

Warimpex

Buy (unchanged) Target: Euro 2.50 (old: Euro 2.30)

27 | August | 2019



Price (Euro)	1.33
52 weeks range	1.43 / 0.99
Key data	
ISIN	AT0000827209
Reuters	WXFB.VI
Bloomberg	WXT AV
Reporting standard	IFRS
Market Cap (Euro million)	71.8
Shares outstanding (million)	54.0
Free Float	44%
Free Float MarketCap (m)	31.6
3 years CAGR (EBITDA '18 - '21e)	42.2%
Multiples	2018 2019e 2020e 2021e
MarketCap / Revenues	2.46 2.25 1.88 1.72
PE Ratio	12.2 1.4 4.6 6.5
Dividend Yield	4.5% 7.5% 4.5% 4.5%
Key data per Share	2018 2019e 2020e 2021e
EPS (Earnings per Share)	0.11 0.98 0.29 0.20
Dividends per Share	0.06 0.10 0.06 0.06
Financial data (Euro million)	2018 2019e 2020e 2021e
Total Revenues	29.2 31.9 38.1 41.8
thereof Hotels and Resorts	12.4 10.0 12.4 13.6
thereof Investment Properties	15.5 20.3 24.4 26.8
thereof Development & AM	1.3 1.6 1.3 1.5
Total expenses	-12.2 -10.7 -13.3 -13.4
Operating profit (EBITDA)	4.3 28.3 15.7 12.5
Operating profit (EBIT)	19.8 38.6 22.9 18.5
Net financial result	-14.9 23.3 -1.7 -1.7
Pre-tax profit	5.0 61.9 21.1 16.8
Net profit after minorities	5.9 52.9 15.4 11.1
Main Shareholders	
Dr. Franz Jurkowsch (CEO)	14%
Georg Folian	15%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
MetLife PTE	> 5%
Financial calendar	
9M 2019 report	29 November 2019
Analysts	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA
Mail	scharff@src-research.de mehl@src-research.de
Internet	www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de

1H 2019 numbers significantly up due to gains on property sales, revaluations and exchange rates – target price up to Euro 2.50 as P&L numbers lifted

Today, the company published the report for the first half of 2019 and held a conference call. The numbers were good and primarily driven by property sales, valuation gains and exchange rate gains. Total revenues increased by almost 6% from Euro 14.4m to Euro 15.2m. Hotel revenues, which came down by about 24% following the sale of the operating company for the Dvorak hotel and contributed Euro 4.8m, while revenues from the rental of offices contributed Euro 9.2m, a hike of 23% driven by the purchase of the B52 office building in May 2018 and the completion of the Ogradowa office building in Lodz in October 2018. Development and service revenues about doubled and contributed the remaining about Euro 1.2m. Expenses directly attributable to revenues came down slightly, leading to gross income from revenues of more than Euro 9.2m, a hike of more than 14% compared to last year. Gains from the disposal of properties were at almost Euro 7.2m compared to none in the previous year's period. Thus, operating profit on EBITDA basis more than tripled from Euro 2.9m to Euro 9.9m. The firm's EBIT came in at Euro 16.6m (1H 2018: Euro 2.7m) significantly impacted by gains from the remeasurement of investment property, which were at more than Euro 6.7m. The financial result improved from Euro -7.2m to Euro 4.2m. While financial expenses more or less remained on last year's level, the company recorded exchange rate gains of Euro 7.3m compared to losses of almost Euro -4.9m last year. The pre-tax profit was at Euro 20.8m, while last year's number was at a loss of Euro -4.5m. The bottom line after minorities was at almost Euro 14m (1H 2018: Euro -2.5m). This translates into earnings per share of 26 Cent.

The work in the portfolio is also proceeding well. The acquisition of the 35% stake from CA Immo in AVIELEN was completed in August and Warimpex now holds 90% of the shares. The acquired hotel in Darmstadt, which marked the re-entry into Germany, should start generating revenues from September and additional refurbishment and renovation work will be completed without disrupting ongoing operations. For the office properties in Poland, the company is in negotiations with potential new tenants and a significant increase in occupancy is expected till year-end. Furthermore, for the two hotels in Paris of which Warimpex holds a 50% stake, conditions for a sale with a buyer were agreed upon and the sale is very likely. This would result in a disposal profit of about Euro 14m. Other than further possible new acquisitions, the company has currently four development projects that will be completed in the years 2021 or 2022 and further drive the firm's earnings.

The numbers at 1H led us to lift our P&L estimates for the full year. The firm's NNAV per share already hiked by about 6% during the first six months, from 2.56 Euros to 2.71 Euros, thus already above our original estimate of 2.65 Euros. Thus, we lift our target price from Euro 2.30 to Euro 2.50. We confirm our Buy recommendation.

Warimpex Finanz- und Beteiligungs AG

Industry: Real Estate
Sub-segment: Office / hotels
Country: Austria
Headquarters: Vienna
Foundation: 1959
Employees: 51

Management Board
 Dr. Franz Jurkowsch, CEO
 Dr. Daniel Folian, CFO
 Dr. Alexander Jurkowsch
 Florian Petrowsky

IR Contact
 Dr. Daniel Folian
 Phone: +43 1 310 / 55 00 -156
 E-mail: daniel.folian@warimpex.com

Supervisory Board
 Günter Korp, Chairman of the Supervisory Board
 Thomas Aistleitner Harald Wengust
 William Henry Marie de Gelsey Hubert Staszewski

Warimpex is a Vienna-based real estate development and investment firm with focus on office and hotel properties in Central and Eastern Europe (offices have a weighting of about 67% at present). The company develops and invests in projects in Poland, Hungary, Russia and Germany with a strategy to expand the office portfolio further, perhaps also in other European countries, if opportunities occur. One Budapest property was bought in May 2018 and two Polish office properties were developed and opened in October 2018 and April 2019. In the past, the firm managed to build up a well diversified hotel portfolio in terms of regions, hotel categories and hotel brands with more than 20 hotels and office properties. In February 2017 the company sold the biggest part of the hotel portfolio, a total of 8 hotels in Poland, Czech republic and Romania, to a Thai investor, U City Public Company Limited. The closing was on 31 May 2017. After this big deal and the recent sale of Czech Dvorak hotel in Karlovy Vary in February 2019, Warimpex has only 4 hotels left, the Paris Eurodisney based Dreamcastle and Magic Circus hotels (both are 50% JVs with UBM), and the Intercontinental Warsaw and the Crowne Plaza at St. Petersburg airport (55% stake). Besides that, there is a minor 9.9% stake at the Vienna-based Palais Hansen Kempinski hotel. The recent purchase of former Darmstadt based Commundo Telekom hotel in April 2019 is a promising German repositioning / refurbishment story (re-opening planned for 3Q 2018, capex for next two years about Euro 3m to 4m) and offers additional plot reserves for another c. 5,000 - 10,000 sqm office development in the heart of economically strong Rhine-Main area. Keep in mind that Darmstadt has approx. 160k inhabitants and is an important hub for IT / Telco industry and for natural sciences with two renown universities and the European Space Operations Center and also Pharma giant and Dax member Merck as well as Software AG are there. Also when it comes to the good infrastructure, reaching out for Frankfurt and Frankfurt airport, being only 30 km / 20 km north.

The group de-risked the balance sheet, lifting equity ratio from 12% in 2016 to clearly above 30% in 2017 and 2018, and strives for more stable earnings by building up a much bigger office portfolio, which will also quickly offset the earnings contribution from the sold hotel business. Warimpex significantly reduced expensive debt (repaying more than Euro 30m in expensive loans and convertible bonds, for instance PLN 19.5m convertible in April 2018) and issuing a new 7 years straight bond in September 2018 (Euro 9m for only 2.8% coupon) which helps to bring down future financial expenses and putting the full P & L on a more stable basis. With the current office assets and more offices developments to be completed, the revenues will clearly shift to the office sector. After office revenues hiking 17% to Euro 15.5m in 2018, we expect them to increase again by about 30% in 2019. With stable income streams Warimpex pays a 6 Cents dividend for FY 2018, unchanged to record year 2017. With a successful sale of the 2 Paris hotels in 2019 (Karlovy Vary already done), the dividend payment might even grow. The table below shows the development pipeline.

Project	Status	Exp. opening	Total area (approx.)	Beneficial ownership
Darmstadt Hotel	refurbishment	Q3 2019	324 rooms	100 %
Krakow Mogilska 41	refurbishment	Q3 2019	5,800 m ²	100 %
Krakow Chopin Office	planning	2021/22	21,000 m ²	100 %
AIRPORTCITY St. Petersburg Avior tower	planning	2021/22	20,000 m ²	100 %
Bialystok Offices phase 1	planning	2021/22	13,000 m ²	100 %
Krakow Mogilska III	planning	2021/22	12,000 m ²	100 %
Bialystok Offices phase 2-4	early planning	-	60,000 m ²	100 %
AIRPORTCITY St. Petersburg Offices phase IV	early planning	-	130,000 m ²	90 %

Source: Company Data, SRC Research

Warimpex AG									CAGR
IFRS 31/12 (Euro '000)	2015	2016	2017	2018	2019e	2020e	2021e	'18 - '21e	
Revenues	61,899	62,201	42,367	29,167	31,873	38,120	41,826		12.8%
thereof "Hotels & Resorts" segment	54,462	51,864	27,509	12,420	10,030	12,417	13,587		3.0%
thereof "Development & Services"	3,053	1,757	1,668	1,265	1,587	1,258	1,451		
thereof "Investment Properties" (office assets)	4,384	8,580	13,190	15,482	20,256	24,445	26,788		
Expenses	-38,539	-35,966	-21,956	-12,226	-10,722	-13,319	-13,436		
thereof "Hotels & Resorts" segment	-36,374	-33,094	-18,890	-8,660	-6,544	-8,425	-8,778		
thereof "Development & Services"	-898	-1,030	-651	-967	-1,300	-1,350	-1,100		
thereof "Investment Properties"	-1,267	-1,842	-2,415	-2,599	-2,878	-3,544	-3,558		
Net gains from the sale of group subsidiaries	14,220	8,673	26,575	0	21,235	5,179	0		
thereof revenues from property sales	68,853	14,061	61,030	5,400	63,187	43,589	0		
thereof carrying amounts, loans and borrowings assumed by the purchaser	-54,633	-5,388	-34,455	-5,400	-41,952	-38,410	0		
Other operating income	3,740	1,792	1,672	72	800	950	1,030		
thereof changes in real estate projects under development or construction	0	0	0	0	0	0	0		
thereof other income	0	0	0	0	0	0	0		
Administrative and other expenses	-12,040	-15,250	-15,053	-12,677	-14,897	-15,269	-16,943		
EBITDA	29,280	21,450	33,605	4,336	28,289	15,661	12,477		42.2%
Depreciation, amortization and revaluation	-39,185	4,285	21,099	15,490	10,313	7,191	5,976		
thereof scheduled depreciation and amortization	-8,905	-6,415	-895	-912	-904	-868	-988		
thereof impairment of property, plant and equipment	-12,189	-491	0	-21	0	515	410		
thereof reversal of impairments on property, plant and equipment	2,149	3,638	5,805	503	963	0	0		
thereof valuation result for investment properties	-20,240	7,553	16,189	15,920	10,254	7,544	6,554		
Operating profit (EBIT)	-9,905	25,735	54,704	19,826	38,602	22,852	18,453		-2.4%
Financial result	-31,853	-1,889	-11,716	-14,857	23,295	-1,744	-1,670		
thereof financial revenues	2,416	1,928	3,602	3,380	21,354	1,143	1,245		
thereof financial expenses	-24,410	-23,004	-10,499	-7,408	-7,149	-5,245	-6,245		
thereof exchange rate changes	-19,506	20,343	-7,409	-11,528	8,632	1,200	2,100		
thereof result from JV companies (at equity) after tax	9,647	-1,156	2,590	699	458	1,158	1,230		
Pre-tax profit (EBT)	-41,759	23,846	42,988	4,969	61,897	21,108	16,783		
Taxes	-571	-983	-2,492	-3,042	-4,813	-1,118	-856		
thereof income tax	-194	-937	15	-444	-2,697	-241	-322		
thereof deferred income tax	-377	-46	-2,507	-2,598	-2,116	-877	-534		
Net profit before minorities	-42,330	22,863	40,496	1,927	57,084	19,990	15,927		102.2%
Minorities	-24,492	5,440	-46	-3,963	4,200	4,544	4,872		
Net profit after minorities	-17,838	17,423	40,542	5,890	52,884	15,446	11,055		23.4%
<i>Number of shares (on average)</i>	<i>54,000</i>								
Earnings per share	-0.33	0.32	0.75	0.11	0.98	0.29	0.20		23.4%
Dividends per share (Euro)	0.00	0.00	0.06	0.06	0.10	0.06	0.06		
NNNAV per share (Euro)	1.80	1.90	2.40	2.56	2.85	2.92	3.01		

SRC Research

- The Specialist for Financial and Real Estate Stocks -

SRC - Scharff Research und Consulting GmbH

Klingerstrasse 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69 / 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle	Date	Rating	former share price	former target
Warimpex	31 May 2019	Buy	1.38 €	2.30 €
Warimpex	30 April 2019	Buy	1.37 €	2.30 €
Warimpex	4 December 2018	Buy	1.11 €	2.20 €
Warimpex	31 August 2018	Buy	1.34 €	2.20 €
Warimpex	30 May 2018	Buy	1.40 €	2.20 €
Warimpex	26 April 2018	Buy	1.41 €	2.20 €
Warimpex	9 April 2018	Buy	1.37 €	2.20 €
Warimpex	4 December 2017	Buy	1.49 €	2.00 €
Warimpex	30 August 2017	Buy	1.18 €	2.00 €
Warimpex	31 May 2017	Buy	1.25 €	1.90 €

Please note:

The Warimpex share price mentioned in this report is the closing price of 26 August 2019. Warimpex mandated SRC Research for covering the Warimpex share.

Disclaimer © 2019: This equity research report is published by: SRC-Scharff Research und Consulting GmbH, Klingerstr. 23, D-60313 Frankfurt, Germany (short name: SRC Research). All rights reserved.

Although we feel sure that all information in this SRC report stem from carefully selected sources with a high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgment of the author that not necessarily is the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All in this report made opinions and judgments might be changed without a pre-announcement. Within the scope of German regulative framework author and SRC-Scharff Research und Consulting GmbH do not assume any liability for using this document or its content. This report is just for information purposes and not a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should search for personal advice at their bank or investment house and should keep in mind, that prices and dividends of equities might rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to have no long- or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution and publishing of this report and its content as a whole or in parts is only allowed with an approval of SRC management board in written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at anytime at our website www.src-research.de.