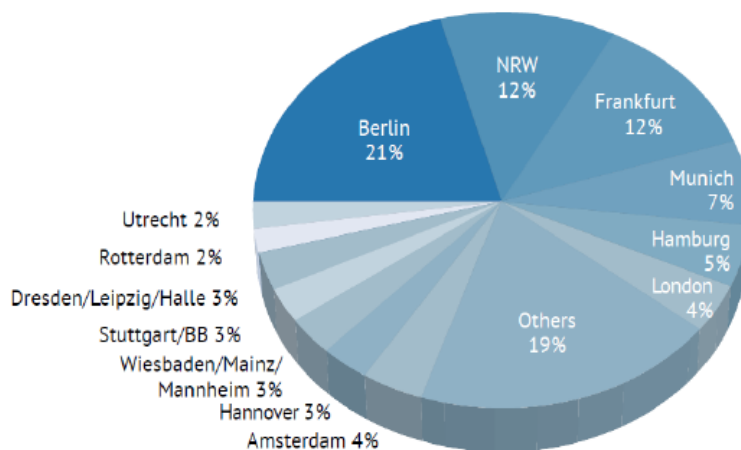
AT comes along with a well-experienced management team where each member supplements the team with a distinctive professional background in various fields like investment banking, real estate investment and asset management and project development for instance. AROUNDTOWN targets turnaround opportunities 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+, recently assigned by S&P in December 2017 and from its strong organizational setup in terms of personnel resources and capital intensive 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.

Asset Type Breakdown



Commercial geographical breakdown



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
Revenues	125.2	273.7	527.1	667.4	834.3	1,001.1	23.8%
Capital gains, property revaluations and others	814.5	719.5	1,326.6	1,372.9	1,387.5	1,426.4	
thereof net revaluation result	605.4	654.8	1,315.2	1,235.6	1,248.8	1,283.7	
thereof capital gains and bargain purchase	209.1	64.7	11.4	137.3	138.8	142.6	
Share in profit from investment in equity-accounted investees	134.1	197.1	228.4	263.2	284.3	301.3	
Property-related operating expenses	-28.2	-75.4	-147.1	-183.5	-229.4	-275.3	
Administrative and other expenses	-4.7	-7.9	-14.7	-20.0	-23.4	-28.0	
thereof depreciation and amortization	-0.4	-2.0	-2.0	-2.0	-2.0	-2.0	
Operating profit (EBITDA)	1,041.4	1,109.0	1,922.3	2,101.9	2,255.2	2,427.4	
Operating Profit (EBIT)	1,041.0	1,107.0	1,920.3	2,099.9	2,253.2	2,425.4	
Finance expenses	-20.5	-47.4	-69.7	-108.4	-113.8	-119.5	
Other financial results	7.9	-35.9	-15.0	-83.1	-5.4	2.7	
Net financial result	-12.6	-83.3	-84.7	-191.5	-119.2	-116.8	
Pre-tax profit (EBT)	1,028.4	1,023.7	1,835.6	1,908.4	2,134.0	2,308.6	7.9%
Tax (cash and deferred)	-107.6	-122.6	-296.6	-286.3	-320.1	-346.3	
Net profit before minorities	920.8	901.1	1,539.0	1,622.2	1,813.9	1,962.3	
Minorities	-233.9	-172.9	-256.4	-213.4	-253.1	-264.7	
Net profit after minorities	686.9	728.2	1,282.6	1,408.8	1,560.8	1,697.6	
Number of shares (weighted average, without dilution)	547.0	653.2	821.5	1,077.3	1,131.2	1,187.7	
Number of shares (weighted average, diluted)	632.9	829.5	925.0	1,122.3	1,178.4	1,237.3	
Earnings per share (EPS, basic)	1.26	1.11	1.56	1.31	1.38	1.43	
Earnings per share (EPS, diluted)	1.01	0.87	1.35	1.24	1.30	1.35	
Dividend per share (DPS)	0.05	0.16	0.23	0.24	0.31	0.36	
EBITDA	1,041.4	1,109.0	1,922.3	2,101.9	2,255.2	2,427.4	8.1%
- Capital Gains, revaluations and other income	-814.5	-719.5	-1,326.6	-1,372.9	-1,387.5	-1,426.4	
- Net adjustment for Grandcity and others	-73.6	-123.4	-138.1	-140.9	-131.0	-124.5	
- Other adjustments	0.0	2.1	-28.3	-11.4	-7.4	-9.6	
Adjusted EBITDA	153.3	268.2	429.3	576.8	729.3	867.0	26.4%
AT's finance expenses	-20.5	-47.4	-69.7	-108.4	-113.8	-119.5	
AT's share in GCP's finance expenses	9.0	-11.8	-10.3	-11.3	-12.9	-13.7	
Adjusted Finance Expenses	-11.5	-59.2	-80.0	-119.7	-126.7	-133.2	
ICR (Interest coverage ratio)	13.4	4.5	5.4	4.8	5.8	6.5	
Financing expenses	-20.5	-47.4	-69.7	-108.4	-113.8	-119.5	
Current cash tax expenses	-9.3	-19.9	-27.5	-28.6	-32.0	-41.6	
Adjustments for the holdings rates in GCP and other adjustments	-29.1	-35.3	-33.1	-34.8	-38.9	-42.8	
FFO I	94.5	165.6	299.0	405.0	544.6	663.1	30.4%
FFO I per share (weighted average, without dilution)	0.17	0.25	0.36	0.38	0.48	0.56	
Shareholders' Equity (without minorities)	2,105.4	3,090.2	5,402.3	7,880.8	9,178.4	10,522.0	24.9%
Shareholders' Equity (including minorities)	2,425.5	3,941.1	7,249.9	9,680.8	11,252.2	12,873.7	
Growth Shareholders' Equity (without minorities)	89%	47%	75%	46%	16%	15%	
EPRA NAV	3,042.9	3,870.8	6,483.0	8,531.0	9,935.6	11,390.1	20.7%
Balance Sheet sum	4,440.1	8,089.0	13,770.4	20,719.8	24,472.5	28,771.7	
Equity Ratio	54.6%	48.7%	52.6%	46.7%	46.0%	44.7%	
RoE (after tax)	37.7%	22.9%	22.9%	16.6%	14.9%	14.1%	-15.0%
Property portfolio (including equity-accounted investees)	3,613.7	7,306.6	12,231.5	16,324.2	19,752.3	23,110.2	
Book Value per share (Euro) - undiluted	3.85	4.73	6.58	7.32	8.11	8.86	10.4%
NAV per share (Euro) - undiluted	3.70	4.90	6.50	7.92	8.78	9.59	13.8%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
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 €
Aroundtown	June 8, 2017	Buy	4.60 €	6.20 €
Aroundtown	April 4, 2017	Buy	4.54 €	5.90 €
Aroundtown	November 28, 2016	Buy	4.10 €	5.90 €

Please note:

The share price mentioned in this report is from 27 November 2018. AROUND-TOWN SA mandated SRC Research for covering the share.

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