

AROUNDTOWN

Buy (unchanged) **Target: Euro 8.70** (unchanged)



29 | May | 2019

■ **Price (Euro)** **7.38**
52 weeks range 7.92 / 6.59

■ **Key Data**

ISIN LU1673108939
 Ticker AT1
 Bloomberg AT1 GR
 Reporting standard IFRS
 Market Cap (Euro million) 8,268
 Number of shares (million) 1,120.3
 Free Float 71.1%
 Free Float Market Cap (Euro million) 5,878
 CAGR Adj. EBITDA profit ('18-'21e) 15.5%

Multiples	2018	2019e	2020e	2021e
Market Cap/ Total revenues	11.1	9.5	8.3	7.2
PE-Ratio	4.8	5.3	5.2	5.2
Dividend Yield	3.4%	3.7%	4.1%	4.4%
Price-to-Book-Ratio	0.99	0.91	0.83	0.77
P/ NAV-ratio	0.96	0.86	0.78	0.72

Key Data per share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	1.54	1.40	1.41	1.43
Dividend per share (DPS)	0.25	0.28	0.30	0.32
Book Value per Share (BVPS)	7.44	8.12	8.88	9.60
EPRA NAV per share	7.70	8.57	9.42	10.22

Financial Data (Euro Millions)	2018	2019e	2020e	2021e
Revenues (rental income)	747.1	866.6	996.6	1,146.1
Capital gains, Prop. Revaluations	1,536.4	1,387.5	1,426.4	1,466.3
EBITDA profit	2,295.1	2,265.1	2,411.0	2,573.5
Adj. EBITDA profit (cash driven)	606.0	708.6	815.6	933.3
Operating profit (EBIT)	2,293.5	2,263.3	2,409.0	2,571.5
Net financial result	-208.4	-153.9	-180.1	-201.5
Pre-tax profit (EBT)	2,085.1	2,109.3	2,229.0	2,369.9
Taxation	-257.3	-316.4	-334.3	-355.5
Net profit after minorities	1,620.4	1,578.2	1,669.2	1,777.7
FFO I	405.7	477.7	545.5	616.2
Shareholders' equity (Euro billion)	7.8	9.1	10.5	11.9
Property portfolio (Euro billion)	16.2	19.6	23.0	26.9
RoE (after tax)	18.8%	14.7%	13.4%	12.5%
Equity ratio (incl. equity minorities)	52.2%	50.7%	49.3%	48.0%

■ **Main Shareholders**

Avisco Group Plc. 28.9%

■ **Financial calendar**

AGM 26 June 2019
 1H 2019 report 28 August 2019
 SRC Forum Financials & Real Estate 3 September 2019

■ **Analysts**

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1Q 2019 continues growth path with a hike in revenues of 25% and +29% in FFO I – EPRA NAV per share up 6% in only three months – Euro 8.70 and Buy rating affirmed

Today, the company published the report for the first quarter of 2019 and invited to a conference call. The first three months continued the growth trend from the recent years. Revenues were up about 25% from Euro 166m to Euro almost Euro 208m, of which Euro 176m comes from recurring long-term net rental income (+34%). Other than the new acquisitions since last year's period, a high like-for-like growth of 4.5% contributed to the hike. Share in profit from investments in equity-accounted investees – mainly the 39% stake in GCP – amounted to Euro 91m, a Plus of 52% compared to last year's period. Property revaluations and capital gains contributed Euro 240m (1Q 2018: Euro 347m) in the first quarter of 2019, in which about 20% of the portfolio was appraised. About 80% of the revaluation result came from operational improvements. Property operating expenses rose by less than 10% from more than euro 48m to more than Euro 53m, while administrative and other expenses climbed from Euro 4.6m to Euro 6.0m. Adjusted EBITDA, excluding non-operational items such as revaluation, amounted to Euro 180m, representing an increase of more than 34% from last year's Euro 134m. Finance expenses grew from more than Euro 24m to almost Euro 34m, as the firm issued Euro 2.9bn of new debt between the two periods. The other financial result came in at Euro 49m compared to negative Euro 42m in the previous year's period, stemming from changes in fair value of financial derivatives and traded securities. Thus, pre-tax profit increased from Euro 371m to Euro 437m by 9%. Keep in mind that this was despite a significantly lower revaluation result in 1Q. The firm's bottom line after minorities was at Euro 412m up almost 28%. The FFO I results increased from Euro 91m to Euro 118m, a plus of almost 30%. FFO I per share stands at 10.5 cents.

In terms of acquisitions, Aroundtown added about Euro 300m of new properties to the portfolio in the first quarter. About Euro 171m of mature assets were sold at a 34% profit margin. The portfolio value was thus at Euro 14.8bn as of 1Q 2019. This number will continue to grow significantly, however, as the company has already signed a total of Euro 1.4bn of new properties year-to-date and further additions are to come. For this growth, the company was once again very active on the capital markets and has placed Euro 1.7bn of bonds year-to-date. The balance sheet ratios remained very healthy at an equity ratio of 51% and a LTV of 37%.

The company's EPRA NAV per share increased by a significant 6% in only three months from Euro 7.70 to Euro 8.20. Including perpetual notes that number even stands at Euro 9.50. The management reaffirmed its full year guidance today of a FFO I result between Euro 460m and Euro 470m. This number seems a bit too conservative too us and we expect a full year number above that range. We confirm our Buy recommendation and also stick to our target price of Euro 8.70.

Aroundtown SA

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

Target Countries: Germany
Registered: Luxembourg
German Office: Berlin
Foundation: 2004
Employees: 374
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	 Andrew Wallis Deputy CEO	 Eyal Ben David CFO	
Jelena Afxentiou Director	Oschrie Massatschi Director	Frank Roseen Director	Markus Kreuter Indep. Director
	Markus Leininger Indep. Director	Dr. Axel Froese Indep. Director	

ADVISORY BOARD

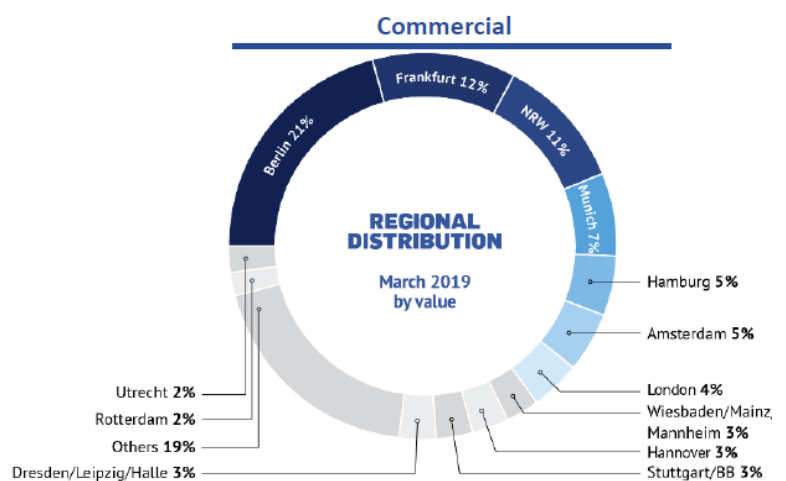
 Dr. Gerhard Cromme Chairman
 Yakir Gabay
 Claudio Jarczyk

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 1Q 2019. Grand City is a German MDax member since 18 Sept. 2017. Commercial properties have a share of 84% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 16%. Since 2015, AT no longer consolidates GCP for the presentation of its consolidated financial statement since IFRS 10 resp. the principle of control as the new measure for consolidation applies. The commercial part of the portfolio consists of 53% of office properties followed by hotel, industrial, and retail. Hotel properties currently have a portfolio share of about 30%, and like residential properties, their exposure is also indirect via an interest in another company, namely the publicly listed company Prime City Investments ("PCI") with a stake of 98% as of FY 2018. The geographical allocation of the commercial portfolio by value 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. One very good example is the GCP's service center which operates 24/7 hours - the only one among its peer group with Deutsche Wohnen, Vonovia, LEG and TAG for instance - and uses sophisticated data bases and ERP management software in order to analyze huge bulk of information data for the sake of a better tenant satisfaction and retention rates and for an improved fulfillment of requirements of prospective tenants.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	273.7	527.1	747.1	866.6	996.6	1,146.1	15.3%
Capital gains, property revaluations and others	719.5	1,326.6	1,536.4	1,387.5	1,426.4	1,466.3	
thereof net revaluation result	654.8	1,315.2	1,459.6	1,318.1	1,355.0	1,393.0	
thereof capital gains and bargain purchase	64.7	11.4	76.8	69.4	71.3	73.3	
Share in profit from investment in equity-accounted investees	197.1	228.4	251.6	271.7	288.0	305.3	
Property-related operating expenses	-75.4	-147.1	-219.1	-238.3	-274.1	-315.2	
Administrative and other expenses	-7.9	-14.7	-22.5	-24.3	-27.9	-32.1	
thereof depreciation and amortization	-2.0	-2.0	-1.6	-1.8	-2.0	-2.0	
Operating profit (EBITDA)	1,109.0	1,922.3	2,295.1	2,265.1	2,411.0	2,573.5	
Operating Profit (EBIT)	1,107.0	1,920.3	2,293.5	2,263.3	2,409.0	2,571.5	
Finance expenses	-47.4	-69.7	-114.6	-132.9	-152.9	-175.8	
Other financial results	-35.9	-15.0	-93.8	-21.0	-27.2	-25.7	
Net financial result	-83.3	-84.7	-208.4	-153.9	-180.1	-201.5	
Pre-tax profit (EBT)	1,023.7	1,835.6	2,085.1	2,109.3	2,229.0	2,369.9	4.4%
Tax (cash and deferred)	-122.6	-296.6	-257.3	-316.4	-334.3	-355.5	
Net profit before minorities	901.1	1,539.0	1,827.8	1,792.9	1,894.6	2,014.5	
Minorities	-172.9	-256.4	-207.4	-214.7	-225.4	-236.8	
Net profit after minorities	728.2	1,282.6	1,620.4	1,578.2	1,669.2	1,777.7	
Number of shares (weighted average, without dilution)	653.2	821.5	1,052.6	1,126.3	1,182.6	1,241.7	
Number of shares (weighted average, diluted)	829.5	925.0	1,082.8	1,158.6	1,216.5	1,277.4	
Earnings per share (EPS, basic)	1.11	1.56	1.54	1.40	1.41	1.43	
Earnings per share (EPS, diluted)	0.87	1.35	1.49	1.34	1.35	1.37	
Dividend per share (DPS)	0.16	0.23	0.25	0.28	0.30	0.32	
EBITDA	1,109.0	1,922.3	2,295.1	2,265.1	2,411.0	2,573.5	3.9%
- Capital Gains, revaluations and other income	-719.5	-1,326.6	-1,536.4	-1,387.5	-1,426.4	-1,466.3	
- Net adjustment for Grandcity and others	-123.4	-138.1	-142.3	-149.4	-152.4	-155.5	
- Other adjustments	2.1	-28.3	-10.4	-19.6	-16.7	-18.4	
Adjusted EBITDA	268.2	429.3	606.0	708.6	815.6	933.3	15.5%
AT's finance expenses	-47.4	-69.7	-114.6	-132.9	-152.9	-175.8	
AT's share in GCP's finance expenses	-11.8	-10.3	-17.6	-20.4	-23.9	-26.4	
Adjusted Finance Expenses	-59.2	-80.0	-132.2	-153.3	-176.8	-202.2	
ICR (Interest coverage ratio)	4.5	5.4	4.7	4.6	4.6	4.6	
Financing expenses	-47.4	-69.7	-114.6	-132.9	-152.9	-175.8	
Current cash tax expenses	-19.9	-27.5	-44.4	-47.6	-61.9	-80.4	
Adjustments for the holdings rates in GCP and other adjustments	-35.3	-33.1	-41.3	-50.3	-55.3	-60.9	
FFO I	165.6	299.0	405.7	477.7	545.5	616.2	14.9%
FFO I per share (weighted average, without dilution)	0.25	0.36	0.39	0.42	0.46	0.50	
Shareholders' Equity (without minorities)	3,090.2	5,402.3	7,829.5	9,144.0	10,502.7	11,925.8	15.1%
Shareholders' Equity (including minorities)	3,941.1	7,249.9	9,944.3	11,590.7	13,286.3	15,056.3	
Growth Shareholders' Equity (without minorities)	47%	75%	45%	17%	15%	14%	
EPRA NAV	3,870.8	6,483.0	8,742.4	10,210.2	11,727.3	13,316.3	15.1%
Balance Sheet sum	8,089.0	13,770.4	19,040.8	22,877.0	26,956.1	31,339.1	
Equity Ratio	48.7%	52.6%	52.2%	50.7%	49.3%	48.0%	
RoE (after tax)	22.9%	22.9%	18.8%	14.7%	13.4%	12.5%	-12.7%
Property portfolio (including equity-accounted investees)	7,306.6	12,231.5	16,221.9	19,628.5	22,965.3	26,869.5	
Book Value per share (Euro) - undiluted	4.73	6.58	7.44	8.12	8.88	9.60	8.9%
NAV per share (Euro) - undiluted	4.90	6.50	7.70	8.57	9.42	10.22	9.9%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	April 1, 2019	Buy	7.35 €	8.70 €
Aroundtown	November 28, 2018	Buy	7.29 €	8.70 €
Aroundtown	August 29, 2018	Accumulate	7.60 €	8.30 €
Aroundtown	May 29, 2018	Buy	6.91 €	8.30 €
Aroundtown	March 29, 2018	Buy	6.20 €	7.70 €
Aroundtown	November 27, 2017	Buy	6.04 €	7.00 €
Aroundtown	November 2, 2017	Buy	6.11 €	6.80 €
Aroundtown	September 20, 2017	Buy	6.03 €	6.60 €
Aroundtown	August 30, 2017	Buy	5.38 €	6.60 €
Aroundtown	June 8, 2017	Buy	4.60 €	6.20 €

Please note:

The share price mentioned in this report is from 28 May 2019. AROUNDTOWN SA mandated SRC Research for covering the share.

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