

Warimpex

Buy (unchanged) **Target: Euro 2.30** (unchanged)



THOMSON REUTERS
ANALYST AWARDS
2018 WINNER



Der Spezialist für Finanzaktien

31 | May | 2019

Price (Euro) **1.38**
52 weeks range 1.43 / 0.99

Key data

ISIN	AT0000827209
Reuters	WXFB.VI
Bloomberg	WXT AV
Reporting standard	IFRS
Market Cap (Euro million)	74.5
Shares outstanding (million)	54.0
Free Float	44%
Free Float MarketCap (m)	32.8
3 years CAGR (EBITDA '18 - '21e)	47.8%

Multiples	2018	2019e	2020e	2021e
MarketCap / Revenues	2.55	2.37	1.87	1.72
PE Ratio	12.7	3.1	8.9	5.9
Dividend Yield	4.3%	7.2%	4.3%	4.3%

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 Jurkowsch (CEO)	14%
Georg Folian	15%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
MetLife PTE	> 5%

Financial calendar

AGM	3 June 2019
2Q 2019 report	27 August 2019
9M 2019 report	29 November 2019

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1Q 2019 revenues down 6%, net profit significantly increased due to gains on property sales and exchange rate gains – good portfolio progress in 2019

On Tuesday, 28 May, the company published the report for 1Q 2019 and held a conference call. Total revenues were down 6% from Euro 6.7m to Euro 6.3m, mostly impacted by the hotel segment. Hotel revenues decreased 24% from Euro 2.4m to Euro 1.8m following the sale of the operating company for the Dvorak Hotel in Karlovy Vary in February. Investment properties revenues on the other hand hiked by 7% from Euro 3.8m to almost Euro 4.1m. This increase was 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 services revenues come down from Euro 506k to Euro 379k. Expenses directly attributable to revenues declined by 10% from more than Euro -3.2m to Euro -2.9m, leading to a slight fall in gross income from revenues of 3% to almost Euro 3.4m. The firm recorded gains from the disposal of properties of Euro 7.3m in the first three months of 2019, resulting from the sale of an office property in Budapest and the mentioned Dvorak Hotel in Karlovy Vary. The EBIT thus amounted to about Euro 7.5m (1Q 2018: Euro 1.2m). The financial result was at Euro 5.7m compared to last year's Euro -4.1m. This is on the one hand the result of gains from foreign exchange rates of Euro 6.4m instead of a negative impact of Euro 2.1m in last year's period, but was also driven by a reduction of finance expenses of 28% year-over-year. The net profit after minorities came in at Euro 8.8m while last year's number was a loss of Euro 3m. This translates into earnings per share of 16 Cent.

In terms of the targeted property portfolio build up the company already made some progress in the current fiscal year. In April, thus after the reporting period, a hotel property in the German City of Darmstadt was acquired and marked the re-entry into the German hotel market. After a refurbishment and renovation period, the hotel is to be reopened before the end of the year. Furthermore, the Mogilska office project in the Polish city of Krakow was officially opened in May. Rental agreements for the majority of the offices have already been signed and the first tenants have moved in. Also in May, Warimpex increased its stake in AVIELEN, the project company responsible for the development and operation of AIRPORTCITY St. Petersburg by 35% to now 90%. All these steps will secure additional growth for the company's revenues in the coming quarters and years. 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 of the first quarter are pleasing. The equity ratio increased from 31% at year-end to 33%. The firm's NNNNAV per share at year-end 2018 was at Euro 2.56. We confirm our target price of Euro 2.30, which we lifted after the release of the 2018 annual report. 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 Jurkowsch, CEO
 Dr. Daniel Folian, CFO
 Dr. Alexander Jurkowsch
 Florian Petrowsky

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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	2021/22	21,000 m ²	100 %
AIRPORTCITY St. Petersburg Avior tower	planning	2021/22	20,000 m ²	55 %
Bialystok Offices phase 1	planning	2021/22	13,000 m ²	100 %
Krakow Mogilska III	early 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	55 %

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	31,408	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%
<i>Number of shares (on average)</i>	<i>54,000</i>							
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	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 €
Warimpex	4 May 2017	Buy	0.96 €	1.90 €

Please note:

The Warimpex share price mentioned in this report is the closing price of 30 May 2019. Warimpex mandated SRC Research for covering the Warimpex share.

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