CA Immo

Buy (unchanged) **Target: Euro 34.00** (old: Euro 33.00)

06 | March | 19

THOMSON REUTERS ANALYST AWARDS 2018 WINNER

SRC Der Spezialist für Finanzaktien

Price (Euro)	**30.12**
52 weeks range	32.94 / 25.10

Key Data

ISIN	AT0000641352
Reuters	CAIV.VI
Bloomberg	CAI AV
Reporting standard	IFRS
Market Cap (Euro million)	2,976
Number of shares (million)	98.8
Free Float	68%
Free Float Market Cap (Euro million)	2,024
CAGR EBITDA cash profit ('17 -'20e)	12.5%

Multiples	**2017**	**2018e**	**2019e**	**2020e**
Market Cap/ Total revenues	10.3	11.0	8.9	8.5
PE-Ratio	**12.0**	**9.0**	**11.2**	**14.0**
Dividend Yield	2.7%	3.0%	3.3%	3.7%
Price-to-Book-Ratio	**1.17**	**1.06**	**0.99**	**0.97**
P/ NAV-ratio	**1.01**	**0.89**	**0.86**	**0.83**

Key Data per share (Euro)	**2017**	**2018e**	**2019e**	**2020e**
Earnings per share (EPS)	**2.52**	**3.34**	**2.70**	**2.16**
Dividend per share (DPS)	0.80	0.90	1.00	1.10
Book Value per Share (BVPS)	**25.73**	**28.32**	**30.27**	**31.21**
EPRA NAV per share	**29.90**	**33.95**	**35.10**	**36.15**
EPRA NNNAV	**27.13**	**30.24**	**32.54**	**33.98**

Financial Data (Euro '000)	**2017**	**2018e**	**2019e**	**2020e**
Total revenues incl net disposal gains	**288,337**	**270,293**	**332,717**	**348,990**
Rental income	**180,281**	**193,480**	**211,020**	**230,988**
Admin expenses	-44,618	-47,885	-37,887	-39,044
EBITDA profit (cash-driven)	**173,740**	**170,888**	**235,821**	**247,430**
Net result from revaluations	**104,024**	**276,526**	**132,331**	**60,115**
Operating profit (EBIT)	**340,502**	**465,099**	**371,888**	**311,341**
Net financial result	-40,683	-55,688	-42,557	-44,057
Pre-tax profit (EBT)	**299,819**	**409,411**	**329,331**	**267,284**
Taxation	-64,960	-99,145	-79,887	-67,595
Net profit after minorities	**234,854**	**310,266**	**249,444**	**199,689**
Shareholders' equity (Euro million)	2,399	2,634	2,801	2,887
Property assets let (Euro million)	**3,156**	**3,541**	**3,813**	**3,752**
Property assets under development	579	255	346	369
RoE (pre-tax)	**12.5%**	**15.5%**	**11.8%**	**9.3%**
RoE (after tax)	**10.2%**	**12.3%**	**9.2%**	**7.0%**
Equity ratio	50.3%	53.7%	53.7%	54.0%

Main Shareholders

Starwood	26%
Own shares	6%

Financial calendar

Annual report 2018	27 March 2019
AGM	9 May 2019
1Q 2019	22 May 2019
2Q 2019	21 August 2019

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A strong 2018 revaluation result will drive the bottom line and the EPRA NAV – target up to Euro 34.00

On 28 February, CA Immo published in an ad hoc announcement that the 2018 P & L will profit from a very high revaluation result, far above our forecast and far above the 2017 level.
Our net revaluation forecast for 2018 was just slightly above the (already high) 2017 level of Euro 104m.

CA Immo stated now that due to the very good market conditions in Germany and some CEE key countries the revaluation result in the fourth quarter will be at about Euro 184m, translating into a full year net revaluation result of Euro 276.5m. In addition to the very prosperous market climate and the resulting yield compression the CA Immo portfolio grew remarkably by finished KPMG Berlin building in 1Q 2018 and ViE office in 3Q 2018 as well as the 4Q addition by Orhideea Towers in Bucharest and Intercity Hotel Frankfurt Hauptbahnhof, all in all standing for an investment volume of Euro 230m.

With this very high revaluation result we lift our 2018e net profit forecast from Euro 186m to Euro 310m. We also expect a remarkable hike in the EPRA NAV per share which stood at Euro 31.13 at 9M 2018. We assume that a range for the 2018 full year EPRA NAV between Euro 33.50 and Euro 34.50 is the most realistic scenario.

The CA Immo share price gained 9% since the beginning of the year. We expect the positive news flow to continue with the release of the 2018 annual report in three weeks, on 27 March. We confirm our Buy recommendation. With the higher EPRA-NAV forecast we now lift our CA Immo target price from Euro 33.00 to Euro 34.00.

CA Immobilien Anlagen AG

Industry:	Real Estate
Sub-segment:	Office/ Commercial
Country:	Austria
Headquarter:	Vienna
Foundation:	1990
Employees (year-end 2017)	337

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Keegan Viscius (CIO)

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John Nacos, Michael Stanton
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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 30 September an investment portfolio with a volume of about Euro 4.1bn allocated in Germany (45%), Austria (13%) and Eastern and South-Eastern Europe (42% , thereof Hungary is 12% and Poland 9% and Romania and Czech Republic at 8% both).

In 2015, CA Immo further sharpened its specialist profile, especially by disposing some none-strategic assets like a logistics portfolio in Eastern European in 1Q 2015 or the H&M logistic asset in Hamburg in 2H 2015 for above Euro 100m for instance. By another disposal of two Czech hotels in 1Q 2015 and a plot of land in Berlin, CA Immo finally increased the share of premium office within the asset portfolio from 79% in 2014 to 85% by end of 2015. By doing this, CA Immo rebalanced the group's portfolio picture towards office and towards the more stable economies of Germany and Austria. Another great success for streamlining the portfolio was the sale of Prague Sestka shopping center in October 2016 and several non-strategic German land plots were also sold. Thus, at the end of 2016 the sale of non-core strategic assets is more or less completed. Another important focus besides the sharpening of the profile by selling non-core assets was to grow the portfolio by 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 2017 net rental income jumped by 11% and cash driven EBITDA profit even jumped by 18% to Euro 174m. Furthermore, the Millenium Towers in Budapest were acquired in 2016, which is a promising bet to profit from a yield compression there with a first-class and fully let and LEED certified property. 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. Also keep in mind the Berlin-based Cube Office trophy building with 19k sqm to be completed in 2019, which was sold in a forward sale to a big fund manager. The lucrative sale of Frankfurt Tower 185 in November 2017 was another great milestone.
Another highlight of 2017 was the significant reduction of the financing costs. The average cost of debt remarkably came down again, from 2.3% at year end 2016 to 1.9% at year-end 2017. 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 (falling from 2.9% in 2015 to 2.3% in 2016 and now even below 2% in 4Q 2017). 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. About 68 % of the shares are in free float. Starwood has a major 26% stake in CA Immo since 3Q 2018 .

The firm will pay a high 70% of the FFO I cash earnings as dividend to the shareholders. Thus the 2017 dividend steeply increased again, from 65 Cents in the year before to 80 Cents. The company delivered a 16% hike in the 2017 FFO I, from Euro 92m to Euro 107m. For 2018 the management guided another FFO I hike to at least Euro 115m and another hike to at least Euro 125m for 2019. The first three quarters of FY 2018 were promising with a more than 11% hike in FFO I to almost Euro 94m in 9M 2018. CA Immo has also rock solid balance sheet metrics with an equity ratio of 49% and a net LTV of only very low 34%, 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 250m land reserves to develop / exploit which are mainly (> 90%) in Germany (more or less a split of Frankfurt, Munich and Berlin) and would offer a high additional Euro 1.8bn book value potential to be realized (with a targeted development margin of c. 20%).

Source: Company Data, SRC Research

The development pipeline is 150% of the current portfolio at about Euro 6bn, of which Euro 4bn the next ten years (mainly Germany)

Development

CA IMMO

Total Volume incl. Projects under Construction and Pipeline (~ € 6 bn)*

THREE DEVELOPMENT PHASES

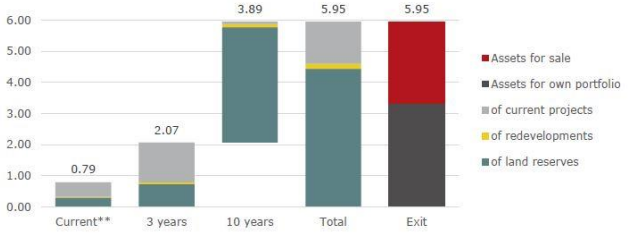
- CA Immo divides its long-term development pipeline based on current land reserves into three phases:
  - **~ 3 years** (development volume ~ € 670 m)
  - **~ 10 years** (~ € 3.4 bn)
  - **beyond**
- The current estimated development volume amounting to ~ € 4.1 bn (without plot sales) includes only phases 1 and 2
- An additional volume after the 10 year period is expected from today's perspective

PROJECTS 2018 – 2021 (SELECTION)***

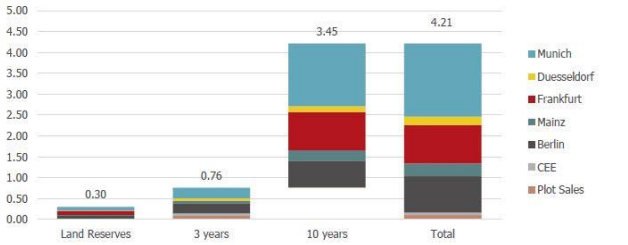
- **River City, Prague:** Office, GFA ~ 20,000 sqm
- **Baufeld 4, Berlin:** Office, GFA ~ 30,000 sqm
- **Nordhafen, Berlin:** Office, GFA ~ 35,000 sqm
- **Hafeninsel IV-V, Mainz:** Residential, GFA ~ 7,600 sqm (50% share in joint venture)
- **Freimann BF A, Munich:** Office, GFA ~ 13,500 sqm

*** In preparation for construction start

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



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



Source: Analysts' Presentation, 23 August 2018

Out of the 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

Development

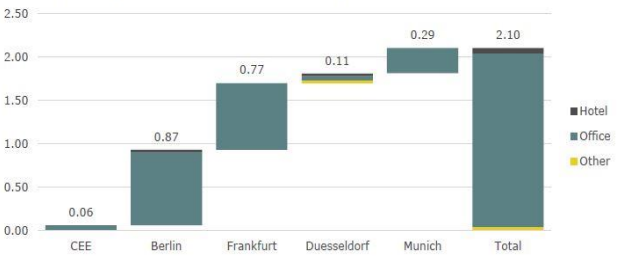
CA IMMO

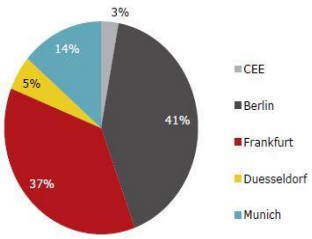
Pipeline Projects for Own Investment Portfolio (~ € 2.1 bn)*

DEVELOPMENT VOLUME FOR OWN PORTFOLIO

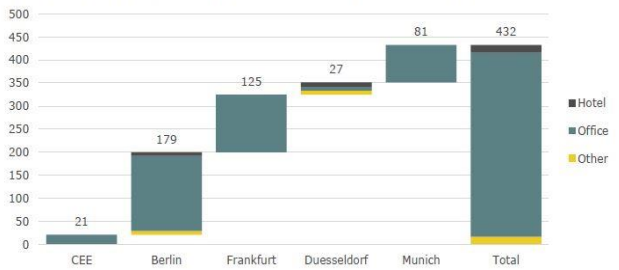
- Office and hotel properties are developed primarily for the company's own portfolio, whereas residential properties are earmarked for selling after completion
- Of the total estimated development volume of € 4.1 bn within the next ten years (excl. non-strategic land plot sales), ~ € 2.1 bn are earmarked for transfer to CA Immo's own investment portfolio from today's point of view

Development pipeline for own investment portfolio (€ bn)





Development pipeline for own investment portfolio (k sqm)

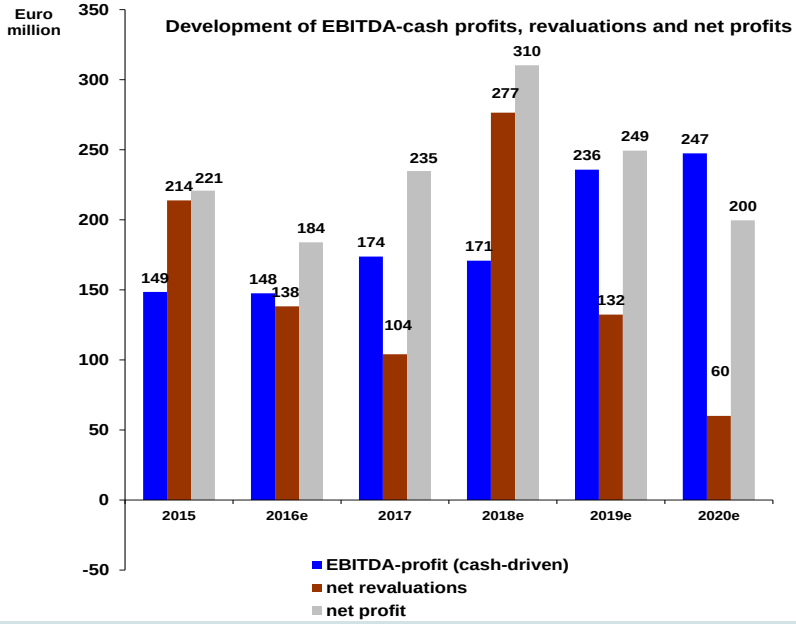


Source: Analysts' Presentation, 23 August 2018

CA Immobilien Anlagen AG

31/12 IFRS ('000)

	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
Rental income	**154,817.0**	**165,603.0**	**180,281.0**	**193,480.0**	**211,020.0**	**230,988.0**	**8.6%**
Proceeds from property sale (Trading Portfolio)	9,535.0	28,099.0	29,216.0	48,558.0	41,227.0	56,877.0	
Expenses from property disposal (Trading Portfolio)	-6,446.0	-18,669.0	-15,664.0	-39,187.0	-31,201.0	-42,772.0	
Subtotal Trading Portfolio	**3,089.0**	**9,430.0**	**13,552.0**	**9,371.0**	**10,026.0**	**14,105.0**	
sale margin (Trading Portfolio)	**32.4%**	**33.6%**	**46.4%**	**19.3%**	**24.3%**	**24.8%**	
Proceeds from property sale (Hold Portfolio)	231,635.0	274,030.0	107,849.0	82,566.0	254,662.0	198,552.0	
Expenses from property disposal (Hold Portfolio)	-195,088.0	-250,691.0	-75,717.0	-75,445.0	-198,785.0	-153,735.0	
Result from property sales (Hold Portfolio)	**36,547.0**	**23,339.0**	**32,132.0**	**7,121.0**	**55,877.0**	**44,817.0**	
sale margin (Hold Portfolio)	**15.8%**	**8.5%**	**29.8%**	**8.6%**	**21.9%**	**22.6%**	
Operating costs passed on to tenants	38,290.0	46,906.0	51,263.0	53,774.0	47,899.0	50,855.0	
Revenues from construction	0.0	0.0	0.0	0.0	0.0	0.0	
Income from services	16,470.0	13,265.0	11,109.0	6,547.0	7,895.0	8,225.0	
Total revenues including the net gains from disposals	**249,213.0**	**258,543.0**	**288,337.0**	**270,293.0**	**332,717.0**	**348,990.0**	**6.6%**
Operating expenses	-44,567.0	-52,726.0	-55,696.0	-52,152.0	-58,328.0	-62,355.0	
Other expenses directly related to Hold-Portfolio	-12,948.0	-12,633.0	-12,489.0	-10,560.0	-11,879.0	-12,565.0	
Expenses for construction	-2,158.0	-2,333.0	-2,845.0	-350.0	-1,250.0	-1,152.0	
Admin expenses	-42,452.0	-44,140.0	-44,618.0	-47,885.0	-37,887.0	-39,044.0	
Own works capitalised	0.0	0.0	0.0	0.0	0.0	0.0	
Other operating income	1,470.0	873.0	1,051.0	11,542.0	12,448.0	13,556.0	
EBITDA-profit (cash-driven operating profit)	**148,558.0**	**147,584.0**	**173,740.0**	**170,888.0**	**235,821.0**	**247,430.0**	**12.5%**
Gains from Fair Value Adjustments (IAS 40)	257,563.0	179,094.0	182,045.0	309,441.0	158,778.0	100,235.0	
Losses from Fair Value Adjustments (IAS 40)	-43,744.0	-40,834.0	-78,021.0	-32,915.0	-26,447.0	-40,120.0	
Net result from Revaluations (IAS 40)	**213,819.0**	**138,260.0**	**104,024.0**	**276,526.0**	**132,331.0**	**60,115.0**	
Depreciation and amortisation of long-term assets	-2,915.0	-3,460.0	-2,658.0	-2,240.0	-2,120.0	-2,550.0	
Depreciation of properties of Trading-Portfolio	32.0	29.0	-1,189.0	-200.0	-354.0	-220.0	
Result from investments in joint ventures	43,221.0	11,420.0	66,585.0	20,125.0	6,210.0	6,566.0	
Operating Profit (EBIT)	**402,715.0**	**293,833.0**	**340,502.0**	**465,099.0**	**371,888.0**	**311,341.0**	**-2.9%**
Net financial result	**-86,702.0**	**-56,228.0**	**-40,683.0**	**-55,688.0**	**-42,557.0**	**-44,057.0**	
Pre-tax profit (EBT)	**316,013.0**	**237,605.0**	**299,819.0**	**409,411.0**	**329,331.0**	**267,284.0**	**-3.8%**
taxes on income	-95,174.0	-53,688.0	-64,960.0	-99,145.0	-79,887.0	-67,595.0	
tax-rate	30.1%	22.6%	21.7%	24.2%	24.3%	25.3%	
minorities	0.0	-7.0	-5.0	0.0	0.0	0.0	
Net Profit after minorities	**220,839.0**	**183,910.0**	**234,854.0**	**310,266.0**	**249,444.0**	**199,689.0**	**-5.3%**
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	
Earnings per share (Euro)	**2.25**	**1.94**	**2.52**	**3.34**	**2.70**	**2.16**	**-5.0%**
Dividends per share (Euro)	**0.50**	**0.65**	**0.80**	**0.90**	**1.00**	**1.10**	
Book Value per share (Euro)	**21.65**	**23.21**	**25.73**	**28.32**	**30.27**	**31.21**	**6.7%**
EPRA NAV per share (Euro)	**21.90**	**26.74**	**29.90**	**33.95**	**35.10**	**36.15**	
NNNAV per share (Euro)	**22.69**	**24.56**	**27.13**	**30.24**	**32.54**	**33.98**	**7.8%**
Key Data							
Shareholders' Equity	**2,120,410.0**	**2,204,495.0**	**2,398,510.0**	**2,634,353.4**	**2,800,538.4**	**2,887,355.0**	**6.4%**
Property assets let (only fully owned from 2014 on)	**2,478,600**	**3,219,333**	**3,155,736**	**3,541,400**	**3,813,145**	**3,752,001**	
thereof Germany ('000)	641.0	1,175.6	1,262.3	1,452.0	1,677.8	1,650.9	
thereof Austria ('000)	587.6	551.3	536.5	566.6	610.1	600.3	
thereof CEE and SEE ('000)	1,250.0	1,492.4	1,357.0	1,522.8	1,525.3	1,500.8	
Gross yield property assets let	**6.5%**	**6.1%**	**5.9%**	**6.0%**	**6.0%**	**6.1%**	
Vacancy rate property assets let	**7.3%**	**8.0%**	**10.5%**	**9.5%**	**10.5%**	**11.2%**	
Property assets under current construction	**171,600**	**438,485**	**579,295**	**254,500**	**345,685**	**368,775**	**-14.0%**
RoE (pre-tax)	14.9%	10.8%	12.5%	15.5%	11.8%	9.3%	
RoE (after tax)	10.8%	8.5%	10.2%	12.3%	9.2%	7.0%	
Total balance sheet sum	**3,983,983.0**	**4,309,138.0**	**4,768,707.6**	**4,902,231.4**	**5,215,974.2**	**5,351,589.5**	**3.9%**
Equity ratio	**53.2%**	**51.2%**	**50.3%**	**53.7%**	**53.7%**	**54.0%**	



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Rating Chronicle	Date	Rating	former share price	former target
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 5 March 2019. CA Immo mandated SRC Research for covering the CA Immo share.

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