

Aroundtown SA

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

2022 results

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 3.50

179.9%
 Medium

HARD ROAD AHEAD

Full year reporting was close to FBe, but management continue to batten down the hatches and brace for intensifying macro headwinds. AT will now recommend to the June AGM that a dividend not be paid on 2022 earnings in order to preserve liquidity. FFO 1 is also expected to be 9% to 17% lower Y/Y in 2023 (guidance: €300m to €330m) with modest rent indexation and improving hotel rent collection rates overshadowed by higher perpetual note payments, a rising cost of debt, and further disposal effects. It is fiendishly difficult to predict when property stocks might trough. This will hinge upon when and where interest rates peak. We have also upped the risk free rate in our model to 2.4% (old: 1.5%) to track the development in the German 10y Bund, which points to a €3.5 TP (old: €4.6). Our rating remains Buy.

Hard road ahead Aroundtown announced that it will not pay a dividend on 2022 earnings, given market uncertainty and desire to preserve cash. The company is expecting higher perpetual note expenses in 2023 after deciding not to call the January 2023 notes (overleaf) or defer coupon payments. AT brass also noted on the conference call that S&P confirmed its BBB+ rating after the December announcement on the January notes and do not expect the reset notes to compromise the rating. Management also emphasised the value of the perpetual notes as an equity component, although they could in some cases be repurchased at greater discounts than outstanding bonds. Given the less than rosy outlook for the office segment, which now faces rising vacancy rates, as well as a still recovering hotel sector, the decision to focus on cash preservation looks prudent.

LFL rental growth will probably be off last year's pace Management expect office good rent indexation this year but lower letting volume coupled with more vacancies, while JLL, a market watcher, expects office uptake to contract ~10% in 2023. The hotel portfolio should see a boost in 2023 rent collections to . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Rental income (€m)	765.7	1,003.0	1,085.7	1,222.1	1,199.6	1,213.8
Y/Y growth	21.0%	31.0%	8.2%	12.6%	-1.8%	1.2%
Adj. EBITDA (€m)	772.7	944.1	974.9	1,002.3	958.4	988.3
Net income (€m)	1,709.1	906.4	1,078.1	-457.1	-653.1	159.9
EPRA NTA (€m)	10,522.8	11,186.9	11,564.0	10,775.3	9,925.8	9,460.7
EPRA NTAPS (€)	8.6	9.5	10.2	9.8	9.1	8.6
DPS (€)	0.14	0.22	0.23	0.00	0.22	0.23
FFO 1* (€m)	445.6	357.8	353.2	362.7	317.9	332.2
FFOPS 1* (€)	0.38	0.27	0.30	0.33	0.29	0.30
Liquid assets (€m)	3,074.7	3,287.1	3,276.6	2,756.2	3,254.9	2,470.4

* after perpetual and covid-19 adjustments

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 04 Apr 2023

Closing Price	€ 1.25
Shares outstanding	1537.02m
Market Capitalisation	€ 1,922.04m
52-week Range	€ 1.25 / 5.16
Avg. Volume (12 Months)	6,556,241

Multiples	2022	2023E	2024E
P/FFO 1	3.8	4.3	4.1
P/NTA	0.1	0.1	0.1
FFO 1 Yield	26.1%	23.3%	24.3%
Div. Yield	0.0%	17.5%	18.2%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 2,718.7m
Current Assets	€ 4,855.6m
EPRA NTA	€ 10,775.3m
Total Assets	€ 27,981.0m
Current Liabilities	€ 1,289.1m
Total Equity	€ 17,823.4m

SHAREHOLDERS

Treasury shares*	31.0%
Avisco Group	15.0%
Blackrock	8.4%
Free Float	45.6%

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



. . . 85% to 90% (2022: 69%) with the continued rebound in corporate and international travel. A full recovery is anticipated in 2024. But inflationary pressures and staff shortages are hurting hotel operators' profitability. On the residential side, tenants are wrestling with soaring energy expenses and a higher cost of living vs scant hikes in take-home pay. Meanwhile, apartment turnover is also expected to remain low and limit opportunities to increase rents via re-letting.

Challenging transaction market but ample liquidity lowers pressure on AT

Management said on the call they are seeing fewer commercial buyers in the market and expect fewer deals than in prior years—AT has disposed of ~€8bn in properties over the past three years. Grand City recently noted on its earnings call that the German residential transaction market remains frozen. This not only limits disposal opportunities but also hurts property valuations with the absence of transaction comps. After selling properties at BV (book value) last year—including some at a small discount—AT reiterated it is not under no pressure to sell off properties at a high discount to BV, pointing out its strong liquidity position (YE22: €2.7bn) and expected 2023 disposal proceeds tallying some €680m for deals already signed.

Prioritising liquidity preservation The LTV edged 100 basis points higher to 40% (2021: 39%) and the net debt / EBITDA ratio dipped to 11.9x. Including the signed but not yet closed disposals, pro-forma LTV was 37%. The interest coverage ratio (ICR) was at 5.2x at YE22, and the landlord has enough cash and liquid assets to cover debt maturities until YE25 with the signed disposal proceeds.

Table 1: Financial highlights

All figures in EURm	2022	2021	variance
Cash and liquid assets	2,719	3,244	-16%
Investment property	27,981	29,116	-4%
Total assets	37,347	39,383	-5%
Total financial debt	14,806	15,588	-5%
Total equity	17,823	19,156	-7%
Equity ratio	48%	49%	-
EPRA NTA (with RETT)*	10,775	11,564	-7%
Unencumbered asset ratio	82%	83%	-
Loan-to-Value (LTV)	40%	39%	-
*previously NTA			

Source: First Berlin Equity Research; Aroundtown

Plus, Aroundtown said it has access to another €1bn in undrawn credit lines at much more favourable rates (margin: ~1.3%) than currently available in the bond markets. Thanks to some €22bn in unencumbered assets (82% ratio), Aroundtown could swap out more expensive unsecured debt with bank debt if needed.

Update on perpetual notes and covenants In December, Aroundtown announced its decision not to exercise its option to call its perpetual notes (outstanding: €369m) with a January 2023 call date.

Management is prioritising cash preservation, a low-LTV, and covenant headroom, while capital market conditions are decidedly unfavourable. The company expects roughly 5% in portfolio devaluations over the coming 12 to 18 months, but noted that in a stress case AT would need to suffer a 39% loss in total assets (~€14.5bn) to breach the 'total net debt / total net assets' covenant (<=60%), which stood at 35% at YE22.



The decision not to call the perpetual notes is understandable. The notes will continue to be accounted as equity under IFRS and for the financial covenant calculations, while the company does not believe its S&P BBB+ will be adversely impacted. The ratings agency as already factored in the non-called January perpetuals into their base case scenario, when the rating was reaffirmed in December 2022.

HIGHLIGHTS FROM THE 2022 RESULTS

Full year net rental income (NRI) rose 13% on an annualised basis to €1.1bn. The growth owes largely to the GCP consolidation alongside 3.5% NRI LFL and was partially offset by disposals. Adjusted for GCP, NRI was down 8% Y/Y to €827m. The decline is traced to some €1.6bn in 2022 disposals. NRI of €306m for the October-to-December period was also lower Y/Y on the same effects and close to FBe (table 1).

Table 1: 2021 results vs prior year and FBe

All figures in EURm	Q4/22	Q4/22E	variance	Q4/21	variance	2022	2021	variance
Net rental income	306	286	7%	313	-2%	1,222	1,086	13%
AEBITDA before JV contribution	225	238	-5%	247	-9%	944	871	8%
Margin	74%	83%	-	79%	-	77%	80%	-
AEBITDA	244	250	-2%	259	-6%	1,002	975	3%
FFO 1	88	86	3%	86	2%	363	353	3%
FFOPS 1 (€)	0.08	0.08	3%	0.07	14%	0.33	0.30	10%

Source: First Berlin Equity Research; Aroundtown

Net rental income like-for-like (LFL) rose 3.5%—in-place rent +3.7%; occupancy minus 0.2%—for the January-to-December period. The office segment led LFL performance at +5.2% with hotels notching minus 0.1%. GCP realised total LFL net rental growth of 2.9% entailing a 0.7% occupancy increase and a 2.2% rise in in-place rent.

'Adj. EBITDA before JV contribution' which reflects recurring operational profit excluding capital gains and revaluation effects, climbed 8% Y/Y to €944m in 2022 owing chiefly to the GCP contribution and the LFL performance that was partially offset by cost inflation and provisioning for climbing energy prices. Excluding the Grand City effects, the KPI was 12% lower, due to the aforementioned disposals. Including the JV contributions, AEBITDA tallied €1bn (+3%). Q4 AEBITDA before JV contribution decreased 5% Y/Y to €225m reflecting the disposal activity and was 5% lower than FBe.

Table 2: 2022 performance vs guidance and FBe

	Unit	2022 Guidance	FBe 2022	2022A
FFO 1	€m	350 - 375	360	363
FFOPS 1	€	0.31 - 0.34	0.33	0.33
DPS	€	0.23 - 0.25	0.25	-

Source: First Berlin Equity Research; Aroundtown

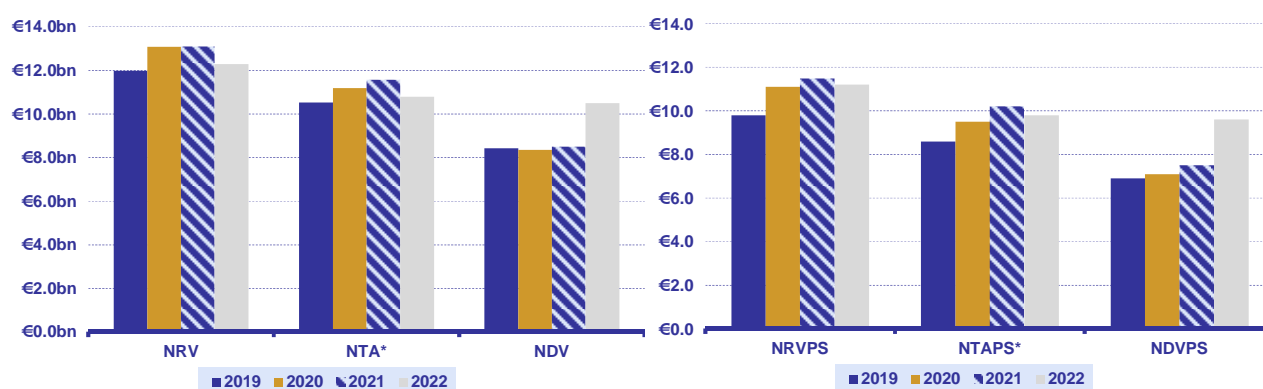
FFO 1 metrics in line with guidance FFO 1 was up 3% Y/Y to €363m owing to the good LFL performance and higher stakes in GCP and TLG, which helped offset inflationary effects, extraordinary provisions, and disposals. The corresponding per share KPI was 10% higher Y/Y at €0.33, thanks to cash recycling proceeds funnelled into share buybacks. The GCP consolidation had no material impact on FFO calculations since AT's share of GCP FFO was already included in FFO under the old accounting. On a quarterly basis, all FFO KPIs were close to our targets.



FFO 2 tallied €714m (2021: €969m), thanks to the €16bn of property disposals in 2022 at BV. AT has inked another €150m in property sales YTD at book value and will close on another €530m signed in 2022.

Property values take a small hit in Q4 Aroundtown booked a loss of €497m under the revaluations and capital gains line item in 2022, which included devaluations of roughly €0.9bn (~ minus 3%) in Q4 in the wake of rising discount rates and an idling transaction market. The entire portfolio was reassessed in the October-to-December period. The company has hinted at portfolio devaluation risk of ~5% over the coming 12 to 18 months, which is factored into our 2023 forecasts.

Figure 1: EPRA BPR reporting



*with real estate transfer tax (RETT); previously NTA

Source: First Berlin Equity Research; Aroundtown

The bottom line was also burdened by goodwill impairments totalling €401m. The goodwill is traced mainly to deferred tax assets in GCP and TLG, which were reduced by the valuation write-downs, as well as the reduced portfolio following disposal activity. The net loss weighed on EPRA reporting KPIs (figure 1).

Table 3: YE portfolio overview

	Investment properties (€m)	Rentable area ('000 m ²)	EPRA vacancy	Annualised net rent (€m)	In-place rent (€/m ²)	Value (€/m ²)	Rental yield	WALT
Office	10,796	3,474	11.2%	466	12.1	3,107	4.3%	4.4
Residential	8,342	3,685	4.0%	356	8.3	2,264	4.3%	n.a.
Hotel	4,660	1,531	3.9%	237	13.3	3,044	5.1%	14.7
Retail	1,489	618	11.6%	68	10.1	2,407	4.6%	4.4
Logistics/Other	423	449	9.5%	24	4.8	942	5.6%	5.6
Land for development & rights	2,271							
Total	27,981	9,757	7.6%	1,151	10.3	2,635	4.5%	7.5
Total (GCP at relative consolidation)	24,188	8,136	8.2%	995	10.8	2,706	4.5%	7.6

Source: First Berlin Equity Research; Aroundtown

Portfolio value stable Y/Y at €2,635 / m² In-place rent stood at €10.3 / m² vs €10.0 / m² at YE21, while the portfolio vacancy rate remained steady with record low vacancy in the residential portfolio negating the uptick in empty office space. Valuation momentum stalled in Q3 and the 'value / m²' indicator took a 2.7% sequential dip in Q4. Annualised net rent tallied €1.2bn at the end of 2022.



LOOKING AHEAD

Good value but challenging macro-environment The commercial property sector has been hammered by recessionary fears and lingering covid-19 effects, which kept consumers away from shops and workers at home raising renewed concerns about the future of office work. Even warehouse operators admit they overspent and overbuilt. German residential looks better, due to an acute shortage of flats for, at least the near-term, and soaring replacement costs, but renters are at their financial limits with inflation limiting rent increase opportunities.

Table 4: Updated forecasts and TP

	old	new	revision	upside	dividend yield	total upside
Target price (€)	4.6	3.5	-24%	180%	17%	197%
in €m	Old	2023E New	variance	Old	2024E New	variance
Net rent (NRI)	1,173	1,200	2.3%	-	1,214	-
AEBITDA	968	958	-0.9%	-	988	-
margin	82%	80%	-	-	81%	-
FFO 1	337	318	-5.5%	-	332	-
Margin	29%	27%	-	-	27%	-
FFOPS 1 (€)	0.31	0.29	-5.5%	-	0.30	-

Source: First Berlin Equity Research estimates

Improving operational efficiency will be unable to offset the higher financing costs (debt and perpetuals) and inflationary effects. We have thus made minor changes to 2023 targets to reflect the latest operational performance and introduce 2024 FBe. The perpetual reset was already factored into our previous numbers.

Table 5: Initial 2023 guidance vs FBe

	Unit	2023 Guidance	FBe 2023	2022A
FFO 1	€m	300 - 330	318	363
FFOPS 1	€	0.27 - 0.30	0.29	0.33
DPS ¹	€	0.20 - 0.23	0.22	-

¹ subject to market environment and AGM approval

Source: First Berlin Equity Research; Aroundtown

Aroundtown will recommend to the June AGM that a dividend not be paid on 2022 earnings but has not withdrawn its dividend policy. We regard this as a one-off event and retain our discounted dividend model (overleaf) for now. The dividend recommendation for 2023 will again hinge upon market conditions.



VALUATION MODEL

Our target price is now €3.5 (old: €4.6) after increasing our risk free rate to 2.4% (old: 1.5%) to track the development of the German 10y Bund. The markets appear to be pricing in an office apocalypse. Investors are now concerned about the co-dependency of the commercial property industry and a banking sector knocked woozy by recent chaos. It is fiendishly difficult to predict when property stocks might trough. This will hinge largely on when and where rising interest rates reach their zenith and when investors get a better grasp on recessionary effects on the office sector. Despite the perfect storm of macro headwinds, we remain confident that Aroundtown can batten down the hatches and stick to our Buy rating.

Figure 2: Discounted dividend model

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
FFOPS 1 (€)	0.29	0.30	0.34	0.29	0.27	0.28	0.29	0.33	0.33
Payout ratio	75%	75%	75%	75%	75%	75%	75%	75%	75%
Dividend (DPS) (€)	0.22	0.23	0.26	0.21	0.20	0.21	0.22	0.25	0.25
Y/Y	n.a.	4%	13%	-17%	-5%	5%	2%	14%	n.a.
NPV (€)	0.21	0.20	0.21	0.17	0.15	0.14	0.14	0.15	2.17
Terminal growth rate	1.0%								
Discount rate	7.0%								
NPV of dividends (€)	1.4								
NPV of TV (€)	2.2								
Fair value per share €	3.5								

		Terminal growth						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
Discount rate	5.8%	3.6	3.8	4.0	4.3	4.6	5.0	5.4
	6.2%	3.4	3.6	3.8	4.0	4.3	4.6	5.0
	6.6%	3.3	3.4	3.6	3.8	4.0	4.2	4.6
	7.0%	3.1	3.2	3.4	3.5	3.7	4.0	4.2
	7.4%	3.0	3.1	3.2	3.3	3.5	3.7	3.9
	7.8%	2.8	2.9	3.0	3.2	3.3	3.5	3.7
	8.2%	2.7	2.8	2.9	3.0	3.1	3.3	3.5

		Cost of Debt						
		2.50%	2.75%	3.00%	3.25%	3.75%	4.25%	4.8%
Discount rate	5.8%	5.3	4.9	4.6	4.3	3.7	3.0	2.4
	6.2%	4.9	4.6	4.3	4.0	3.4	2.8	2.2
	6.6%	4.6	4.3	4.0	3.8	3.2	2.7	2.1
	7.0%	4.3	4.1	3.8	3.5	3.0	2.5	2.0
	7.4%	4.1	3.8	3.6	3.3	2.9	2.4	1.9
	7.8%	3.8	3.6	3.4	3.2	2.7	2.3	1.8
	8.2%	3.6	3.4	3.2	3.0	2.6	2.2	1.8



INCOME STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
Net rent	766	1,003	1,086	1,222	1,200	1,214
Operating and other income	129	177	238	388	406	411
Rental and operating income (RI)	895	1,180	1,323	1,610	1,606	1,625
Capital gains, property revaluations & other	1,218	769	810	-497	-1,406	-498
Result from equity-accounted investees	299	196	193	6	6	6
Property OpEx	-228	-443	-533	-695	-708	-687
Other income	0	0	0	0	0	0
Administration & other OpEx	-27	-51	-57	-63	-64	-63
Operating income (EBIT)	2,156	1,652	1,737	361	-566	383
Net financial result	-142	-201	-180	-185	-188	-184
Other financial expenses	46	-168	-162	-194	0	0
Impairment of goodwill	0	0	0	-404	0	0
Pre-tax income (EBT)	2,060	1,283	1,394	-422	-754	199
Tax expense	-71	-89	-100	-117	-110	-114
Deferred tax	-280	-287	-216	82	211	75
Tax result	-351	-377	-316	-35	101	-39
Comprehensive net income	1,709	906	1,078	-457	-653	160
Minority interests	343	165	330	70	-39	160
Perpetual notes	58	90	106	118	154	179
Net income to owners	1,308	652	642	-645	-768	-179
Basic EPS (€)	1.12	0.50	0.55	-0.58	-0.70	-0.16
AEBITDA	773	944	975	1,002	958	988
Ratios						
AEBITDA before JV contributions (NRI)	83.7%	77.5%	80.2%	77.2%	73.5%	74.8%
FFO 1 margin (NRI)	58.2%	35.7%	32.5%	29.7%	26.5%	27.4%
Expenses as % of revenues						
Property OpEx	25.5%	37.5%	40.3%	43.2%	44.1%	42.3%
Administration & other OpEx	3.1%	4.3%	4.3%	3.9%	4.0%	3.9%
Y/Y Growth						
Net rent	21.0%	31.0%	8.2%	12.6%	-1.8%	1.2%
Operating income	-6.0%	-23.4%	5.1%	-79.2%	n.m.	n.m.
Adjusted EBITDA	27.5%	22.2%	3.3%	2.8%	-4.4%	3.1%
Net income/ loss	-19.3%	-50.2%	-1.5%	n.m.	n.m.	n.m.
Funds from Operations (FFO)						
AEBITDA before JV contribution	641	777	871	944	882	908
Finance expense	-142	-201	-180	-185	-188	-184
Tax expense	-71	-89	-100	-117	-110	-114
Minority adjustment	-17	-36	-82	-136	-145	-148
Other adjustments	3	9	7	5	5	5
Perpetual attribution	-58	-90	-106	-118	-154	-179
FFO 1 before JV contribution	357	371	409	392	290	288
JV FFO 1 contributions	89	107	69	46	63	64
Extraordinary provision for uncollected rents	0	-120	-125	-75	-35	-20
FFO 1	446	358	353	363	318	332



BALANCE SHEET

All figures in EURm	2019	2020	2021	2022E	2023E	2024E
Assets						
Current assets, total	3,743	4,781	5,529	4,856	4,531	3,761
Cash and cash equivalents	2,192	2,692	2,873	2,305	2,800	2,011
Short-term investments	878	454	376	313	313	313
Receivables	454	617	1,219	1,168	1,276	1,291
Other current assets	5	141	28	138	142	146
Assets held for sale	214	877	1,033	931	0	0
Non-current assets, total	21,702	26,241	33,854	32,492	31,868	31,739
Property, plant & equipment	20	877	1,849	1,508	1,512	1,517
Investment properties	18,127	21,172	29,116	27,981	27,339	27,278
Equity accounted investees	2,506	3,177	1,223	1,292	1,274	1,196
Other LT assets	1,049	1,014	1,667	1,711	1,743	1,748
Total assets	25,445	31,022	39,383	37,347	36,399	35,501
Shareholders' equity & debt						
Current liabilities, total	857	1,074	1,607	1,289	1,306	1,316
Short-term debt	246	181	544	123	23	23
Accounts payable	343	435	621	666	763	752
Provisions & other current liabilities	268	458	442	500	520	541
Long-term liabilities, total	11,209	14,364	18,620	18,235	18,041	17,358
Long-term debt	9,759	11,680	15,026	14,573	14,557	13,916
Deferred tax liabilities	1,107	2,026	2,766	2,662	2,451	2,377
Other LT liabilities	342	659	828	999	1,032	1,066
Minority interests	1,309	2,025	3,875	3,490	3,451	3,611
Shareholders' equity	12,070	13,558	15,281	14,333	13,601	13,215
Total consolidated equity and debt	25,445	31,022	39,383	37,347	36,399	35,501
Ratios						
ICR (x)	4.8	4.3	4.9	4.9	4.6	4.8
Net debt / adj. EBITDA (x)	10.9	11.1	14.2	12.8	13.1	12.6
Equity ratio	52.6%	50.2%	48.6%	47.7%	46.8%	47.4%
Financial leverage	57.9%	63.4%	80.8%	84.3%	84.7%	86.8%
EPRA NTA	10,523	11,187	11,564	10,775	9,926	9,461
EPRA NTAPS (€)	8.6	9.5	10.2	9.8	9.1	8.6
Net debt	6,985	8,598	12,344	12,087	11,525	11,468
Return on equity (ROE)	14.2%	6.7%	7.1%	-3.2%	-4.8%	1.2%
Loan-to-value (LTV)	34%	34%	39%	40%	40%	40%



CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
Net income	1,709	906	1,078	-457	-653	160
Depreciation & amortisation	2	4	16	21	16	16
Capital gains, property revaluations & other	-1,218	-769	-810	497	1,406	498
Profit share from equity accounted investees	-299	-196	-193	-6	-6	-6
Goodwill impairment	0	0	0	404	0	0
Shared based payment in a subsidiary	5	3	6	5	0	0
Net finance expenses	96	369	343	379	188	184
Tax result	351	377	316	35	-101	39
Operating cash flow	646	694	755	879	850	891
Changes in working capital	-34	-36	-57	-27	-43	-30
Provisions for other liabilities	-3	-3	-4	-2	27	28
Dividend received	61	43	24	35	24	84
Tax paid	-57	-83	-93	-97	-110	-114
Net operating cash flow	614	616	626	788	748	859
CapEx/ intangibles	-3	-36	23	-26	-21	-21
Disposal / investment in investment properties, net	-2,311	1,427	1,179	556	146	-437
Acquisition / disposals of subsidiaries	0	0	0	0	0	0
Proceeds from investments in financial assets	-576	-377	-124	-121	22	23
Cash flow from investing	-2,890	1,014	1,078	409	147	-436
Debt financing, net	2,148	-493	-1,320	-629	-116	-642
Equity financing, net	596	0	0	0	0	0
Payments for own shares	0	-1,001	-444	-255	0	0
Share buy-back in a subsidiary	0	0	-270	0	0	0
Dividends paid	-209	-22	-252	-169	0	-232
Other financing activities	854	94	-120	-506	-96	-154
Net paid financing expenses	-161	-212	-201	-204	-188	-184
Cash flow from financing	3,228	-1,634	-2,607	-1,764	-400	-1,212
Net cash flows	952	-5	-903	-567	495	-789
Assets held for sale - cash	-4	-3	-2	-6	0	0
Fx effects	1	-1	16	5	0	0
Cash & equivalents from TLG	0	509	1070	0	0	0
Cash, start of the year	1,243	2,192	2,692	2,873	2,305	2,800
Cash, end of the year	2,192	2,692	2,873	2,305	2,800	2,011
FFO 1 before JV contribution	357	371	409	392	290	288
FFO 1	446	358	353	363	318	332
FFOPS 1 (€)	0.38	0.27	0.30	0.33	0.29	0.30

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 5 April 2023 at 10:07

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

Copyright© 2023 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Aroundtown SA the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Aroundtown SA for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

First Berlin F.S.B. Investment-Beratungsgesellschaft mbH (hereafter FBIB), a company of the First Berlin Group, holds a stake of under 0.5% of the shares in the company which has been covered in this analysis. The analyst is not subject to any restrictions with regard to his recommendation and is therefore independent, so that we believe there is no conflict of interest.

With regard to the financial analyses of Aroundtown SA the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Aroundtown SA for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...47	↓	↓	↓	↓
48	30 August 2021	€6.47	Buy	€8.60
49	23 September 2021	€6.06	Buy	€8.60
50	25 November 2021	€5.91	Buy	€8.60
51	31 March 2022	€5.27	Buy	€8.30
52	31 May 2022	€4.40	Buy	€7.40
53	26 August 2022	€2.99	Buy	€7.30
54	2 November 2022	€2.02	Buy	€5.10
55	7 December 2022	€2.32	Buy	€4.60
56	Today	€1.25	Buy	€3.50

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.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.