

Warimpex

Buy (unchanged) **Target: Euro 2.50** (unchanged)

02 | December | 2019



Price (Euro)	1.69
52 weeks range	1.69 / 0.99
Key data	
ISIN	AT0000827209
Reuters	WXFB.VI
Bloomberg	WXT AV
Reporting standard	IFRS
Market Cap (Euro million)	91.3
Shares outstanding (million)	54.0
Free Float	44%
Free Float MarketCap (m)	40.2
3 years CAGR (EBITDA '18 - '21e)	42.2%
Multiples	2018 2019e 2020e 2021e
MarketCap / Revenues	3.13 2.80 2.39 2.18
PE Ratio	15.5 1.5 5.2 8.3
Dividend Yield	3.6% 5.9% 7.1% 7.1%
Key data per Share	2018 2019e 2020e 2021e
EPS (Earnings per Share)	0.11 1.13 0.32 0.20
Dividends per Share	0.06 0.10 0.12 0.12
Financial data (Euro million)	2018 2019e 2020e 2021e
Total Revenues	29.2 32.6 38.1 41.8
thereof Hotels and Resorts	12.4 10.3 12.4 13.6
thereof Investment Properties	15.5 20.3 24.4 26.8
thereof Development & AM	1.3 2.1 1.3 1.5
Total expenses	-12.2 -12.4 -13.3 -13.4
Operating profit (EBITDA)	4.3 56.1 18.0 12.5
Operating profit (EBIT)	19.8 66.1 24.9 18.5
Net financial result	-14.9 4.4 -1.7 -1.7
Pre-tax profit	5.0 70.5 23.2 16.8
Net profit after minorities	5.9 61.0 17.5 11.1
Main Shareholders	
Dr. Franz Jurkowsitsch (CEO)	14%
Georg Folian	15%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
MetLife PTE	> 5%
Financial calendar	
Annual report 2019	24 April 2020
AGM	20 May 2020
1Q 2020 report	28 May 2020
Analysts	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA
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Very strong year in the making as 9M numbers show significant hike driven by property sales, as well as accounting and exchange rate gains – Buy and Euro 2.50 affirmed

Last week Friday, on 29 November, the company released the report for the first nine months of 2019. While revenues were on track to at least reach our expectations, the earnings numbers were strong and already at the level of our full year estimates, as they profited from property sales, as well as accounting and exchange rate gains. Following the sale of the Dvorak hotel operating company in February, revenues in the hotel segment fell expectedly by 23% from Euro 9.7m to Euro 7.4m. Revenues from the rental of office properties on the other hand increased from Euro 11.3m to Euro 14.3m, a plus of 27%, driven by the purchases of the B52 office building, and the completions of Ogrodowa Office and Mogliska 43 Office. Including revenues of Euro 1.6m from development and services, total revenues came in at Euro 23.3m, up 8% from last year's number of Euro 21.6m. Expenses directly attributable to revenues remained unchanged at Euro 9.2m, resulting in a gross income of Euro 14.1m, up 14% from last year's Euro 12.4m. Gains from disposals came in at almost Euro 28m. Included here are the sales of the two Paris Disney hotels, the operating company for the Dvorak hotel in Karlovny Vary, and an office in Budapest. Other operating income added another more than Euro 20m to earnings, which reflects the accounting profits in regards to the purchase of shares and loans of a Russian Group company, as already announced at 1H. With a slight hike in administrative and other expenses, the firm's EBITDA amounted to more than Euro 53m, more than 12-fold the amount of last year's period. The financial result came in at Euro 4.5m compared to a negative number of Euro 10.6m in last year's period. This is mainly the result of exchange rate gains, which were at Euro 7.8m compared to a loss of Euro 8.6m last year. All in all, the firm's bottom line after minorities were at Euro 53m, while last year's number was at a loss of Euro 3m.

The numbers of the first 9 months are very good and are already at the level of our former estimates for the full-year, which we adjusted accordingly in turn. We now expect a pre-tax profit of more than Euro 70m and a bottom line after minorities of Euro 61m, both about Euro 8m higher than previously expected. Our outlook for the coming years remains positive as well, as the company has some good developments in the pipeline and should also be able to grow the portfolio by lucrative acquisitions. We clearly confirm our target price of 2.50 Euros. We also 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 Jurkowitzsch, CEO
 Dr. Daniel Folian, CFO
 Dr. Alexander Jurkowitzsch
 Florian Petrowsky

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Supervisory Board

Günter Korp, Chairman of the Supervisory Board
 Thomas Aistleitner
 William Henry Marie de Gelsey
 Harald Wengust
 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 recent purchase of former Darmstadt based Commundo Telekom hotel in April 2019 is a promising German repositioning / refurbishment story and offers additional plot reserves for another c. 5,000 - 10,000 sqm office development in the heart of economically strong Rhine-Main area. The re-opening took place in the third quarter of 2019 and thus already contributes to earnings. The hotel is now converted to the new Accor brand "greet" and will then be repositioned on the market in autumn 2020. 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 as of 1H 2019.

Project	Status	Exp. opening	Total area (approx.)	Beneficial ownership
Darmstadt Greet Hotel	refurbishment	2020	324 rooms	100 %
AIRPORTCITY St. Petersburg Avior tower	Under construction	2021/22	18,000 m ²	100 %
Krakow Chopin Office	planning	2021/22	21,000 m ²	100 %
Bialystok Offices phase 1	planning	2022	12,000 m ²	100 %
Krakow Mogilska phase 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	32,578	38,120	41,826	12.8%
thereof "Hotels & Resorts" segment	54,462	51,864	27,509	12,420	10,259	12,417	13,587	3.0%
thereof "Development & Services"	3,053	1,757	1,668	1,265	2,063	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	-12,396	-13,319	-13,436	
thereof "Hotels & Resorts" segment	-36,374	-33,094	-18,890	-8,660	-7,021	-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	-4,075	-3,544	-3,558	
Net gains from the sale of group subsidiaries	14,220	8,673	26,575	0	27,938	5,179	0	
thereof revenues from property sales	68,853	14,061	61,030	5,400	32,412	43,589	0	
thereof carrying amounts, loans and borrowings assumed by the purchaser	-54,633	-5,388	-34,455	-5,400	-4,474	-38,410	0	
Other operating income	3,740	1,792	1,672	72	20,593	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	-12,635	-12,951	-16,943	
EBITDA	29,280	21,450	33,605	4,336	56,078	17,979	12,477	42.2%
Depreciation, amortization and revaluation	-39,185	4,285	21,099	15,490	10,013	6,953	5,976	
thereof scheduled depreciation and amortization	-8,905	-6,415	-895	-912	-1,152	-1,106	-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	911	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	66,091	24,932	18,453	-2.4%
Financial result	-31,853	-1,889	-11,716	-14,857	4,371	-1,744	-1,670	
thereof financial revenues	2,416	1,928	3,602	3,380	952	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	1,936	1,158	1,230	
Pre-tax profit (EBT)	-41,759	23,846	42,988	4,969	70,462	23,188	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	65,649	22,070	15,927	102.2%
Minorities	-24,492	5,440	-46	-3,963	4,631	4,544	4,872	
Net profit after minorities	-17,838	17,423	40,542	5,890	61,018	17,526	11,055	23.4%
<i>Number of shares (on average)</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	
Earnings per share	-0.33	0.32	0.75	0.11	1.13	0.32	0.20	23.4%
Dividends per share (Euro)	0.00	0.00	0.06	0.06	0.10	0.12	0.12	
NNNAV per share (Euro)	1.80	1.90	2.40	2.56	2.93	3.12	3.31	
Shareholders' Equity (without minorities)	21,728	43,058	83,481	90,147	131,165	142,211	146,786	
Shareholders' Equity (including minorities)	53,765	70,188	110,926	110,887	161,589	183,432	193,309	
Total assets	350,235	357,886	265,254	292,012	363,589	372,315	388,697	
Equity Ratio	6.2%	12.0%	31.5%	30.9%	36.1%	38.2%	37.8%	

SRC Research

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Rating Chronicle	Date	Rating	former share price	former target
Warimpex	1 October 2019	Buy	1.43 €	2.50 €
Warimpex	27 August 2019	Buy	1.33 €	2.50 €
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 €

Please note:

The Warimpex share price mentioned in this report is the closing price of 29 November 2019. Warimpex mandated SRC Research for covering the Warimpex share.

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