

26 | August | 2020

■ **Price (Euro)** **4.87**
52 weeks range 8.88 / 2.88

■ **Key Data**

ISIN LU1673108939
Ticker AT1
Bloomberg AT1 GR
Reporting standard IFRS
Market Cap (Euro million) 7,485
Number of shares (million) 1,537.0
Free Float 76.0%
Free Float Market Cap (Euro million) 5,689
CAGR Adj. EBITDA profit ('19-'22e) 15.3%

■ Multiples	2019	2020e	2021e	2022e
Market Cap/ Total revenues	8.4	6.3	5.5	4.8
PE-Ratio	4.4	7.4	6.9	5.3
Dividend Yield	0.0%	5.7%	5.7%	6.5%
Price-to-Book-Ratio	0.60	0.53	0.47	0.41
P/ NAV-ratio	0.56	0.51	0.46	0.40

■ Key Data per share (Euro)	2019	2020e	2021e	2022e
Earnings per share (EPS)	1.12	0.66	0.71	0.92
Dividend per share (DPS)	0.00	0.28	0.28	0.32
Book Value per Share (BVPS)	8.17	9.25	10.33	11.83
EPRA NAV per share	8.70	9.48	10.59	12.13

■ Financial Data (Euro Millions)	2019	2020e	2021e	2022e
Revenues (rental income)	894.8	1,191.4	1,370.1	1,548.2
Capital gains, Prop. Revaluations	1,217.5	652.3	675.0	1,034.0
EBITDA profit	2,157.5	1,683.2	1,876.6	2,415.3
Adj. EBITDA profit (cash driven)	772.7	910.9	1,009.4	1,184.0
Operating profit (EBIT)	2,155.8	1,687.2	1,881.0	2,420.7
Net financial result	-96.0	-258.2	-257.2	-290.5
Pre-tax profit (EBT)	2,059.8	1,429.0	1,623.8	2,130.2
Taxation	-350.7	-253.7	-243.6	-319.5
Net profit after minorities	1,308.1	877.0	986.2	1,309.3
FFO I	503.4	562.6	597.9	695.9
Shareholders' equity (Euro billion)	9.6	12.3	14.4	16.8
Property portfolio (Euro billion)	21.2	24.3	29.9	34.7
RoE (after tax)	11.2%	5.8%	5.3%	6.0%
Equity ratio (incl. equity minorities)	52.6%	50.3%	48.7%	47.3%

■ **Main Shareholders**

Treasury shares (held by TLG) 14%
Avisco Group Plc. 10%

■ **Financial calendar**

SRC Forum Financials & Real Estate 10 September 2020
9M 2020 report 25 November 2020

■ **Analysts**

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Numbers of the first half show good growth with about +40% in top line and adjusted EBITDA, but full-year estimates reduced due to slower growth expectations in the portfolio

Today, the company released the 1H 2020 report and held a conference call. The top line numbers showed some good growth and the overall picture was in line with our estimates at 1H. Revenues and net rental income both hiked by 40% to Euro 588m and Euro 502m respectively (1H 2019: Euro 421m and Euro 359m). The share of profit from equity accounted investees declined from Euro 198m to Euro 108m, while the revaluation and capital gains amounted to Euro 564m compared to Euro 679m. Included in the revaluation result is a negative valuation of the Hotel portfolio of Euro -206m and a good valuation uplift of Euro 766m in the remaining portfolio despite the impacts of Corona. Property operating expenses amounted to Euro 185m, up from Euro 110m last year, and included extraordinary rent provisions of Euro 35m from the hotel industry, which will most likely further grow in the second half of the year. The operating profit (EBITDA) all in all was at Euro 1.05bn. Adjusted EBITDA reflected a strong growth of 38%, from Euro 363m last year to now Euro 500m. The financial result was at Euro -199m, significantly below the result at 1H 2019 of Euro -33m, mostly driven by the other financial result of Euro -100m compared to a positive amount of Euro 37m last year, as mainly non-recurring and no-cash items such as fair value changes of derivatives and contingent liabilities relating to the TLG takeover are included, as well as expenses related to bond refinancing. The bottom line after minorities stood at Euro 486m. The cash-driven FFO I, however, increased by 30%, from Euro 239m to Euro 311m or respectively by 10% from 21 cents per share to 23 cents.

While the numbers at 1H were in line, we still need to significantly reduce our full-year numbers as we have to reduce our expectations regarding the portfolio growth in 2020 and expect some further rent provisions in the hotel segment. While we expected some further significant growth of the portfolio during the year other than the growth coming from the TLG merger, the company has been rather passive on the acquisitions side to date and stated to wait for opportunities in distressed assets resulting from the Corona pandemic. Furthermore, about Euro 1bn of disposals of non-core assets (mainly retail) have been signed to date and another Euro 1bn is in advanced negotiation stages. Thus, we reduce our overall growth expectations for the second half of 2020 and in turn our P&L estimates and now expect an FFO I of Euro 563m instead of Euro 635m.

The management decided to release a guidance along with the 1H numbers and expects the FFO I after perpetual to be in a range of Euro 460m to Euro 485m or between 34 cents and 36 cents per share respectively. Despite our lower full-year estimates, we still see these ranges as somewhat conservative and would not be surprised if Aroundtown ends the year on top of that range. While our reduced P&L estimates have now eaten up some of our in March applied cautionary discount regarding the impacts of the Corona pandemic, our valuation without discount still yields a double digit fair value per share. **Thus, we confirm our Euro 9.50 target price and clearly stick to our Buy recommendation at an upside of almost 100%. The Euro 9.50 target price is also backed by the EPRA NAV, which is currently at Euro 9.00 per share and the share will further benefit from the buyback program.**

Aroundtown SA

Industry: Real Estate
Sub-segments: Commercial (incl. Hotel)/ Residential


Target Countries: Germany
Registered: Luxembourg
German Office: Berlin
Foundation: 2004
Employees: 492
IR Contact: Timothy Wright
Email: info@aroundtownholdings.com


Credit Rating: BBB+ by S&P (Investment Grade)

Stock exchange: Prime Standard Frankfurt

ISIN: LU1673108939
Bloomberg: AT1 GR

MANAGEMENT


Shmuel Mayo
CEO



Eyal Ben David
CFO


Frank Roseen Director	Jelena Afxentiou Director	Markus Kreuter Indep. Director
Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director

ADVISORY BOARD


Dr. Gerhard Cromme
Chairman


Yakir Gabay


Claudio Jarczyk


David Maimon

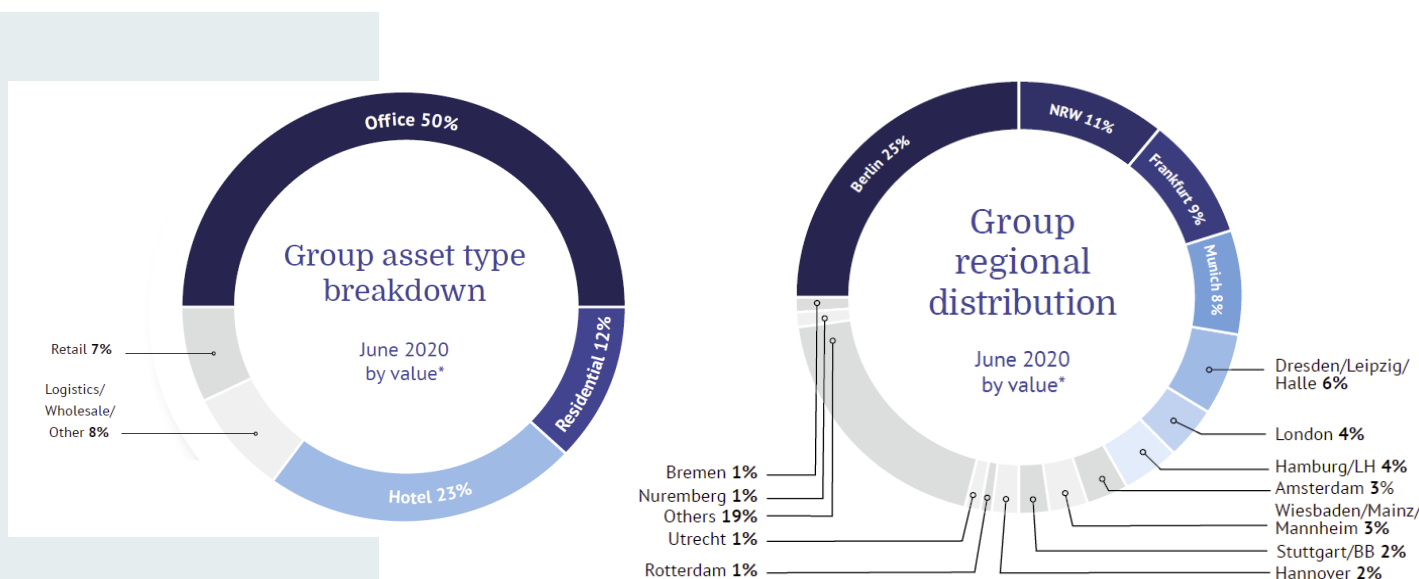
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

AT's primary real estate target markets are economically attractive and densely populated regions in Germany. The company is active in both the commercial as well as the residential real estate sector. Nonetheless, it more plays an active role in the commercial sector since the residential exposure within the portfolio is represented by an interest in the publicly listed company Grand City Properties ("GCP") with a stake of 39% as of 1H 2020. Grand City is a German MDax member since 18 Sept. 2017. Including the new assets coming from the takeover of TLG, which was completed in February 2020, the firm's total portfolio has grown significantly and currently amounts to more than Euro 26bn. Commercial properties have a share of 88% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 12%. The commercial part of the portfolio consists of 52% of office properties followed by hotel and retail. Hotel properties currently have a portfolio share of about 26%. The geographical allocation of the portfolio by value as of June 2020 is illustrated in the graph below.

AT comes along with a well-experienced management team where each member supplements the team with a distinctive professional background in various fields like investment banking, real estate investment and asset management and project development for instance. AROUNDTOWN targets turnaround opportunities of distressed and/or mismanaged properties and has a strong track record with regard to property turnaround by working out sound individual business plans. Detailed property-related data are deliberately not disclosed. AT argues that they are doing so in order to direct investors' attention on the bottom line on company level rather than being monitored on the performance of each individual property.

Apart from a proven turnaround strategy AT also benefits from its preferred buyer status among its long-time established network within the real estate industry, from excellent refinancing opportunities due to its investment grade credit rating of BBB+, assigned by S&P in December 2017 and from its strong organizational setup in terms of personnel resources and capital intense infrastructure. We believe a rating upgrade could happen soon.

Aroundtown was recently added to the newly launched DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index. Following the finalization of the merger with TLG Immobilien in mid February, we believe an uplisting to the German DAX is within reach.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	527.1	747.1	894.8	1,191.4	1,370.1	1,548.2	20.1%
Capital gains, property revaluations and others	1,326.6	1,536.4	1,217.5	652.3	675.0	1,034.0	
thereof net revaluation result	1,315.2	1,459.6	1,156.6	619.7	641.3	982.3	
thereof capital gains and bargain purchase	11.4	76.8	60.9	32.6	33.8	51.7	
Share in profit from investment in equity-accounted investees	228.4	251.6	298.7	253.9	269.1	285.3	
Property-related operating expenses	-147.1	-219.1	-227.9	-362.4	-386.3	-394.6	
Administrative and other expenses	-14.7	-22.5	-27.3	-48.0	-48.0	-54.2	
thereof depreciation and amortization	-2.0	-1.6	-1.8	4.0	4.4	5.4	
Operating profit (EBITDA)	1,922.3	2,295.1	2,157.5	1,683.2	1,876.6	2,415.3	
Operating Profit (EBIT)	1,920.3	2,293.5	2,155.8	1,687.2	1,881.0	2,420.7	
Finance expenses	-69.7	-114.6	-141.7	-201.3	-231.5	-266.2	
Other financial results	-15.0	-93.8	45.7	-56.9	-25.7	-24.3	
Net financial result	-84.7	-208.4	-96.0	-258.2	-257.2	-290.5	
Pre-tax profit (EBT)	1,835.6	2,085.1	2,059.8	1,429.0	1,623.8	2,130.2	1.1%
Tax (cash and deferred)	-296.6	-257.3	-350.7	-253.7	-243.6	-319.5	
Net profit before minorities	1,539.0	1,827.8	1,709.1	1,175.3	1,380.2	1,810.7	
Minorities	-256.4	-207.4	-401.0	-298.3	-394.0	-501.4	
Net profit after minorities	1,282.6	1,620.4	1,308.1	877.0	986.2	1,309.3	
Number of shares (weighted average, without dilution)	821.5	1,052.6	1,172.9	1,326.3	1,392.6	1,420.5	
Number of shares (weighted average, diluted)	925.0	1,082.8	1,174.0	1,328.5	1,394.9	1,464.7	
Earnings per share (EPS, basic)	1.56	1.54	1.12	0.66	0.71	0.92	
Earnings per share (EPS, diluted)	1.35	1.49	1.11	0.64	0.69	0.87	
Dividend per share (DPS)	0.23	0.25	0.00	0.28	0.28	0.32	
EBITDA	1,922.3	2,295.1	2,157.5	1,683.2	1,876.6	2,415.3	3.8%
- Capital Gains, revaluations and other income	-1,326.6	-1,536.4	-1,217.5	-652.3	-675.0	-1,034.0	
- Net adjustment	-138.1	-142.3	-167.0	-170.3	-173.7	-177.2	
- Other adjustments	-28.3	-10.4	-0.3	50.3	-18.4	-20.1	
Adjusted EBITDA	429.3	606.0	772.7	910.9	1,009.4	1,184.0	15.3%
AT's finance expenses	-69.7	-114.6	-141.7	-201.3	-231.5	-266.2	
Adjustments of finance expenses	-10.3	-17.6	-20.4	18.4	15.6	19.4	
Adjusted Finance Expenses	-80.0	-132.2	-162.1	-182.9	-215.9	-246.8	
ICR (Interest coverage ratio)	5.4	4.7	4.8	5.0	4.7	4.8	
Financing expenses	-69.7	-114.6	-141.7	-201.3	-231.5	-266.2	
Current cash tax expenses	-27.5	-44.4	-70.6	-91.8	-119.3	-155.1	
Adjustments for the holdings rates	-33.1	-41.3	-57.0	-55.2	-60.7	-66.8	
FFO I	299.0	405.7	503.4	562.6	597.9	695.9	11.4%
FFO I per share (weighted average, without dilution)	0.36	0.39	0.43	0.42	0.43	0.49	
Shareholders' Equity (without minorities)	5,402.3	7,829.5	9,585.5	12,262.5	14,383.0	16,803.7	20.6%
Shareholders' Equity (including minorities)	7,249.9	9,944.3	13,378.9	17,081.1	19,994.8	23,313.2	
Growth Shareholders' Equity (without minorities)	75%	45%	22%	28%	17%	17%	
EPRA NAV	6,483.0	8,742.4	10,633.4	12,568.7	14,742.2	17,223.3	17.4%
Balance Sheet sum	13,770.4	19,040.8	25,444.7	33,972.0	41,021.7	49,306.3	
Equity Ratio	52.6%	52.2%	52.6%	50.3%	48.7%	47.3%	
RoE (after tax)	22.9%	18.8%	11.2%	5.8%	5.3%	6.0%	-18.6%
Property portfolio (including equity-accounted investees)	12,231.5	16,221.9	21,213.3	24,328.0	29,923.4	34,711.2	
Book Value per share (Euro) - undiluted	6.58	7.44	8.17	9.25	10.33	11.83	13.1%
NAV per share (Euro) - undiluted	6.50	7.70	8.70	9.48	10.59	12.13	11.7%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	May 27, 2020	Buy	4.84 €	9.50 €
Aroundtown	March 24, 2020	Buy	4.11 €	9.50 €
Aroundtown	January 24, 2020	Buy	8.21 €	9.50 €
Aroundtown	November 27, 2019	Buy	7.65 €	9.50 €
Aroundtown	November 19, 2019	Buy	7.68 €	9.50 €
Aroundtown	October 28, 2019	Buy	7.41 €	9.50 €
Aroundtown	August 28, 2019	Buy	7.47 €	9.00 €

Please note:

The share price mentioned in this report is from 25 August 2020. AROUNDTOWN SA mandated SRC Research for covering the share.

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