

Price (Euro)	15.20			
52 weeks range	18.64 / 14.00			
Key Data				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPIAV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	1017.1			
Number of shares (million)	66.9			
Free Float (approx.)	70%			
Free Float MarketCap (Euro million)	712.0			
CAGR (EBITDA '17-20e)	5.9%			
Multiples	2017	2018e	2019e	2020e
Market cap/ Revenues-Ratio	5.3	5.4	5.3	5.1
P/E-Ratio	7.7	7.5	7.3	7.4
Dividend Yield	2.6%	2.6%	3.0%	3.3%
Key Data per Share (Euro)	2017	2018e	2019e	2020e
Earnings per Share (EpS)	1.97	2.02	2.07	2.05
Dividends per Share (DpS)	0.40	0.40	0.45	0.50
Book Value per Share (BVpS)	13.66	15.28	16.89	18.42
EPRA NAV per share	17.63	20.45	21.68	22.81
FFO I per share	0.64	0.84	0.91	0.98
Financial Data (Euro '000)	2017	2018e	2019e	2020e
Revenues	191,421	192,084	202,779	208,312
Rental income	112,020	106,979	113,505	115,775
Net revaluation result	127,592	95,175	87,911	81,553
Operating cash profit (EBITDA)	89,556	86,430	101,389	106,360
Operating Profit (EBIT)	208,149	173,555	180,848	179,068
Pre-tax profit (EBT)	160,748	159,052	164,290	162,096
Net profit after minorities	130,091	134,614	138,035	136,295
Shareholders' Equity	914,335	1,022,196	1,130,097	1,232,875
RoE after tax	15.5%	13.9%	12.8%	11.5%
Financial Calendar				
Annual report 2018		April 3, 2019		
1Q 2019		May 27, 2019		
AGM		June 14, 2019		
2Q 2019		August 27, 2019		
Main Shareholders				
Immofinanz		29%		
Own shares		1%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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+30% FFO in a transition year – good rentals at the new completions Einsteinova and The Mark – much lower financing costs – 9M net profit 8% up – we lift target to 20 Euros

Today, S IMMO released the 9M report and invited for a conference call in the afternoon. All in all, the numbers were in-line at the rental income and EBITDA result but even better when it comes to the bottom line. Despite the tremendous sales activities in the last two years, in particular Serdika Center in Sofia and Viertel Zwei In Vienna, the rental income was quite high in our view, with a good like-for-like rental growth in the existing portfolio and new acquired properties as well as a remarkably higher contribution from hotel operations.

Despite losing Euro 15.3m by the sold Serdika and Viertel Zwei properties the rental income only came back by less than Euro 10m, from Euro 86.0 in 9M 2017 to now still high Euro 76.5m in this year. Keep in mind that the like-for-like rentals climbed by Euro 3.3m and from new acquisitions there was a contribution of Euro 2.5m coming to the top line. Another highlight were the hotel revenues steeply increasing by 17%, from Euro 32.8m to Euro 38.3m.

The EBITDA was at Euro 62.8m, in-line with our expectations, after Euro 71.3m in 9M 2017. With regards to the FFO I, there was a steep hike of almost 30%, from Euro 37m to almost Euro 48m, caused by above mentioned effects and the improved financing side without the participating certificate expenses saving Euro 3.5m and a much lower cost of debt in general. The cost of funding is now at only 2.25%, after 2.65% in 9M 2017. With a higher than from us expected 9M revaluation result of Euro 46m, S IMMO managed to lift net profit after minorities by 8%, from 73.8m to 79.6m.

We are positive for the coming quarters. The Bratislava Einsteinova is already fully let and has well-known tenants like UBM and UNIQA. The other premium landmark to be finished in the current 4Q is The Mark in Bucharest which has already a 75% pre-let status and also very well-known tenants like Deloitte, Dentons and Starbucks. The demand for superior office space in Bucharest is very high. Thus we expect the remaining space to be rented out soon for very good sqm prices. Keep in mind that Einsteinova and The Mark both strive for the second highest BREEAM sustainability certificate level "Excellent". In addition to the almost finished properties S IMMO is already in negotiations for further transactions to buy other interesting assets with upside potential, in particular in Germany but also in some CEE hubs. All in all, we feel sure that the firm will manage to deliver another significant hike in the 2019 FFO results. With a 7% rise in EPRA NAV per share in 3Q from Euro 17.96 to Euro 19.20 we lift our target price from Euro 19.00 to Euro 20.00 and expect a NAV per share above Euro 20.00 for year-end 2018. **The share lost 15% in the last 3 months due to more shaky market conditions. We upgrade our rating from Accumulate to Buy as the operating picture of the firm and the cycle management is strong.**

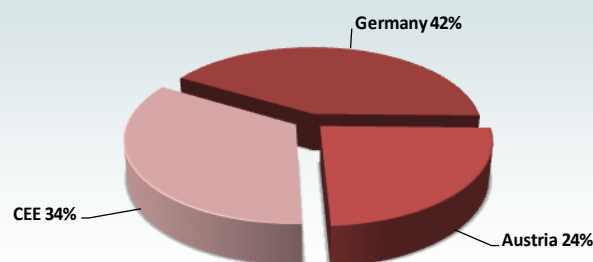
S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed	CEO Ernst Vejdovsky	
Country:	Austria	Friedrich Wachernig, MBA	
Headquarter:	Vienna		
Foundation:	1986	Supervisory Board:	
Employees (without Hotels):	102	Dr. Martin Simhandl (Chairman)	
		Franz Kerber (Deputy Chairman)	
		Christian Hager	Manfred Rapf
IR Contact		Dr. Wilhelm Rasinger	Hanna Bomba
Andreas Feuerstein		Andrea Besenhofer	Dr. Karin Rest, MBA
(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 millennium. Within recent years the company acquired, according to its Buy and Hold strategy, a real estate portfolio that comprises over 200 properties, a lettable space of some 1,200k sqm amounting to a value of almost Euro 1.8bn at present (Euro 2.1bn at year-end 2016). In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of residential, office, business and hotel properties selected for sustainable value. All in all, commercial properties have a high 73% weighting (FY 2017). S IMMO aims on a long investment horizon but also strongly exploits opportunities for trading in these low yielding times - as done in 2016 and 2017 in Germany. In terms of portfolio value a large share of 42% is located in Germany. Austria stands for 24% while CEE stands for the remaining 34% of the total portfolio value (FY 2017). The current rental yield is still at high 6.1% at FY 2017 (6.2% at year-end 2016), even after the significant property mark-ups this is not too aggressive, in our view. In 2017, the high occupancy of 93.9% in 2016 came even further up to 94.8%. The company released its 2017 annual report on 5 April and presented the second best year in history with a net profit of more than Euro 130m. For 2017 the dividend payment was set again at 40 Cents (30 Cents base + 10 Cents bonus in 2016).

Value of portfolio by region

(Euro 1.84bn at FY 2017)



Source: Company data (FY 2017)

In addition to a stable Hold portfolio, the company has at present some promising development activities in Berlin as well as in Vienna (Quartier Belvedere Central and Siebenbrunnengasse) and Bucharest (The Mark office) as well as Bratislava (Einsteinova). 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 Bukarest and recently sold Serdika Center in Sofia), held within the CEE portfolio, results from own developments. The core shareholders are RPR Privatstiftung (22%) and well-known insurer Vienna Insurance Group (10%).

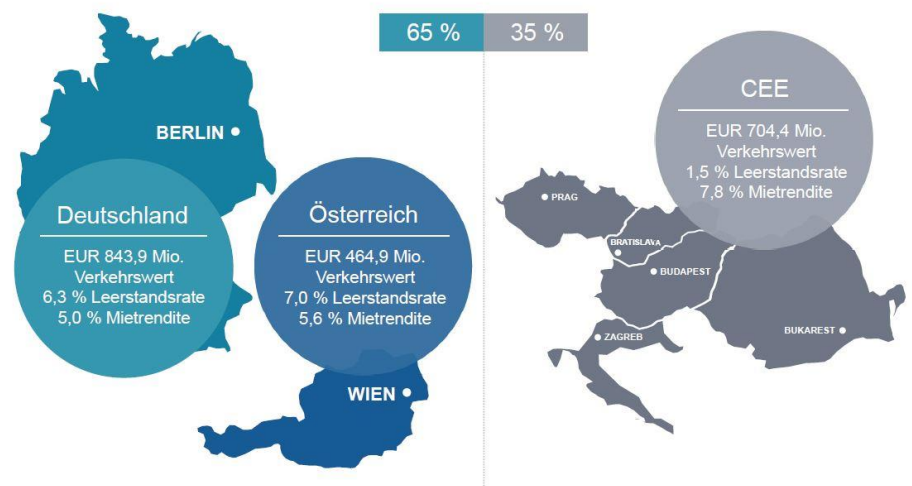
The company aimed to lift FFO I to more than Euro 40m until 2018 and already managed to reach this target in 2016, as FFO I increased by 15% from Euro 35.0m to Euro 40.1m. The FY 2017 FFO I was at almost Euro 43m, representing another hike to the full year 2016 level. We also like the improving numbers on the financing side. Cost of Funding came down to 3.12% in 2016 and even down to 2.67% in 2017. The LTV improved to 55.9% at year-end 2016 and came down after the big sale transactions in Vienna Viertel Zwei and Sofia Serdika Shopping Center to 49.3% at FY 2017. For the future upside in rental income and trading activities, S IMMO built up a promising development pipeline of about Euro 730m (c. 80% Germany and Austria and 20% CEE).

Source: Company Data, SRC Research

Diversified portfolio located in strong locations in Germany, Austria and CEE – very low vacancy in CEE allows for revaluation mark-ups to come

S IMMO has a well diversified portfolio. As of the end of 2017, about 66% of the portfolio is located in Germany and Austria, while the remaining 34% are located the CEE region. With the exception of Germany, almost all properties are located in primary cities, and in the CEE region exclusively in the capitals of the respective countries. Currently the portfolio consists of 267 objects with a total book value of about Euro 1.9bn. Germany has grown from Euro 660m last year to more than Euro 840m now and currently represents 43% of the portfolio with a vacancy rate of 6.3% (2017: 5.7%) and a rental yield of 5.0% (2017: 4.9%). The Austrian portion has slightly increased from more than Euro 440m at the end of 2017 to Euro 465m now at 1H 2018 and currently makes up for about 23% of the total portfolio. The vacancy rate in Austria is unchanged to year-end 2017 at 7.0% while the rental yield slightly increased from 5.1% to 5.6% in the first six months. The CEE region portfolio increased from approx. Euro 630m at year-end 2017 to more than Euro 700m now and makes up for c. 34% of the total portfolio. The vacancy rate of that region significantly came down from a small 3.7% at year-end 2017 to a very tiny 1.5% at half-year numbers. The rental yield only slightly came down from 8.2% to 7.8%. At this rental yield we still see plenty of potential in the property values in the CEE region to be realized in the next years.

Robustes Geschäftsmodell Ertrags- und cashflowstarkes Portfolio*



Source: 1H 2018 company presentation, 30 August 2018

The total portfolio has a low vacancy rate of 4.9% (year-end 2017: 5.1%) and a rental yield of 6.1% unchanged to 2017. The total lettable area is about 1.2m sqm and the portfolio is divided between commercial (73%) and residential (27%).

31/12 IFRS (Euro '000)	2013	2014	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
Revenues	193,735	188,491	190,697	198,754	191,421	192,084	202,779	208,312	2.9%
└ thereof rental income	116,707	111,845	111,686	118,174	112,020	106,979	113,505	115,775	
└ thereof revenues from service charges	36,827	34,542	33,465	37,657	33,435	34,772	41,254	43,317	
└ thereof revenues from hotel operations	40,201	42,104	45,546	42,923	45,966	50,333	48,020	49,221	
Other operating income	6,186	4,700	3,534	3,405	2,866	2,837	3,945	3,866	
Expenses directly attributable to properties	-60,603	-55,841	-55,841	-64,152	-59,877	-61,554	-62,969	-64,732	
<i>Gross margin property segment</i>	<i>60.5%</i>	<i>61.9%</i>	<i>61.5%</i>	<i>58.8%</i>	<i>58.8%</i>	<i>56.6%</i>	<i>59.3%</i>	<i>59.3%</i>	
Hotel operating expenses	-29,747	-31,344	-33,164	-32,037	-36,232	-36,236	-34,582	-34,755	
Gross operating profit hotels (GOP)	10,454	10,760	12,382	10,886	9,734	14,097	13,438	14,466	
<i>Gross margin within hotel segment</i>	<i>26.0%</i>	<i>25.6%</i>	<i>27.2%</i>	<i>25.4%</i>	<i>21.2%</i>	<i>28.0%</i>	<i>28.0%</i>	<i>29.4%</i>	
Revenues less directly attributable expenses	109,571	106,006	105,226	105,970	98,178	97,132	109,173	112,691	4.7%
<i>Total Gross margin</i>	<i>56.6%</i>	<i>56.2%</i>	<i>55.2%</i>	<i>53.3%</i>	<i>51.3%</i>	<i>50.6%</i>	<i>53.8%</i>	<i>54.1%</i>	
Net operating income (NOI)	103,385	101,306	101,692	102,565	95,312	94,295	105,228	108,825	4.5%
<i>NOI-margin</i>	<i>53.4%</i>	<i>53.7%</i>	<i>53.3%</i>	<i>51.6%</i>	<i>49.8%</i>	<i>49.1%</i>	<i>51.9%</i>	<i>52.2%</i>	
Net Gains on property disposal	6,414	180	5	5,133	10,341	7,123	9,685	11,400	
Management expenses	-15,078	-16,050	-16,483	-18,635	-18,963	-17,825	-17,469	-17,731	
└ thereof personnel expenses	-5,730	-6,019	-7,665	-8,916	-8,796	-9,356	-9,214	-9,072	
EBITDA	100,907	90,136	88,748	92,468	89,556	86,430	101,389	106,360	5.9%
<i>EBITDA-margin</i>	<i>52.1%</i>	<i>47.8%</i>	<i>46.5%</i>	<i>46.5%</i>	<i>46.8%</i>	<i>45.0%</i>	<i>50.0%</i>	<i>51.1%</i>	
Depreciation	-11,992	-7,635	-7,695	-7,823	-8,999	-8,050	-8,452	-8,845	
Property Revaluation	6,879	56,552	84,645	194,035	127,592	95,175	87,911	81,553	
Operating profit (EBIT)	95,794	139,053	165,698	278,680	208,149	173,555	180,848	179,068	-4.9%
<i>EBIT-margin</i>	<i>49.4%</i>	<i>73.8%</i>	<i>86.9%</i>	<i>140.2%</i>	<i>108.7%</i>	<i>90.4%</i>	<i>89.2%</i>	<i>86.0%</i>	
EBIT-profit without revaluation result	88,915	82,501	81,053	84,645	80,557	78,380	92,937	97,515	6.6%
Net financial result	-53,901	-71,737	-48,892	-55,297	-41,437	-14,503	-16,558	-16,972	
Participating certificates expenses (hybrid capital)	-9,286	-7,485	-4,553	-6,912	-5,964	0	0	0	
Earnings before tax (EBT)	32,607	59,831	112,253	216,471	160,748	159,052	164,290	162,096	0.3%
<i>EBT margin</i>	<i>16.8%</i>	<i>31.7%</i>	<i>58.9%</i>	<i>108.9%</i>	<i>84.0%</i>	<i>82.8%</i>	<i>81.0%</i>	<i>77.8%</i>	
Income tax expense	-4,553	-25,682	-35,004	-12,148	-27,278	-24,339	-26,011	-25,515	
<i>Tax rate</i>	<i>14.0%</i>	<i>42.9%</i>	<i>31.2%</i>	<i>5.6%</i>	<i>17.0%</i>	<i>15.3%</i>	<i>15.8%</i>	<i>15.7%</i>	
Net profit	28,054	34,149	77,249	204,323	133,470	134,713	138,279	136,581	0.8%
Minorities	-745	-2,824	960	-5,864	-3,379	-99	-244	-286	
Net profit after minorities	27,309	31,325	78,209	198,459	130,091	134,614	138,035	136,295	1.6%
<i>Return on sales</i>	<i>14.1%</i>	<i>16.6%</i>	<i>41.0%</i>	<i>99.9%</i>	<i>68.0%</i>	<i>70.1%</i>	<i>68.1%</i>	<i>65.4%</i>	
Number of shares (in million)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	
Earnings per Share (EPS) in Euro	0.41	0.47	1.17	2.98	1.97	2.02	2.07	2.05	1.2%
Dividends per Share (DPS) in Euro	0.20	0.24	0.30	0.40	0.40	0.40	0.45	0.50	
Book Value per Share (BVPS) in Euro	10.99	8.06	9.01	11.49	13.66	15.28	16.89	18.42	
Total assets	1,879,648	1,894,672	2,067,356	2,278,900	2,272,255	2,317,700	2,391,867	2,439,704	2.4%
Shareholders' equity (after dividend payment)	510,710	539,337	603,189	769,120	914,335	1,022,196	1,130,097	1,232,875	10.5%
Shareholders' equity incl. participating certificates	735,710	634,876	659,148	819,120	971,052	1,022,196	1,130,097	1,232,875	
Equity ratio without minorities with hybrid capital	39%	34%	32%	36%	43%	44%	47%	51%	
Return on Equity (RoE)	5.6%	6.0%	13.7%	28.9%	15.5%	13.9%	12.8%	11.5%	
Key ratios & figures	2013	2014	2015	2016	2017	2018e	2019e	2020e	
Growth rates in %									
Revenues	-1.5%	-2.7%	1.2%	4.2%	-3.7%	0.3%	5.6%	2.7%	
EBITDA	2.1%	-10.7%	-1.5%	4.2%	-3.1%	-3.5%	17.3%	4.9%	
EBIT	-10.3%	45.2%	19.2%	68.2%	-25.3%	-16.6%	4.2%	-1.0%	
EBT	1.3%	83.5%	87.6%	92.8%	-25.7%	-1.1%	3.3%	-1.3%	
Net profit after minorities	7.8%	21.7%	126.2%	164.5%	-34.7%	0.9%	2.6%	-1.2%	
Margins in %									
EBITDA	52.1%	47.8%	46.5%	46.5%	46.8%	45.0%	50.0%	51.1%	
EBIT	49.4%	73.8%	86.9%	140.2%	108.7%	90.4%	89.2%	86.0%	
EBT	16.8%	31.7%	58.9%	108.9%	84.0%	82.8%	81.0%	77.8%	
Expense ratios in %									
Depreciation to sales	-6.2%	-4.1%	-4.0%	-3.9%	-4.7%	-4.2%	-4.2%	-4.2%	
Tax rate	14.0%	42.9%	31.2%	5.6%	17.0%	15.3%	15.8%	15.7%	
Profitability in %									
Profit margin	14.5%	18.1%	40.5%	102.8%	69.7%	70.1%	68.2%	65.6%	
Return on equity (RoE) after tax	5.6%	6.0%	13.7%	28.9%	15.5%	13.9%	12.8%	11.5%	
Return on Assets (RoA)	4.2%	1.8%	3.7%	9.0%	5.9%	5.8%	5.8%	5.6%	
Return on Investment (RoI)	1.5%	1.8%	3.7%	9.0%	5.9%	5.8%	5.8%	5.6%	
Valuation									
P/E-ratio	37.25	32.47	13.01	5.11	7.70	7.52	7.33	7.43	
P/S-ratio	5.25	5.40	5.33	5.12	5.31	5.30	5.02	4.88	
Price/BVpS (PBV)	1.38	1.89	1.69	1.32	1.11	1.00	0.90	0.83	
Dividend yield in %	1.3%	1.6%	2.0%	2.6%	2.6%	2.6%	3.0%	3.3%	
Data per share									
Number of shares in million	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	
EPS	0.41	0.47	1.17	2.98	1.97	2.02	2.07	2.05	
DPS	0.20	0.24	0.30	0.40	0.40	0.40	0.45	0.50	
BVPS	10.99	8.06	9.01	11.49	13.66	15.28	16.89	18.42	
FFO I per share	0.50	0.32	0.52	0.60	0.64	0.84	0.91	0.98	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	30 August 2018	Accumulate	€ 17.96	€ 19.00
S IMMO	29 May 2018	Accumulate	€ 16.70	€ 18.00
S IMMO	06 April 2018	Accumulate	€ 16.50	€ 17.50
S IMMO	28 November 2017	Buy	€ 14.83	€ 16.00
S IMMO	29 August 2017	Buy	€ 12.80	€ 14.50
S IMMO	30 May 2017	Accumulate	€ 12.53	€ 13.50
S IMMO	11 April 2017	Accumulate	€ 11.93	€ 13.00
S IMMO	07 March 2017	Buy	€ 11.70	€ 13.00
S IMMO	17 February 2017	Buy	€ 11.34	€ 13.00
S IMMO	29 November 2016	Buy	€ 9.89	€ 12.00

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 26 November 2018. S IMMO mandated SRC Research for covering the S IMMO share.

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