

■ Price (Euro)	35.90			
52 weeks range	40.70 / 26.55			
■ Key data				
ISIN	DE0006972508			
Bloomberg	PBY:GR			
Reporting Standard	IFRS			
Market Cap (million)	534.9			
Number of shares (million)	14.9			
Free Float	14.3%			
Free Float Market Cap (million)	76.5			
■ Multiples	2019	2020e	2021e	2022e
Market Cap / Revenues	26.3	5.2	3.0	2.8
Price-Earnings Ratio (PER)	6.8	3.9	2.5	2.6
Dividend yield	0.0%	8.4%	11.1%	11.1%
Return on Equity (RoE)	30.4%	44.7%	48.3%	35.1%
■ Key data per share (Euro)	2019	2020e	2021e	2022e
Earnings per share	5.25	9.14	14.49	14.05
Dividend per share	0.00	3.00	4.00	4.00
■ Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	20,323	102,225	178,669	192,471
Gross profit	9,720	70,078	122,388	133,382
Personnel expenses	-2,547	-2,977	-3,247	-3,655
Remeasurements	122,230	230,147	322,585	332,147
EBIT	116,299	285,279	428,477	447,582
Interest income	6,127	1,258	2,476	1,347
Interest expenses	-14,360	-72,584	-105,331	-123,832
EBT	79,776	209,504	321,702	318,830
Tax	-15,616	-48,186	-73,992	-73,331
Net income	64,161	161,318	247,711	245,499
■ Main Shareholders				
Thomas Olek	85.7%			
■ Financial Calendar				
AGM	26 May 2020			
1H 2020 report	September 2020			
■ Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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publity reports 2019 numbers above prelims and expectations - further growth of the investment portfolio expected in 2020 - target up to Euro 50.00, Buy affirmed

On 13 May, the company published the 2019 annual report. The numbers even exceeded the firm's prelims from 10 March and the company was able to report on a very successful fiscal year, especially looking at the expansion of the investment portfolio, which was transferred to the subsidiary PREOS Real Estate in the last year. The own portfolio has grown, including the assets notarized in 2019 but closed in 2020, to more than Euro 1.1bn over the course of the year, as about Euro 1bn of new assets were acquired. The assets under management (AuM) have meanwhile grown from Euro 4.6bn to Euro 5.5bn overall.

Looking at the P&L numbers, the firm's operating profit (EBIT) has almost quadrupled from Euro 31m to more than Euro 116m. This hike was mostly the result of the significant expansion of the property portfolio. While the revenues from that segment amounted to about Euro 14.5m, the revaluation result of the properties of more than Euro 122m had a clear impact on the result. Revenues from the asset management segment on the other hand were at about Euro 6m below last year's number of about Euro 33m, which, however, is because of the substantial work for group-internal revenues of more than Euro 30m, which are of course eliminated in this number. The pre-tax profit hiked from more than Euro 33m to Euro 80m, while the bottom line after minorities increased 2.4-fold from almost Euro 25m to almost Euro 59m.

For the current fiscal year, we expect another significant hike in numbers. Some of that hike is already secured, as the assets acquired in 2019 will contribute either for the full year or for a significant portion of the year in the case of the transactions that were closed in 1Q 2020. Furthermore, despite the current Corona pandemic, we expect another significant expansion of the portfolio in 2020. We believe, that while the uncertainties and restrictions that come along with the pandemic will certainly hamper the overall transaction market for a large part of the year, the company can also benefit from the current situation. The focus on value-add properties combined with the immense database, which comprises about 9,500 properties and thus covers about 75% of the German market, as well as the broad network should allow the company to identify new lucrative opportunities.

Given the better than expected developments in 2019 and our lifted outlook for the current and the coming years, we lift our target price from Euro 42.00 to Euro 50.00. At a current upside of about 40% we clearly confirm our Buy rating for the publity share.

publity AG

Industry: Real Estate
Sub-segment: Office/ Commercial
Country: Germany
Headquarter: Frankfurt
Foundation: 1999

Management Board of publity AG

Thomas Olek (CEO)
 Frank Schneider

Supervisory Board

Hans-Jürgen Klumpp (Chairman)
 Prof. Dr. Holger Till (Dep. Chairman)
 Frank Vennemann

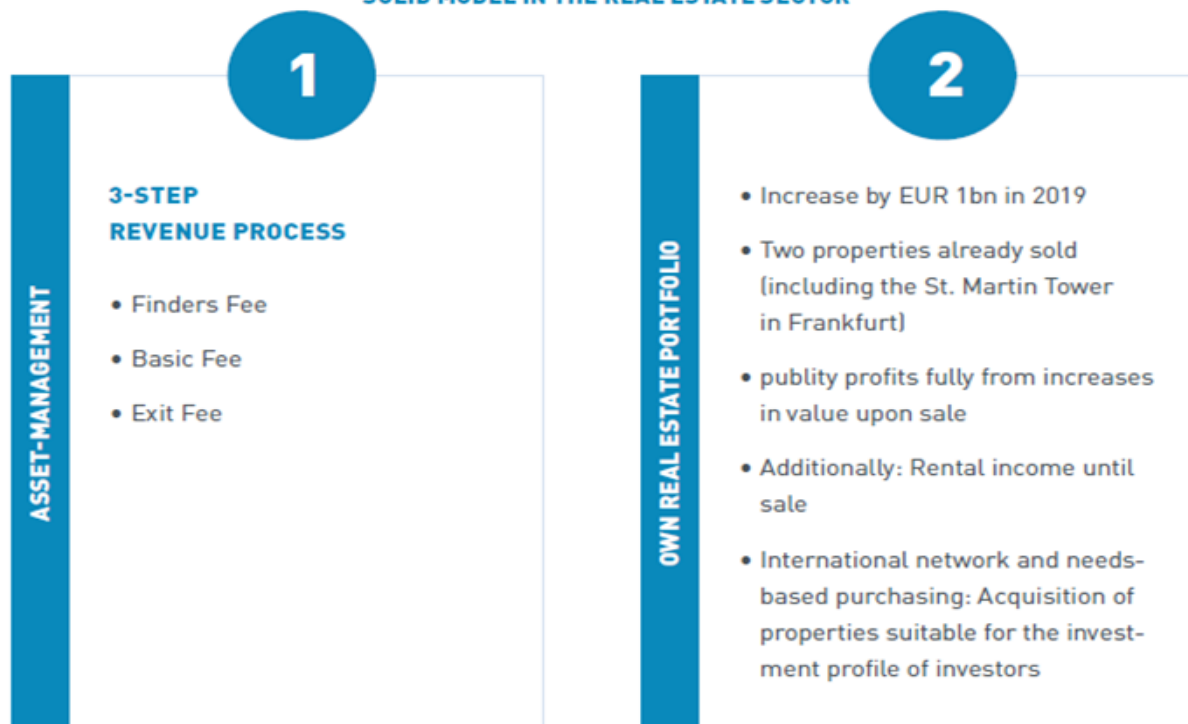
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publity was founded in 1999 in partnership with Landesbank Sachsen, Landesbank Baden-Württemberg, Nord LB and HSBC Trinkaus. In 2003, Thomas Olek became the majority shareholder and CEO of publity AG. Under his leadership, publity AG has been active in the German real estate market since 2004.

publity's 2-pillar model

SOLID MODEL IN THE REAL ESTATE SECTOR



The company is an office real estate asset manager and investor, focusing on the main metropolitan regions of Germany (Top 7) and has branches in the main financial places like New York, London, Paris and Moscow. publity acts as an office real estate asset manager and investor, which are the major pillars of the company. Another business field is the NPL-Portfolio. The focus is primarily on office real estate with development potential in German metropolitan regions. In summary, publity follows the manage-to-core approach and has been implementing it very successfully for many years.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- publity is driven by a very experienced management, as the founder, CEO and largest shareholder Thomas Olek was awarded for his performance as an office real estate investor last year.
- High-quality network, which is crucial for publity's business model.
- A great added value results from the high-quality database with about 9,500 properties by linking consistent data with innovative technology. This enables ongoing investment activity and very good access to attractive properties.
- The excellent track record is proven by more than 1,150 Transactions, which also proved the efficiency of the standardized process and the implementation security when handling the deals. This results in a high level of trustworthiness in the market.
- Asset management contracts are concluded with a term of 5 years including the Evergreen option. The current average contract duration is 3.6 years
- By positioning itself in two main and one additional business area, publity has a stable business model. The concentration risk is reduced by a broad investor environment.

Weaknesses

- Like the entire industry, the company's success depends to a certain extent on the economic trend
- The valuation of the company is based exclusively on the DCF valuation, as a NAV observation in the context of current developments has a low significance.
- The publity share has so far been listed in the lower transparency level Open Market / Scale in Frankfurt and on XETRA. A change to the Prime Standard is planned for summer 2020.

Opportunities

- As a flexible investor, publity has a significant advantage when it comes to buying decisions and speed of implementation compared to players with rigid purchase criteria
- The anchoring of low interest rate policies by leading global central banks confirms a high probability that interest rates, as the most important valuation factor in the real estate industry, will remain advantageously low.
- The very good liquidity situation favors real estate as a stable asset class given the volatility of other asset classes, such as equities. This constellation should continue to drive demand in the real estate sector.
- Further growth in assets under management and expansion of the investor base are planned.

Threats

- Fierce competition in real estate asset management and investment poses certain obstacles when it comes to accessing promising properties.
- Project-dependent sales naturally depend on the acquisition of asset management mandates.
- The market risk affects all companies in the real estate industry and should therefore be seen as a general one. In connection with the general trend towards the home office and the current recession due to the corona virus, we see general risks for the real estate sector and the office segment.

Deals & Achievements 2019

The track record of publity is made up of a large number of successfully completed and prestigious real estate transactions and achievements. Just the number of deals in 2019 demonstrates the strength of publity's implementation power.

Date	Event/ News	Object/Tenant	Location	sqm
08.01.2019	Purchase	Haus der Ingenieure	Herrenberg/ Stuttgart	4.300
31.01.2019	Letting success	Karstadt Headquarter	Essen	100.000
12.02.2019	Purchase	Axians	Köln	2.600
26.03.2019	Letting success	Karstadt Headquarter	Essen	100.000
03.04.2019	Purchase	St. Martin Tower	Frankfurt a.M.	26.000
30.04.2019	Letting success	Multi-Tenant-Property	Bad Vilbel	26.000
02.05.2019	Sale	Office Block	München-Unterschleißheim	3.000
08.05.2019	Purchase	Access Tower	Frankfurt a.M.	21.000
18.06.2019	Sale	Frischemarkt	Leipzig	70.000
25.06.2019	Purchase	Sky Dt. Headquarter	München-Unterföhring	30.390
27.06.2019	Letting success	Multi-Tenant-Property	Mülheim a.d.R.	16.600
11.07.2019	Letting success	Access Tower	Frankfurt a.M.	21.000
17.07.2019	Letting success	RC-Office	Köln	4.400
30.07.2019	Letting success	Multi-Tenant-Property	Ratingen	16.600
06.08.2019	Purchase	Multi-Tenant-Property	Lüdenscheid (near Dortmund)	10.100
13.08.2019	Purchase	Multi-Tenant-Property	Neuss	3.160
24.09.2019	Purchase	Multi-Tenant-Property	Eschborn/ Frankfurt	17.247
08.10.2019	Sale	St. Martin Tower	Frankfurt a.M.	26.000
10.10.2019	Letting success	Multi-Tenant-Property	Wilhelmshaven	4.000
29.10.2019	Letting success	Multi-Tenant-Property	Ratingen	16.600
31.10.2019	Letting success	Quatrium	Ratingen	28.000
05.11.2019	Sale	Multi-Tenant-Property	Ismaning/ München	3.530
12.12.2019	Letting success	Quatrium	Ratingen	28.000
23.12.2019	Purchase	Centurion	Frankfurt a.M.	28.000

Source: Company Data

The multitude of deals and achievements prove the ability and dynamism of publity in just one year. The list of transactions and achievements shows that publity operates successfully both in asset management and in transactions (purchase & sale).

Selected Properties



Frankfurt, Access Tower

Construction: 1970, full refurbishment 2002
Lettable area: 20,934 sqm
Vacancy: 0 sqm
WALT: 10.0 years
Market value: 103m

The object was acquired by the company in May 2019. Only a few weeks later, on 11 July, publity announced that the property reached fully occupancy as the remaining space was successfully let to FITSEVENELEVEN.



Essen, Quattro

Construction: 1969/75, refurbishments 1989/94
Lettable area: ~100,000 sqm
Vacancy: 0 sqm
WALT: 22.0 years
Market value: 225m

The object has been in the portfolio since June 2016 via a Joint Venture with an institutional investor and was now fully acquired in April 2019. While the anchor tenant is Karstadt, with a lease contract until 2028, another significant portion of the object is currently being rebuild and is already let to the Essen police headquarters until 2048. Further letting successes were achieved in early 2019 as well as earlier this month, on 7 May 2020, with the University Hospital Essen, who rented some space for five years that was formerly used by Karstadt.



Frankfurt, St. Martin Tower (sold)

Construction: 2015
Lettable area: 26,133 sqm
Vacancy: 370 sqm
WALT: 5.4 years
Market value: 146m

While the acquisition of the St. Martin Tower in Frankfurt was only announced in April 2019, the company already sold the object about six months after, in October, at a lucrative profit. This is a very good example of the firm's ability to find and to acquire objects at good prices and to turn them quickly to realize profits.

Corporate (equity & debt) actions since 2019

Regarding to the business dynamics, the question immediately arises about access to finance and the company's financing structure. As already described on the deal side, the positioning and standing of the company also plays an important role in financing. Selective financing measures from publity are presented below, which are intended to provide a picture of the financing situation - **Meritz (Euro 141m)** and **Helaba (over Euro 200m)** to be highlighted.

Jan. 2019: Market Sounding for debt financing - publity is examining the options for issuing a new bond via the debt capital market.

Feb. 2019: Thomas Olek now holds over 66% of the shares in publity. Since September 2018, Thomas Olek has bought shares worth Euro 67m on the stock exchange.

April 2019:

- Thomas Olek now hold approx. 70 % of the shares in publity.
- publity wins Meritz Financial Group and IGIS Asset Management as financing and investment partners. Real estate purchases in the **high three-digit million range** are planned for the next 18 months. The first successful test was the purchase of the St. Martin Tower in Frankfurt

July 2019: publity increases the share capital to **more than Euro 10m**. Thomas Olek now hold approx. 74 % of the shares in publity.

Sept. 2019:

- publity resolves capital increase from authorized capital to increase its future stake in PREOS Real Estate AG. The company's share capital is to be **increased by Euro 4.5m** to Euro 14.7m.
- publity **receives financing capital of Euro 85m** from Meritz Financial Group and IGIS Asset Management.

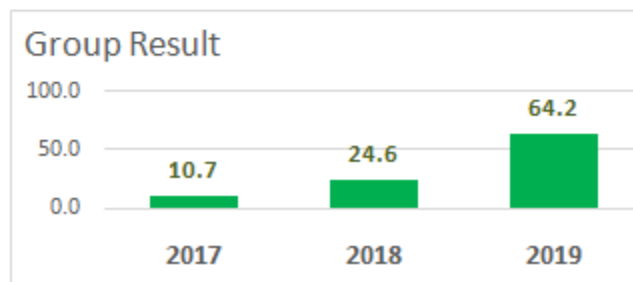
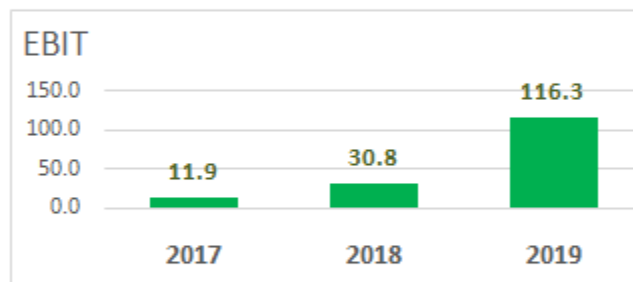
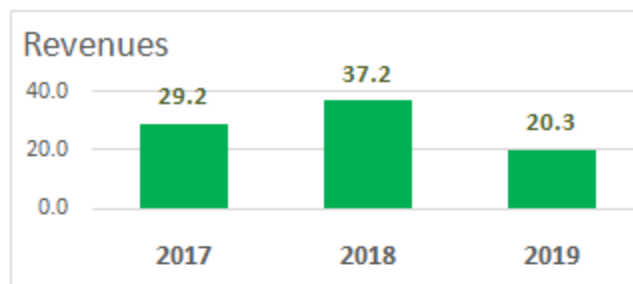
Oct. 2019: Thomas Olek now hold approx. 82 % of the shares in publity

- Jan. 2020:**
- Convertible bonds with a nominal volume of **Euro 4.1m** have already been converted
 - publity is considering a corporate **bond issue** with a volume of **up to Euro 50m**. A mandate agreement has already been agreed with a bank for this purpose.
 - publity receives another tranche of **Euro 56m** from financing partner Meritz, who has meanwhile invested Euro 141m in publity.
 - publity concludes financing with Helaba of over **Euro 200m** for property purchases
- April 2020:**
- Thomas Olek has acquired more than 120.000 shares since the start of the Corona pandemic with a total volume of about Euro 4m, showcasing the trust he places in the company despite the turbulent times. He now holds about 87% of the shares in publity
- May 2020:**
- publity plans the issue of the corporate bond as announced in January. While the issue was postponed in March due to the Corona pandemic to autumn 2020, the company now decided to go ahead with the placement already in June. The original volume of Euro 50m was at the same time lifted to now up to Euro 100m, of which Thomas Olek offered to guarantee an issue volume of at least Euro 50m. The coupon is expected around 5.5%.
 - Thomas Olek has continued to show his commitment and conviction to the company by acquiring further significant amounts of publity shares

Significant hikes in the firm's profit - more to come

The dynamic approach of the company is directly reflected in the figures. While, in absolute terms, sales have not made any significant changes, EBIT has increased almost tenfold since 2017 from Euro 11.9m to Euro 30.8m and finally to Euro 116.3m. The group result has increased six-fold since 2017 from Euro 10.7m to Euro 64.2m in 2019 and another significant hike is expected for the current 2020 fiscal year, as we expect the EBIT to more than double to Euro 285m and the bottom line to rise 2.5-fold to Euro 161m.

Figures in million Euros



The increase in earnings results from the increase in the valuation of the property portfolio and the newly acquired properties. This is absolutely in line with the strategy and is planned to be continued in the next few years. In February 2020 publity communicated the plan to aim for the purchase of a further Euro 2bn in office real estate volume.

publity AG 31/12 IFRS ('000)	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	37,217	20,323	102,225	178,669	192,471	111.6%
Cost of sales	-6,793	-10,603	-32,147	-56,281	-59,089	
Gross profit	30,424	9,720	70,078	122,388	133,382	139.4%
Other operating income	1,294	6,748	6,578	7,224	7,039	
Impairment losses on receivables	-143	0	0	0	0	
Personnel expenses	-2,024	-2,547	-2,977	-3,247	-3,655	
Other operating expenses	-7,675	-19,852	-18,547	-20,473	-21,331	
Result of remeasurement of investment properties	8,940	122,230	230,147	322,585	332,147	
Operating Profit (EBIT)	30,816	116,299	285,279	428,477	447,582	56.7%
Finance income	8,454	6,127	1,258	2,476	1,347	
Finance costs	-2,851	-14,360	-72,584	-105,331	-123,832	
Impairment of non-current financial assets	-2,962	-27,703	-3,475	-2,876	-4,788	
Share of results of associates	-16	-587	-974	-1,044	-1,479	
Pre-tax profit (EBT)	33,441	79,776	209,504	321,702	318,830	58.7%
Income tax expense	-8,826	-15,616	-48,186	-73,992	-73,331	
Net profit	24,615	64,161	161,318	247,711	245,499	56.4%
Minorities	85	5,338	25,314	32,174	36,471	
Net profit after minorities	24,530	58,822	136,004	215,537	209,028	
Number of shares ('000)	7,516	11,202	14,874	14,874	14,874	
Earnings per share (Euro)	3.26	5.25	9.14	14.49	14.05	
Dividend per share (Euro)	1.50	0.00	3.00	4.00	4.00	
Shareholders' Equity	119,797	302,476	419,171	607,383	793,385	
Balance Sheet sum	187,935	878,920	2,845,236	4,478,963	3,784,256	
Equity Ratio	63.7%	34.4%	14.7%	13.6%	21.0%	

SRC Research - Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target price
publity AG	18/03/2020	Buy	30.40 €	42.00 €

Please note:

The share price mentioned in this report is from 22 May 2020. publity AG mandated SRC Research for covering the share.

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