AROUNDTOWN

Buy (unchanged) **Target: Euro 8.50** (unchanged)

27 | May | 2021

Der Spezialist für Finanzaktien

Price (Euro)	**6.81**
52 weeks range	6.91 / 3.77

Key Data

ISIN	LU1673108939
Ticker	AT1
Bloomberg	AT1 GR
Reporting standard	IFRS
Market Cap (Euro million)	10,467
Number of shares (million)	1,537.0
Free Float	64.0%
Free Float Market Cap (Euro million)	6,699
CAGR Adj. EBITDA profit ('20-'23e)	9.7%

Multiples	**2020**	**2021e**	**2022e**	**2023e**
Market Cap/ Total revenues	8.9	9.0	7.9	7.0
PE-Ratio	**13.6**	**10.0**	**6.8**	**6.5**
Dividend Yield	3.2%	3.3%	5.3%	5.4%
Price-to-Book-Ratio	**0.85**	**0.72**	**0.57**	**0.50**
P/ NAV-ratio	**0.72**	**0.65**	**0.53**	**0.46**

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 NTA per share	**9.51**	**10.47**	**12.78**	**14.68**

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	26%
Avisco Group Plc.	10%

Financial calendar

Annual General Meeting	30 June 2021
1H 2021 report	25 August 2021
SRC Forum Financials & Real Estate	**8 September 2021**

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1Q numbers in line with estimates – about Euro 1bn of further disposals YTD – joint offer for Globalworth launched – 24% of buyback program executed – Buy and Euro 8.50 affirmed

Today, Aroundtown released the report for the first three months of 2021 and held a conference call. While the numbers all in all declined compared to last year's period, they were in line with our estimates and the firm's guidance as this decline was expected following the high amount of disposals in 2020 and already in 2021, as well as due to the continuing impacts of the Covid-19 pandemic.

Revenues and net rental income declined by about 1% from Euro 278m to Euro 275m or from Euro 236m to Euro 233m respectively. The revaluation result was at Euro 57m significantly below last year's number of Euro 318m, however only a limited part of the portfolio was revalued. For the first quarter, the company booked Euro 38m (1Q 2020: Euro 0) of extraordinary expenses for uncollected rent, mainly coming from the hotel properties. Operating profit all in all came in at Euro 238m, significantly down from last year's Euro 536m. Adjusted EBITDA however, only slightly decreased from Euro 237m to Euro 230m. FFO I stood at Euro 87m, reflecting a decrease of 32% as it was also impacted by the extraordinary expenses for uncollected rent, while the adjusted FFO I only declined by 2%. The FFO I per share came down by 26%, thus less than the absolute decline in FFO as the share buyback program shows effects, while the adjusted FFO I per share increased by more than 7% to 10.5 cents per share.

After the disposal of Euro 2.3bn of assets in 2020, the company sold another almost Euro 1bn in the first quarter of 2021 at a 6% margin over book value and 52% over cost, of which more than Euro 420m have already been closed at the reporting date. Thus, the commercial portfolio now stands at Euro 20.8bn. While the acquisition side for new properties remained rather inactive to date given the current market environment and developments, the company has launched a joint offer together with CPI Property Group for the outstanding shares of Globalworth (the current holding rate is already at more than 50%), a leading real estate company in the CEE region with a focus on offices in Poland and Romania and a current portfolio of Euro 3bn. The offer is an all-cash offer at 7.00 Euros per share, which would translate into about Euro 400m for Aroundtown at full execution. This amount can be easily paid from the current liquidity of Euro 3.1bn and the very solid balance sheet with a LTV of 34% and an equity ratio of 52% also set no limitations in that regard. We expect further news and more details here soon.

As for the current share buyback program, the company has so far executed about 24% of the additional Euro 500m program. For that, the company has continued to use the proceeds from the above mentioned disposals and has bought back about Euro 120m at an average price of Euro 6.40 per share, thus significantly below the NTA. **As stated before, 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 and figures of 1Q. The share has gained about 16% since our last update and we expect that trend to continue. We confirm our Euro 8.50 target price and our Buy rating.**

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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

Barak Bar-Hen, **Co-CEO & COO**
Eyal Ben David, **CFO**
Oschie Massatschi, **CCMO**
Klaus Krägel, **CDO**

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

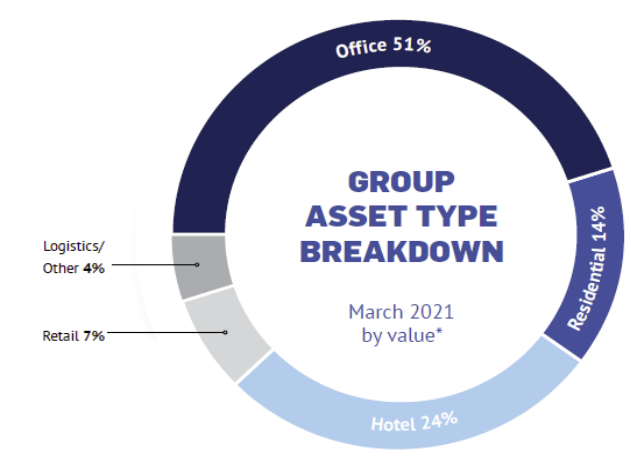
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standrad since June 2017 and member of German MDax index since 19 March 2018.

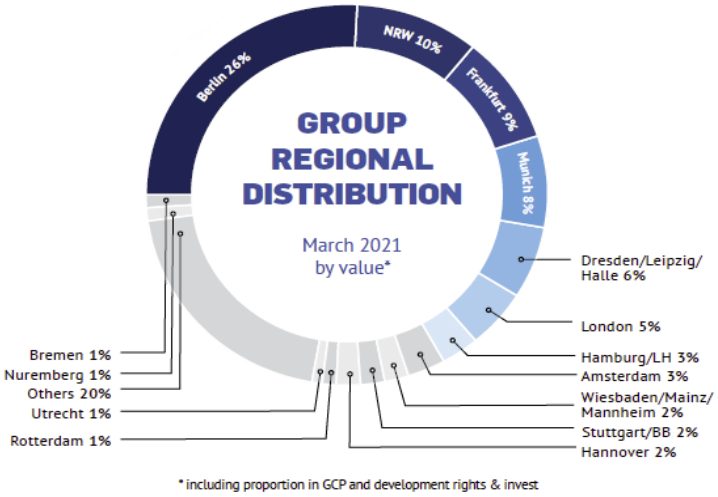
AT's primary real estate target markets are ecoconomically attractive and densely populated regions in Germany. The company is active in both the commercial as well as the residential real estate sector. Nonetheless, it more plays an active role in the commercial sector since the residential exposure within the portfolio is represented by an interest in the publicly listed company Grand City Properties ("GCP") with a stake of 42% as of 1Q2021. 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 remaing 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 diclosed. 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 ressources and capital intense infrastructure. We beleive 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 uplisting 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

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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 NTA*	**8,742.4**	**10,522.7**	**11,187.4**	**11,755.0**	**14,291.3**	**16,744.9**	**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**	**28,784.1**	**33,389.6**	
Book Value per share (Euro) - undiluted	**7.44**	**8.17**	**7.99**	**9.50**	**11.91**	**13.68**	**19.7%**
EPRA NTA* per share (Euro) - undiluted	**7.70**	**8.59**	**9.51**	**10.47**	**12.78**	**14.68**	**15.6%**

*2018 number is former EPRA NAV

SRC Research
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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	March 26, 2021	Buy	5.87 €	8.50 €
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 €

Please note:
The share price mentioned in this report is from 26 May 2021. AROUNDTOWN SA mandated SRC Research for covering the share.

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