

Aroundtown SA

Germany / Real Estate
 Frankfurt Stock Exchange
 Bloomberg: AT1 GR
 ISIN: LU1673108939

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 4.00

53.7%

Medium

SILVER LINING IN S&P DOWNGRADE

Standard & Poor's (S&P) has downgraded Aroundtown's credit rating one notch to BBB with a stable outlook (old: BBB+ negative outlook), despite significant progress made by AT in fortifying its capital structure. The ratings agency now thinks that a still sagging German economy will hamper AT's 2025 disposal activity and its ability to hit S&P's leverage requirements. Specifically, S&P prescribed a 50% debt-to-cap ratio for the landlord's BBB+ rating. The YE24 metric stood at 52.1% but had dropped from 55.5% since March 2024. AT's bonds barely reacted to the news, suggesting that the re-rating was priced in. Plus, we see a silver lining in terms of flexibility based on the reset criteria. We maintain our Buy rating and €4 TP (54% upside).

Silver lining in S&P downgrade The landlord has done yeoman's work since the start of 2023 in disposing of some €2bn of properties and fortifying its capital structure last year with a series of successful perpetual note exchanges and new bond issuances. This allowed AT to compress its debt-to-cap rate some 340 basis points over the last nine months of 2024 to 52.1%. We understand the ratio is now at 51% on a pro forma basis—including signed not closed disposals and collected vendor loans—well within shooting distance of the previously prescribed 50% ceiling. While an S&P downgrade is never great, there is a silver lining in that: (1) AT now has greater room to manoeuvre according to new criteria (overleaf) that include a debt-to-cap downgrade threshold towards 60%, and a 50% to 52% forecast; (2) lower expected disposal volumes coupled with room for acquisitions; and (3) greater flexibility to deploy its ample liquidity position (YE24: €3.6bn). In short, the threat of a downgrade is no longer dangling like a sword over AT's head. Furthermore, there is a realistic path to an S&P upgrade based on the still improving leverage metrics. While the timing of the re-rating is unfortunate considering the turmoil AT has overcome since the onset of the pandemic, S&P's conservative stance is . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024	2025E	2026E
Rental income (€m)	1,085.7	1,222.1	1,192.8	1,180.9	1,188.1	1,208.6
Y/Y growth	8.2%	12.6%	-2.4%	-1.0%	0.6%	1.7%
Adj. EBITDA (€m)	974.9	1,002.3	1,002.9	1,014.4	1,025.8	1,058.6
Net income (€m)	1,078.1	-457.1	-2,426.4	309.3	803.5	1,016.3
EPRA NTA (€m)	11,564.0	10,135.2	8,058.7	8,165.4	8,301.7	8,666.1
EPRA NTAPS (€)	10.2	9.3	7.4	7.4	7.6	7.9
DPS (€)	0.23	0.00	0.00	0.22	0.20	0.20
FFO 1 (€m)	353.2	362.7	332.0	315.5	296.7	298.9
FFOPS 1 (€)	0.30	0.33	0.30	0.29	0.27	0.27
Liquid assets (€m)	3,240.3	2,709.4	3,026.0	3,642.1	2,705.0	2,899.1

RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and the departure of key personnel.

COMPANY PROFILE

Aroundtown SA is a specialist real estate company focused on investing in and managing value-add properties primarily located in the German/ Netherlands real estate markets.

MARKET DATA

As of 02 May 2025

Closing Price	€ 2.60
Shares outstanding	1537.03m
Market Capitalisation	€ 3,999.34m
52-week Range	€ 1.85 / 3.19
Avg. Volume (12 Months)	2,361,442

Multiples	2024	2025E	2026E
P/FFO 1	9.0	9.6	9.5
P/NTA	0.3	0.3	0.3
FFO 1 Yield	11.1%	10.4%	10.5%
Div. Yield	8.3%	7.8%	7.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2024

Liquid Assets	€ 3,642.1m
Investment Properties	€ 24,375.3m
Total Assets	€ 33,619.9m
Current Liabilities	€ 2,948.3m
EPRA NTA	€ 8,165.4m
Total Equity	€ 15,009.7m

SHAREHOLDERS

Treasury shares*	29.0%
Avisco Group / Vergoport	15.0%
Stumpf Capital	10.0%
Free Float	46.0%

* 12% held through TLG Immo AG, voting rights suspended



. . . understandable given the high level of macro-uncertainty presently swirling around the globe. Finally, AT's bondholders have thus far mostly shrugged at the news, suggesting future bond issuances won't be saddled with higher costs.

Revised S&P outlook The ratings agency expects AT to continue "generating stable and predictable income from its portfolio". Their base-case scenario assumes that AT will extend its good operating performance underpinned by its residential assets. S&P estimates the landlord will maintain a debt-to-cap ratio of 50% to 52%; (2) a debt/EBITDA ratio of 13x to 14x; and (3) EBITDA interest coverage ratio of 2.2x to 2.3x over the next 12 months. Disposals are now expected to range between €500m and €700m (old: €1.1bn) alongside property purchases of ~€300m (old: limited). We leave our net disposal assumption unchanged at €900m for now. The full S&P report is available on Aroundtown's homepage.

Table 1: S&P's forecasts and downgrade / upgrade scenarios

Ratio	Forecasts	Downgrade	Upgrade
Debt-to-cap	50% to 52%	towards 60%	well below 50%
EBITDA interest coverage	2.2x to 2.3x	towards 1.8X	> 2.4x
Debt/EBITDA	13x to 14x	material deviation	towards 13x

Source: First Berlin Equity Research; Standard & Poor's

Upshot AT brass had been straining to maintain the investment grade rating. While an S&P downgrade is never great news, we reckon removal of the risk will free up management to focus even further on the operational upside, which could, in turn, help trigger an upgrade scenario (table 1).

S&P also expect AT to pay a dividend on 2025 earnings, and we think a dividend payout on 2024 results is a stronger possibility now that the pressure to keep the BBB+ rating is gone. AT's equity and bond investors barely shrugged at the news, and we see no reason to temper our belief that the landlord's operations and capital structure are in good shape. We stick to our Buy rating and €4 TP.



VALUATION

Table 2: DCF model

All figures in EURm	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
AEBITDA	1,026	1,059	1,099	1,135	1,172	1,210	1,247	1,286
(-) Tax	-123	-127	-132	-136	-141	-145	-150	-154
(=) Net operating cash flow	903	932	967	999	1,031	1,065	1,098	1,131
(-) Total investments (CapEx and WC)	491	-503	-392	-411	-427	-428	-443	-460
(-) Capital expenditures	561	-494	-378	-397	-412	-413	-429	-445
(-) Working capital	-70	-9	-14	-14	-15	-15	-15	-15
(=) Free cash flows (FCF)	1,394	429	575	588	605	637	654	672
PV of FCFs	1,348	394	503	488	478	478	467	456

All figures in EUR '000		WACC	Terminal growth rate							
			1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	
PV of FCFs in explicit period	7,127		4.6%	6.4	6.9	7.5	8.1	8.7	9.4	10.1
PV of FCFs in terminal period	12,628		4.8%	5.1	5.6	6.0	6.5	7.0	7.6	8.2
Enterprise value (EV)	19,755		5.0%	4.0	4.4	4.7	5.2	5.6	6.1	6.6
+ Net cash / - net debt (2024)	-15,387		5.2%	3.0	3.3	3.6	4.0	4.4	4.8	5.2
+ Investments / minority interests	0		5.4%	2.1	2.3	2.6	3.0	3.3	3.6	4.0
Shareholder value	4,368		5.6%	1.3	1.5	1.8	2.0	2.3	2.6	3.0
Fair value per share in EUR	4.0	5.8%	0.5	0.7	1.0	1.2	1.5	1.7	2.0	
		WACC	Terminal AEBITDA margin							
			90.7%	91.7%	92.7%	93.7%	94.7%	95.7%	96.7%	
Cost of equity	7.3%		4.6%	7.1	7.4	7.7	8.1	8.4	8.7	9.0
Pre-tax cost of debt	3.0%		4.8%	5.6	5.9	6.2	6.5	6.8	7.1	7.4
Tax rate	12.0%		5.0%	4.4	4.6	4.9	5.2	5.4	5.7	6.0
After-tax cost of debt	2.6%		5.2%	3.3	3.5	3.8	4.0	4.2	4.5	4.7
Share of equity capital	45.0%		5.4%	2.3	2.5	2.7	3.0	3.2	3.4	3.6
Share of debt capital	55.0%		5.6%	1.4	1.6	1.8	2.0	2.2	2.4	2.7
WACC	5.2%	5.8%	0.6	0.8	1.0	1.2	1.4	1.6	1.8	

*Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes; perpetual notes included in net debt for DCF purposes



INCOME STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Net rent	1,086	1,222	1,193	1,181	1,188	1,209
Operating and other income	238	388	410	361	363	377
Rental and operating income (RI)	1,323	1,610	1,603	1,542	1,551	1,586
Capital gains, property revaluations & other	810	-497	-3,218	-125	271	499
Result from equity-accounted investees	193	6	-150	-43	12	12
Property OpEx	-533	-695	-638	-550	-551	-557
Other income	0	0	0	0	0	0
Administration & other OpEx	-57	-63	-65	-66	-64	-64
Operating income (EBIT)	1,737	361	-2,468	759	1,218	1,476
Net financial result	-180	-185	-230	-235	-243	-247
Other financial expenses	-162	-194	-14	-31	0	0
Impairment of goodwill	0	-404	-137	-46	0	0
Pre-tax income (EBT)	1,394	-422	-2,849	446	975	1,228
Tax expense	-100	-117	-120	-125	-128	-132
Deferred tax	-216	82	543	-13	-43	-80
Tax result	-316	-35	423	-137	-172	-212
Comprehensive net income	1,078	-457	-2,426	309	804	1,016
Minority interests	330	70	-592	53	201	254
Perpetual notes	106	118	153	203	217	234
Net income to owners	642	-645	-1,988	53	386	528
Basic EPS (€)	0.55	-0.58	-1.82	0.05	0.35	0.48
AEBITDA	975	1,002	1,003	1,014	1,026	1,059
Ratios						
AEBITDA before JV contributions (NRI)	80.2%	77.2%	79.3%	80.1%	80.3%	81.4%
FFO 1 margin (NRI)	32.5%	29.7%	27.8%	26.7%	25.0%	24.7%
Expenses as % of revenues						
Property OpEx	40.3%	43.2%	39.8%	35.7%	35.5%	35.1%
Administration & other OpEx	4.3%	3.9%	4.0%	4.3%	4.1%	4.1%
Y/Y Growth						
Net rent	8.2%	12.6%	-2.4%	-1.0%	0.6%	1.7%
Operating income	5.1%	-79.2%	n.m.	n.m.	60.6%	21.1%
Adjusted EBITDA	3.3%	2.8%	0.1%	1.1%	1.1%	3.2%
Net income/ loss	-1.5%	n.m.	n.m.	n.m.	624.8%	36.9%
Funds from Operations (FFO)						
AEBITDA before JV contribution	871	944	946	946	954	983
Finance expense	-180	-185	-230	-235	-243	-247
Tax expense	-100	-117	-120	-125	-128	-132
Minority adjustment	-82	-136	-127	-128	-130	-133
Other adjustments	7	5	3	2	2	2
Perpetual attribution	-106	-118	-153	-203	-217	-234
FFO 1 before JV contribution	409	392	318	257	238	239
JV FFO 1 contributions	69	46	47	58	59	60
Extraordinary provision for uncollected rents	-125	-75	-33	0	0	0
FFO 1	353	363	332	315	297	299
FFOPS 1 (€)	0.30	0.33	0.30	0.29	0.27	0.27



BALANCE SHEET

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Assets						
Current assets, total	5,529	4,856	4,692	5,600	4,369	4,488
Cash and cash equivalents	2,873	2,305	2,641	3,128	2,190	2,382
Short-term investments	376	313	506	652	654	656
Receivables	1,219	1,168	1,008	1,035	1,041	1,065
Other current assets	28	138	127	81	84	86
Assets held for sale	1,033	931	410	703	400	300
Non-current assets, total	33,854	32,492	28,868	28,020	28,016	29,050
Property, plant & equipment	1,849	1,508	1,379	1,329	1,333	1,337
Investment properties	29,116	27,981	24,632	24,375	24,377	25,469
Equity accounted investees	1,223	1,292	1,087	926	851	778
Other LT assets	1,667	1,711	1,769	1,390	1,455	1,466
Total assets	39,383	37,347	33,559	33,620	32,385	33,538
Shareholders' equity & debt						
Current liabilities, total	1,607	1,289	1,539	2,948	2,881	3,313
Short-term debt	544	123	420	1,692	1,666	2,061
Accounts payable	621	666	672	689	626	640
Provisions & other current liabilities	442	500	448	567	589	613
Long-term liabilities, total	18,620	18,235	16,870	15,662	14,130	14,275
Long-term debt	15,026	14,573	13,822	12,763	11,164	11,205
Deferred tax liabilities	2,766	2,662	2,107	2,098	2,141	2,221
Other LT liabilities	828	999	942	801	825	849
Minority interests	3,875	3,490	2,750	2,839	3,040	3,294
Shareholders' equity	15,281	14,333	12,400	12,171	12,334	12,656
Total consolidated equity and debt	39,383	37,347	33,559	33,620	32,385	33,538
Ratios						
ICR (x)	4.9	4.9	4.0	4.0	4.2	4.3
Net debt / adj. EBITDA (x)	14.2	12.8	11.9	11.5	10.6	10.5
Equity ratio	48.6%	47.7%	45.1%	44.6%	47.5%	47.6%
Financial leverage	80.8%	84.3%	90.5%	89.3%	82.1%	81.9%
EPRA NTA	11,564	10,135	8,059	8,165	8,302	8,666
EPRA NTAPS (€)	10.2	9.3	7.4	7.4	7.6	7.9
Net debt	12,344	12,087	11,216	10,870	10,125	10,366
Return on equity (ROE)	7.1%	-3.2%	-19.6%	2.5%	6.5%	8.0%
Loan-to-value (LTV)	39%	40%	43%	42%	40%	39%



CASH FLOW STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Net income	1,078	-457	-2,426	309	804	1,016
Depreciation & amortisation	16	21	18	20	19	19
Capital gains, property revaluations & other	-810	497	3,218	125	-271	-499
Profit share from equity accounted investees	-193	-6	150	43	-12	-12
Goodwill impairment	0	404	137	46	0	0
Shared based payment in a subsidiary	6	5	5	5	0	0
Net finance expenses	343	379	245	266	243	247
Tax result	316	35	-423	137	172	212
Operating cash flow	755	879	923	952	955	984
Changes in working capital	-57	-27	-54	-51	-132	-18
Provisions for other liabilities	-4	-2	-5	-4	29	30
Dividend received	24	35	19	37	86	86
Tax paid	-93	-97	-111	-113	-128	-132
Net operating cash flow	626	788	772	821	809	949
CapEx/ intangibles	23	-26	-16	-19	-23	-23
Disposal / investment in investment properties, net	1,179	556	575	237	561	-494
Acquisition / disposals of subsidiaries	0	0	0	0	0	0
Proceeds from investments in financial assets	-124	-121	50	-65	11	11
Cash flow from investing	1,078	409	608	153	549	-505
Debt financing, net	-1,320	-629	-338	204	-1,625	435
Equity financing, net	0	0	0	0	0	0
Payments for own shares	-444	-255	0	0	0	0
Share buy-back in a subsidiary	-270	0	0	0	0	0
Dividends paid	-252	-169	0	0	-237	-223
Other financing activities	-120	-506	-499	-466	-191	-217
Net paid financing expenses	-201	-204	-214	-233	-243	-247
Cash flow from financing	-2,607	-1,764	-1,052	-496	-2,296	-252
Net cash flows	-903	-567	329	477	-938	192
Assets held for sale - cash	-2	-6	9	-1	0	0
Fx effects	16	5	-2	11	0	0
Cash & equivalents from TLG	1070	0	0	0	0	0
Cash, start of the year	2,692	2,873	2,305	2,641	3,128	2,190
Cash, end of the year	2,873	2,305	2,641	3,128	2,190	2,382
FFO 1 before JV contribution	409	392	318	257	238	239
FFO 1	353	363	332	315	297	299
FFOPS 1 (€)	0.30	0.33	0.30	0.29	0.27	0.27

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 5 May 2025 at 09:48

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 September 2015	€3.40	Buy	€5.70
2...58	↓	↓	↓	↓
59	4 December 2023	€2.24	Buy	€3.30
60	4 April 2024	€1.88	Buy	€3.40
61	12 April 2024	€1.79	Buy	€3.40
62	30 May 2024	€2.06	Buy	€3.50
63	30 August 2024	€2.24	Buy	€3.60
64	24 September 2024	€2.75	Buy	€4.00
65	2 December 2024	€3.13	Buy	€4.20
66	31 March 2025	€2.51	Buy	€4.00
67	Today	€2.60	Buy	€4.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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