

CA Immo Accumulate

(old: Buy) Target: Euro 36.00 (old: Euro 34.00)

02 | April | 19



THOMSON REUTERS
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2018 WINNER



Der Spezialist für Finanzaktien

A convincing picture in 2018 with a steep rise in FFO and all key metrics – Target up again to Euro 36.00 – Downgrade to Accumulate after surge in share price

Last week, on 28 March, CA Immo published the 2018 annual report and invited for an analyst's conference call. The numbers unveiled a convincing picture with a steep rise in all key metrics leading to a bottom line and FFO I result at record levels. The company exceeded the FFO I target of at least Euro 115m and delivered an 11% hike from Euro 106.4m to Euro 118.5m. The FFO I was backed by a strong 7.2% hike in net rental income from Euro 163m to more than Euro 175m, mainly drive by the purchase of Warsaw Spire B and the completion of KPMG Berlin building as well as some large-scale re-letting.

The bottom line profited from a rise in portfolio size as property assets let surged from Euro 3.16bn to Euro 3.51bn and total portfolio size even increased by 17% to Euro 4.5bn by some completions in Germany and 3 acquisitions in the CEE portfolio. **The bottom line was driven by a strong letting performance, a still very high occupancy level of over 94% and shrinking financing costs** (CoD down to 1.7%, from 1.9%). The net revaluation result was very high as this was already reported some weeks ago. It almost tripled from Euro 104m to over Euro 276m, 72% coming from Germany, but also 28% from CEE and Austria.

With this excellent operating picture and tailwind from benign investment markets the bottom line surpassed the Euro 300m threshold and came in at a Euro 305m record (+30%).

The balance sheet is very healthy. The Investment properties went up from Euro 3.2bn to Euro 3.8bn by 19%, but the net debt only increased from Euro 1.4bn to Euro 1.6bn, leading to an almost unchanged equity ratio of 49.3% (2017: 50.3%). The net LTV even slightly declined from a low level, from 35.8% to 35.0%.

For the future, CA Immo is well prepared. The company built up a decent size in all strategic markets like the German hubs Berlin, Frankfurt and Munich as well as in Vienna and the CEE capitals of Warsaw, Budapest, Prague and Bucharest. The recent portfolio expansion in the 4 CEE locations has strengthened the critical mass and will create efficiency gains in future, for instance the purchases of Visionary Prague and Campus 6.1 in Bucharest.

For 2019 the management targets to again lift the FFO I to more than Euro 125m, which might be a bit too cautious. A 2019 FFO I of about Euro 127m might be realistic. Besides that, the mid-term prospects are good as CA Immo has a Euro 4.15bn development pipeline out of landbank for the next ten years which is mainly (98%) located in Germany.

After the favorable 2018 picture we lift our target price again from Euro 34.00 to Euro 36.00 which is backed by a 11% hike in EPRA NAV per share to Euro 33.30 and a 2.8% dividend yield with the higher dividend payment of 90 Cents. **After our update on revaluation on 6 March the stock surged 10%. Thus, we now reduce our rating from Buy to Accumulate.**

Price (Euro)	31.90			
52 weeks range	33.50 / 26.88			
Key Data				
ISIN	AT0000641352			
Reuters	CAIV.VI			
Bloomberg	CAI AV			
Reporting standard	IFRS			
Market Cap (Euro million)	3,152			
Number of shares (million)	98.8			
Free Float	68%			
Free Float Market Cap (Euro million)	2,143			
CAGR EBITDA cash profit ('18 - '21e)	15.1%			
Multiples				
	2018	2019e	2020e	2021e
Market Cap/ Total revenues	11.4	9.0	8.5	9.0
PE-Ratio	9.7	11.5	14.0	17.0
Dividend Yield	2.8%	3.1%	3.4%	3.4%
Price-to-Book-Ratio	1.12	1.05	1.03	1.02
P/ NAV-ratio	0.96	0.91	0.88	0.86
Key Data per share (Euro)				
	2018	2019e	2020e	2021e
Earnings per share (EPS)	3.28	2.78	2.28	1.88
Dividend per share (DPS)	0.90	1.00	1.10	1.10
Book Value per Share (BVPS)	28.37	30.41	31.02	31.37
EPRA NAV per share	33.30	35.10	36.15	36.98
EPRA NNNNAV	30.08	32.54	33.98	35.54
Financial Data (Euro '000)				
	2018	2019e	2020e	2021e
Total revenues incl net disposal gains	276,045	350,196	369,503	348,803
Rental income	192,440	211,020	232,904	225,447
Admin expenses	-53,246	-51,447	-53,459	-53,745
EBITDA profit (cash-driven)	145,075	220,408	233,155	220,976
Net result from revaluations	276,461	142,870	72,559	31,334
Operating profit (EBIT)	442,271	379,281	319,389	265,296
Net financial result	-46,071	-42,557	-44,578	-41,557
Pre-tax profit (EBT)	396,200	336,724	274,811	223,739
Taxation	-90,896	-79,402	-63,545	-50,212
Net profit after minorities	305,293	257,308	211,251	173,516
Shareholders' equity (Euro million)	2,640	2,814	2,870	2,902
Property assets let (Euro million)	3,515	4,009	4,099	4,135
Property assets under development	406	378	390	188
RoE (pre-tax)	15.0%	12.0%	9.6%	7.7%
RoE (after tax)	12.1%	9.4%	7.4%	6.0%
Equity ratio	49.3%	50.2%	50.1%	50.1%
Main Shareholders				
Starwood	26%			
Own shares	6%			
Financial calendar				
AGM			9 May 2019	
1Q 2019			22 May 2019	
2Q 2019			21 August 2019	
Analyst				
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CA Immobilien Anlagen AG

Industry:	Real Estate	Management Board of CA Immo
Sub-segment:	Office/ Commercial	Andreas Quint (CEO)
Country:	Austria	Keegan Viscius (CIO)
Headquarter:	Vienna	
Foundation:	1990	
Employees (year-end 2017)	382	
IR Contact		Supervisory Board of CA Immo
Christoph Thurnberger / Julian Wöhrle		Torsten Hollstein (Chairman)
(Mail: ir@caimmoag.com)		Dr. Florian Koschat (Dep. Chairman)
		Prof. Dr. Klaus Hirschler
		Nicole Kubista
		John Nacos
		Michael Stanton
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		Richard James Gregson
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		Franz Reitermayer
		Laura M. Rubin
		Sarah Broughton

Founded in 1987 CA Immo is one of the major property owners in Europe. The Vienna-based company is a specialist in property management and the development of premium large-scale office properties as well as mixed city quarters and had on year-end 2018 an investment portfolio with a volume of about Euro 4.5bn allocated in Germany (44%, mainly Berlin, Frankfurt and Munich), Austria (13%, mainly Vienna) and CEE (43%, mainly Warsaw, Budapest, Prague and Bucharest).

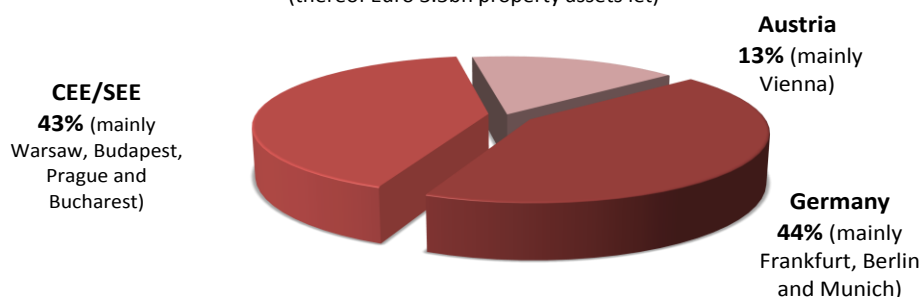
In the last 4 or 5 years CA Immo further sharpened its specialist profile, especially by disposing some non-strategic assets like logistics assets or assets which do not belong to the core regions of activity. By doing this, CA Immo rebalanced the group's portfolio picture towards office and towards the more stable economies of Germany and Austria and some promising markets in CEE like Budapest and Bucharest, gaining a critical mass by some landmark acquisitions in the last three years (Millenium Towers in Budapest and Campus 6.1 in Bucharest to give two examples). Another important focus besides the sharpening of the profile by selling non-core assets was to grow the portfolio by several significant own developments (also developing the own residential land bank) and by acquisitions which make sense to strongly and sustainably uplift the future FFO results. The 2018 net rental income jumped by 7% to more than Euro 175m and FFO I even jumped by 11% to over Euro 118m. 2016 marked the start for several promising developments in German and Austrian hubs like ViE in Vienna, the Frankfurt Steigenberger hotel, Rheinallee III (Mainz) and Rieck I Offices in Berlin which are finished or going to be finished soon.

Another highlight of 2018 was the significant reduction of the financing costs. The average cost of debt remarkably came down again, from an initial 2.3% at year-end 2016 to 1.9% at year-end 2017 and now to only 1.7% at year-end 2018. The optimisation of the financing structure (repayment of expensive 2006 - 2016 bond and the issue of 2016 - 2023 and 2016 - 2021 bonds) helped to further reduce the cost of debt. Also keep in mind, that CAI issued another Euro 175m bond in February 2017, with a 1.875% coupon and a 7 years duration. In October 2017 the company issued a Euro 200m convertible, running until April 2025 with a very low 0.75% coupon.

CAI is listed on Vienna Stock Exchange since 1988 and member of ATX index and clearly beat the ATX performance in 2018. The firm will maintain to pay a high 70% of the FFO I cash earnings as dividend to the shareholders. Thus the 2018 dividend steeply increases again, from 80 Cents for 2017 to now 90 Cents. For 2019 the management expects another FFO I hike to more than Euro 125m, which might be even a bit too cautious in our view. CA Immo has also rock solid balance sheet metrics with an equity ratio of 49% and a net LTV of only very low 35%, which might rise to a healthy range of 40% to 45% with the coming investments for the developments. For the next years the firm has about Euro 290m land reserves to develop / exploit which are mainly (> 98%) in Germany (more or less a split of Frankfurt, Munich and Berlin) and would offer a high additional Euro 4.1bn book value potential to be realized in the next ten years.

Euro 4.5bn property portfolio at the end of 2018

(thereof Euro 3.5bn property assets let)



Source: Company Data, SRC Research

About Euro 900m to be completed in the coming years 2019 to 2021, thereof in 2019 more for the trading and the next two years more for the own portfolio

Development Growth Strategy



ORGANIC PORTFOLIO GROWTH

- Following completion of the KPMG building in Berlin's Europacity and VIE office in Vienna, two more newly developed buildings were added to the portfolio in Q4 2018:
- Orhideea office towers in Bucharest
- InterCity Hotel at Frankfurt's main station
- Current construction volume ~ € 830 m (thereof ~ € 630 m earmarked for own portfolio)
- Average yield on cost expected at around 5.6%

Investment portfolio growth by own developments (by value)



2018

2019

2020

2021

CAI has over Euro 4bn development pipeline for the next ten years, about 50% (mainly office and hotels) are for the own investment portfolio, mainly Berlin, Frankfurt and Munich, Resi will be sold

4 Development Pipeline

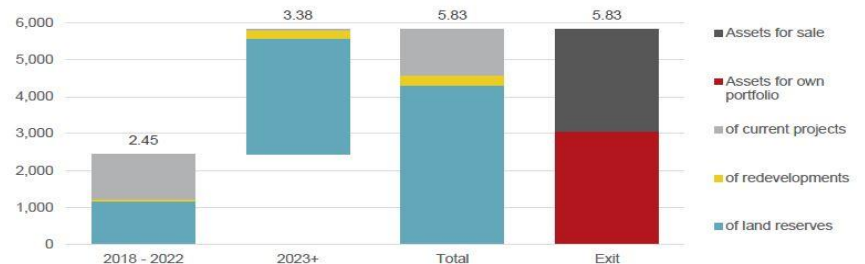


Total Volume incl. Projects under Construction and Pipeline (~ € 5.8 bn)*

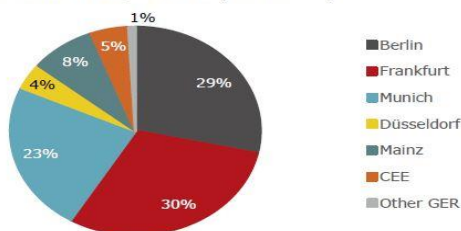
THREE DEVELOPMENT PHASES

- CA Immo divides its development pipeline based on current land reserves into three phases:
- ~ 5 years (development volume ~ € 1.3 bn)
- ~ 10 years (~ € 3.0 bn)
- beyond
- The current estimated development volume amounting to ~ € 4.15 bn (without plot sales) includes only phases 1 and 2
- An additional volume after the 10 year period is expected from today's perspective
- The book value of the land reserves currently stands at ~ € 290 m

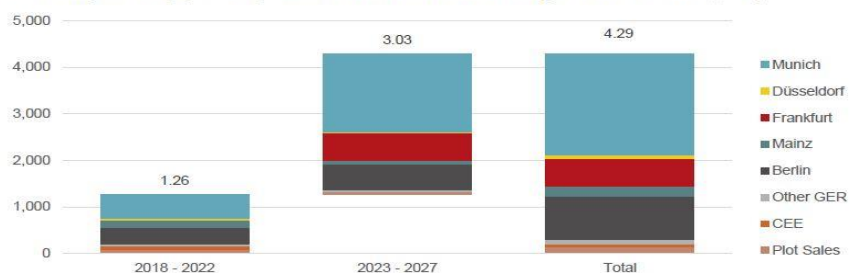
Total pipeline including projects under construction and redevelopments (€ bn)



Landbank composition (book value)



Development pipeline potential based on existing land reserves (€ bn)



* Estimated development volume including developer profit ** Book value of land and projects under construction

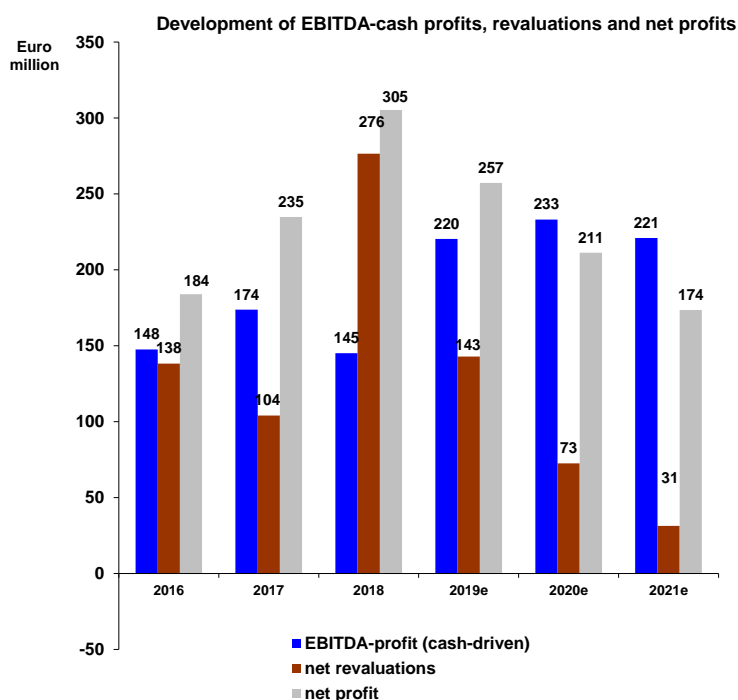
Source: Analysts' and Media Presentation, 28 March 2019

CA Immobilien Anlagen AG

31/12 IFRS ('000)

	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Rental income	154,817.0	165,603.0	180,281.0	192,440.0	211,020.0	232,904.0	225,447.3	5.4%
Proceeds from property sale (Trading Portfolio)	9,535.0	28,099.0	29,216.0	44,417.0	57,889.0	56,877.0	32,100.0	
Expenses from property disposal (Trading Portfolio)	-6,446.0	-18,669.0	-15,664.0	-37,011.0	-45,771.0	-48,775.0	-28,745.0	
Subtotal Trading Portfolio	3,089.0	9,430.0	13,552.0	7,406.0	12,118.0	8,102.0	3,355.0	
<i>sale margin (Trading Portfolio)</i>	<i>32.4%</i>	<i>33.6%</i>	<i>46.4%</i>	<i>16.7%</i>	<i>20.9%</i>	<i>14.2%</i>	<i>10.5%</i>	
Proceeds from property sale (Hold Portfolio)	231,635.0	274,030.0	107,849.0	45,842.0	189,774.0	155,745.0	144,772.0	
Expenses from property disposal (Hold Portfolio)	-195,088.0	-250,691.0	-75,717.0	-37,616.0	-150,382.0	-128,135.0	-121,778.0	
Result from property sales (Hold Portfolio)	36,547.0	23,339.0	32,132.0	8,226.0	39,392.0	27,610.0	22,994.0	
<i>sale margin (Hold Portfolio)</i>	<i>15.8%</i>	<i>8.5%</i>	<i>29.8%</i>	<i>17.9%</i>	<i>20.8%</i>	<i>17.7%</i>	<i>15.9%</i>	
Operating costs passed on to tenants	38,290.0	46,906.0	51,263.0	55,828.0	74,112.0	85,445.0	82,455.0	
Revenues from construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income from services	16,470.0	13,265.0	11,109.0	12,145.0	13,554.0	15,442.0	14,552.0	
Total revenues including the net gains from disposals	249,213.0	258,543.0	288,337.0	276,045.0	350,196.0	369,503.0	348,803.3	8.1%
Operating expenses	-44,567.0	-52,726.0	-55,696.0	-60,107.0	-59,778.0	-62,448.0	-57,443.0	
Other expenses directly related to Hold-Portfolio	-12,948.0	-12,633.0	-12,489.0	-12,961.0	-13,224.0	-14,548.0	-13,884.0	
Expenses for construction	-2,158.0	-2,333.0	-2,845.0	-6,141.0	-7,883.0	-8,771.0	-5,210.0	
Admin expenses	-42,452.0	-44,140.0	-44,618.0	-53,246.0	-51,447.0	-53,459.0	-53,745.0	
Own works capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other operating income	1,470.0	873.0	1,051.0	1,485.0	2,544.0	2,878.0	2,455.0	
EBITDA-profit (cash-driven operating profit)	148,558.0	147,584.0	173,740.0	145,075.0	220,408.0	233,155.0	220,976.3	15.1%
Gains from Fair Value Adjustments (IAS 40)	257,563.0	179,094.0	182,045.0	293,220.0	178,007.0	125,440.0	95,887.0	
Losses from Fair Value Adjustments (IAS 40)	-43,744.0	-40,834.0	-78,021.0	-16,759.0	-35,137.0	-52,881.0	-64,553.0	
Net result from Revaluations (IAS 40)	213,819.0	138,260.0	104,024.0	276,461.0	142,870.0	72,559.0	31,334.0	
Depreciation and amortisation of long-term assets	-2,915.0	-3,460.0	-2,658.0	-2,385.0	-2,120.0	-2,550.0	-2,347.0	
Depreciation of properties of Trading-Portfolio	32.0	29.0	-1,189.0	-234.0	-354.0	-220.0	-145.0	
Result from investments in joint ventures	43,221.0	11,420.0	66,585.0	23,354.0	18,477.0	16,445.0	15,478.0	
Operating Profit (EBIT)	402,715.0	293,833.0	340,502.0	442,271.0	379,281.0	319,389.0	265,296.3	-15.7%
Net financial result	-86,702.0	-56,228.0	-40,683.0	-46,071.0	-42,557.0	-44,578.0	-41,557.0	
Pre-tax profit (EBT)	316,013.0	237,605.0	299,819.0	396,200.0	336,724.0	274,811.0	223,739.3	-17.3%
taxes on income	-95,174.0	-53,688.0	-64,960.0	-90,896.0	-79,402.0	-63,545.0	-50,212.0	
tax-rate	30.1%	22.6%	21.7%	22.9%	23.6%	23.1%	22.4%	
minorities	0.0	-7.0	-5.0	-11.0	-14.0	-15.0	-11.0	
Net Profit after minorities	220,839.0	183,910.0	234,854.0	305,293.0	257,308.0	211,251.0	173,516.3	-17.2%
number of shares without own shares ('000)	97,941.7	94,995.3	93,226.3	93,028.3	92,510.0	92,510.0	92,510.0	
Earnings per share (Euro)	2.25	1.94	2.52	3.28	2.78	2.28	1.88	-17.0%
Dividends per share (Euro)	0.50	0.65	0.80	0.90	1.00	1.10	1.10	
Book Value per share (Euro)	21.65	23.21	25.73	28.37	30.41	31.02	31.37	3.4%
EPRA NAV per share (Euro)	21.90	26.74	29.90	33.30	35.10	36.15	36.98	
NNNAV per share (Euro)	22.69	24.56	27.13	30.08	32.54	33.98	35.54	5.7%
Key Data								
Shareholders' Equity	2,120,410.0	2,204,495.0	2,398,459.0	2,639,635.0	2,813,684.0	2,869,957.7	2,902,175.0	3.2%
Property assets let (only fully owned from 2014 on)	2,478,600	3,219,333	3,155,736	3,514,700	4,008,550	4,098,775	4,135,450	
thereof Germany ('000)	641.0	1,175.6	1,262.3	1,311.3	1,563.3	1,639.5	1,654.2	
thereof Austria ('000)	587.6	551.3	536.5	513.6	521.1	491.9	496.3	
thereof CEE and SEE ('000)	1,250.0	1,492.4	1,357.0	1,689.8	1,924.1	1,967.4	1,985.0	
Gross yield property assets let	6.5%	6.1%	5.9%	5.8%	6.0%	6.1%	6.2%	
Vacancy rate property assets let*	7.3%	8.0%	10.5%	5.6%	6.0%	6.1%	6.3%	
Property assets under current construction	171,600	438,485	579,295	406,100	378,135	389,751	187,725	-22.7%
RoE (pre-tax)	14.9%	10.8%	12.5%	15.0%	12.0%	9.6%	7.7%	
RoE (after tax)	10.8%	8.5%	10.2%	12.1%	9.4%	7.4%	6.0%	
Total balance sheet sum	3,983,983.0	4,309,138.0	4,768,707.6	5,355,504.0	5,607,212.7	5,724,964.2	5,793,663.7	2.7%
Equity ratio	53.2%	51.2%	50.3%	49.3%	50.2%	50.1%	50.1%	

* from 2018 shown as economic vacancy rate



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Rating Chronicle	Date	Rating	former share price	former target
CA Immo	March 6, 2019	Buy	30.12 €	34.00 €
CA Immo	November 21, 2018	Buy	28.52 €	33.00 €
CA Immo	August 24, 2018	Hold	32.46 €	33.00 €
CA Immo	May 24, 2018	Hold	29.08 €	29.00 €
CA Immo	March 22, 2018	Hold	27.48 €	27.50 €
CA Immo	March 2, 2018	Accumulate	25.50 €	27.50 €
CA Immo	November 23, 2017	Buy	24.40 €	26.00 €
CA Immo	August 24, 2017	Buy	22.46 €	25.00 €
CA Immo	May 24, 2017	Buy	21.17 €	24.00 €
CA Immo	March 22, 2017	Buy	19.10 €	24.00 €

Please note:

The CA Immo share price mentioned in this report is from 1 April 2019. CA Immo mandated SRC Research for covering the CA Immo share.

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