

**Buy** (unchanged) **Target: Euro 13.00** (unchanged)

20 | June | 2019

■ **Price (Euro)** **7.34**  
52 weeks range 8.98 / 6.06

■ **Key Data**

ISIN DE000A2DA414  
Bloomberg CC1:GR  
Reporting standard IFRS  
Market Cap (Euro million) 987  
Number of shares (million) 134.5  
Free Float 37%  
Free Float Market Cap (Euro million) 365  
CAGR EBITDA ('18 -'21e) 38.6%  
CAGR EBITDA pre PPA ('18 -'21e) 28.6%

■ Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	33.3	49.1	39.3	42.1
<b>PE-Ratio</b>	<b>-40.7</b>	<b>51.1</b>	<b>10.2</b>	<b>6.9</b>
Dividend Yield	0.0%	0.0%	0.0%	2.7%

■ Key Data per share (Euro)	2018	2019e	2020e	2021e
<b>Earnings per share (EPS)</b>	<b>-0.18</b>	<b>0.14</b>	<b>0.72</b>	<b>1.07</b>
Dividend per share (DPS)	0.00	0.00	0.00	0.20

■ Financial Data (Euro '000)*	2018	2019e	2020e	2021e
Income from letting activities	29,659	20,124	25,143	23,445
Income from inventory disposed of	163,515	27,898	28,147	147,447
<b>Total income</b>	<b>655,569</b>	<b>1,831,380</b>	<b>2,394,726</b>	<b>2,228,903</b>
Change in project related inventory	-31,464	-251,369	-362,789	-147,881
<b>Overall performance</b>	<b>624,104</b>	<b>1,580,011</b>	<b>2,031,937</b>	<b>2,081,022</b>
Cost of materials	-367,182	-1,202,230	-1,522,587	-1,499,117
Personnel expenses	-50,995	-57,441	-60,114	-61,449
Other operating expenses	-75,989	-101,478	-102,334	-101,442
<b>EBITDA</b>	<b>155,470</b>	<b>209,821</b>	<b>337,574</b>	<b>413,864</b>
<b>EBITDA pre PPA</b>	<b>253,190</b>	<b>351,700</b>	<b>457,991</b>	<b>538,423</b>
Net financial result	-198,316	-179,734	-160,921	-150,676
<b>Pre-tax profit (EBT)</b>	<b>-45,872</b>	<b>26,531</b>	<b>172,061</b>	<b>258,066</b>
Taxation	21,617	-3,701	-58,620	-86,447
<b>Net profit</b>	<b>-24,255</b>	<b>19,318</b>	<b>96,884</b>	<b>143,730</b>

\* 2018 on a pro-forma basis, net profit in 2018 before minorities

■ **Main Shareholders**

Aggregate Group 57%  
Christoph Gröner 6%

■ **Financial calendar**

AGM 26/06/2019  
SRC Forum Financials & Real Estate 03/09/2019  
1H 2019 report 19/09/2019

■ **Analysts**

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## A good first quarter with a lot of trading activities – share price is much too low – Buy and 13 Euros target clearly affirmed

Yesterday, the leading German residential developer CONSUS Real Estate released the 1Q 2019 report and invited for a conference call in the afternoon.

The company delivered quite impressive key performance indicators and made a good start into the year. After the takeover of Swiss SSN Group in 4Q 2018, the company delivered quarterly numbers, which reflect the total development portfolio. The total income steeply increased by 36% from Euro 87m to more than Euro 118m, thereof the income from property development rocketed 50% from Euro 76m to Euro 114m. The overall performance which includes the change in project related inventory surged by 40% from Euro 88m to over Euro 132m.

With regards to the operating profit, the EBITDA pre PPA and one offs also significantly increased by 15% from Euro 40.0m to Euro 46.1m, which translates into a satisfying adjusted EBITDA margin of 39%.

The gross development portfolio (GDV) remained unchanged at Euro 9.6bn like at year-end 2018. Of this GDV about Euro 2.5bn were in forward sales transactions by the end of March and another Euro 200m added up until now. That means almost 30% of the development portfolio is already secured by forward sales which is a clear indication for the lucrative pipeline. In addition to forward sales CONSUS also targets some upfront sales like the Leipzig 416 residential project to be closed in 3Q. All in all these upfront sales (mostly after zoning permission and building permit) will sum up to Euro 1.8bn, at very lucrative conditions. With these upfront CONSUS strengthens its capital structure and fosters its cash flow.

But there were also some activities at the acquisition side as CONSUS secured three development projects after March for its pipeline, worth Euro 1.0bn, thereof "Benrather Gärten" in Düsseldorf with Euro 763m is the biggest.

After our initiating coverage on 25 April the share price developed well and gained 18% only in one month. With the placement of the Euro 400m senior secured corporate bond in May the company reached a first milestone in its realignment to bring down the financing expenses of the group in mid-term, which are too high at the moment.

We like the KPIs of the first quarter and the decent trading activities with a high portion of forward sales, some very lucrative upfront sales and some very attractive new acquisitions. **In the last 4 weeks the share price development was sluggish with a Minus of 16%. There is no reason for that from a fundamental point of view. Thus, we clearly confirm our Buy recommendation and also stick to our Euro 13.00 target price.**

## SWOT Analysis

### Strengths

- The company has a very experienced management team that has a broad network in the industry and a high level of combined knowledge in development, financing and acquisition. For instance, Andreas Steyer was the former DEMIRE CEO.
- The forward sales approach clearly reduces the firm's risk profile and allows for fast capital recycling. Thus the firm's equity is set free at an early stage in projects and can be reinvested.
- The firm's track record is long and shows many successful project completions. Thus the company has a good standing to land projects and also to sell these to potential investors.
- The firm covers the entire development value chain and is therefore not dependent to the same extent as other developers on factors such as rising building costs, which have increased almost 5% in 2018.
- The high pipeline of almost Euro 10bn, which is spread until 2026 puts the firm in a very good position. CONSUS therefore currently does not have the high pressure to compete for new competitive projects and expensive land reserves and can acquire these on a more cherry picking basis.

### Weaknesses

- The groups financing costs are at present at a much too high level of more than 8%, after the acquisition of SSN (11.3%). The managements believes that it can reduce the interest rate by 2% points in the medium term, which is however not too ambitious in our view and would still show room for some more improvement.
- The firm's transparency level is lower compared to other developers, as only data of some of the projects are publicly available. We made a discount on that in our DCF.
- The CONSUS share is currently listed in the German low transparency level Scale segment, where liquidity and tradability are still quite limited. Given the size of the company, we expect an up-listing in the current fiscal year 2019.

### Opportunities

- The firm is a leader in terms of digitalization in the construction processes with the Building Information Modeling (BIM) 6D program. This could allow the company to significantly reduce prices and time and to gain an edge to the competitors.
- On top of the negotiated forward sales prices, CONSUS has the chance to benefit from a rent upside potential which would further drive the firm's profit given the company can successfully make use of these.
- The firm can further benefit from favorable market conditions in the German residential market.

### Threats

- The integration of SSN into the group could lead to problems or could not set free the targeted scale effects.
- Changes in the market environment can have a significant impact on the firm's development business and lower the firm's chances of sales at good margins.
- The persisting global uncertainties (Brexit, trade wars) could dampen (and already did) the economic growth rates in Germany. That could start to hurt the prices for residential real estate in Germany. We would exclude such a scenario as there is a high under-supply at apartments in the German hubs and metropolitan regions and this will not remarkably change the next ten years, in our view.

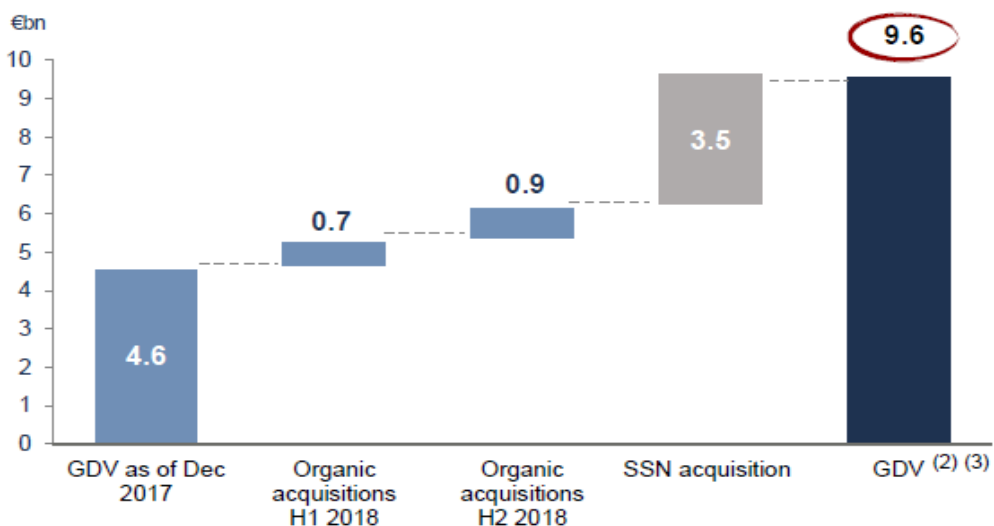
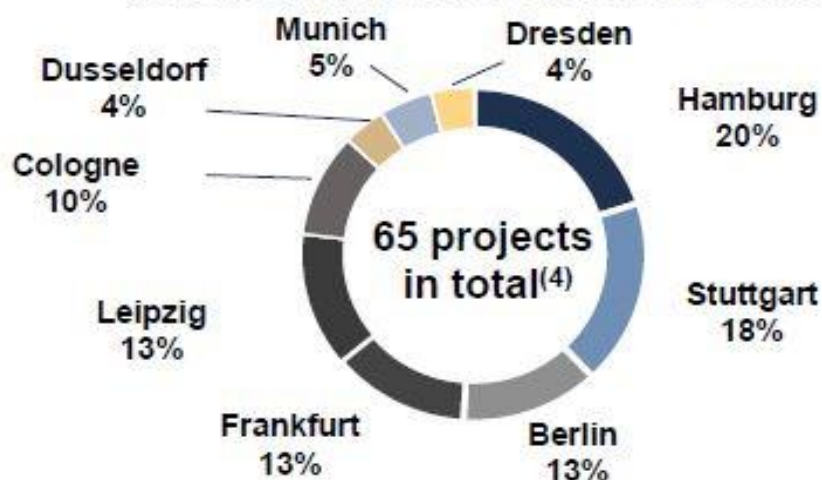
### Consus Real Estate AG

<b>Industry:</b>	Real Estate	<b>Management Board of CONSUS:</b>
<b>Sub-segment:</b>	Residential developer	Prof. Andreas Steyer (CEO)
<b>Region:</b>	Germany	Benjamin Lee (CFO)
<b>Headquarter:</b>	Berlin	Theo Gorens (CRO and deputy CFO)
<b>Foundation</b>	2017	
<b>Employees:</b>	>760	<b>Supervisory Board of CONSUS:</b>
		Axel Harloff
<b>IR Contact:</b>		Prof. Dr. Hermann Wagner
investors@consus.ag		Dr. Friedrich Oelrich
p.schlinkmann@consus.ag		

Consus Real Estate AG is a leading German residential developer with a focus on the top 9 German cities, which is listed in the German stock market at Scale segment.

Consus was founded in 2017, however, the combined group has already more than 20 years of experience in the development business and dates back to 1995 where CG Group, of which Consus holds a 75% stake, was founded. Following the acquisition of SSN in November 2018, the company now has a development portfolio with a gross development value of almost Euro 10bn. The portfolio is focused on the top 9 cities, with the largest share currently located in Hamburg (20%), closely followed by Stuttgart (18%). Consus follows a forward sale-oriented business model, thereby minimizing the risk. Of the almost Euro 10bn portfolio, currently 26% is forward sold and for another 53% forward sales are targeted. The remaining 20% consists of condominiums.

#### Development portfolio across top 9 cities



Source: Company Data, SRC Research

CONSUS Real Estate AG 31/12 IFRS ('000)	2017 (pro-forma)	2018 (reported)	2018 (pro-forma)	2019e	2020e	2021e	CAGR '18 - '21e
Income from letting activities	25,426	32,796	29,659	20,124	25,143	23,445	-7.5%
Income from real estate inventory disposed of	205,558	163,515	163,515	27,898	28,147	147,447	
Income from property development	15,717	408,461	443,830	1,763,214	2,318,987	2,033,455	66.1%
Income from service, maintenance and management activities	3,893	10,199	18,565	20,144	22,449	24,556	
<b>Total income</b>	<b>250,594</b>	<b>614,971</b>	<b>655,569</b>	<b>1,831,380</b>	<b>2,394,726</b>	<b>2,228,903</b>	<b>50.4%</b>
Change in project related inventory	302,183	-147,352	-31,464	-251,369	-362,789	-147,881	
<b>Overall performance</b>	<b>552,777</b>	<b>467,619</b>	<b>624,104</b>	<b>1,580,011</b>	<b>2,031,937</b>	<b>2,081,022</b>	<b>49.4%</b>
Expenses from letting activities	-2,723	-16,083	-14,741	-11,545	-12,558	-11,447	
Cost of materials	-300,601	-285,600	-367,182	-1,202,230	-1,522,587	-1,499,117	59.8%
Valuation result	4,844	25,631	25,631	1,257	2,103	3,544	
Other operating income	14,708	13,241	14,642	1,247	1,127	2,753	
Personnel expenses	-34,865	-36,911	-50,995	-57,441	-60,114	-61,449	
Other operating expenses	-55,511	-59,997	-75,989	-101,478	-102,334	-101,442	
<b>EBITDA</b>	<b>178,629</b>	<b>107,901</b>	<b>155,470</b>	<b>209,821</b>	<b>337,574</b>	<b>413,864</b>	<b>38.6%</b>
Depreciation and amortization	-2,204	-2,175	-3,026	-3,556	-4,592	-5,122	
<b>EBIT</b>	<b>176,425</b>	<b>105,726</b>	<b>152,444</b>	<b>206,265</b>	<b>332,982</b>	<b>408,742</b>	<b>38.9%</b>
Financial income	14,202	4,620	11,467	7,689	8,557	8,770	
Financial expenses	-205,289	-121,834	-209,783	-187,423	-169,478	-159,446	
<b>Pre-tax profit (EBT)</b>	<b>-14,662</b>	<b>-11,488</b>	<b>-45,872</b>	<b>26,531</b>	<b>172,061</b>	<b>258,066</b>	
Income tax	-1,209	11,192	21,617	-3,701	-58,620	-86,447	
Tax rate				13.9%	34.1%	33.5%	
<b>Net profit before minorities</b>	<b>-15,871</b>	<b>-296</b>	<b>-24,255</b>	<b>22,830</b>	<b>113,441</b>	<b>171,619</b>	
thereof minorities	n/a	13,230	n/a	3,512	16,557	27,889	
<b>Net profit after minorities</b>	<b>n/a</b>	<b>-13,526</b>	<b>n/a</b>	<b>19,318</b>	<b>96,884</b>	<b>143,730</b>	
Number of shares ('000)	79,850	134,526	134,526	134,526	134,526	134,526	
<b>Earnings per share (incl. minorities)</b>	<b>-0.20</b>	<b>0.00</b>	<b>-0.18</b>	<b>0.17</b>	<b>0.84</b>	<b>1.28</b>	
<b>Earnings per share (after minorities)</b>	<b>n/a</b>	<b>-0.10</b>	<b>n/a</b>	<b>0.14</b>	<b>0.72</b>	<b>1.07</b>	
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.20	
Purchase price allocation (PPA)		82,262	82,262	141,879	120,417	124,559	
One-off expenses		13,493	15,458	0	0	0	
<b>EBITDA before PPA</b>		<b>203,656.0</b>	<b>253,190.0</b>	<b>351,700.0</b>	<b>457,991.0</b>	<b>538,423.0</b>	<b>28.6%</b>
<b>Shareholders' Equity (incl. minorities)</b>	<b>816,009</b>	<b>1,162,539</b>	<b>1,162,539</b>	<b>1,185,369</b>	<b>1,298,810</b>	<b>1,443,524</b>	<b>7.5%</b>
thereof minorities	169,901	151,629	151,629	156,936	160,859	164,077	
<b>Balance Sheet sum</b>	<b>2,626,042</b>	<b>3,745,050</b>	<b>3,745,050</b>	<b>3,834,931</b>	<b>3,903,960</b>	<b>4,138,198</b>	
<b>Equity Ratio</b>	<b>31.1%</b>	<b>31.0%</b>	<b>31.0%</b>	<b>30.9%</b>	<b>33.3%</b>	<b>34.9%</b>	
<b>RoE (after tax)</b>	<b>-1.9%</b>	<b>0.0%</b>	<b>-2.5%</b>	<b>1.9%</b>	<b>9.1%</b>	<b>12.5%</b>	
<b>Book Value per share (Euro)</b>	<b>8.09</b>	<b>7.51</b>	<b>7.51</b>	<b>7.64</b>	<b>8.46</b>	<b>9.51</b>	<b>8.2%</b>

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**Rating Chronicle**

<b>Company</b>	<b>Date</b>	<b>Rating</b>	<b>former share price</b>	<b>former target</b>
CONSUS	21/05/2019	Buy	8.55 €	13.00 €
CONSUS	25/04/2019	Buy	7.25 €	13.00 €

**Please note:**

The share price mentioned in this report is from 19 June 2019. CONSUS Real Estate AG mandated SRC Research for covering the share.

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