

AROUNDTOWN

Buy (unchanged) **Target: Euro 8.00** (unchanged)



Der Spezialist für Finanzaktien

24 | November | 2021

■ **Price (Euro)** **5.92**
52 weeks range 7.16 / 5.42

■ **Key Data**

ISIN LU1673108939
Ticker AT1
Bloomberg AT1 GR
Reporting standard IFRS
Market Cap (Euro million) 9,099
Number of shares (million) 1,537.0
Free Float 62.0%
Free Float Market Cap (Euro million) 5,641
CAGR Adj. EBITDA profit ('20-'23e) 4.5%

■ Multiples	2020	2021e	2022e	2023e
Market Cap/ Total revenues	7.7	7.2	6.6	6.0
PE-Ratio	11.9	10.7	8.4	7.3
Dividend Yield	3.7%	3.8%	5.3%	6.5%
Price-to-Book-Ratio	0.74	0.62	0.58	0.55
P/ NAV-ratio	0.62	0.58	0.54	0.51

■ Key Data per share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	0.50	0.55	0.71	0.81
Dividend per share (DPS)	0.22	0.22	0.31	0.39
Book Value per Share (BVPS)	7.99	9.50	10.26	10.75
EPRA NTA per share	9.51	10.19	11.01	11.53

■ Financial Data (Euro Millions)	2020	2021e	2022e	2023e
Revenues (rental income)	1,180.3	1,256.2	1,381.8	1,520.0
Capital gains, Prop. Revaluations	769.4	501.4	822.3	863.7
EBITDA profit	1,656.0	1,371.5	1,767.9	1,978.3
Adj. EBITDA profit (cash driven)	944.1	957.5	969.6	1,078.8
Operating profit (EBIT)	1,651.7	1,365.2	1,760.5	1,970.2
Net financial result	-368.5	-271.2	-209.9	-231.5
Pre-tax profit (EBT)	1,283.2	1,094.0	1,550.6	1,738.7
Taxation	-376.8	-207.9	-294.6	-330.4
Net profit after minorities	651.7	638.0	753.6	845.0
FFO I	447.4	436.5	520.2	612.1
Shareholders' equity (Euro billion)	10.4	10.7	10.7	11.2
Property portfolio (Euro billion)	24.3	29.0	30.1	31.7
RoE (after tax)	4.5%	3.6%	3.9%	4.3%
Equity ratio (incl. equity minorities)	50.2%	49.5%	49.4%	48.9%

■ Main Shareholders	
Treasury shares	28%
Avisco Group Plc.	10%

■ Financial calendar	
2021 annual report	exp. March 2022
1Q 2021 report	exp. May 2022

■ **Analysts** **Dipl.-Kfm. Stefan Scharff, CREA**
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9M numbers in line with expectations and guidance, but a more cautious view on our expectations due to the worsening Covid-19 picture lead us to reduce target price to Euro 8.00 – still Buy

Today, the company released the report for the first nine months of 2021. As the numbers reflected the full consolidation of Grand City for the first time, the comparability to last year's period is for some key numbers not representative, however, the numbers were all in all in line with our expectations and the company also reaffirmed its guidance for the full year.

Revenues came in at Euro 936m, up about 5% from last year's Euro 890m and included net rental income for the first three quarters of Euro 773m compared to Euro 758m last year. These numbers are largely impacted by the consolidation of GCP, while on a standalone basis net rental income would have been at Euro 680m expectedly below last year's numbers due to the disposals of Euro 2.7bn in the last twelve months. On a like-for-like basis, rental income increased by 0.6% or 1.2% excluding hotels. The share in profit came in at Euro 158m and benefited from one-time revaluation gains of Euro 85m as part of the initial consolidation process of GCP. The revaluation result stood at Euro 322m (9M 2020: 736m), as about 60% of the commercial portfolio has been appraised to date, while the remaining 40% will be reevaluated till year-end. The cost side of the operating profit was up somewhat due to the consolidation of GCP. Furthermore, extraordinary expenses for uncollected rent in the amount of Euro -100m were recorded for the first nine months (9M 2020: Euro -70m). The firm's operating profit all in all amounted to Euro 1.0bn, while last year's number stood at Euro 1.43bn. Adjusted EBITDA, however, was only down less than 1 % from Euro 723m last year to Euro 716m. The firm's finance expenses were reduced by 14% from Euro -151m to Euro -130m despite the consolidation of CDP, resulting from the firm's debt repayments and refinancing activities, which reduced the cost of debt to a very low level of only 1.3%. The other financial result amounted to Euro -88m compared to Euro -133m. The bottom line after minorities amounted to almost Euro 465m, down about 22%. **The cash driven FFO I was at Euro 267m expectedly down from last year's number of Euro 301m, representing a decrease of about 12%. FFO I per share, however, benefited from the firm's share buyback program and even increased from 22 cents last year to now 23 cents. As the share buyback is still ongoing and we also expect the company to initiate another program in the coming year, this effect will become even more visible in 2022 and will continue to drive the value for shareholders.**

Following the consolidation of GCP and the disposal in 2021, the portfolio now stands at Euro 29bn. The balance sheet has remained very solid at a LTV of 39%, an equity ratio of 49% and a liquidity of more than Euro 3bn. The EPRA NTA per share stands at Euro 9.8, up about 5% since FY 2020.

While we see the current fiscal year in line with our expectations, the again looming Covid-19 picture makes us somewhat more cautious for the end of the current year as well as for the coming year. This applies on the one side to possible provisions for 2022, which we now to be precautious account for, but also for our acquisition and growth target for the coming years, which we have also reduced accordingly. With counteracting effects of our share buyback expectations, these more cautious assumptions result in a fair value of about Euro 8.00 per share. Thus, until we get a clearer picture on the impacts and the duration of the spiking Covid numbers, we reduce our target price from Euro 8.50 to Euro 8.00 and confirm our Buy recommendation.

Aroundtown SA

Industry: Real Estate
Sub-segments: Commercial (incl. Hotel)/ Residential

Target Countries: Germany
Registered: Luxembourg
German Office: Berlin
Foundation: 2004
Employees: 492

IR Contact: Timothy Wright
Email: info@aroundtownholdings.com

Credit Rating: BBB+ by S&P (Investment Grade)

Stock exchange: Prime Standard Frankfurt

ISIN: LU1673108939
Bloomberg: AT1 GR

MANAGEMENT		
Barak Bar-Hen Co-CEO & COO		Eyal Ben David CFO
Oschie Massatschi CCMO		Klaus Krägel CDO
Frank Roseen Director	Jelena Afxentiou Director	Markus Kreuter Indep. Director
Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director

ADVISORY BOARD
Dr. Gerhard Cromme Chairman
Yakir Gabay
Claudio Jarczyk
David Maimon

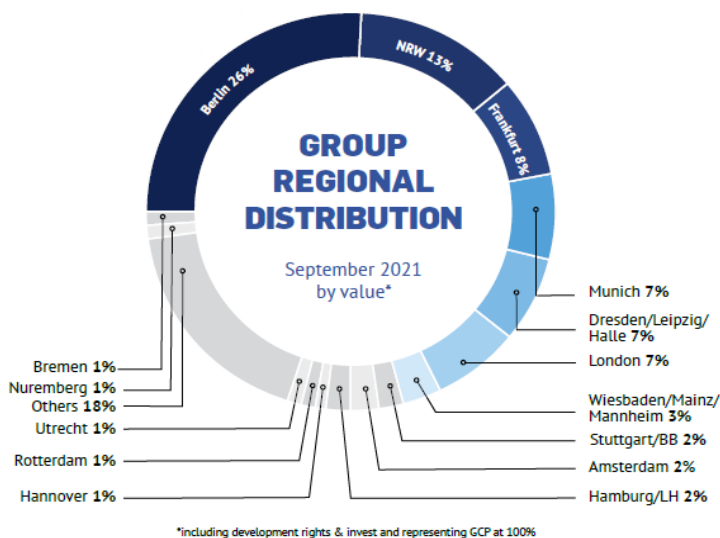
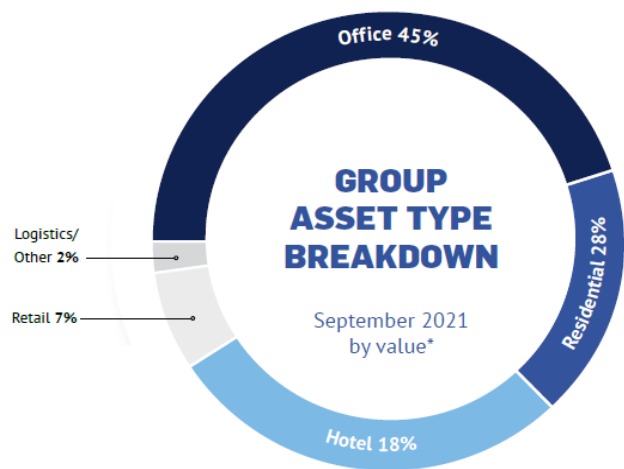
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

AT's primary real estate target markets are economically attractive and densely populated regions in Germany. The company is active in both the commercial as well as the residential real estate sector. Nonetheless, it more plays an active role in the commercial sector since the residential exposure within the portfolio is represented by an interest in the publicly listed company Grand City Properties ("GCP") with a stake of 47% as of 9M 2021, which is being fully consolidated since 1 July 2021. The firm's total portfolio has grown significantly over the recent years and currently amounts to more than Euro 28bn. Commercial properties have a share of 72% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 28%. Office properties make up for 45%, while the hotel share stands at 18%. Retail, logistics and other assets comprise the remaining 9%.

AT comes along with a well-experienced management team where each member supplements the team with a distinctive professional background in various fields like investment banking, real estate investment and asset management and project development for instance. AROUNDTOWN targets turnaround opportunities of distressed and/or mismanaged properties and has a strong track record with regard to property turnaround by working out sound individual business plans. Detailed property-related data are deliberately not disclosed. AT argues that they are doing so in order to direct investors' attention on the bottom line on company level rather than being monitored on the performance of each individual property.

Apart from a proven turnaround strategy AT also benefits from its preferred buyer status among its long-time established network within the real estate industry, from excellent refinancing opportunities due to its investment grade credit rating of BBB+, assigned by S&P in December 2017 and from its strong organizational setup in terms of personnel resources and capital intense infrastructure. We believe a rating upgrade could happen soon.

Aroundtown is part of the DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index. We believe an uplisting to the German DAX is within reach in the coming quarters, even more if the market cap returns to pre-corona levels.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	747.1	894.8	1,180.3	1,256.2	1,381.8	1,520.0	8.8%
Capital gains, property revaluations and others	1,536.4	1,217.5	769.4	501.4	822.3	863.7	
thereof net revaluation result	1,459.6	1,156.6	711.6	461.3	781.2	820.5	
thereof capital gains and bargain purchase	76.8	60.9	57.8	40.1	41.1	43.2	
Share in profit from investment in equity-accounted investees	251.6	298.7	195.7	182.7	70.1	74.3	
Property-related operating expenses	-219.1	-227.9	-442.6	-520.1	-460.4	-433.6	
Administrative and other expenses	-22.5	-27.3	-51.1	-56.0	-55.3	-56.2	
thereof depreciation and amortization	-1.6	-1.8	-4.3	-6.3	-7.4	-8.1	
Operating profit (EBITDA)	2,295.1	2,157.5	1,656.0	1,371.5	1,767.9	1,978.3	
Operating Profit (EBIT)	2,293.5	2,155.8	1,651.7	1,365.2	1,760.5	1,970.2	
Finance expenses	-114.6	-141.7	-200.7	-180.2	-185.6	-204.2	
Other financial results	-93.8	45.7	-167.8	-91.0	-24.3	-27.3	
Net financial result	-208.4	-96.0	-368.5	-271.2	-209.9	-231.5	
Pre-tax profit (EBT)	2,085.1	2,059.8	1,283.2	1,094.0	1,550.6	1,738.7	10.7%
Tax (cash and deferred)	-257.3	-350.7	-376.8	-207.9	-294.6	-330.4	
Net profit before minorities	1,827.8	1,709.1	906.4	886.1	1,256.0	1,408.3	
Minorities	-207.4	-401.0	-254.7	-248.1	-502.4	-563.3	
Net profit after minorities	1,620.4	1,308.1	651.7	638.0	753.6	845.0	
Number of shares (weighted average, excl. treasury shares)	1,052.6	1,172.9	1,305.2	1,152.5	1,065.4	1,048.2	
Earnings per share (EPS, basic)	1.54	1.12	0.50	0.55	0.71	0.81	
Earnings per share (EPS, diluted)	1.49	1.10	0.49	0.54	0.66	0.73	
Dividend per share (DPS)	0.25	0.14	0.22	0.22	0.31	0.39	
FFO I	405.7	503.4	447.4	436.5	520.2	612.1	11.0%
FFO I per share	0.39	0.43	0.34	0.38	0.49	0.58	19.4%
FFO I after perpetual	357.9	445.6	357.8	342.3	447.3	541.6	14.8%
FFO I per share after perpetual	0.34	0.38	0.27	0.30	0.42	0.52	23.5%
Shareholders' Equity (without minorities)	7,829.5	9,585.5	10,424.8	10,663.0	10,659.8	11,169.4	2.3%
Shareholders' Equity (including minorities)	9,944.3	13,378.9	15,583.0	19,387.2	19,342.8	20,226.8	
EPRA NTA*	8,742.4	10,522.7	11,187.4	11,443.0	11,439.6	11,986.4	2.3%
Balance Sheet sum	19,040.8	25,444.7	31,021.6	39,150.1	39,136.4	41,381.2	
Equity Ratio	52.2%	52.6%	50.2%	49.5%	49.4%	48.9%	
RoE (after tax)	18.8%	11.2%	4.5%	3.6%	3.9%	4.3%	-1.7%
Property portfolio (including equity-accounted investees)	16,221.9	21,213.3	24,327.4	28,988.3	30,147.8	31,655.2	
Book Value per share (Euro) - undiluted	7.44	8.17	7.99	9.50	10.26	10.75	10.4%
EPRA NTA* per share (Euro) - undiluted	7.70	8.59	9.51	10.19	11.01	11.53	6.6%

* 2018 number is former EPRA NAV

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	August 25, 2021	Buy	6.75 €	8.50 €
Aroundtown	May 27, 2021	Buy	6.81 €	8.50 €
Aroundtown	March 26, 2021	Buy	5.87 €	8.50 €
Aroundtown	November 25, 2020	Buy	5.85 €	9.50 €
Aroundtown	August 26, 2020	Buy	4.87 €	9.50 €
Aroundtown	May 27, 2020	Buy	4.84 €	9.50 €
Aroundtown	March 24, 2020	Buy	4.11 €	9.50 €

Please note:

The share price mentioned in this report is from 23 November 2021. AROUNDTOWN SA mandated SRC Research for covering the share.

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