

AROWNTOWN

Buy (unchanged) Target: Euro 4.50 (unchanged)



Der Spezialist für Finanzaktien

29 | March | 2023

■ **Price (Euro)** **1.36**
52 weeks range 5.51 / 1.20

■ **Key Data**

ISIN	LU1673108939
Ticker	AT1
Bloomberg	AT1 GR
Reporting standard	IFRS
Market Cap (Euro million)	2,090
Number of shares (million)	1,537.0
Free Float	54.0%
Free Float Market Cap (Euro million)	1,129
CAGR Adj. EBITDA profit ('22-'25e)	-0.9%

■ Multiples	2022	2023e	2024e	2025e
Market Cap/ Total revenues	1.3	1.3	1.4	1.3
PE-Ratio	-2.3	-8.6	-27.6	4.1
Dividend Yield	0.0%	15.7%	15.9%	17.2%
Price-to-Book-Ratio	0.16	0.15	0.16	0.16
P/ NAV-ratio	0.14	0.14	0.15	0.15

■ Key Data per share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	-0.58	-0.16	-0.05	0.33
FFO I per share	0.33	0.28	0.29	0.31
Dividend per share (DPS)	0.00	0.21	0.22	0.23
EPRA NTA per share	9.85	9.66	9.18	9.12

■ Financial Data (Euro Millions)	2022	2023e	2024e	2025e
Revenues (rental income)	1,609.9	1,561.6	1,530.4	1,561.0
Capital gains, Prop. Revaluations	-497.3	-852.1	-652.8	123.1
EBITDA profit	382.2	38.5	251.9	1,092.2
Adj. EBITDA profit (cash driven)	878.8	778.4	791.6	855.1
Operating profit (EBIT)	361.1	20.7	233.5	1,073.2
Net financial result	-378.9	-307.5	-300.3	-327.3
Pre-tax profit (EBT)	-422.1	-407.1	-127.6	745.9
Taxation	-35.0	77.3	24.2	-141.7
Net profit after minorities	-645.1	-171.5	-53.7	362.5
FFO I	362.7	310.6	315.2	340.8
Shareholders' equity (Euro billion)	9.6	9.4	9.1	9.3
Property portfolio (Euro billion)	28.0	25.8	25.0	25.5
RoE (after tax)	-3.5%	-1.0%	-0.3%	2.1%
Equity ratio (incl. equity minorities)	47.7%	47.8%	48.0%	47.8%

■ **Main Shareholders**

Treasury shares	31%
Avisco Group Plc.	15%

■ **Financial calendar**

1Q 2023 report	30 May 2023
AGM	28 June 2023
1H 2023 report	30 August 2023

■ **Analyst**

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2022 numbers and outlook for 2023 all in all in line with our estimates and, along with solid balance sheet ratios and high cash position, do not justify the low share price level in our opinion

Today, Arowntown released 2022 annual report. The reported numbers were mainly in line with our estimates and show a decent development in the current tough market environment. Revenues hiked by 22% from Euro 1.32bn to Euro 1.61bn, driven by a 13% hike in recurring net rental income to Euro 1.2bn due to the consolidation of GCP and a 3.5% like-for-like rental increase. The share of profit from at-equity investments amounted to only Euro 5.9m, as an impairment of about Euro 31m was recorded in 2022 regarding revaluations investees. The revaluation and capital gains position came in at Euro -497m. While capital gains contributed almost Euro 43m resulting from sales, the entire portfolio was revalued at year-end 2022, which led to a revaluation loss of Euro 540m. This translates into a like-for-like value decline of 1.8% (mainly in the office segment), which is rather moderate given the developments of the recent months and we expect a further decline in value in the coming years here. Operating expenses all in all came in at Euro -695m and included extraordinary expenses for uncollected rent in the amount of Euro 75m (FY 2021: euro 125m). We expect another decline in these extraordinary expenses in the current year to about Euro 25m to Euro 35m. The EBITDA was all in all at Euro 382m compared to last year's number of Euro 1.75bn. The adjusted EBITDA on the other hand came in at Euro 1.0bn, up about 3% from last year's number of Euro 975m. During the last year, an impairment of goodwill in the amount of Euro 404m was recorded mainly attributable to deferred taxes due to revaluation losses. Finance expenses amounted to Euro -185m, almost stable to last year's number despite the consolidation of GCP, and the other financial result stood at Euro -194m. All in all, the bottom line showed a loss of Euro -457m or -58 cents per share respectively. The cash driven FFO I hiked by 3% from Euro 353m to Euro 363m or even by 10% on a per share basis from 30 cents to 33 cents, benefiting from the share buyback. As a consequence of the focus on cash preservation, the management will not propose a dividend for 2022, which was already our expectation and is also an understandable decision in the current times.

This decision should not be understood as a sign of financial distress, however, as the balance sheet of the company is still very solid and this is more of a prudent step in our opinion. The equity ratio remains at a comfortable level of 48% and the firm's LTV excluding perpetual notes is at 40% and the EPRA LTV stands at 55%. The firm at year-end has a high Euro 2.7bn of cash, which along with signed disposal proceeds covers all maturities until 2025 and furthermore has Euro 22bn of unencumbered investment properties, which offer much room for further liquidity. Furthermore, as the firm is still able to sell properties (€1.6bn in 2022 and €150m YTD), additional cash is expected to be generated from sales. Furthermore, we see it as a positive step that AT is already repurchasing debt on the market at discount prices and we expect that to continue going forward, thus reducing debt and interest costs. Furthermore, the firm still has plenty of headroom regarding the bond covenants. **The numbers of the last year all in all met our expectations and the outlook for the current year of a FFO in the range between Euro 300m and Euro 330m is also in line with our estimate of Euro 311m, which we thus leave unchanged. We also stick to our Euro 4.50 target price, which is also more than supported by the EPRA NTA of Euro 9.85. We stick to our Buy rating and see the current share price level of about Euro 1.40 as much too low and given the numbers and developments reported today.**

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	Oschrie Massatschi CFO
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Frank Roseen Director	Jelena Afxentiou Director	Markus Kreuter Indep. Director
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Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director
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ADVISORY BOARD

Dr. Gerhard Cromme
Chairman

Yakir Gabay

Claudio Jarczyk

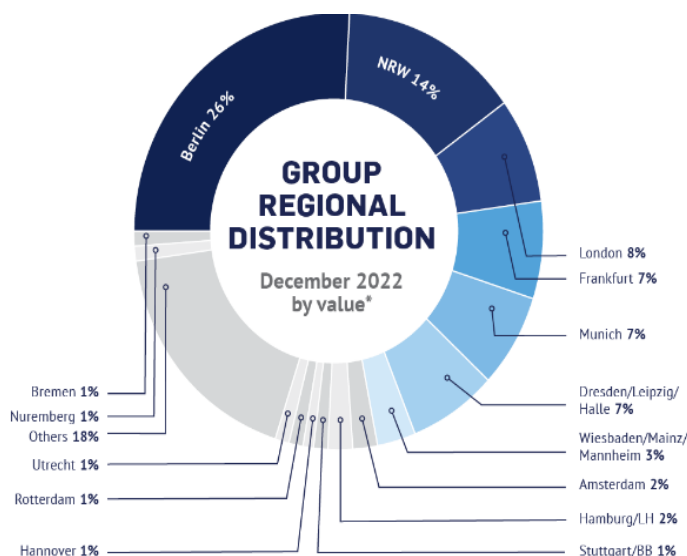
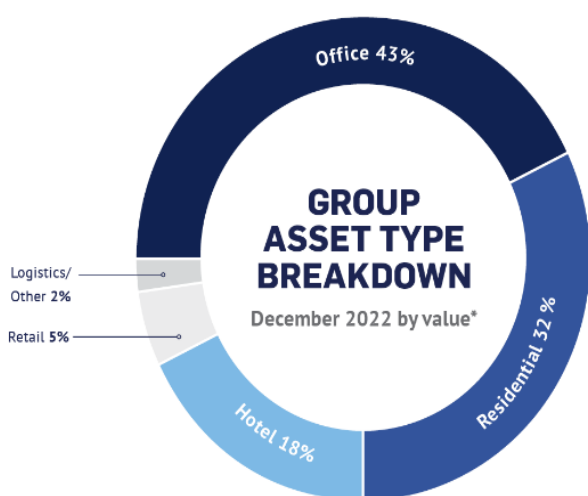
David Maimon

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 60% as of FY2022, which is being fully consolidated since 1 July 2021. The firm's total portfolio has grown significantly over the recent years and currently amounts to about Euro 28bn. Commercial properties have a share of 68% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 32%. Office properties make up for 43%, while the hotel share stands at 18%. Retail, logistics and other assets comprise the remaining 7%.

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. Currently, the firm is more acting as a net seller however, as the market has turned and the focus of the company is prudently on cash preservation. With a high cash balance of Euro 2.7bn and a solid balance sheet, we see the firm in a decent position despite the rough market and believe that once the conditions are more favourable again, the firm will return to buying properties as it has successfully done before.

Aroundtown is part of the DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Revenues	1,180.3	1,323.2	1,609.9	1,561.6	1,530.4	1,561.0	-1.0%
Capital gains, property revaluations and others	769.4	809.7	-497.3	-852.1	-652.8	123.1	
Share in profit from investment in equity-accounted investees	195.7	193.4	5.9	35.9	48.5	51.4	
Property-related operating expenses	-442.6	-533.0	-694.9	-662.2	-631.4	-599.8	
thereof depreciation and amortization	-4.3	-15.9	-21.1	-17.8	-18.4	-19.0	
Administrative and other expenses	-51.1	-56.6	-62.5	-62.5	-61.2	-62.4	
Operating profit (EBITDA)	1,656.0	1,751.6	382.2	38.5	251.9	1,092.2	
Operating Profit (EBIT)	1,651.7	1,736.7	361.1	20.7	233.5	1,073.2	
Impairment of goodwill	0.0	0.0	-404.3	-120.3	-60.7	0.0	
Finance expenses	-200.7	-180.4	-184.8	-224.0	-246.4	-251.4	
Other financial results	-167.8	-162.1	-194.1	-83.5	-53.9	-75.9	
Net financial result	-368.5	-342.5	-378.9	-307.5	-300.3	-327.3	
Pre-tax profit (EBT)	1,283.2	1,394.2	-422.1	-407.1	-127.6	745.9	
Tax (cash and deferred)	-376.8	-316.1	-35.0	77.3	24.2	-141.7	
Net profit before minorities	906.4	1,078.1	-457.1	-329.8	-103.3	604.2	
Minorities	-254.7	-435.9	-188.0	158.3	49.6	-241.7	
Net profit after minorities	651.7	642.2	-645.1	-171.5	-53.7	362.5	
Number of shares (weighted average, excl. treasury shares)	1,305.2	1,168.2	1,109.9	1,090.5	1,090.5	1,090.5	
Earnings per share (EPS, basic)	0.50	0.55	-0.58	-0.16	-0.05	0.33	
Earnings per share (EPS, diluted)	0.49	0.53	-0.58	-0.16	-0.05	0.33	
Dividend per share (DPS)	0.22	0.23	0.00	0.21	0.22	0.23	
Adjusted EBITDA	944.1	973.9	878.8	778.4	791.6	855.1	-0.9%
FFO I	357.8	353.2	362.7	310.6	315.2	340.8	-2.1%
FFO I per share	0.27	0.30	0.33	0.28	0.29	0.31	-1.5%
Shareholders' Equity (without minorities)	10,424.8	10,533.6	9,585.3	9,413.8	9,127.1	9,253.3	-1.2%
Shareholders' Equity (including minorities)	15,583.0	19,156.4	17,823.4	17,469.5	16,903.7	17,103.0	
EPRA NTA	11,187.4	11,564.0	10,775.3	10,265.1	9,753.4	9,690.4	-3.5%
Balance Sheet sum	31,021.6	39,383.1	37,347.1	36,545.4	35,209.8	35,793.7	
Equity Ratio	50.2%	48.6%	47.7%	47.8%	48.0%	47.8%	
RoE (after tax)	4.5%	3.7%	-3.5%	-1.0%	-0.3%	2.1%	
Property portfolio (including equity-accounted investees)	24,327.4	29,115.9	27,981.0	25,782.0	25,008.5	25,508.7	
Book Value per share (Euro) - undiluted	7.99	9.30	8.76	8.86	8.59	8.71	-0.2%
EPRA NTA per share (Euro) - undiluted	9.51	10.21	9.85	9.66	9.18	9.12	-2.5%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	November 29, 2022	Buy	2.53 €	4.50 €
Aroundtown	August 25, 2022	Buy	3.01 €	6.00 €
Aroundtown	May 25, 2022	Buy	4.46 €	7.50 €
Aroundtown	March 30, 2022	Buy	5.44 €	7.50 €
Aroundtown	November 24, 2021	Buy	5.92 €	8.00 €
Aroundtown	August 25, 2021	Buy	6.75 €	8.50 €
Aroundtown	May 27, 2021	Buy	6.81 €	8.50 €

Please note:

The share price mentioned in this report is from 28 March 2023. AROUNDTOWN SA mandated SRC Research for covering the share.

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