

## As expected last week, the company delivered a good start into the year, EPRA NAV +3% and more upside to follow, we maintain our Buy rating and our Euro 26.00 target price

Today S IMMO published the 1Q 2021 quarterly report and invited for a conference call in the afternoon.

As we expected with our recent update last week on 20 May, the 1Q 2021 unveiled a friendly picture in terms of a clearly positive bottom line despite a challenging economic framework, which is at least still valid for the hotel business.

The rental revenues from the almost Euro 2.5bn commercial and residential portfolio were up almost 3%, from Euro 31.1m to 32.0, the net result from hotel business was just a small minus of Euro -1.3m as the firm quickly reacted with cost cuttings, even though last year's 1Q hotel business was about 75% normal before the Covid-19 lockdown came mid of March and this translated into a positive 1Q 2020 hotel contribution of Euro +1.6m.

The 1Q 2021 net revaluation was a positive Euro +2.5m, much more to come with the half year report, as the company already announced an external revaluation, which resulted in a surplus of Euro 85m as of end of April.

**The last year's net revaluation of Euro -32m was a blow for the bottom line result, as some market experts exaggerated the likelihood of significantly rising prime yields in some CEE markets. This year, the very small Covid-19 impetus and the much better revaluation picture was enough to turn back to black in EBIT, from Euro -12.5m to Euro 18.2m.**

**The net financial result was flattered by some positive non-cash items and came in at only Euro -5.4m, after Euro -13.2m in the previous year. With the turn in EBIT and the prosperous financial result, the pre-tax result turned from Euro -26m to Euro +13m and the net profit made a remarkable rebound from Euro -21m to almost Euro 10m.**

With the good 1Q there is another argument to judge the Immofinanz bidding price of Euro 22.25 much too low. Keep in mind that EPRA NAV per share was up 3% in the first three months from, Euro 24.32 to Euro 25.05 (EPRA NTA very similar +3% to Euro 24.79) and that the big revaluation (we assume a magnitude of c. Euro 90m to Euro 110m) will follow with the half-year report on 27 August, which would translate into another NAV uplift of Euro 1.00 to Euro 1.20 for the half-year report. Moreover, one week ago on 21 May, S IMMO received more than Euro 6.3m from CA Immo as dividend payment on a gross basis. These items are not included in the Immofinanz offer, as well as the German landbank reserves in the Berlin surrounding area (c. 2.5 million sqm with an average acquisition cost of only Euro 14.77 per sqm) promise a much higher mid- and long-term upside potential for any buyer.

**After we already raised our target price for S IMMO in the last week with our update from 20 May, we feel now fully confirmed with today's good first quarter results. We reaffirm our Buy recommendation and also stick to our Euro 26.00 target price.**

<b>Price (Euro)</b>	<b>21,60</b>			
52 weeks range	22,35 / 12,40			
<b>Key Data</b>				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPI AV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	1590,0			
Number of shares (million)	73,6			
Free Float (approx.)	54%			
Free Float MarketCap (Euro million)	857,0			
CAGR (EBITDA '20-23e)	13,3%			
<b>Multiples</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Market cap/ Revenues-Ratio	8,2	8,4	8,3	8,0
P/E-Ratio	27,4	11,5	13,9	12,7
Dividend Yield	1,6%	2,1%	2,8%	3,2%
<b>Key Data per Share (Euro)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Earnings per Share (EpS)	0,79	1,88	1,55	1,70
Dividends per Share (DpS)	0,35	0,45	0,60	0,70
Book Value per Share (BVpS)	18,45	19,85	20,77	21,73
EPRA NAV per share	24,32	26,85	27,68	28,62
FFO I per share	0,59	0,77	0,93	1,00
<b>Financial Data (Euro '000)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Revenues	173.915	199.498	220.263	231.668
Rental income	123.255	131.025	138.401	144.519
Net revaluation result	39.056	124.345	81.445	89.495
Operating cash profit (EBITDA)	71.132	86.518	97.154	103.341
Operating Profit (EBIT)	100.956	201.186	168.477	182.382
Pre-tax profit (EBT)	71.586	169.676	136.030	148.371
Net profit after minorities	56.537	136.379	112.132	122.921
Shareholders' Equity	1.294.259	1.358.415	1.461.348	1.528.885
RoE after tax	4,3%	9,7%	7,5%	7,9%
<b>Financial Calendar</b>				
1H 2021 report		August 27, 2021		
SRC Forum Financials & Real Estate		September 8, 2021		
9M 2021 report		November 26, 2021		
<b>Main Shareholders</b>				
Immofinanz		26,5%		
Aggregate Holdings S.A.		10,8%		
EUROVEA Services s.r.o.		5,2%		
Own shares		3,6%		
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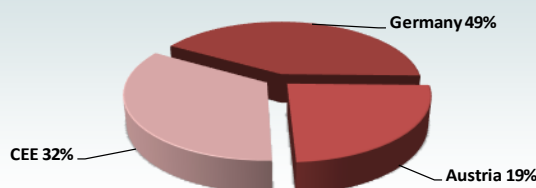
### S IMMO AG Company Profile

<b>Industry:</b>	Real Estate	<b>Management Board:</b>	
<b>Sub-segment:</b>	mixed (71% commercial)	CEO Dr. Bruno Ettenauer, MRICS	
<b>Country:</b>	Austria	COO Friedrich Wachernig, MBA	
<b>Headquarter:</b>	Vienna	CIO DI Herwig Teufelsdorfer, MRICS	
<b>Foundation:</b>	1986		
<b>Employees (without Hotels):</b>	115		
		<b>Supervisory Board:</b>	
		Dr. Karin Rest, EMBA (Chairman)	
		Christian Hager (Deputy Chairman)	
		Mag. Hanna Bomba	DI Manfred Rapf
<b>IR Contact</b>		MMag. Holger Schmidtmayr, MRICS	Mag. Elisabeth Wagerer
Andreas Feuerstein			
(Andreas.Feuerstein@simmoag.at)			

S IMMO is a Vienna-based real estate holding company founded in 1986. Since 1987 the company is listed on the Vienna stock exchange and therefore Austria's longest existing property investment company. The share is member of ATX blue chip index since September 2017. Expansion activities to foreign countries were started close to the millenium. Within recent years the company acquired, according to its Buy and Develop and Hold strategy, a real estate portfolio that comprises more than 350 properties, a lettable space of more than 1,300k sqm amounting to a value of almost Euro 2.5bn at December 2020 (+4.5% compared to year-end 2019). In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of office, retail and hotel properties as well as residential properties selected for a sustainable value growth. All in all, office properties have a 43% weighting, retail 18%, hotels 9% and residential have 30% (thereof 93% in Germany). S IMMO aims on a long investment horizon but also strongly exploits opportunities for trading in these low yielding times - as done in a bigger magnitude in 2016 and 2017, in particular in Germany and Austria. The last years the acquisitions have been a bit higher than the disposals to strenghten the long term cash producing portfolio which had an overall yield of 5.1% in 2020 (5.4% in 2019). In terms of portfolio value a large share of 49% is located in Germany (more than Euro 1.2bn). Austria stands for almost 19% (approx. Euro 0.5bn) while CEE stands for the remaining 32% (Euro 0.8bn) of the total portfolio. In 2020, the high occupancy of 95.5% in 2019, was almost kept stable despite the Covid-19 pandemic, at 93.9%. S IMMO released the 2020 annual report on 8 April and presented a decent result for a very challenging year. The company has prosperous mid and long term growth options by about 2 million sqm undeveloped land (mainly around Berlin) which gives room to grow the residential portfolio or to realize mark-ups in value. For 2018 the dividend was strongly lifted from 40 Cents to 70 Cents, meaning a payout ratio of clearly more than 70% of FFO cash earnings. The firm decided for a stable dividend of 70 Cents for FY 2019, despite the outbreak of COVID-19 pandemic in March 2020. A management proposal for the new dividend for the FY 2020 was not disclosed yet.

#### Value of portfolio by region

(Euro 2.5bn at FY 2020)



Source: Company data (FY 2020)

The lion's share of the company's historical development activity was done in Austria and CEE. Hence, a significant share of already finished properties (like Sun shopping mall in Bucharest), held within the CEE portfolio, results from own developments. The core shareholder is Immofinanz with a 26.5% stake, striving for a takeover at the moment. The other way round S IMMO holds a 13.4% stake in Immofinanz.

The company aimed to lift FFO I to more than Euro 40m until 2018 and already managed to reach this target already in 2016, as FFO I increased by 15% from Euro 35.0m to Euro 40.1m. The FY 2017 FFO I then was at almost Euro 43m. After two years (2018 and 2019) with FFOs at record levels above Euro 60m, the 2020 came back more or less on the 2017 level, with no support from hotel GOP and almost Euro 11m missing from Immofinanz paying no dividend for FY 2019 in 2020. We like the improving numbers on the financing side. Cost of Funding (incl. hedging) came down from 2.67% in 2017 to 2.53% in 2018 and then very low 2.30% in 2019 and 2.29% in 2020. In 2020 LTV remained almost unchanged at 46.8%, after 46.9% in 2019. The 2020 equity ratio of 44.3% underlines the healthy balance sheet (2019: 42.9%).

Source: Company Data, SRC Research

## P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
<b>Revenues</b>	<b>191.421</b>	<b>192.441</b>	<b>210.427</b>	<b>173.915</b>	<b>199.498</b>	<b>220.263</b>	<b>231.668</b>	<b>10,0%</b>
└ thereof rental income	112.020	104.313	119.373	123.255	131.025	138.401	144.519	
└ thereof revenues from service charges	33.435	33.379	31.952	32.871	35.229	36.421	37.004	
└ thereof revenues from hotel operations	45.966	54.749	59.102	17.789	33.244	45.441	50.145	
Other operating income	2.866	1.948	2.481	2.501	2.855	2.912	3.205	
Expenses directly attributable to properties	-59.877	-53.410	-60.952	-66.760	-62.658	-66.502	-69.125	
<i>Gross margin property segment</i>	<i>58,8%</i>	<i>61,2%</i>	<i>59,7%</i>	<i>57,2%</i>	<i>62,3%</i>	<i>62,0%</i>	<i>61,9%</i>	
Hotel operating expenses	-36.232	-38.023	-42.250	-18.126	-31.897	-37.402	-39.773	
<b>Gross operating profit hotels (GOP)</b>	<b>9.734</b>	<b>16.726</b>	<b>16.852</b>	<b>-337</b>	<b>1.347</b>	<b>8.039</b>	<b>10.372</b>	
<i>Gross margin within hotel segment</i>	<i>21,2%</i>	<i>30,6%</i>	<i>28,5%</i>	<i>-1,9%</i>	<i>4,1%</i>	<i>17,7%</i>	<i>20,7%</i>	
<b>Gross profit (revenues less directly attributable expenses)</b>	<b>98.178</b>	<b>102.956</b>	<b>109.706</b>	<b>91.530</b>	<b>107.798</b>	<b>119.271</b>	<b>125.975</b>	<b>11,2%</b>
<i>Total Gross margin</i>	<i>51,3%</i>	<i>53,5%</i>	<i>52,1%</i>	<i>52,6%</i>	<i>54,0%</i>	<i>54,1%</i>	<i>54,4%</i>	
<b>Net operating income (NOI)</b>	<b>95.312</b>	<b>101.008</b>	<b>107.225</b>	<b>89.029</b>	<b>104.943</b>	<b>116.359</b>	<b>122.770</b>	<b>11,3%</b>
<i>NOI-margin</i>	<i>49,8%</i>	<i>52,5%</i>	<i>51,0%</i>	<i>51,2%</i>	<i>52,6%</i>	<i>52,8%</i>	<i>53,0%</i>	
<b>Net Gains on property disposal</b>	<b>10.341</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Management expenses	-18.963	-19.863	-22.669	-20.398	-21.280	-22.117	-22.634	
└ thereof personnel expenses	-8.796	-10.601	-11.513	-12.272	-13.291	-12.320	-12.877	
<b>EBITDA</b>	<b>89.556</b>	<b>83.093</b>	<b>87.037</b>	<b>71.132</b>	<b>86.518</b>	<b>97.154</b>	<b>103.341</b>	<b>13,3%</b>
<i>EBITDA-margin</i>	<i>46,8%</i>	<i>43,2%</i>	<i>41,4%</i>	<i>40,9%</i>	<i>43,4%</i>	<i>44,1%</i>	<i>44,6%</i>	
Depreciation	-8.999	-7.672	-8.264	-9.232	-9.677	-10.122	-10.454	
Property Revaluation	127.592	167.814	192.671	39.056	124.345	81.445	89.495	
<b>Operating profit (EBIT)</b>	<b>208.149</b>	<b>243.235</b>	<b>271.444</b>	<b>100.956</b>	<b>201.186</b>	<b>168.477</b>	<b>182.382</b>	<b>21,8%</b>
<i>EBIT-margin</i>	<i>108,7%</i>	<i>126,4%</i>	<i>129,0%</i>	<i>58,0%</i>	<i>100,8%</i>	<i>76,5%</i>	<i>78,7%</i>	
<b>EBIT-profit without revaluation result</b>	<b>80.557</b>	<b>75.421</b>	<b>78.773</b>	<b>61.900</b>	<b>76.841</b>	<b>87.032</b>	<b>92.887</b>	<b>14,5%</b>
Net financial result	-41.437	-7.263	-20.021	-29.370	-31.510	-32.447	-34.011	
Participating certificates expenses (hybrid capital)	-5.964	0	0	0	0	0	0	
<b>Earnings before tax (EBT)</b>	<b>160.748</b>	<b>235.972</b>	<b>251.423</b>	<b>71.586</b>	<b>169.676</b>	<b>136.030</b>	<b>148.371</b>	<b>27,5%</b>
<i>EBT margin</i>	<i>84,0%</i>	<i>122,6%</i>	<i>119,5%</i>	<i>41,2%</i>	<i>85,1%</i>	<i>61,8%</i>	<i>64,0%</i>	
Income tax expense	-27.278	-31.822	-38.116	-14.674	-32.887	-23.441	-24.955	
<i>Tax rate</i>	<i>17,0%</i>	<i>13,5%</i>	<i>15,2%</i>	<i>20,5%</i>	<i>19,4%</i>	<i>17,2%</i>	<i>16,8%</i>	
<b>Net profit</b>	<b>133.470</b>	<b>204.150</b>	<b>213.307</b>	<b>56.912</b>	<b>136.789</b>	<b>112.589</b>	<b>123.416</b>	
Minorities	-3.379	-460	-533	-375	-410	-457	-495	
<b>Net profit after minorities</b>	<b>130.091</b>	<b>203.690</b>	<b>212.774</b>	<b>56.537</b>	<b>136.379</b>	<b>112.132</b>	<b>122.921</b>	<b>29,5%</b>
<i>Return on sales</i>	<i>68,0%</i>	<i>105,8%</i>	<i>101,1%</i>	<i>32,5%</i>	<i>68,4%</i>	<i>50,9%</i>	<i>53,1%</i>	
Number of shares (in million)	66,9	66,9	66,9	73,6	73,6	73,6	73,6	
<b>Earnings per Share (EPS) in Euro</b>	<b>1,97</b>	<b>3,08</b>	<b>3,21</b>	<b>0,79</b>	<b>1,88</b>	<b>1,55</b>	<b>1,70</b>	<b>29,2%</b>
Dividends per Share (DPS) in Euro	0,40	0,70	0,70	0,35	0,45	0,60	0,70	
Book Value per Share (BVPS) in Euro	13,66	15,88	19,34	18,45	19,85	20,77	21,73	
<b>Total assets</b>	<b>2.272.255</b>	<b>2.720.134</b>	<b>3.137.688</b>	<b>3.122.610</b>	<b>3.197.553</b>	<b>3.307.868</b>	<b>3.458.509</b>	<b>3,5%</b>
<b>Shareholders' equity (after dividend payment)</b>	<b>914.335</b>	<b>1.062.513</b>	<b>1.294.259</b>	<b>1.358.415</b>	<b>1.461.348</b>	<b>1.528.885</b>	<b>1.599.779</b>	<b>5,6%</b>
Shareholders' equity incl. participating certificates	971.052	1.062.513	1.294.259	1.358.415	1.461.348	1.528.885	1.599.779	
Equity ratio without minorities with hybrid capital	43%	39%	41%	44%	46%	46%	46%	
Return on Equity (RoE)	15,5%	20,6%	18,1%	4,3%	9,7%	7,5%	7,9%	
<b>Key ratios &amp; figures</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	
<b>Growth rates in %</b>								
Revenues	-3,7%	0,5%	9,3%	-17,4%	14,7%	10,4%	5,2%	
EBITDA	-3,1%	-7,2%	4,7%	-18,3%	21,6%	12,3%	6,4%	
EBIT	-25,3%	16,9%	11,6%	-62,8%	99,3%	-16,3%	8,3%	
EBT	-25,7%	46,8%	6,5%	-71,5%	137,0%	-19,8%	9,1%	
Net profit after minorities	-34,7%	53,0%	4,5%	-73,3%	140,4%	-17,7%	9,6%	
<b>Margins in %</b>								
EBITDA	46,8%	43,2%	41,4%	40,9%	43,4%	44,1%	44,6%	
EBIT	108,7%	126,4%	129,0%	58,0%	100,8%	76,5%	78,7%	
EBT	84,0%	122,6%	119,5%	41,2%	85,1%	61,8%	64,0%	
<b>Expense ratios in %</b>								
Depreciation to sales	-4,7%	-4,0%	-3,9%	-5,3%	-4,9%	-4,6%	-4,5%	
Tax rate	17,0%	13,5%	15,2%	20,5%	19,4%	17,2%	16,8%	
<b>Profitability in %</b>								
Profit margin	69,7%	106,1%	101,4%	32,7%	68,6%	51,1%	53,3%	
Return on equity (RoE) after tax	15,5%	20,6%	18,1%	4,3%	9,7%	7,5%	7,9%	
Return on Assets (RoA)	5,9%	7,5%	6,8%	1,8%	4,3%	3,4%	3,6%	
Return on Investment (RoI)	5,9%	7,5%	6,8%	1,8%	4,3%	3,4%	3,6%	
<b>Valuation</b>								
P/E-ratio	10,94	7,00	6,73	27,41	11,47	13,91	12,71	
P/S-ratio	8,31	8,26	7,56	9,14	7,97	7,22	6,86	
Price/BVpS (PBV)	1,58	1,36	1,12	1,17	1,09	1,04	0,99	
Dividend yield in %	1,9%	3,2%	3,2%	1,6%	2,1%	2,8%	3,2%	
<b>Data per share</b>								
Number of shares (in million)	66,9	66,9	66,9	73,6	73,6	73,6	73,6	
EPS	1,97	3,08	3,21	0,79	1,88	1,55	1,70	
DPS	0,40	0,70	0,70	0,35	0,45	0,60	0,70	
BVPS	13,66	15,88	19,34	18,45	19,85	20,77	21,73	
FFO I per share	0,64	0,92	0,98	0,59	0,77	0,93	1,00	

## SRC Research

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### Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	20 May 2021	Buy	€ 21,80	€ 26,00
S IMMO	08 April 2021	Buy	€ 21,55	€ 25,00
S IMMO	15 March 2021	Buy	€ 18,04	€ 23,00
S IMMO	24 November 2020	Buy	€ 15,78	€ 21,00
S IMMO	26 August 2020	Buy	€ 14,52	€ 21,00
S IMMO	26 May 2020	Buy	€ 16,72	€ 20,00
S IMMO	12 May 2020	Buy	€ 16,50	€ 20,00
S IMMO	23 March 2020	Buy	€ 14,44	€ 20,00
S IMMO	27 November 2019	Accumulate	€ 22,20	€ 25,00
S IMMO	27 August 2019	Buy	€ 19,46	€ 24,00
S IMMO	27 May 2019	Accumulate	€ 19,98	€ 22,50
S IMMO	04 April 2019	Buy	€ 18,48	€ 21,50

### Please note:

The S IMMO AG share price mentioned in this report is the price of 27 May 2021. S IMMO mandated SRC Research for covering the S IMMO share.

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