S IMMO

Buy (unchanged) **Target: Euro 21.00** (old: Euro 20.00)

26 | August | 2020

THOMSON REUTERS ANALYST AWARDS 2018 WINNER

SRC Der Spezialist für Finanzaktien

Price (Euro)	**14.52**			
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)	1068.8
Number of shares (million)	73.6
Free Float (approx.)	60%
Free Float MarketCap (Euro million)	641.3
CAGR (EBITDA '19-22e)	1.4%

Multiples	**2019**	**2020e**	**2021e**	**2022e**
Market cap/ Revenues-Ratio	5.5	5.7	5.6	5.4
P/E-Ratio	**4.5**	**21.4**	**11.8**	**8.8**
Dividend Yield	4.8%	3.4%	4.8%	4.8%

Key Data per Share (Euro)	**2019**	**2020e**	**2021e**	**2022e**
Earnings per Share (EpS)	**3.21**	**0.68**	**1.23**	**1.65**
Dividends per Share (DpS)	0.70	0.50	0.70	0.70
Book Value per Share (BVpS)	19.34	19.76	20.24	21.16
EPRA NAV per share	26.45	24.55	25.24	26.22
FFO I per share	0.98	0.73	0.91	1.04

Financial Data (Euro '000)	**2019**	**2020e**	**2021e**	**2022e**
Revenues	**210,427**	**177,438**	**206,262**	**215,599**
Rental income	119,373	108,426	120,023	123,844
Net revaluation result	192,671	16,744	48,887	81,445
Operating cash profit (EBITDA)	**87,037**	**67,101**	**85,588**	**90,649**
Operating Profit (EBIT)	**271,444**	**75,600**	**125,696**	**163,012**
Pre-tax profit (EBT)	251,423	57,105	105,371	141,564
Net profit after minorities	**212,774**	**47,778**	**88,045**	**119,270**
Shareholders' Equity	1,294,259	1,454,182	1,490,200	1,557,443
RoE after tax	18.1%	3.5%	6.0%	7.8%

Financial Calendar

SRC Forum Financials & Real Estate	**September 10, 2020**
AGM	October 12, 2020
9M 2020 report	November 24, 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 delivers a turn-around in bottom line and a positive revaluation result with the release of half-year numbers – Target up to Euro 21.00 and Buy rating affirmed

Yesterday, S IMMO released the 1H 2020 report and invited for a conference call.

The bottom line, which was negative with a Euro -21.4m net loss in the first quarter due to a Euro -31.5m revaluation loss, turned to a Euro 15.9m net profit in 1H 2020 (1H 2019: Euro 147.6m), as the revaluation picture pretty much improved and came back to a positive area with Euro 10.2m. We feel pretty much confirmed, as we did not cut our revaluation forecast so deeply in May to bring it in a negative area, as we considered some progress and even some yield compression for parts of the German S IMMO portfolio to compensate for potential yield hikes in CEE markets. Germany delivered a positive Euro 33m to the revaluation picture, whereas CEE was at approx. Euro -21m and Austria also delivered a tiny Euro -2m.

With regards to the operating profit on a cash driven EBITDA basis, the Covid 19 pandemic took its mark with a declining trend, from Euro 21.4m EBITDA in 1Q 2020 to Euro 14.8m in the second quarter. The company had to deal with some write-downs on rents receivables from the retail and hotel segment in the magnitude of Euro 3.4m. A part of these open receivables might come at a later stage or after some renegotiations for the rental contracts and we expect about 30% to 40% (Euro 1.0m to Euro 1.5m) to be realistic.

The FFO I result was at Euro 17.4m for the first six months, after Euro 39.0m in the period of the previous year. This gap looks bigger than it is, as the dividend payments from the 6.4% stake in CA Immo and 12.3% in Immofinanz come later this year and not in the second quarter like in 2019 (c. Euro 17.0m). CA Immo decided yesterday on the virtual AGM to pay Euro 1.00 per share and Immofinanz might decide for a Euro 0.85 dividend on the AGM scheduled for 1 October. At the end of the day the gap is much smaller and the management stated in the conference call, that the worst might be over, at least if there is no second lockdown in Europe.

Looking at top-line, the 1H rental revenues were slightly up Euro 58.1m to Euro 60.6m. 2Q stand-alone was despite the Covid-19 pandemic more or less unchanged with a very tiny decline from Euro 29.7m to Euro 29.4m. The collection rate for 2Q office properties remained at high 95%.

The balance sheet remains very healthy with a 44% equity ratio (41% at Dec. 2019) and an LTV of 44.6%, even slightly better than in 2019 (46.9%). The cost of funding remains unchanged at approx. 2.3%, the maturity profile of debt is undemanding with only a small Euro 29m bond due in next year and a Euro 100m bond due in 2024. The cash position is very satisfying with Euro 224m and much higher than in December (Euro 112m). Thus, the company has enough fire power to strengthen the portfolio with some cash flow accretive acquisitions in Germany, mainly in residential assets. With the turn-around in bottom line, the much better revaluation picture, the healthy balance sheet and the confirmation of the 70 Cents dividend in the call for the AGM on 12 October **we lift our target price from Euro 20.00 to Euro 21.00, which is backed by a stable EPRA NAV per share of Euro 23.78 (1Q: Euro 23.31). Buy affirmed.**

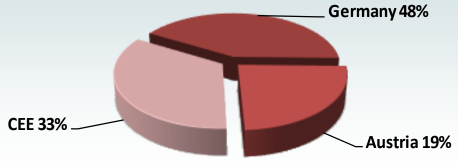
S IMMO AG Company Profile

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)**:**	113	**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 almost Euro 2.4bn at December 2019 (+11.8% 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 residentials 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 48% is located in Germany (more than Euro 1.1bn). Austria stands for 19% (approx. Euro 0.5bn) while CEE stands for the remaining 33% (Euro 0.8bn) of the total portfolio value of approx. Euro 2.4bn in 2019. The current rental yield is still at high 5.4% in 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 increased to 95.8% and was more or less unchanged at 95.5% in 2019. S IMMO released the 2019 annual report on 2 April and presented the best year in history with a net profit after minorities of Euro 213m, after a very high Euro 204m in 2018, and an FFO I increasing from Euro 61m in 2018 to almost Euro 65m in 2019. For 2018 the dividend was strongly lifted from 40 Cents to 70 Cents, meaning a payout ratio of clearly more than 70% of FFO cash earnings. The firm decided for a stable dividend of 70 Cents also for FY 2019, despite the COVID-19 pandemic.

Value of portfolio by region

(Euro 2.4bn at FY 2019)



Source: Company data (FY 2019)

In addition to a stable Hold portfolio, the company has recently finished some promising development activities in Berlin (Leuchtenfabrik) as well as in Vienna (Quartier Belvedere Central) and Bucharest (The Mark office was recently completed in 1Q 2019) as well as Bratislava (Einsteinova completed in 4Q 2018). The lion's share of the company's historical development activity was done in Austria and CEE. Hence, a significant share of already finished properties (like Sun shopping mall in Bucharest), held within the CEE portfolio, results from own developments. The core shareholder is Immofinanz with a 29% stake. The other way round S IMMO holds a 12% stake in Immofinanz.

The company aimed to lift FFO I to more than Euro 40m until 2018 and already managed to reach this target already in 2016, as FFO I increased by 15% from Euro 35.0m to Euro 40.1m. The FY 2017 FFO I then was at almost Euro 43m, and for 2018 S IMMO managed another very steep +43% hike to Euro 61m, followed by another Euro 65m record in 2019. We also like the improving numbers on the financing side. Cost of Funding came down to 3.12% in 2016 and even down to 2.67% in 2017 and now to only 2.28% in 2018, almost the same in 2019 (2.26%). The LTV improved to 55.9% at year-end 2016 and came down after the big sale transactions in Vienna Viertel Zwei and Sofia Serdika Shopping Center to 49.3% at FY 2017. In 2018 LTV remained almost unchanged at 50.4% and sligthly down to 46.9% in 2019.

Source: Company Data, SRC Research

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	**190.697**	**198.754**	**191.421**	**192.441**	**210.427**	**177.438**	**206.262**	**215.599**	**0,8%**
└ thereof rental income	111.686	118.174	112.020	104.313	119.373	108.426	120.023	123.844	
└ thereof revenues from service charges	33.465	37.657	33.435	33.379	31.952	30.557	32.114	33.871	
└ thereof revenues from hotel operations	45.546	42.923	45.966	54.749	59.102	38.455	54.125	57.884	
Other operating income	3.534	3.405	2.866	1.948	2.481	2.531	2.855	2.677	
Expenses directly attributable to properties	-55.841	-64.152	-59.877	-53.410	-60.952	-60.244	-60.987	-62.651	
Gross margin property segment	*61,5%*	*58,8%*	*58,8%*	*61,2%*	*59,7%*	*56,7%*	*59,9%*	*60,3%*	
Hotel operating expenses	-33.164	-32.037	-36.232	-38.023	-42.250	-32.412	-41.224	-42.859	
Gross operating profit hotels (GOP)	**12.382**	**10.886**	**9.734**	**16.726**	**16.852**	**6.043**	**12.901**	**15.025**	
Gross margin within hotel segment	*27,2%*	*25,4%*	*21,2%*	*30,6%*	*28,5%*	*15,7%*	*23,8%*	*26,0%*	
Revenues less directly attributable expenses	**105.226**	**105.970**	**98.178**	**102.956**	**109.706**	**87.313**	**106.906**	**112.766**	**0,9%**
Total Gross margin	*55,2%*	*53,3%*	*51,3%*	*53,5%*	*52,1%*	*49,2%*	*51,8%*	*52,3%*	
Net operating income (NOI)	**101.692**	**102.565**	**95.312**	**101.008**	**107.225**	**84.782**	**104.051**	**110.089**	**0,9%**
NOI-margin	*53,3%*	*51,6%*	*49,8%*	*52,5%*	*51,0%*	*47,8%*	*50,4%*	*51,1%*	
Net Gains on property disposal	**5**	**5.133**	**10.341**	**0**	**0**	**0**	**0**	**0**	
Management expenses	-16.483	-18.635	-18.963	-19.863	-22.669	-20.212	-21.318	-22.117	
└ thereof personnel expenses	-7.665	-8.916	-8.796	-10.601	-11.513	-10.958	-11.744	-12.320	
EBITDA	**88.748**	**92.468**	**89.556**	**83.093**	**87.037**	**67.101**	**85.588**	**90.649**	**1,4%**
EBITDA-margin	*46,5%*	*46,5%*	*46,8%*	*43,2%*	*41,4%*	*37,8%*	*41,5%*	*42,0%*	
Depreciation	-7.695	-7.823	-8.999	-7.672	-8.264	-8.245	-8.779	-9.082	
Property Revaluation	84.645	194.035	127.592	167.814	192.671	16.744	48.887	81.445	
Operating profit (EBIT)	**165.698**	**278.680**	**208.149**	**243.235**	**271.444**	**75.600**	**125.696**	**163.012**	**-15,6%**
EBIT-margin	*86,9%*	*140,2%*	*108,7%*	*126,4%*	*129,0%*	*42,6%*	*60,9%*	*75,6%*	
EBIT-profit without revaluation result	**81.053**	**84.645**	**80.557**	**75.421**	**78.773**	**58.856**	**76.809**	**81.567**	**1,2%**
Net financial result	-48.892	-55.297	-41.437	-7.263	-20.021	-18.495	-20.325	-21.448	
Participating certificates expenses (hybrid capital)	-4.553	-6.912	-5.964	0	0	0	0	0	
Earnings before tax (EBT)	**112.253**	**216.471**	**160.748**	**235.972**	**251.423**	**57.105**	**105.371**	**141.564**	**-17,4%**
EBT margin	*58,9%*	*108,9%*	*84,0%*	*122,6%*	*119,5%*	*32,2%*	*51,1%*	*65,7%*	
Income tax expense	-35.004	-12.148	-27.278	-31.822	-38.116	-9.041	-17.004	-21.814	
Tax rate	*31,2%*	*5,6%*	*17,0%*	*13,5%*	*15,2%*	*15,8%*	*16,1%*	*15,4%*	
Net profit	**77.249**	**204.323**	**133.470**	**204.150**	**213.307**	**48.064**	**88.367**	**119.750**	
Minorities	960	-5.864	-3.379	-460	-533	-286	-322	-480	
Net profit after minorities	**78.209**	**198.459**	**130.091**	**203.690**	**212.774**	**47.778**	**88.045**	**119.270**	**-17,5%**
Return on sales	*41,0%*	*99,9%*	*68,0%*	*105,8%*	*101,1%*	*26,9%*	*42,7%*	*55,3%*	
Number of shares (in million)	66,9	66,9	66,9	66,9	66,9	73,6	73,6	73,6	
Earnings per Share (EPS) in Euro	**1,17**	**2,98**	**1,97**	**3,08**	**3,21**	**0,68**	**1,23**	**1,65**	**-19,9%**
Dividends per Share (DPS) in Euro	0,30	0,40	0,40	0,70	0,70	0,50	0,70	0,70	
Book Value per Share (BVPS) in Euro	9,01	11,49	13,66	15,88	19,34	19,76	20,24	21,16	
Total assets	**2.067.356**	**2.278.900**	**2.272.255**	**2.720.134**	**3.137.688**	**3.096.898**	**3.171.224**	**3.272.703**	**1,4%**
Shareholders' equity (after dividend payment)	**603.189**	**769.120**	**914.335**	**1.062.513**	**1.294.259**	**1.454.182**	**1.490.200**	**1.557.443**	**6,4%**
Shareholders' equity incl. participating certificates	659.148	819.120	971.052	1.062.513	1.294.259	1.454.182	1.490.200	1.557.443	
Equity ratio without minorities with hybrid capital	32%	36%	43%	39%	41%	47%	47%	48%	
Return on Equity (RoE)	13,7%	28,9%	15,5%	20,6%	18,1%	3,5%	6,0%	7,8%	

Key ratios & figures

Key ratios & figures	2015	2016	2017	2018	2019	2020e	2021e	2022e
Growth rates in %								
Revenues	1,2%	4,2%	-3,7%	0,5%	9,3%	-15,7%	16,2%	4,5%
EBITDA	-1,5%	4,2%	-3,1%	-7,2%	4,7%	-22,9%	27,6%	5,9%
EBIT	19,2%	68,2%	-25,3%	16,9%	11,6%	-72,1%	66,3%	29,7%
EBT	87,6%	92,8%	-25,7%	46,8%	6,5%	-77,3%	84,5%	34,3%
Net profit after minorities	126,2%	164,5%	-34,7%	53,0%	4,5%	-77,5%	83,9%	35,5%
Margins in %								
EBITDA	46,5%	46,5%	46,8%	43,2%	41,4%	37,8%	41,5%	42,0%
EBIT	86,9%	140,2%	108,7%	126,4%	129,0%	42,6%	60,9%	75,6%
EBT	58,9%	108,9%	84,0%	122,6%	119,5%	32,2%	51,1%	65,7%
Expense ratios in %								
Depreciation to sales	-4,0%	-3,9%	-4,7%	-4,0%	-3,9%	-4,6%	-4,3%	-4,2%
Tax rate	31,2%	5,6%	17,0%	13,5%	15,2%	15,8%	16,1%	15,4%
Profitability in %								
Profit margin	40,5%	102,8%	69,7%	106,1%	101,4%	27,1%	42,8%	55,5%
Return on equity (RoE) after tax	13,7%	28,9%	15,5%	20,6%	18,1%	3,5%	6,0%	7,8%
Return on Assets (RoA)	3,7%	9,0%	5,9%	7,5%	6,8%	1,6%	2,8%	3,7%
Return on Investment (RoI)	3,7%	9,0%	5,9%	7,5%	6,8%	1,6%	2,8%	3,7%
Valuation								
P/E-ratio	14,12	5,54	8,36	5,35	5,14	24,30	13,46	10,00
P/S-ratio	6,37	6,11	6,34	6,31	5,77	6,84	5,89	5,63
Price/BVpS (PBV)	1,83	1,44	1,21	1,04	0,85	0,84	0,82	0,78
Dividend yield in %	1,8%	2,4%	2,4%	4,2%	4,2%	3,0%	4,2%	4,2%
Data per share								
Number of shares (in million)	66,9	66,9	66,9	66,9	66,9	73,6	73,6	73,6
EPS	1,17	2,98	1,97	3,08	3,21	0,68	1,23	1,65
DPS	0,30	0,40	0,40	0,70	0,70	0,50	0,70	0,70
BVPS	9,01	11,49	13,66	15,88	19,34	19,76	20,24	21,16
FFO I per share	0,52	0,60	0,64	0,92	0,98	0,73	0,91	1,04

SRC Research

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	26 May 2020	Buy	€ 16.72	€ 20.00
S IMMO	12 May 2020	Buy	€ 16.50	€ 20.00
S IMMO	23 March 2020	Buy	€ 14.44	€ 20.00
S IMMO	27 November 2019	Accumulate	€ 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

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 25 August 2020. S IMMO mandated SRC Research for covering the S IMMO share.