

# Aroundtown SA

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

Update

## RATING

### PRICE TARGET

Return Potential  
 Risk Rating

## BUY

€ 8.60

35.7%  
 Medium

## UPPING STAKE IN GLOBALWORTH REAL ESTATE INVESTMENTS

In a consortium with CPI Property Group SA (CPI), Aroundtown is launching a cash offer to purchase shares of Globalworth Real Estate Investments Ltd (GWI) at €7 per share. The consortium already holds over 50% of GWI (YE20 stakes: AT 22.0%; CPI 29.6%), a leading commercial landlord and developer in the CEE (Central and Eastern Europe) market. The offer values the remaining GWI shares at €774m. Considering cash and liquid assets of +€3bn, the offer fits comfortably within AT's capital structure parameters, while the deal would allow the consortium to boost their stake at a 20% discount to GWI's YE20 NAVPS of €8.7. We remain Buy-rated on Aroundtown with an €8.6 price target.

**Solidifying CEE exposure** Globalworth controls a portfolio of office (82% of portfolio), mixed office /retail (9%) and logistics / other (9%) properties located in Romania (47%) and Poland (53%). The portfolio was valued at €3bn and had 90.9% occupancy at YE20. Bucharest properties constitute the largest component with a GAV (gross asset value) of €1.3bn or 42% of the overall portfolio. Globalworth generated €161m in rental income last year and adjusted EBITDA of €142m. The debt structure featured a 37.8% LTV with a 2.7% cost of debt. The company completed several developments in 2020 including modern office parks in Bucharest, Romania and Krakow, Poland with GLA (gross leasable area) of 52k m<sup>2</sup>. The CEE benefits from high corporate re-shoring trends to take advantage of attractive rents, and the office market in the Romanian capital demonstrated average uptake north of 300k m<sup>2</sup> the last five years according to Statista. We therefore think the opportunity increase CEE exposure is attractive.

**JV with CPI combines different strengths** Aroundtown brings years of asset management expertise and proven access to the capital markets to the relationship, while CPI provides deep local CEE knowledge. (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Net rent (€m)	448.98	633.00	765.70	1,003.00	907.47	963.72
Adj. EBITDA (€m)	339.0	508.9	641.0	777.4	710.0	831.1
Net income (€m)	1,539.00	1,827.80	1,709.10	906.40	1,115.74	1,564.62
EPS (diluted) (€)	1.56	1.58	1.12	0.50	0.53	0.76
EPRA NAV (€m)	6,482.98	8,742.40	10,633.48	11,511.81	12,119.42	13,105.64
NAVPS (€m)	6.84	7.75	8.69	9.78	10.04	10.85
DPS (€)	0.23	0.25	0.14	0.22	0.23	0.36
FFO 1' (€m)	264.20	359.64	445.58	357.80	353.44	560.15
FFOPS 1' (€)	0.32	0.34	0.38	0.27	0.30	0.48
Liquid assets (€m)	852.44	1,613.90	3,074.70	3,287.09	3,319.30	2,696.28

## 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.

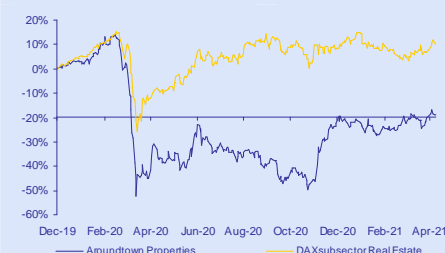
## MARKET DATA

As of 14 Apr 2021

Closing Price	€ 6.34
Shares outstanding	1537.02m
Market Capitalisation	€ 9738.56m
52-week Range	€ 3.89 / 6.45
Avg. Volume (12 Months)	4,443,583

Multiples	2020	2021E	2022E
P/FFO 1	23.1	21.1	13.3
P/NAV	0.6	0.6	0.6
FFO 1 Yield	4.3%	4.7%	7.5%
Div. Yield	3.5%	3.6%	5.6%

## STOCK OVERVIEW



## COMPANY DATA

As of 31 Dec 2020

Liquid Assets	€ 3,263.00m
Current Assets	€ 4,781.00m
EPRA NTA	€ 11,187.00m
Investment properties	€ 21,172.00m
Current Liabilities	€ 1,074.00m
Total Equity	€ 15,583.00m

## SHAREHOLDERS

Treasury shares*	25.0%
Avisco Group	10.0%
Blackrock	5.1%
Free Float	59.9%

\* 12% are held through TLG Immobilien AG, voting rights suspended



The two commercial landlords believe these complementary strengths will help unlock further value in their Globalworth holding going forward. Aroundtown accounts for GWI as an equity-accounted investee. The company received €23.9m in dividends from GWI last year for its 22% stake.

## VALUATION

With property acquisitions largely idling while the pandemic plays out, we think an increased stake in GWI provides a good opportunity for AT to add value. The €7 per share cash offer is 19.5% below GWI's 2020 NAVPS (€8.7). The deal also represents an 18.6% premium to the weighted average share price of Globalworth over the past month, giving its shareholders an attractive immediate exit. We will adjust our estimates at the conclusion of the offer period. Our rating remains Buy with an €8.6 price target.

in €m	2021E	2022E	2023E	2024E	TV
<b>EBITDA</b>	710	831	911	967	981
(+) Revaluations	649	942	1,017	940	485
(+) Investment income (GCP)	119	125	131	140	142
(-) Tax expense	79	91	99	105	107
<b>NOPAT</b>	<b>1,399</b>	<b>1,807</b>	<b>1,960</b>	<b>1,942</b>	<b>1,501</b>
<b>Total assets</b>	<b>31,862</b>	<b>33,339</b>	<b>34,775</b>	<b>35,788</b>	<b>35,788</b>
(-) Current liabilities	867	821	841	880	880
(+) Current financial debt	100	100	100	100	100
(-) Cash	2,720	2,093	1,391	848	848
(+) Deferred taxes	1,919	2,046	2,184	2,308	2,308
<b>Capital employed (CE)</b>	<b>30,294</b>	<b>32,572</b>	<b>34,827</b>	<b>36,468</b>	<b>36,468</b>
Average CE	29,783	31,433	33,699	35,648	36,468
ROCE	4.7%	5.7%	5.8%	5.4%	4.1%
WACC	4.1%	4.1%	4.1%	4.1%	4.1%
ROCE-WACC	0.6%	1.7%	1.7%	1.4%	0.0%
Economic Profit	187	528	588	491	17
<b>NPV</b>	<b>182</b>	<b>493</b>	<b>528</b>	<b>424</b>	<b>583</b>

Fair value calculation	
<b>Total return</b>	<b>2,209</b>
(+) NTA <sup>1</sup> (2020)	11,187
(-) Dividend to be paid	233
<b>Equity value</b>	<b>13,163</b>
<b>Fair value per share (€)</b>	<b>8.60</b>

<sup>1</sup> net tangible assets

<b>Target price (€)</b>	<b>8.60</b>
Share price (€)	6.34
Return potential	35.7%
Dividend yield	3.5%
<b>Total return potential</b>	<b>39.2%</b>



## INCOME STATEMENT

All figures in EURm	2017	2018	2019	2020	2021E	2022E
<b>Net rent</b>	<b>449</b>	<b>633</b>	<b>766</b>	<b>1,003</b>	<b>907</b>	<b>964</b>
Operating and other income	78	114	129	177	160	170
<b>Rental and operating income (RI)</b>	<b>527</b>	<b>747</b>	<b>895</b>	<b>1,180</b>	<b>1,068</b>	<b>1,134</b>
Capital gains, property revaluations & other	1,327	1,536	1,218	769	649	942
Result from equity-accounted investees	228	252	299	196	176	175
Property OpEx	-147	-219	-228	-443	-388	-306
Other income	0	0	0	0	0	70
Administration & other OpEx	-15	-23	-27	-51	-37	-34
<b>Operating income (EBIT)</b>	<b>1,920</b>	<b>2,294</b>	<b>2,156</b>	<b>1,652</b>	<b>1,467</b>	<b>1,980</b>
Net financial result	-70	-115	-142	-201	-171	-179
Other financial expenses	-15	-94	46	-168	0	0
<b>Pre-tax income (EBT)</b>	<b>1,836</b>	<b>2,085</b>	<b>2,060</b>	<b>1,283</b>	<b>1,296</b>	<b>1,802</b>
Tax expense	-34	-44	-71	-89	-83	-96
Deferred tax	-263	-213	-280	-287	-97	-141
<b>Tax result</b>	<b>-297</b>	<b>-257</b>	<b>-351</b>	<b>-377</b>	<b>-180</b>	<b>-237</b>
<b>Comprehensive net income</b>	<b>1,539</b>	<b>1,828</b>	<b>1,709</b>	<b>906</b>	<b>1,116</b>	<b>1,565</b>
Minority interests	228	161	343	165	206	289
Perpetual notes	29	46	58	90	95	95
<b>Net income to owners</b>	<b>1,283</b>	<b>1,620</b>	<b>1,308</b>	<b>652</b>	<b>814</b>	<b>1,180</b>
Basic EPS (€)	1.56	1.58	1.12	0.50	0.53	0.76
<b>Adjusted EBITDA commercial</b>	<b>339</b>	<b>509</b>	<b>641</b>	<b>777</b>	<b>710</b>	<b>831</b>
<b>Ratios</b>						
Adj EBITDA commercial margin	81.7%	80.9%	83.7%	77.5%	78.2%	86.2%
Tax rate	7.8%	7.3%	9.1%	9.5%	10.0%	10.0%
<b>Expenses as % of revenues</b>						
Property OpEx	27.9%	29.3%	25.5%	37.5%	36.4%	27.0%
Administration & other OpEx	2.8%	3.0%	3.1%	4.3%	3.5%	3.0%
<b>Y/Y Growth</b>						
Revenues	92.6%	41.7%	19.8%	31.9%	-9.5%	6.2%
Operating income	73.5%	19.4%	-6.0%	-23.4%	-11.2%	35.0%
Adjusted EBITDA	74.3%	50.1%	25.9%	21.3%	-8.7%	17.1%
Net income/ loss	76.1%	26.3%	-19.3%	-50.2%	25.0%	44.9%
<b>Funds from Operations (FFO)</b>						
<b>Adjusted EBITDA commercial portfolio</b>	<b>339</b>	<b>509</b>	<b>641</b>	<b>777</b>	<b>710</b>	<b>831</b>
Finance expense	-70	-115	-142	-201	-171	-179
Tax expense	-34	-44	-71	-89	-83	-96
Minority adjustment	-9	-7	-17	-36	-36	-36
Other adjustments	10	8	3	9	9	9
<b>FFO 1 commercial (long-term recurring)</b>	<b>237</b>	<b>339</b>	<b>415</b>	<b>461</b>	<b>430</b>	<b>530</b>
Adjustment for GCP & other contributions	56	67	89	107	119	125
<b>FFO 1 (before perpetuals)</b>	<b>293</b>	<b>406</b>	<b>503</b>	<b>567</b>	<b>548</b>	<b>655</b>
Perpetual attribution	-29	-46	-58	-90	-95	-95
<b>FFO 1</b>	<b>264</b>	<b>360</b>	<b>446</b>	<b>478</b>	<b>453</b>	<b>560</b>
Extraordinary covid-19 provision	0	0	0	-120	-100	0
<b>FFO 1 (covid-19 adjusted)</b>	<b>264</b>	<b>360</b>	<b>446</b>	<b>358</b>	<b>353</b>	<b>560</b>



## BALANCE SHEET

All figures in EURm	2017	2018	2019	2020	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>1,523</b>	<b>2,102</b>	<b>3,743</b>	<b>4,781</b>	<b>4,033</b>	<b>3,443</b>
Cash and cash equivalents	736	1,243	2,192	2,692	2,720	2,093
Short-term investments	99	366	878	454	454	454
Receivables	163	277	454	617	526	559
Other current assets	18	5	5	141	145	149
Assets held for sale	508	211	214	877	188	188
<b>Non-current assets, total</b>	<b>12,247</b>	<b>16,939</b>	<b>21,702</b>	<b>26,241</b>	<b>27,829</b>	<b>29,896</b>
Property, plant & equipment	26	33	20	877	880	882
Investment properties	9,804	14,174	18,127	21,172	22,570	24,490
Equity accounted investees	1,906	2,215	2,506	3,177	3,297	3,410
Other LT assets	512	517	1,049	1,014	1,082	1,114
<b>Total assets</b>	<b>13,770</b>	<b>19,041</b>	<b>25,445</b>	<b>31,022</b>	<b>31,862</b>	<b>33,339</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>566</b>	<b>606</b>	<b>857</b>	<b>1,074</b>	<b>867</b>	<b>821</b>
Short-term debt	17	27	246	181	100	100
Accounts payable	267	451	343	435	451	391
Provisions & other current liabilities	282	128	268	458	317	329
<b>Long-term liabilities, total</b>	<b>5,955</b>	<b>8,491</b>	<b>11,209</b>	<b>14,364</b>	<b>14,636</b>	<b>15,047</b>
Long-term debt	5,078	7,444	9,759	11,680	11,829	12,072
Deferred tax liabilities	752	882	1,107	2,026	2,123	2,264
Other LT liabilities	125	164	342	659	684	711
Minority interests	674	567	1,309	2,025	2,232	2,521
<b>Shareholders' equity</b>	<b>6,576</b>	<b>9,377</b>	<b>12,070</b>	<b>13,558</b>	<b>14,127</b>	<b>14,950</b>
<b>Total consolidated equity and debt</b>	<b>13,770</b>	<b>19,041</b>	<b>25,445</b>	<b>31,022</b>	<b>31,862</b>	<b>33,339</b>
<b>Ratios</b>						
ICR (x)	5.4	4.7	4.8	4.3	4.4	4.8
Net debt / adj. EBITDA (x)	13.0	11.8	10.9	11.1	12.1	11.4
Financial leverage	66.9%	62.6%	57.9%	63.4%	60.9%	63.4%
EPRA NAV	6,483	8,742	10,633	11,512	12,119	13,106
EPRA NAVPS (€)	6.8	7.7	8.7	9.8	10.0	10.9
EPRA NTA	n.a.	n.a.	10,523	11,187	11,585	12,598
EPRA NTAPS (€)	n.a.	n.a.	8.6	9.5	9.8	10.7
Net debt	4,400	5,871	6,985	8,598	8,610	9,476
Return on equity (ROE)	23.4%	19.5%	14.2%	6.7%	7.9%	10.5%
Loan-to-value (LTV)	36%	35%	34%	34%	33%	33%



## CASH FLOW STATEMENT

All figures in EURm	2017	2018	2019	2020	2021E	2022E
<b>Net income</b>	<b>1,539</b>	<b>1,828</b>	<b>1,709</b>	<b>906</b>	<b>1,116</b>	<b>1,565</b>
Depreciation & amortisation	2	2	2	4	2	2
Capital gains, property revaluations & other	-1,327	-1,536	-1,218	-769	-649	-942
Profit share from equity accounted investees	-228	-252	-299	-196	-176	-175
Shared based payment in a subsidiary	2	3	5	3	0	0
Net finance expenses	85	208	96	369	171	179
Tax result	297	257	351	377	180	237
<b>Operating cash flow</b>	<b>369</b>	<b>510</b>	<b>646</b>	<b>694</b>	<b>644</b>	<b>866</b>
Changes in working capital	-13	-39	-34	-36	46	-114
Provisions for other liabilities	-2	-3	-3	-3	-150	3
Dividend received	41	51	61	43	57	61
Tax paid	-33	-46	-57	-83	-83	-96
<b>Net operating cash flow</b>	<b>362</b>	<b>473</b>	<b>614</b>	<b>616</b>	<b>514</b>	<b>721</b>
CapEx/ intangibles	-9	-5	-3	-36	-5	-5
Disposal/ investment in investment properties, net	-615	-915	-2,311	1,427	-59	-978
Acquisition/disposals of subsidiaries	-1,946	-1,829	0	0	0	0
Proceeds from investments in financial assets	-184	-175	-576	-377	20	21
<b>Cash flow from investing</b>	<b>-2,754</b>	<b>-2,924</b>	<b>-2,890</b>	<b>1,014</b>	<b>-43</b>	<b>-961</b>
Debt financing, net	1,165	2,588	2,148	-493	68	243
Equity financing, net	866	601	596	0	0	0
Payments for own shares	0	0	0	-1,001	-500	0
Dividends paid	-155	-226	-209	-22	-351	-357
Other financing activities	682	87	854	94	510	-95
Net paid financing expenses	-66	-97	-161	-212	-171	-179
<b>Cash flow from financing</b>	<b>2,492</b>	<b>2,953</b>	<b>3,228</b>	<b>-1,634</b>	<b>-443</b>	<b>-387</b>
<b>Net cash flows</b>	<b>100</b>	<b>501</b>	<b>952</b>	<b>-5</b>	<b>28</b>	<b>-627</b>
Assets held for sale - cash	-5	6	-4	-3	0	0
Fx effects	0	-1	1	-1	0	0
Cash & equivalents from TLG	0	0	0	509	0	0
<b>Cash, start of the year</b>	<b>641</b>	<b>736</b>	<b>1,243</b>	<b>2,192</b>	<b>2,692</b>	<b>2,720</b>
<b>Cash, end of the year</b>	<b>736</b>	<b>1,243</b>	<b>2,192</b>	<b>2,692</b>	<b>2,720</b>	<b>2,093</b>
Adj. EBITDA commercial / share (€)	0.41	0.47	0.55	0.60	0.46	0.54
FFO 1 (after perpetuals)	264	360	446	478	453	560
FFO 1 (after perpetuals, covid adjusted)	264	360	446	358	353	560
FFOPS 1 (after perpetuals) (€)	0.32	0.34	0.38	0.37	0.39	0.48
FFOPS 1 (after perpetuals, covid adj.) (€)	0.32	0.34	0.38	0.27	0.30	0.48
<b>Y/Y Growth</b>						
EBITDA/share		14.4%	15.8%	9.0%	-22.9%	17.0%
FFO 1		36.1%	23.9%	-19.7%	-1.2%	58.5%
FFOPS 1 (€)		6.2%	11.2%	-27.8%	9.6%	58.5%

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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 <sup>1</sup>	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%

<sup>1</sup> 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...37	↓	↓	↓	↓
38	28 May 2020	€5.17	Buy	€10.00
39	2 June 2020	€5.17	Buy	€10.00
40	1 September 2020	€4.61	Buy	€8.60
41	22 September 2020	€4.23	Buy	€8.60
42	29 October 2020	€3.89	Buy	€8.60
43	27 November 2020	€5.97	Buy	€8.60
44	28 January 2021	€5.67	Buy	€8.60
45	31 March 2021	€6.07	Buy	€8.60
46	Today	€6.34	Buy	€8.60

**INVESTMENT HORIZON**

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



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- 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/>

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