



2018 numbers a bit above our forecast – new hotel property in Darmstadt will contribute in future – Buy recommendation affirmed and target up to Euro 2.30

■ Price (Euro) **1.37**
52 weeks range 1.50 / 0.99

■ Key data

ISIN	AT0000827209
Reuters	WXFB.VI
Bloomberg	WXT AV
Reporting standard	IFRS
Market Cap (Euro million)	74.0
Shares outstanding (million)	54.0
Free Float	44%
Free Float MarketCap (m)	32.6
3 years CAGR (EBITDA '18 - '21e)	47.8%

■ Multiples

	2018	2019e	2020e	2021e
MarketCap / Revenues	2.54	2.36	1.85	1.71
PE Ratio	12.6	3.0	8.8	5.9
Dividend Yield	4.4%	7.3%	4.4%	4.4%

■ Key data per Share

	2018	2019e	2020e	2021e
EPS (Earnings per Share)	0.11	0.45	0.15	0.23
Dividends per Share	0.06	0.10	0.06	0.06

■ Financial data (Euro million)

	2018	2019e	2020e	2021e
Total Revenues	29.2	31.4	39.9	43.4
thereof Hotels and Resorts	12.4	10.0	14.2	15.1
thereof Investment Properties	15.5	20.3	24.4	26.8
thereof Development & AM	1.3	1.1	1.3	1.5
Total expenses	-12.2	-10.7	-13.3	-13.4
Operating profit (EBITDA)	4.3	28.7	8.7	14.0
Operating profit (EBIT)	19.8	34.5	15.8	20.0
Net financial result	-14.9	-3.1	-1.7	-1.7
Pre-tax profit	5.0	31.4	14.0	18.3
Net profit after minorities	5.9	24.4	8.4	12.6

■ Main Shareholders

Dr. Franz Jurkowitsch (CEO)	14%
Georg Folian	15%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
MetLife PTE	> 5%

■ Financial calendar

1Q 2019 report	28 May 2019
AGM	3 June 2019
2Q 2019 report	27 August 2019

■ Analysts

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On last Friday, 26 April, Warimpex published its 2018 annual report and invited for a conference call. Numbers were partly in-line and partly even above our expectations. Hotel revenues came in at Euro 12.4m below last year's Euro 27.5m as the company sold eight hotels in May 2017 to an international investor. We expected a little bit more, having a Euro 13.2m forecast. The revenues from investment properties, meaning the rental income from the office portfolio, went up by 17% from Euro 13.2m to Euro 15.5m, pretty much in-line with our forecast (Euro 15.4m). In May 2018 the firm bought the B52 office building with more than 5k sqm to contribute to earnings, and opened the much bigger Polish Ogrodowa office in Lodz in October 2018 which will also contribute to the earnings for the first full year in 2019. Ogrodowa is now let at a 60% level (after 40% at 9M 2018 presentation) and the management confirmed several serious negotiations to quickly bring up occupancy levels to 80% or 90% within the next quarters, renting out large-scaled contracts at lucrative prices to big firms with a high demand for superior office space. Another Polish office development is the Krakow based Mogilska 43 (12k sqm) which just recently opened in this month and here the letting status is also at 60% at present but will probably increase quickly.

The 2018 EBIT was at Euro 19.8m (2017: Euro 54.7m after the hotel portfolio sale) and much higher than our Euro 9.4m forecast. The result was flattered by a high property revaluation result of Euro 16.0m, much higher than our Euro 4.2m forecast.

The financial result was pretty much in-line with our forecast as the company faced better financing conditions. Financing expenses were down 30% from Euro 10.5m to Euro 7.4m. Only the weak Rouble impaired the picture with negative but non cash effect of Euro -11.5m (2017: Euro -7.4m). With the good operating progress in office portfolio and good revaluation and financial results, Warimpex managed a net profit after minorities of Euro 5.9m, much above our forecast (Euro -0.9m).

We also like the on-going streamlining of the remaining hotel portfolio by selling the Czech Karlovy Vary in February and by continued talks about selling the two Paris hotels, probably in this year. On the acquisition side we welcome the recent purchase of a promising German Darmstadt-based hotel repositioning topic of former Commundo Hotel with more than 300 rooms and a land reserve for an additional office development. With a NNNAV per share up 5% to Euro 2.56, we lift our target price from Euro 2.20 to Euro 2.30 and confirm our Buy recommendation.

Warimpex Finanz- und Beteiligungs AG

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

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 Dr. Daniel Folian, CFO
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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 70% 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. The new Darmstadt hotel property will add to this with additional revenues on an annualized basis of about Euro 4.0m to Euro 4.5m, in our projection, and might include some co-working concepts.

Overview developments

Project	Status	Exp. opening	Total area (approx.)	Beneficial ownership
AIRPORTCITY St. Petersburg Bykovskaya multi-use building	finished	Q2 2017	7,200 m ² 450 parking spaces	100 %
Łódź Ogrodowa Office	finished	Q4 2018	28,000 m ²	100 %
Krakow Mogilska 43	finished	Q2 2019	12,000 m ²	100 %
Krakow Chopin Office	planning	2021	21,000 m ²	100 %
AIRPORTCITY St. Petersburg Avior tower	planning	2021	20,000 m ²	55 %
Bialystok Offices phase 1	early planning	2021	13,000 m ²	100 %
Krakow Mogilska 41	early planning	2021	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	55 %

Source: Company Data, SRC Research

Warimpex AG IFRS 31/12 (Euro '000)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18e - '21e
Revenues	61,899	62,201	42,367	29,167	31,408	39,937	43,359	14.1%
thereof "Hotels & Resorts" segment	54,462	51,864	27,509	12,420	10,030	14,234	15,120	6.8%
thereof "Development & Services"	3,053	1,757	1,668	1,265	1,122	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	25,676	0	0	
thereof revenues from property sales	68,853	14,061	61,030	5,400	37,547	0	0	
thereof carrying amounts, loans and borrowings assumed by the purchaser	-54,633	-5,388	-34,455	-5,400	-11,871	0	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	-18,451	-18,912	-16,943	
EBITDA	29,280	21,450	33,605	4,336	28,711	8,656	14,010	47.8%
Depreciation, amortization and revaluation	-39,185	4,285	21,099	15,490	5,790	7,118	5,976	
thereof scheduled depreciation and amortization	-8,905	-6,415	-895	-912	-980	-941	-988	
thereof impairment of property, plant and equipment	-12,189	-491	0	-21	650	515	410	
thereof reversal of impairments on property, plant and equipment	2,149	3,638	5,805	503	0	0	0	
thereof valuation result for investment properties	-20,240	7,553	16,189	15,920	6,120	7,544	6,554	
Operating profit (EBIT)	-9,905	25,735	54,704	19,826	34,501	15,774	19,986	0.3%
Financial result	-31,853	-1,889	-11,716	-14,857	-3,094	-1,744	-1,670	
thereof financial revenues	2,416	1,928	3,602	3,380	1,354	1,143	1,245	
thereof financial expenses	-24,410	-23,004	-10,499	-7,408	-6,020	-5,245	-6,245	
thereof exchange rate changes	-19,506	20,343	-7,409	-11,528	452	1,200	2,100	
thereof result from JV companies (at equity) after tax	9,647	-1,156	2,590	699	1,120	1,158	1,230	
Pre-tax profit (EBT)	-41,759	23,846	42,988	4,969	31,407	14,030	18,316	
Taxes	-571	-983	-2,492	-3,042	-2,836	-1,118	-856	
thereof income tax	-194	-937	15	-444	-720	-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	28,571	12,912	17,460	108.5%
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	24,371	8,368	12,588	28.8%
Number of shares (on average)	54,000							
Earnings per share	-0.33	0.32	0.75	0.11	0.45	0.15	0.23	28.8%
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	2.65	2.78	2.92	
Shareholders' Equity (without minorities)	21,728	43,058	83,481	90,147	114,518	119,646	128,994	
Shareholders' Equity (including minorities)	53,765	70,188	110,926	110,887	112,550	123,117	135,523	
Total assets	350,235	357,886	265,254	292,012	308,657	316,064	329,971	
Equity Ratio	6.2%	12.0%	31.5%	30.9%	37.1%	37.9%	39.1%	

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Rating Chronicle	Date	Rating	former share price	former target
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 €
Warimpex	4 May 2017	Buy	0.96 €	1.90 €
Warimpex	23 February 2017	Buy	0.89 €	1.90 €

Please note:

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

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