

26 | March | 2021

■ **Price (Euro)** **5.87**
52 weeks range 6.40 / 3.77

■ **Key Data**

ISIN LU1673108939
Ticker AT1
Bloomberg AT1 GR
Reporting standard IFRS
Market Cap (Euro million) 9,022
Number of shares (million) 1,537.0
Free Float 65.0%
Free Float Market Cap (Euro million) 5,865
CAGR Adj. EBITDA profit ('20-'23e) 9.7%

■ Multiples	2020	2021e	2022e	2023e
Market Cap/ Total revenues	7.6	7.8	6.8	6.0
PE-Ratio	11.8	8.7	5.9	5.6
Dividend Yield	3.7%	3.8%	6.2%	6.3%
Price-to-Book-Ratio	0.73	0.62	0.49	0.43
P/ NAV-ratio	0.60	0.54	0.45	0.39

■ Key Data per share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	0.50	0.68	1.00	1.04
Dividend per share (DPS)	0.22	0.22	0.36	0.37
Book Value per Share (BVPS)	7.99	9.50	11.91	13.68
EPRA NAV per share	9.78	10.78	13.15	15.11

■ Financial Data (Euro Millions)	2020	2021e	2022e	2023e
Revenues (rental income)	1,180.3	1,162.6	1,325.4	1,497.7
Capital gains, Prop. Revaluations	769.4	675.0	1,034.0	1,035.0
EBITDA profit	1,656.0	1,583.6	2,194.9	2,330.1
Adj. EBITDA profit (cash driven)	944.1	970.7	1,110.6	1,245.2
Operating profit (EBIT)	1,651.7	1,579.2	2,189.5	2,323.7
Net financial result	-368.5	-238.4	-269.0	-308.7
Pre-tax profit (EBT)	1,283.2	1,340.8	1,920.5	2,015.1
Taxation	-376.8	-254.8	-364.9	-382.9
Net profit after minorities	651.7	781.9	1,120.0	1,191.5
FFO I	447.4	436.4	610.1	652.2
Shareholders' equity (Euro billion)	10.4	11.0	13.3	15.6
Property portfolio (Euro billion)	24.3	24.8	28.8	33.4
RoE (after tax)	4.5%	4.9%	6.2%	5.5%
Equity ratio (incl. equity minorities)	50.2%	49.7%	47.9%	46.4%

■ **Main Shareholders**

Treasury shares 25%
Avisco Group Plc. 10%

■ **Financial calendar**

1Q 2021 report 27 May 2021
Annual General Meeting 30 June 2021
1H 2021 report 25 August 2021

■ **Analysts**

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Numbers show clear Covid impact – we now expect growth of P&L to practically be delayed by one year, but share buyback will already become visible – target down to Euro 8.50, still Buy

Yesterday, the company released the 2020 annual report and held a conference call. While some of the numbers were in line with our estimates, others were severely impacted by the lock down in the fourth quarter and thus below our estimates. Revenues came in at almost Euro 1.2bn and were thus in accordance with our estimate. Included here are recurring long-term net rental income of Euro 953m, up 26% from last year's number of Euro 756m. That growth was mainly driven by the higher asset base due to the merger with TLG. Revaluation and capital gains came in at Euro 769m, down from last year's number of more than Euro 1.2bn, but considering the difficult market environment in 2020 and the negative valuation impact on the hotel assets of more than Euro 300m, we see this as a good result. Property operating expenses amounted to Euro 443m compared to last year's number of Euro 228m and included extraordinary rent provisions of Euro 120m from the hotel industry, which significantly increased again in the closing quarter (9M 2020: Euro 70m) and were higher than anticipated. All in all, the firm's EBITDA was down 23% to Euro 1.66bn. Adjusted EBITDA, however, hiked by 22%, from Euro 773m last year to now Euro 944m. The bottom line was almost cut half from Euro 1.71bn to Euro 906m. The cash-driven FFO I came in at Euro 447m, down more than 10%, and was significantly impacted by the extraordinary expenses for uncollected rent as well. FFO I per share thus came in at 34 cent. FFO I after perpetual, which is the figure Arowntown based its 2020 full-year guidance of Euro 460m to Euro 485m on, stood at Euro 477m and was thus in line. The management decided to propose a dividend payment of 22 cents per share at the AGM, which is close to our expectation of 23 cents.

Looking at the portfolio, the company has sold Euro 2.3bn of assets in the last year while being very passive on the acquisition side other than the merger. Furthermore, the company stated that year-to-date, an additional Euro 200m were disposed and more disposals are to come in the current year, while the level of acquisitions will most likely remain significantly below the numbers of the recent years. Therefore, we decided to materially cut or growth expectations for 2021 and now expect the company to more or less remain on the level of the portfolio size at FY 2020, at about Euro 24.5bn. This will also become visible in our P&L estimates, which we in turn have also reduced and expect to be slightly below the 2020 numbers and at the bottom end of the firm's guidance, as we also cautiously assume rental provisions of Euro 110m for 2021. On the positive side however, the company has successfully ran a share buyback program of Euro 1bn in 2020 and now decided to initiate another program of Euro 500m, starting today. **These programs will clearly drive the shareholder value in the coming years, and will already become visible this year as can also be seen in our per share estimates. While the numbers go down in absolute terms, the per share numbers increase significantly already this year as a result of the reduced number of shares and the effect will become even higher in the coming years.** As for the coming years, we expect the numbers of the company to go back up again and expect growth to continue from 2022 on, thus practically delayed by about one year compared to our previous P&L.

Our valuation, where the reduced growth estimates for 2021 are partially counteracted by the effects of the share buyback, yields a new target price of 8.50 Euros. At an upside of about 45% we confirm our Buy rating.

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		
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Oschie Massatschi CCMO		
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Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director
Eyal Ben David CFO		
Klaus Krägel CDO		

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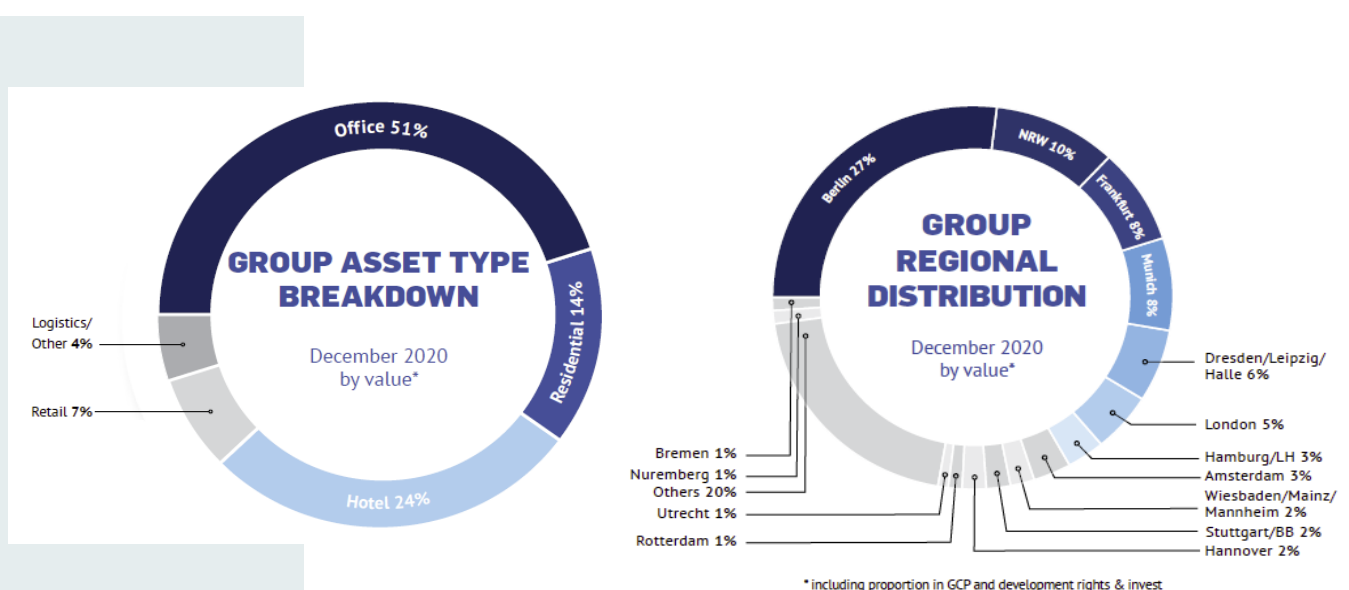
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 41% as of FY2020. Grand City is a German MDax member since 18 Sept. 2017. The firm's total portfolio has grown significantly over the recent years and currently amounts to more than Euro 24bn. Commercial properties have a share of 86% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 14%. The commercial part of the portfolio consists to 51% of office properties followed by hotel and retail. Hotel properties currently have a portfolio share of about 24%. The geographical allocation of the portfolio by value as of FY 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.

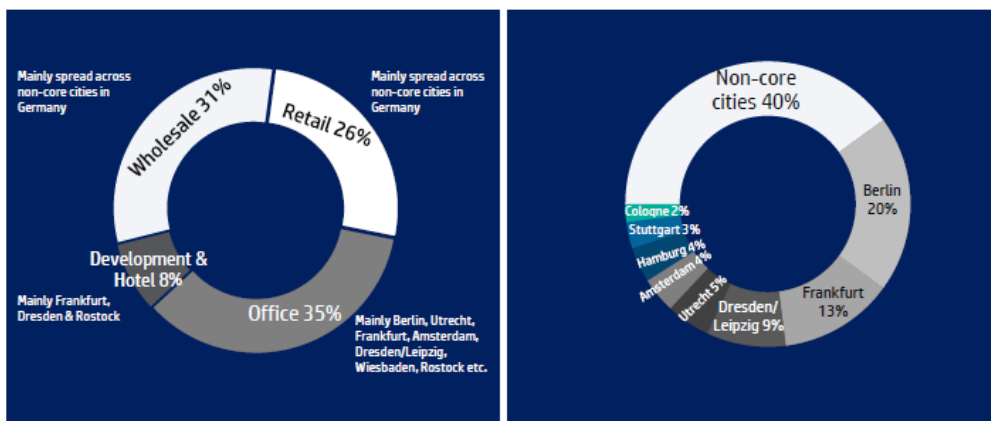
Aroundtown has been added to the newly launched DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index. We believe an uplifting to the German DAX is within reach in the coming quarters, even more if the market cap returns to pre-corona levels.



Source: Company Data, SRC Research

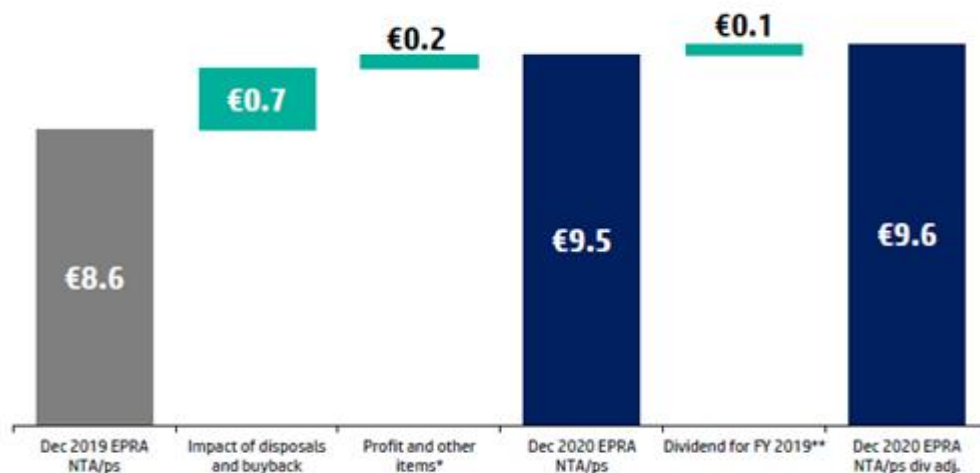
Large amount of sales in 2020 was used to drive shareholder value in the long-term with a share buyback program and other uses – new share buyback program initiated

Aroundtown has signed more than Euro 2.7bn of disposals in 2020, of which Euro 2.3bn was closed last year. While this will result in a setback of portfolio growth and led us to reduce our estimates, this has some very good effects on the long-term value to shareholders. The assets were sold on average at a multiple of 19x and at a 3% margin above book value and even 33% on top of total costs.



The disposed assets were at 40% mainly located in non-core cities, while larger portions were also located in Berlin and Frankfurt. In terms of asset type, the lion's share was offices, followed by wholesale and retail properties. The company also stated yesterday, year-to-date about Euro 200m of assets were already sold and more disposals are to follow in 2021.

While the uses of the proceeds also boosted the liquidity and helped to repay debt, a large part of Euro 1bn was used to run a share buyback program. As the average buyback price was at only Euro 4.90, thus significantly below the fair value and the NAV of the company, it resulted in an initial 12% shareholder return and will also drive the value for shareholders in the long-run.



*Profits generated during the year (excl. disposal profits), impact from the takeover of TLG, dilution impact, etc.
** Dividend was paid in January 2021 but AT created the corresponding reserves already in 2020 financial statements

Yesterday, the company announced to intent to continue buying back shares, as the current price level is still very attractive and will be accretive. Therefore, starting today, Aroundtown launched another buyback program with a volume of Euro 500m. We welcome this decision as this will further drive the value for shareholders and will further lift the numbers per share in the future.

Hotel portion of the portfolio has suffered significantly in 2020 due to the Covid pandemic, which will also impact the 2021 numbers - well positioned for after the pandemic

As expected, the hotel segment was one of the industries that has suffered the most since the start of the Covid pandemic last year, as hotels were or have been shut down for a long time. Currently, the portfolio of Aroundtown includes 24% of hotel assets across Europe. In 2020, the full-year collection rate of the hotel portion of the group's portfolio was at only 60% with a cash collection of 49%. Thus, the company had to record extraordinary expenses of Euro 120m for 2020, both affecting the P&L and the FFO. Furthermore, the value of the hotels has suffered a loss of about Euro 300m in 2020. So far in 2021, the collection rates for January and February were at only 30%. As it is still uncertain as to when and how hotels are allowed to reopen, the company has cautiously taken extraordinary expenses for 2021 in a range between Euro 90m to Euro 120m into account for the full-year guidance, thus at about the same level as last year. We welcome this cautionary step and our assumption is currently at extraordinary expenses in the amount of Euro 110m for the current year.

While the numbers of the current fiscal year will most likely be again heavily affected, we see a more normal picture returning next year. For that return to "normality" we see Aroundtown as well positioned in the hotel segment. The hotel assets are spread across many attractive locations in Europe, where people want to go to once the travel restrictions are lifted. Furthermore, the portfolio consists mainly of strong brands and hotels for both business and leisure. Furthermore, the company has made use of the closing time by accelerating repositioning projects and investments, which would have been on the agenda in the coming years and would have led to a shut-down time in the respective hotels. Even in a worst case scenario, where travel restrictions or travel hesitations of people are to continue for a much longer time, the company stated that it sees good options for conversion of the hotel to use them for other purposes such as e.g. micro apartments.

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	747.1	894.8	1,180.3	1,162.6	1,325.4	1,497.7	8.3%
Capital gains, property revaluations and others	1,536.4	1,217.5	769.4	675.0	1,034.0	1,035.0	
thereof net revaluation result	1,459.6	1,156.6	711.6	641.3	982.3	983.3	
thereof capital gains and bargain purchase	76.8	60.9	57.8	33.8	51.7	51.8	
Share in profit from investment in equity-accounted investees	251.6	298.7	195.7	207.4	219.9	233.1	
Property-related operating expenses	-219.1	-227.9	-442.6	-420.3	-345.4	-391.6	
Administrative and other expenses	-22.5	-27.3	-51.1	-46.5	-46.4	-52.4	
thereof depreciation and amortization	-1.6	-1.8	-4.3	-4.4	-5.4	-6.4	
Operating profit (EBITDA)	2,295.1	2,157.5	1,656.0	1,583.6	2,194.9	2,330.1	
Operating Profit (EBIT)	2,293.5	2,155.8	1,651.7	1,579.2	2,189.5	2,323.7	
Finance expenses	-114.6	-141.7	-200.7	-212.7	-244.7	-281.4	
Other financial results	-93.8	45.7	-167.8	-25.7	-24.3	-27.3	
Net financial result	-208.4	-96.0	-368.5	-238.4	-269.0	-308.7	
Pre-tax profit (EBT)	2,085.1	2,059.8	1,283.2	1,340.8	1,920.5	2,015.1	16.2%
Tax (cash and deferred)	-257.3	-350.7	-376.8	-254.8	-364.9	-382.9	
Net profit before minorities	1,827.8	1,709.1	906.4	1,086.0	1,555.6	1,632.2	
Minorities	-207.4	-401.0	-254.7	-304.1	-435.6	-440.7	
Net profit after minorities	1,620.4	1,308.1	651.7	781.9	1,120.0	1,191.5	
Number of shares (weighted average, excl. treasury shares)	1,052.6	1,172.9	1,305.2	1,152.5	1,117.9	1,140.3	
Number of shares (weighted average, diluted, excl. treasury)	1,082.8	1,174.0	1,306.5	1,144.3	1,110.0	1,132.2	
Earnings per share (EPS, basic)	1.54	1.12	0.50	0.68	1.00	1.04	
Earnings per share (EPS, diluted)	1.49	1.10	0.49	0.66	0.99	1.03	
Dividend per share (DPS)	0.25	0.14	0.22	0.22	0.36	0.37	
EBITDA	2,295.1	2,157.5	1,656.0	1,583.6	2,194.9	2,330.1	12.1%
- Capital Gains, revaluations and other income	-1,536.4	-1,217.5	-769.4	-675.0	-1,034.0	-1,035.0	
- Net adjustment	-142.3	-167.0	-29.0	-29.6	-30.2	-30.8	
- Other adjustments	-10.4	-0.3	86.5	91.6	-20.1	-19.1	
Adjusted EBITDA	606.0	772.7	944.1	970.7	1,110.6	1,245.2	9.7%
AT's finance expenses	-114.6	-141.7	-200.7	-212.7	-244.7	-281.4	
Adjustments of finance expenses	-17.6	-20.4	-25.3	-16.7	-10.4	-14.7	
Adjusted Finance Expenses	-132.2	-162.1	-226.0	-229.4	-255.1	-296.1	
ICR (Interest coverage ratio)	4.7	4.8	4.3	4.2	4.4	4.2	
Financing expenses	-114.6	-141.7	-200.7	-212.7	-244.7	-281.4	
Current cash tax expenses	-44.4	-70.6	-89.4	-116.2	-151.1	-196.4	
Adjustments for the holdings rates	-41.3	-57.0	-86.6	-95.3	-104.8	-115.3	
Extraordinary expenses for uncollected rent	0.0	0.0	-120.0	-110.0	0.0	0.0	
FFO I	405.7	503.4	447.4	436.4	610.1	652.2	13.4%
FFO I per share	0.39	0.43	0.34	0.38	0.55	0.57	18.6%
FFO I after perpetual	357.9	445.6	357.8	342.2	540.2	560.7	16.2%
FFO I per share after perpetual	0.34	0.38	0.27	0.30	0.48	0.49	21.5%
Shareholders' Equity (without minorities)	7,829.5	9,585.5	10,424.8	10,953.7	13,317.1	15,603.5	14.4%
Shareholders' Equity (including minorities)	9,944.3	13,378.9	15,583.0	16,340.9	19,826.9	23,184.4	
Growth Shareholders' Equity (without minorities)	45%	22%	9%	5%	22%	17%	
EPRA NAV	8,742.4	10,633.4	11,511.8	12,095.9	14,705.7	17,230.5	14.4%
Balance Sheet sum	19,040.8	25,444.7	31,021.6	32,910.4	41,431.3	49,967.1	
Equity Ratio	52.2%	52.6%	50.2%	49.7%	47.9%	46.4%	
RoE (after tax)	18.8%	11.2%	4.5%	4.9%	6.2%	5.5%	7.2%
Property portfolio (including equity-accounted investees)	16,221.9	21,213.3	24,327.4	24,813.9	28,784.2	33,389.6	
Book Value per share (Euro) - undiluted	7.44	8.17	7.99	9.50	11.91	13.68	19.7%
NAV per share (Euro) - undiluted	7.70	8.70	9.78	10.78	13.15	15.11	15.6%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	November 25, 2020	Buy	5,85 €	9,50 €
Aroundtown	August 26, 2020	Buy	4,87 €	9,50 €
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 €

Please note:

The share price mentioned in this report is from 25 March 2021. AROUNDTOWN SA mandated SRC Research for covering the share.

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