

We deeply cut the 2020 rental income and hotel earnings but the share price slump following the COVID pandemic is too big – rating up to Buy after the slump, our new target price is Euro 20.00

On Wednesday, 18 March, S IMMO released the 2019 prelims with a detailed P & L and telling more about equity and debt position as well as FFO and 2019 dividend. As this is not of special interest any more in Corona times, we just shortly mention that 2019 was another record year, again a net profit of over Euro 200m (Euro 213m, after Euro 204m in 2018). The FFO I was again up from Euro 61m to almost Euro 65m. The EPRA NAV per share steeply climbed from Euro 21.25 in 2018 to Euro 26.45 in 2019, exceeding our old target price of Euro 25.00 and quite close to the S IMMO share price high of over 27 Euros, just some days ago at the beginning of March. We assume that there is no reason at all to play down the threat and magnitude of the COVID pandemic for European and global economies, even if we admit that Austria's government reacted quickly to bring down the social life.

S IMMO has two big hotels in the books, Marriott Vienna and Marriott Budapest. After a very good hotel picture in 2019, revenues up from Euro 55m to Euro 59m, we now very deeply cut the 2020 hotel revenues forecast by more than Euro 20m and come up with hotel revenues of only Euro 38.5 (-35%). The fourth quarter is important as it stands for about 30% of the full year revenues and we hope the crisis to be ended somewhere between May and July, which would lead for a higher hotels activity in the summer or at latest after the summer break to catch-up the business with many postponed business and leisure travels. We think our more than Euro 20m cut is sufficient and it even might be too much. **From the hotels the firm will still get a positive gross operating profit contribution over Euro 6m, as S IMMO will be able to clearly reduce the expenses by several measures by Euro 10m.** We cut the hotel operating expenses from Euro 42.3m in 2019 to only Euro 32.4m in our new 2020 forecast. **In the commercial rental portfolio about one third of the rental income is from retail.** Here, we also severely cut the retail rental earnings by Euro 11m or about 25%. The 2020 total rental income should for that fall from Euro 119.4m to only 108.4m. **We also expect a lower impact from the revaluation side, after a Euro 193m record in 2019, we cut the revaluation gain to only Euro 65m, but still positive, as SIAG has over 2 million sqm land reserves acquired near Berlin, for only Euro 30m.**

For 2020 S IMMO is far away from repeating the 2018 and 2019 results but should still deliver a pre-tax of over Euro 100m and a bottom line of c. Euro 90m. SIAG released a rock solid balance with an equity ratio of 43% end of December. Equity was further boosted in January with the issue of 6.7m new shares at a price of Euro 22.25 (Euro 149m fresh equity). With 2 new and cheap bonds in 2019 the financing situation and debt maturity is very comfortable. The slump in share price below Euro 15 is exaggerated. **Our new target is Euro 20.00 (being 25% below the book value!).** As the share price slump is exaggerated, we lift our rating from Accumulate to Buy. A 2020 FFO of Euro 50m – Euro 55m might be a first approach. A share buy-back announced last week of up to 2.2m shares will start tomorrow and is also helpful for a share price recovery. The 2019 dividend will remain stable at 70 Cents (almost 5% yield) and for the next year we still assume 50 Cents, which is covered by our expected FFO cash earnings.

Price (Euro)	14,44			
52 weeks range	27.70 / 13.00			
Key Data				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPI AV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	1062.9			
Number of shares (million)	73.6			
Free Float (approx.)	60%			
Free Float MarketCap (Euro million)	637.7			
CAGR (EBITDA '18-21e)	2,0%			
Multiples	2018	2019e	2020e	2021e
Market cap/ Revenues-Ratio	5,5	5,6	5,6	5,3
P/E-Ratio	4,7	4,5	11,5	7,8
Dividend Yield	4,8%	4,8%	3,5%	4,8%
Key Data per Share (Euro)	2018	2019e	2020e	2021e
Earnings per Share (EpS)	3,08	3,21	1,26	1,85
Dividends per Share (DpS)	0,70	0,70	0,50	0,70
Book Value per Share (BVpS)	15,88	19,34	20,33	21,45
EPRA NAV per share	21,25	25,60	27,14	29,06
FFO I per share	0,92	0,98	0,73	0,89
Financial Data (Euro '000)	2018	2019e	2020e	2021e
Revenues	192.441	210.408	177.438	208.662
Rental income	104.313	119.355	108.426	120.023
Net revaluation result	167.814	192.711	65.450	98.773
Operating cash profit (EBITDA)	83.093	86.968	67.132	88.178
Operating Profit (EBIT)	243.235	271.359	124.337	178.172
Pre-tax profit (EBT)	235.972	251.403	106.439	157.847
Net profit after minorities	203.690	212.816	90.375	134.079
Shareholders' Equity	1.062.513	1.294.259	1.496.780	1.578.832
RoE after tax	20,6%	18,1%	6,5%	8,7%
Financial Calendar				
2019 annual report		April 2, 2020		
AGM (date to be confirmed or re-scheduled)		April 24, 2020		
1Q 2020		May 26, 2020		
1H 2020		August 25, 2020		
SRC Forum Financials & Real Estate		September 10, 2020		
Main Shareholders				
Immofinanz		26%		
Ronny Pecik and Norbert Ketterer		14%		
Own shares		1%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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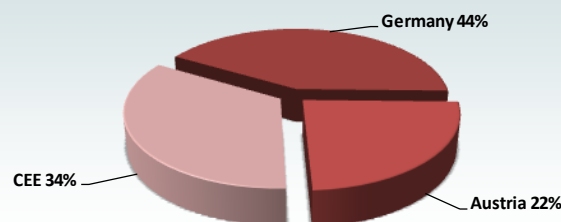
S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed (71% commercial)	CEO Ernst Vejdovszky	
Country:	Austria	Friedrich Wachernig, MBA	
Headquarter:	Vienna		
Foundation:	1986		
Employees (without Hotels):	108	Supervisory Board:	
		Dr. Martin Simhandl (Chairman)	
		Franz Kerber (Deputy Chairman)	
		Christian Hager	Manfred Rapf
IR Contact		Dr. Wilhelm Rasinger	Hanna Bomba
Andreas Feuerstein		Andrea Besenhofer	Dr. Karin Rest, MBA
(Andreas.Feuerstein@simmoag.at)			

S IMMO is a Vienna-based real estate holding company founded in 1986. Since 1987 the company is listed on the Vienna stock exchange and therefore Austria's longest existing property investment company. The share is member of ATX blue chip index since September 2017. Expansion activities to foreign countries were started close to the millenium. Within recent years the company acquired, according to its Buy and Develop and Hold strategy, a real estate portfolio that comprises about 300 properties, a lettable space of more than 1,200k sqm amounting to a value of more than Euro 2.3bn at June 2019 (+8.5% compared to year-end 2018). In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of office, business and hotel properties as well as residential properties selected for a sustainable value growth. All in all, commercial properties have a high 71% weighting and residential have 29%. S IMMO aims on a long investment horizon but also strongly exploits opportunities for trading in these low yielding times - as done in a bigger magnitude in 2016 and 2017, in particular in Germany and Austria. In terms of portfolio value a large share of 47% is located in Germany (about Euro 1.1bn). Austria stands for 21% (approx. Euro 0.5bn) while CEE stands for the remaining 32% (Euro 0.7bn) of the total portfolio value of Euro 2.3bn (1H 2019). The current rental yield is still at high 5.5% at 1H 2019 (5.7% at year-end 2018), even after the significant property mark-ups this is not too aggressive, in our view. In 2018, the high occupancy of 94.8% in 2017 came even further up to 95.8% and was almost unchanged at 95.6% at 1H 2019. The company released its 2019 prelims on 18 March and presented the best year in history with a net profit after minorities of Euro 213m, surpassing again like in 2018 the Euro 200m threshold and an FFO I surpassing again the Euro 60m threshold, a hike from Euro 61m in 2018 to almost Euro 65m in 2019. For 2018 the dividend was strongly lifted from 40 Cents to 70 Cents and the management announced to give the next AGM a proposal for a stable dividend payment for the FY 2019. The AGM is scheduled for 24 April but due to the COVID pandemic we expect this date to be re-scheduled. The portfolio size hiked from Euro 2.1bn in 2018 to more than Euro 2.2bn in 2019. The here mentioned regional split of assets in 2018 should not have materially changed between 2018 and 2019.

Value of portfolio by region

(Euro 2.1bn at FY 2018)



Source: Company data (FY 2018)

The company has a very stable Hold portfolio and has finished some important development activities in the last 18 months, such as the Berlin Leuchtenfabrik as well as in Vienna the Quartier Belvedere Central and in Bucharest based the renown landmark The Mark office which was completed one year ago in 1Q 2019 (BREEAM Excellent, 25k sqm) as well as Bratislava Einsteinova office (BREEAM Excellent, 24k sqm) which was completed in 4Q 2018.

The core shareholder is Immofinanz with a 26% stake. The other way round S IMMO holds a 12% stake in ATX member Immofinanz and furthermore a 6.3% share in ATX member CA Immo.

Source: Company Data, SRC Research

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	193.735	188.491	190.697	198.754	191.421	192.441	210.408	177.438	208.662	2,7%
└ thereof rental income	116.707	111.845	111.686	118.174	112.020	104.313	119.355	108.426	120.023	
└ thereof revenues from service charges	36.827	34.542	33.465	37.657	33.435	33.379	31.958	30.557	32.114	
└ thereof revenues from hotel operations	40.201	42.104	45.546	42.923	45.966	54.749	59.095	38.455	56.525	
Other operating income	6.186	4.700	3.534	3.405	2.866	1.948	2.512	2.562	2.855	
Expenses directly attributable to properties	-60.603	-55.841	-55.841	-64.152	-59.877	-53.410	-60.951	-60.244	-60.987	
<i>Gross margin property segment</i>	<i>60,5%</i>	<i>61,9%</i>	<i>61,5%</i>	<i>58,8%</i>	<i>58,8%</i>	<i>61,2%</i>	<i>59,7%</i>	<i>56,7%</i>	<i>59,9%</i>	
Hotel operating expenses	-29.747	-31.344	-33.164	-32.037	-36.232	-38.023	-42.320	-32.412	-41.224	
Gross operating profit hotels (GOP)	10.454	10.760	12.382	10.886	9.734	16.726	16.775	6.043	15.301	
<i>Gross margin within hotel segment</i>	<i>26,0%</i>	<i>25,6%</i>	<i>27,2%</i>	<i>25,4%</i>	<i>21,2%</i>	<i>30,6%</i>	<i>28,4%</i>	<i>15,7%</i>	<i>27,1%</i>	
Revenues less directly attributable expenses	109.571	106.006	105.226	105.970	98.178	102.956	109.649	87.344	109.306	2,0%
<i>Total Gross margin</i>	<i>56,6%</i>	<i>56,2%</i>	<i>55,2%</i>	<i>53,3%</i>	<i>51,3%</i>	<i>53,5%</i>	<i>52,1%</i>	<i>49,2%</i>	<i>52,4%</i>	
Net operating income (NOI)	103.385	101.306	101.692	102.565	95.312	101.008	107.137	84.782	106.451	1,8%
<i>NOI-margin</i>	<i>53,4%</i>	<i>53,7%</i>	<i>53,3%</i>	<i>51,6%</i>	<i>49,8%</i>	<i>52,5%</i>	<i>50,9%</i>	<i>47,8%</i>	<i>51,0%</i>	
Net Gains on property disposal	6.414	180	5	5.133	10.341	0	0	0	0	
Management expenses	-15.078	-16.050	-16.483	-18.635	-18.963	-19.863	-22.681	-20.212	-21.128	
└ thereof personnel expenses	-5.730	-6.019	-7.665	-8.916	-8.796	-10.601	-12.855	-10.958	-11.744	
EBITDA	100.907	90.136	88.748	92.468	89.556	83.093	86.968	67.132	88.178	2,0%
<i>EBITDA-margin</i>	<i>52,1%</i>	<i>47,8%</i>	<i>46,5%</i>	<i>46,5%</i>	<i>46,8%</i>	<i>43,2%</i>	<i>41,3%</i>	<i>37,8%</i>	<i>42,3%</i>	
Depreciation	-11.992	-7.635	-7.695	-7.823	-8.999	-7.672	-8.320	-8.245	-8.779	
Property Revaluation	6.879	56.552	84.645	194.035	127.592	167.814	192.711	65.450	98.773	
Operating profit (EBIT)	95.794	139.053	165.698	278.680	208.149	243.235	271.359	124.337	178.172	-9,9%
<i>EBIT-margin</i>	<i>49,4%</i>	<i>73,8%</i>	<i>86,9%</i>	<i>140,2%</i>	<i>108,7%</i>	<i>126,4%</i>	<i>129,0%</i>	<i>70,1%</i>	<i>85,4%</i>	
EBIT-profit without revaluation result	88.915	82.501	81.053	84.645	80.557	75.421	78.648	58.887	79.399	1,7%
Net financial result	-53.901	-71.737	-48.892	-55.297	-41.437	-7.263	-19.956	-17.898	-20.325	
Participating certificates expenses (hybrid capital)	-9.286	-7.485	-4.553	-6.912	-5.964	0	0	0	0	
Earnings before tax (EBT)	32.607	59.831	112.253	216.471	160.748	235.972	251.403	106.439	157.847	-12,5%
<i>EBT margin</i>	<i>16,8%</i>	<i>31,7%</i>	<i>58,9%</i>	<i>108,9%</i>	<i>84,0%</i>	<i>122,6%</i>	<i>119,5%</i>	<i>60,0%</i>	<i>75,6%</i>	
Income tax expense	-4.553	-25.682	-35.004	-12.148	-27.278	-31.822	-38.112	-15.778	-23.446	
<i>Tax rate</i>	<i>14,0%</i>	<i>42,9%</i>	<i>31,2%</i>	<i>5,6%</i>	<i>17,0%</i>	<i>13,5%</i>	<i>15,2%</i>	<i>14,8%</i>	<i>14,9%</i>	
Net profit	28.054	34.149	77.249	204.323	133.470	204.150	213.291	90.661	134.401	
Minorities	-745	-2.824	960	-5.864	-3.379	-460	-475	-286	-322	
Net profit after minorities	27.309	31.325	78.209	198.459	130.091	203.690	212.816	90.375	134.079	-13,0%
<i>Return on sales</i>	<i>14,1%</i>	<i>16,6%</i>	<i>41,0%</i>	<i>99,9%</i>	<i>68,0%</i>	<i>105,8%</i>	<i>101,1%</i>	<i>50,9%</i>	<i>64,3%</i>	
Number of shares (in million)	66,9	66,9	66,9	66,9	66,9	66,9	66,9	73,6	73,6	
Earnings per Share (EPS) in Euro	0,41	0,47	1,17	2,98	1,97	3,08	3,21	1,26	1,85	-15,6%
Dividends per Share (DPS) in Euro	0,20	0,24	0,30	0,40	0,40	0,70	0,70	0,50	0,70	
Book Value per Share (BVPS) in Euro	10,99	8,06	9,01	11,49	13,66	15,88	19,34	20,33	21,45	
Total assets	1.879.648	1.894.672	2.067.356	2.278.900	2.272.255	2.720.134	3.137.688	3.096.898	3.171.224	5,2%
Shareholders' equity (after dividend payment)	510.710	539.337	603.189	769.120	914.335	1.062.513	1.294.259	1.496.780	1.578.832	14,1%
Shareholders' equity incl. participating certificates	735.710	634.876	659.148	819.120	971.052	1.062.513	1.294.259	1.496.780	1.578.832	
Equity ratio without minorities with hybrid capital	39%	34%	32%	36%	43%	39%	41%	48%	50%	
Return on Equity (RoE)	5,6%	6,0%	13,7%	28,9%	15,5%	20,6%	18,1%	6,5%	8,7%	
Key ratios & figures	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	
Growth rates in %										
Revenues	-1,5%	-2,7%	1,2%	4,2%	-3,7%	0,5%	9,3%	-15,7%	17,6%	
EBITDA	2,1%	-10,7%	-1,5%	4,2%	-3,1%	-7,2%	4,7%	-22,8%	31,3%	
EBIT	-10,3%	45,2%	19,2%	68,2%	-25,3%	16,9%	11,6%	-54,2%	43,3%	
EBT	1,3%	83,5%	87,6%	92,8%	-25,7%	46,8%	6,5%	-57,7%	48,3%	
Net profit after minorities	7,8%	21,7%	126,2%	164,5%	-34,7%	53,0%	4,5%	-57,5%	48,2%	
Margins in %										
EBITDA	52,1%	47,8%	46,5%	46,5%	46,8%	43,2%	41,3%	37,8%	42,3%	
EBIT	49,4%	73,8%	86,9%	140,2%	108,7%	126,4%	129,0%	70,1%	85,4%	
EBT	16,8%	31,7%	58,9%	108,9%	84,0%	122,6%	119,5%	60,0%	75,6%	
Expense ratios in %										
Depreciation to sales	-6,2%	-4,1%	-4,0%	-3,9%	-4,7%	-4,0%	-4,0%	-4,6%	-4,2%	
Tax rate	14,0%	42,9%	31,2%	5,6%	17,0%	13,5%	15,2%	14,8%	14,9%	
Profitability in %										
Profit margin	14,5%	18,1%	40,5%	102,8%	69,7%	106,1%	101,4%	51,1%	64,4%	
Return on equity (RoE) after tax	5,6%	6,0%	13,7%	28,9%	15,5%	20,6%	18,1%	6,5%	8,7%	
Return on Assets (RoA)	4,2%	1,8%	3,7%	9,0%	5,9%	7,5%	6,8%	2,9%	4,2%	
Return on Investment (RoI)	1,5%	1,8%	3,7%	9,0%	5,9%	7,5%	6,8%	2,9%	4,2%	
Valuation										
P/E-ratio	35,38	30,85	12,36	4,85	7,31	4,68	4,50	11,48	7,80	
P/S-ratio	5,49	5,64	5,57	5,35	5,55	5,52	5,05	5,99	5,09	
Price/BVpS (PBV)	1,31	1,79	1,60	1,26	1,06	0,91	0,75	0,71	0,67	
Dividend yield in %	1,4%	1,7%	2,1%	2,8%	2,8%	4,8%	4,8%	3,5%	4,8%	
Data per share										
Number of shares (in million)	66,9	66,9	66,9	66,9	66,9	66,9	66,9	73,6	73,6	
EPS	0,41	0,47	1,17	2,98	1,97	3,08	3,21	1,26	1,85	
DPS	0,20	0,24	0,30	0,40	0,40	0,70	0,70	0,50	0,70	
BVPS	10,99	8,06	9,01	11,49	13,66	15,88	19,34	20,33	21,45	
FFO I per share	0,50	0,32	0,52	0,60	0,64	0,92	0,98	0,73	0,89	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	27 November 2019	Buy	€ 22,20	€ 25,00
S IMMO	27 August 2019	Buy	€ 19,46	€ 24,00
S IMMO	27 May 2019	Accumulate	€ 19,98	€ 22,50
S IMMO	04 April 2019	Buy	€ 18,48	€ 21,50
S IMMO	18 March 2019	Buy	€ 17,98	€ 21,00
S IMMO	01 February 2019	Buy	€ 16,84	€ 20,50
S IMMO	27 November 2018	Buy	€ 15,20	€ 20,00
S IMMO	30 August 2018	Accumulate	€ 17,96	€ 19,00
S IMMO	29 May 2018	Accumulate	€ 16,70	€ 18,00
S IMMO	06 April 2018	Accumulate	€ 16,50	€ 17,50
S IMMO	28 November 2017	Buy	€ 14,83	€ 16,00

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 20 March 2020. S IMMO mandated SRC Research for covering the S IMMO share.

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