

Good first quarter from a cash perspective as FFO went up 28% and EBITDA +9% - despite the negative 1Q revaluation result we do not change our rating and target price

Today, S IMMO released the 1Q 2020 report and invited for a conference call. Like already mentioned with some 1Q prelims on 11 May, the operating performance in the initial quarter was good with a **significant hike in all cash driven numbers like rental revenues, gross rental income, FFO and EBITDA, but the bottom line was disturbed by a Euro -31.5m non cash revaluation loss, mainly coming from CEE (Euro -22.5m) and in addition Austria (Euro -8.6m). The Germany revaluation picture was at a Zero level.**

In detail, S IMMO's rental revenues were up 10%, from Euro 28.4m to Euro 31.1m. The hotel revenues were just slightly down due to a weak COVID-19 March from Euro 11m to Euro 10m, but the gross rental profit was up 7.5% from Euro 24.0m to Euro 25.8m. The cash driven operating EBITDA profit was even up 9.4%, from Euro 19.5 to Euro 21.4m. With regards to FFO I, the +28% hike was very remarkable, from Euro 10.8m in 1Q 2019 to now Euro 13.8m in 1Q 2020.

Despite all these positive and encouraging KPIs the pre-tax result and the bottom line turned red, as a negative revaluation result occurred.

That means only 1.3% of the firm's IFRS property value and was based on internal assumptions following some recent opinions of some CEE market experts. We spoke about this topic in detail with our last update from 12 May. The biggest parts of devaluation came from Hungary and Czech Republic. In Prague with the 2 hotels at the famous Wenceslas Square (Wenzelsplatz) we assume about Euro -7m in valuation. A similar amount of devaluation for Hungary is our assumption, only for the offices which almost all have still very high occupancy rates of 94% or even above, just to be mentioned. A third but smaller part of valuation might be the Bucharest Sun Plaza and Sun offices which we assume to stand for c. Euro -3m.

The pre-tax result turned from Euro 17.7m to Euro -25.7m and the bottom line from a decent Euro 15.1m net profit in 1Q 2019 to Euro -21.4m now, exactly in the Euro -18m to Euro -24m range, that we assumed in our last update from 12 May.

The balance sheet of the company is rock solid and gives enough cushion for the rough quarters ahead. The equity was slightly up in the first three months and is now at Euro 1.36bn and the equity ratio rose from 42.9% in December to 43.9% at the end of March. The liquid funds have more than doubled from Euro 112m in December to now Euro 232m at the end of March, flattered by the recent capital hike at the beginning of the year, in January, by the issue of 6.7 million new shares at Euro 22.25, bringing gross proceeds of almost Euro 149m. With regards to the LTV, it was down, from 46.9% to 44.7%, for financing secured by properties it is even much lower at only 34.1% (Dec. 2019 32.7%).

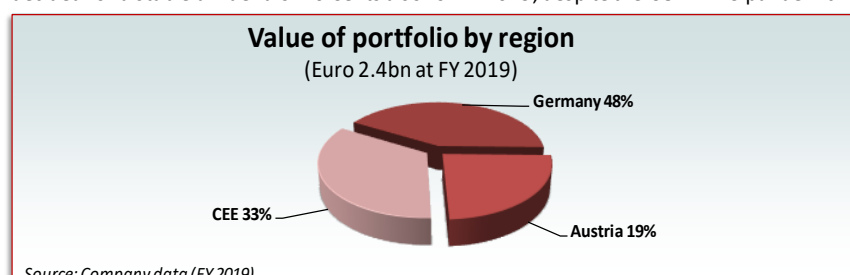
In the light of the release of the 1Q 2020 report we see no reason to change our full our P & L forecast with a slightly positive revaluation result. We also maintain our Buy recommendation and stick to our Euro 20.00 target price, which is cautiously set below the EPRA NAV per share of Euro 23.31 (Dec. 2019: Euro 26.45). A new date for the shifted 2020 AGM was not released yet.

Price (Euro)	16,72			
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)	1230,7			
Number of shares (million)	73,6			
Free Float (approx.)	60%			
Free Float MarketCap (Euro million)	738,4			
CAGR (EBITDA '19-22e)	1,4%			
Multiples	2019	2020e	2021e	2022e
Market cap/ Revenues-Ratio	6,4	6,5	6,5	6,2
P/E-Ratio	5,4	5,2	24,6	13,6
Dividend Yield	4,2%	4,2%	3,0%	4,2%
Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per Share (EpS)	3,08	3,21	0,68	1,23
Dividends per Share (DpS)	0,70	0,70	0,50	0,70
Book Value per Share (BVpS)	15,88	19,34	19,76	20,24
EPRA NAV per share	26,45	26,72	27,47	28,54
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				
AGM	date to be disclosed			
1H 2020 report	August 25, 2020			
SRC Forum Financials & Real Estate	September 10, 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 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 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 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.



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 slightly 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	
<i>Gross margin property segment</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>	<i>60,3%</i>	
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	
<i>Gross margin within hotel segment</i>	<i>27,2%</i>	<i>25,4%</i>	<i>21,2%</i>	<i>30,6%</i>	<i>28,5%</i>	<i>15,7%</i>	<i>23,8%</i>	<i>26,0%</i>	
Revenues less directly attributable expenses	105.226	105.970	98.178	102.956	109.706	87.313	106.906	112.766	0,9%
<i>Total Gross margin</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>51,8%</i>	<i>52,3%</i>	
Net operating income (NOI)	101.692	102.565	95.312	101.008	107.225	84.782	104.051	110.089	0,9%
<i>NOI-margin</i>	<i>53,3%</i>	<i>51,6%</i>	<i>49,8%</i>	<i>52,5%</i>	<i>51,0%</i>	<i>47,8%</i>	<i>50,4%</i>	<i>51,1%</i>	
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%
<i>EBITDA-margin</i>	<i>46,5%</i>	<i>46,5%</i>	<i>46,8%</i>	<i>43,2%</i>	<i>41,4%</i>	<i>37,8%</i>	<i>41,5%</i>	<i>42,0%</i>	
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%
<i>EBIT-margin</i>	<i>86,9%</i>	<i>140,2%</i>	<i>108,7%</i>	<i>126,4%</i>	<i>129,0%</i>	<i>42,6%</i>	<i>60,9%</i>	<i>75,6%</i>	
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%
<i>EBT margin</i>	<i>58,9%</i>	<i>108,9%</i>	<i>84,0%</i>	<i>122,6%</i>	<i>119,5%</i>	<i>32,2%</i>	<i>51,1%</i>	<i>65,7%</i>	
Income tax expense	-35.004	-12.148	-27.278	-31.822	-38.116	-9.041	-17.004	-21.814	
<i>Tax rate</i>	<i>31,2%</i>	<i>5,6%</i>	<i>17,0%</i>	<i>13,5%</i>	<i>15,2%</i>	<i>15,8%</i>	<i>16,1%</i>	<i>15,4%</i>	
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%
<i>Return on sales</i>	<i>41,0%</i>	<i>99,9%</i>	<i>68,0%</i>	<i>105,8%</i>	<i>101,1%</i>	<i>26,9%</i>	<i>42,7%</i>	<i>55,3%</i>	
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	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	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
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
S IMMO	29 May 2018	Accumulate	€ 16,70	€ 18,00
S IMMO	06 April 2018	Accumulate	€ 16,50	€ 17,50

Please note:

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

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