

30 | March | 2022

■ **Price (Euro)** **5.44**  
52 weeks range 7.16 / 4.62

■ **Key Data**

ISIN LU1673108939  
 Ticker AT1  
 Bloomberg AT1 GR  
 Reporting standard IFRS  
 Market Cap (Euro million) 8,361  
 Number of shares (million) 1,537.0  
 Free Float 60.0%  
 Free Float Market Cap (Euro million) 5,017  
 CAGR Adj. EBITDA profit (21-24e) 1.7%

■ **Multiples**

	2021	2022e	2023e	2024e
Market Cap/ Total revenues	6.3	5.7	5.5	5.3
<b>PE-Ratio</b>	<b>9.9</b>	<b>9.2</b>	<b>9.7</b>	<b>10.2</b>
Dividend Yield	4.2%	4.7%	5.9%	6.4%
<b>Price-to-Book-Ratio</b>	<b>0.58</b>	<b>0.52</b>	<b>0.49</b>	<b>0.48</b>
<b>P/ NAV-ratio</b>	<b>0.53</b>	<b>0.48</b>	<b>0.45</b>	<b>0.44</b>

■ **Key Data per share (Euro)**

	2021	2022e	2023e	2024e
<b>Earnings per share (EPS)</b>	<b>0.55</b>	<b>0.59</b>	<b>0.56</b>	<b>0.53</b>
<b>Dividend per share (DPS)</b>	<b>0.23</b>	<b>0.25</b>	<b>0.32</b>	<b>0.35</b>
<b>Book Value per Share (BVPS)</b>	<b>9.30</b>	<b>10.40</b>	<b>11.10</b>	<b>11.32</b>
<b>EPRA NTA per share</b>	<b>10.21</b>	<b>11.42</b>	<b>12.19</b>	<b>12.43</b>

■ **Financial Data (Euro Millions)**

	2021	2022e	2023e	2024e
<b>Revenues</b> (rental income)	<b>1,323.2</b>	<b>1,455.5</b>	<b>1,513.7</b>	<b>1,574.3</b>
Capital gains, Prop. Revaluations	809.7	822.3	563.7	458.3
EBITDA profit	1,751.6	1,790.1	1,659.3	1,596.1
<b>Adj. EBITDA profit</b> (cash driven)	<b>973.9</b>	<b>967.1</b>	<b>983.4</b>	<b>1,024.7</b>
<b>Operating profit (EBIT)</b>	<b>1,736.7</b>	<b>1,773.3</b>	<b>1,641.5</b>	<b>1,577.7</b>
Net financial result	-342.5	-237.9	-239.8	-256.7
<b>Pre-tax profit (EBT)</b>	<b>1,394.2</b>	<b>1,535.4</b>	<b>1,401.7</b>	<b>1,321.0</b>
Taxation	-316.1	-291.7	-266.3	-251.0
<b>Net profit after minorities</b>	<b>642.2</b>	<b>646.7</b>	<b>590.4</b>	<b>556.4</b>
<b>FFO I</b>	<b>459.1</b>	<b>489.6</b>	<b>565.1</b>	<b>602.3</b>
Shareholders' equity (Euro billion)	10.5	10.9	11.2	11.4
<b>Property portfolio (Euro billion)</b>	<b>29.1</b>	<b>28.5</b>	<b>30.0</b>	<b>31.5</b>
<b>RoE (after tax)</b>	<b>3.7%</b>	<b>3.3%</b>	<b>2.9%</b>	<b>2.7%</b>
Equity ratio (incl. equity minorities)	48.6%	51.3%	50.9%	50.6%

■ **Main Shareholders**

Treasury shares 30%  
 Avisco Group Plc. 10%

■ **Financial calendar**

1Q 2022 report 25 May 2022  
 AGM 22 June 2022  
 1H 2022 report 25 August 2022  
 SRC Forum Financials & Real Estate 13 September 2022

■ **Analysts**

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### 2021 numbers slightly above expectation but estimates for 2022 and the coming years reduced – continued share buyback to further benefit the KPIs – target down to Euro 7.50, still Buy

Yesterday, the company released the annual report for 2021 and gave an outlook for the current year. The 2021 numbers, which fully consolidate the GCP results as of 1 July and are thus not on all levels comparable to last year's numbers, were on top of our estimates and met the firm's guidance.

Revenues came in at more than Euro 1.32bn and were on top of our estimate of Euro 1.26bn. Included here is net rental income of almost Euro 1.09bn, of which about Euro 1.06bn are recurring long-term net rental income. While these numbers benefited from the consolidation of Grand City, they also reflect the impacts of the significant disposals over the course of the last two years. Like-for-like net rental income grew by 0.3% or 1.0% excluding hotels respectively. The share of at-equity accounted investees contributed Euro 193m and benefited from a one-time revaluation gains of Euro 76m as part of the initial consolidation process of GCP. The revaluation and capital gains result stood at Euro 810m (FY 2020: Euro 769m), and are mainly driven by the revaluation gains from GCP, where an 8% like-for-like value growth was recorded. Operating expenses stood at Euro 533m and included extraordinary expenses for uncollected rent of Euro 125m, slightly above our expectation of Euro 120m. Administrative and other expenses amounted to about Euro 57m. Thus, the operating profit came in at Euro 1.74bn, while adjusted EBITDA stood at Euro 975m. The firm's finance expenses came down from Euro 201m to Euro 180m despite an increase of Euro 3.7bn in total debt due to the optimization of the debt structure. The cost of debt further declined from 1.4% at FY 2020 to only 1.2% at FY 2021. The other financial result stood at Euro 162m. All in all, net profit after minorities was slightly below the level of last year at Euro 642m. **Earnings per share, however, increased by about 10% from 50 cents per share to 55 cents per share and clearly benefited from the share buyback program. This effect also becomes clearly apparent when looking at the other KPIs. The FFO I was at Euro 353m slightly below last year's number of Euro 358m, but on top of our estimate of Euro 342m. While the absolute number declined by about 1%, the FFO per share hiked by 11% from 27 cents to 30 cents, allowing for a lifted dividend of 23 cents per share for 2021. Furthermore, the EPRA NTA hiked by 3% from 11.19bn to 11.56bn and even by 7% on a per share basis, from Euro 9.5 to Euro 10.2. Thus, we also welcome the decision from 1 February, where the volume of the share buyback program was increased by another Euro 500m and extended until the end of 2022.**

The firm also released a guidance for the current fiscal year and expects the FFO to be in a range between Euro 350m and Euro 375m. This is clearly below our to date expectation of Euro 447m, as we expected the provisions for uncollected rents to be lower. Thus, we also reduce our expectations and now expect the FFO to be at the upper end of the range at Euro 372m. For the FFO per share, the company guides a range between 31 cents and 34 cents, which translates into a dividend per share of 23 cents to 25 cents. We furthermore somewhat reduced our acquisition expectations, which also has an impact on the numbers of the coming years. **While these two adjustments negatively impact our valuation, the continued share buyback counteracts the lower numbers, which is favourable for our valuation. All in all, we reduce our target price slightly from 8.00 to Euro 7.50 and stick to our Buy rating.**

**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 <b>Co-CEO &amp; COO</b>		Eyal Ben David <b>CFO</b>
Oschie Massatschi <b>CCMO</b>		Klaus Krägel <b>CDO</b>
Frank Roseen <b>Director</b>	Jelena Afxentiou <b>Director</b>	Markus Kreuter <b>Indep. Director</b>
Markus Leininger <b>Indep. Director</b>	Simone Runge-Brandner <b>Indep. Director</b>	Ran Laufer <b>Non-Exec. Director</b>

ADVISORY BOARD
Dr. Gerhard Cromme <b>Chairman</b>
Yakir Gabay
Claudio Jarczyk
David Maimon

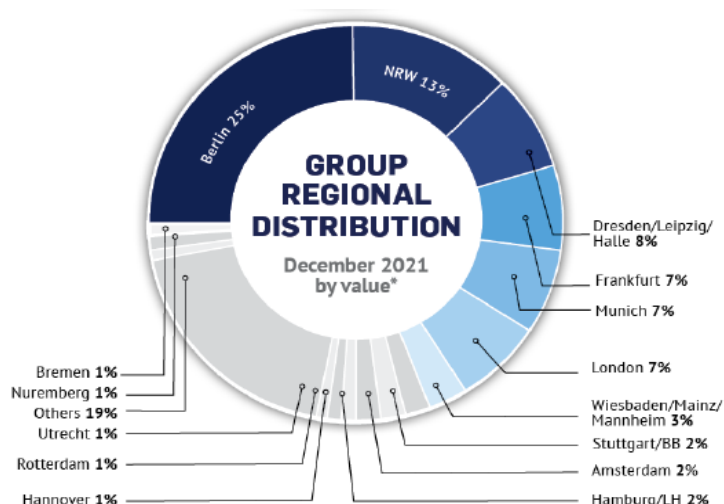
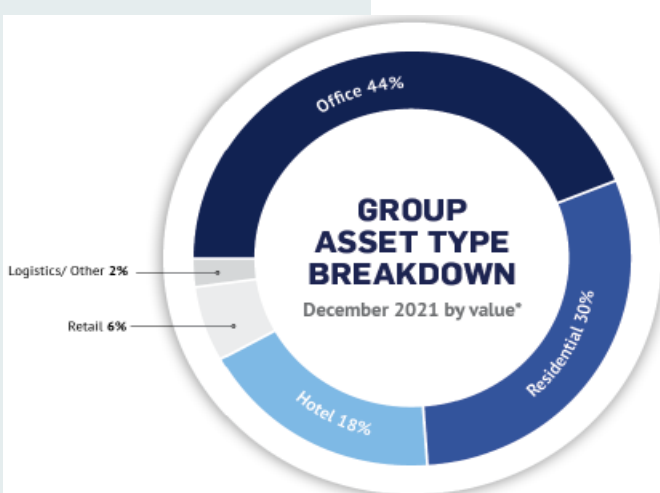
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 49% as of FY2021, 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 29bn. Commercial properties have a share of 70% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 30%. Office properties make up for 44%, 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

## Significant growth in EPRA NTA in 2021 – further value creation with share buyback program in the coming months

The firm's EPRA NTA has grown from Euro 9.5 per share to Euro 10.2 per share or even to Euro 10.4 when adjusting for the dividend payment. This translates into a growth rate of 10% within one year.



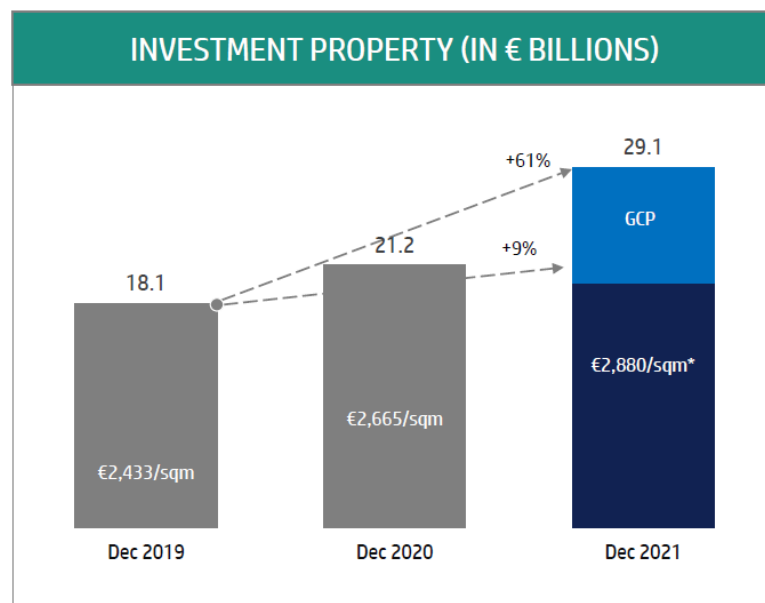
Source: FY 2021 financial results presentation

Next to the profits of 2021, this was driven by capital recycling via disposals of Euro 2.3bn, which was used to pay back debt (total of Euro 2.3bn) and to buy back shares (Euro 0.4bn). As described before, the share buyback is a key driver for the growth in KPIs. It is highly accretive as the shares are being bought back at steep discounts to ERPA NTA as the share is currently trading at very low levels. Only by these two drivers, the EPRA NTA was lifted by about 30 cents per share. Thus we clearly welcome the decision to increase the ongoing share buyback by another Euro 500m and to extend the program until the end of 2022, as we see further significant value creation potential from this. Of the total volume of Euro 1bn of the current program, about Euro 575m have already been bought back. Together with the previous program, a total of Euro 1.6bn has been bought back since 2020 and we would not be surprised if another program would be announced after the current program was completed, if the share price was to remain at a relatively low level compared to the NTA.

## Portfolio quality and diversification further improved – hotels still a burden at the moment due to the impacts of Covid

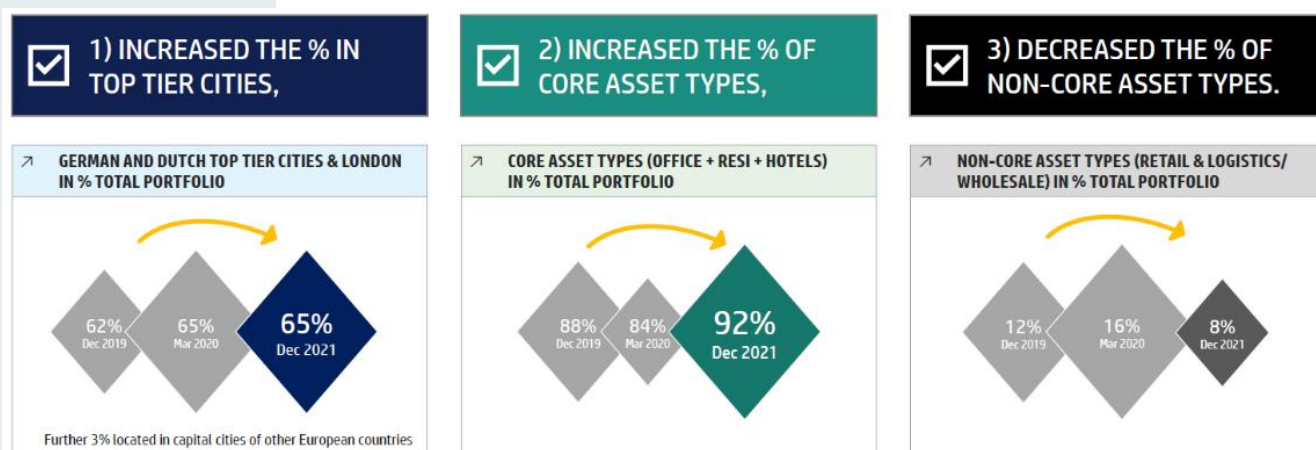
Over the course of 2021, the company managed to further improve the firm's portfolio by on the one hand selling non-core and mature assets and on the other hand due to the consolidation of Grand City Properties.

In terms of disposals, the company signed a total of Euro 2.8bn of sales, of which Euro 2.3bn were already closed in 2021. These assets were sold at an average rent multiple of 21x, translating into a margin of 3% above book value and 37% above cost. The sold assets were 42% office properties, 31% hotels, 22% logistics, retail and residential and 5% development rights and were at about 40% mainly located in non-core regions.



Source: FY 2021 financial results presentation

Despite the high sales volume, the firm’s investment properties have still grown to more than Euro 29bn due to the full consolidation of GCP. This translates into a growth of 61% in two years or 9% excluding the consolidation effect. It furthermore led to a clearly improved diversification, as the portfolio now includes about 65k residential units located mainly in Germany and London, making up for about 30% of the total portfolio. Overall, the share of the portfolio in top tier cities of Germany, the Netherlands and the city of London has increased to 65%.



Source: FY 2021 financial results presentation

The share of hotels in the portfolio has further declined in 2021 and now stands at about 18%. While these assets are in our opinion of good quality and at good locations and thus should be well positioned once the segment has recovered from the pandemic, the assets are currently still burdening the numbers of Aroundtown. The collection rate in 2021 was at only 48%, leading to extraordinary expenses from uncollected rent of Euro 125m. For the current year, the company assumes a collection rate of 60% to 70%, which will lead to further extraordinary expenses from uncollected rent in 2022.

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
<b>Revenues</b>	<b>894.8</b>	<b>1,180.3</b>	<b>1,323.2</b>	<b>1,455.5</b>	<b>1,513.7</b>	<b>1,574.3</b>	<b>6.0%</b>
<b>Capital gains, property revaluations and others</b>	<b>1,217.5</b>	<b>769.4</b>	<b>809.7</b>	<b>822.3</b>	<b>563.7</b>	<b>458.3</b>	
thereof net revaluation result	1,156.6	711.6	744.1	781.2	535.5	435.4	
thereof capital gains and bargain purchase	60.9	57.8	65.6	41.1	28.2	22.9	
Share in profit from investment in equity-accounted investees	298.7	195.7	193.4	54.1	57.3	60.8	
Property-related operating expenses	-227.9	-442.6	-533.0	-500.4	-433.6	-453.6	
thereof depreciation and amortization	-1.8	-4.3	-15.9	-16.8	-17.8	-18.4	
Administrative and other expenses	-27.3	-51.1	-56.6	-58.2	-59.7	-62.1	
<b>Operating profit (EBITDA)</b>	<b>2,157.5</b>	<b>1,656.0</b>	<b>1,751.6</b>	<b>1,790.1</b>	<b>1,659.3</b>	<b>1,596.1</b>	
<b>Operating Profit (EBIT)</b>	<b>2,155.8</b>	<b>1,651.7</b>	<b>1,736.7</b>	<b>1,773.3</b>	<b>1,641.5</b>	<b>1,577.7</b>	
Finance expenses	-141.7	-200.7	-180.4	-175.6	-184.4	-202.8	
Other financial results	45.7	-167.8	-162.1	-62.3	-55.4	-53.9	
<b>Net financial result</b>	<b>-96.0</b>	<b>-368.5</b>	<b>-342.5</b>	<b>-237.9</b>	<b>-239.8</b>	<b>-256.7</b>	
<b>Pre-tax profit (EBT)</b>	<b>2,059.8</b>	<b>1,283.2</b>	<b>1,394.2</b>	<b>1,535.4</b>	<b>1,401.7</b>	<b>1,321.0</b>	<b>-1.8%</b>
Tax (cash and deferred)	-350.7	-376.8	-316.1	-291.7	-266.3	-251.0	
<b>Net profit before minorities</b>	<b>1,709.1</b>	<b>906.4</b>	<b>1,078.1</b>	<b>1,243.7</b>	<b>1,135.4</b>	<b>1,070.0</b>	
Minorities	-401.0	-254.7	-435.9	-597.0	-545.0	-513.6	
<b>Net profit after minorities</b>	<b>1,308.1</b>	<b>651.7</b>	<b>642.2</b>	<b>646.7</b>	<b>590.4</b>	<b>556.4</b>	
<b>Number of shares</b> (weighted average, excl. treasury shares)	<b>1,172.9</b>	<b>1,305.2</b>	<b>1,168.2</b>	<b>1,094.4</b>	<b>1,048.2</b>	<b>1,048.2</b>	
<b>Earnings per share (EPS, basic)</b>	<b>1.12</b>	<b>0.50</b>	<b>0.55</b>	<b>0.59</b>	<b>0.56</b>	<b>0.53</b>	
<b>Earnings per share (EPS, diluted)</b>	<b>1.10</b>	<b>0.49</b>	<b>0.53</b>	<b>0.57</b>	<b>0.53</b>	<b>0.49</b>	
<b>Dividend per share (DPS)</b>	<b>0.14</b>	<b>0.22</b>	<b>0.23</b>	<b>0.25</b>	<b>0.32</b>	<b>0.35</b>	
<b>Adjusted EBITDA</b>	<b>772.7</b>	<b>944.1</b>	<b>973.9</b>	<b>967.1</b>	<b>983.4</b>	<b>1,024.7</b>	<b>1.7%</b>
<b>FFO I</b>	<b>503.4</b>	<b>447.4</b>	<b>459.1</b>	<b>489.6</b>	<b>565.1</b>	<b>602.3</b>	<b>9.5%</b>
<b>FFO I per share</b>	<b>0.43</b>	<b>0.34</b>	<b>0.39</b>	<b>0.45</b>	<b>0.54</b>	<b>0.57</b>	<b>13.5%</b>
<b>FFO I after perpetual</b>	<b>445.6</b>	<b>357.8</b>	<b>353.2</b>	<b>371.5</b>	<b>446.6</b>	<b>484.8</b>	<b>11.1%</b>
<b>FFO I per share after perpetual</b>	<b>0.38</b>	<b>0.27</b>	<b>0.30</b>	<b>0.34</b>	<b>0.43</b>	<b>0.46</b>	<b>15.2%</b>
<b>Shareholders' Equity (without minorities)</b>	<b>9,585.5</b>	<b>10,424.8</b>	<b>10,533.6</b>	<b>10,915.4</b>	<b>11,227.2</b>	<b>11,448.6</b>	<b>2.8%</b>
<b>Shareholders' Equity (including minorities)</b>	<b>13,378.9</b>	<b>15,583.0</b>	<b>19,156.4</b>	<b>19,811.1</b>	<b>20,336.2</b>	<b>20,695.8</b>	
<b>EPRA NTA</b>	<b>10,522.7</b>	<b>11,187.4</b>	<b>11,564.0</b>	<b>11,983.2</b>	<b>12,325.4</b>	<b>12,568.5</b>	<b>2.8%</b>
Balance Sheet sum	25,444.7	31,021.6	39,383.1	38,595.4	39,918.3	40,863.1	
<b>Equity Ratio</b>	<b>52.6%</b>	<b>50.2%</b>	<b>48.6%</b>	<b>51.3%</b>	<b>50.9%</b>	<b>50.6%</b>	
<b>RoE (after tax)</b>	<b>11.2%</b>	<b>4.5%</b>	<b>3.7%</b>	<b>3.3%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>-9.8%</b>
<b>Property portfolio (including equity-accounted investees)</b>	<b>21,213.3</b>	<b>24,327.4</b>	<b>29,115.9</b>	<b>28,533.6</b>	<b>29,960.3</b>	<b>31,458.3</b>	
<b>Book Value per share (Euro) - undiluted</b>	<b>8.17</b>	<b>7.99</b>	<b>9.30</b>	<b>10.40</b>	<b>11.10</b>	<b>11.32</b>	<b>6.8%</b>
<b>EPRA NTA per share (Euro) - undiluted</b>	<b>8.59</b>	<b>9.51</b>	<b>10.21</b>	<b>11.42</b>	<b>12.19</b>	<b>12.43</b>	<b>6.8%</b>

## SRC Research

### - Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

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### Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	November 24, 2021	Buy	5.92 €	8.00 €
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 €

### Please note:

The share price mentioned in this report is from 29 March 2022. AROUNDTOWN SA mandated SRC Research for covering the share.

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