

29 | November | 2022

Price (Euro)	2.53			
52 weeks range	5.74 / 1.73			
Key Data				
ISIN	LU1673108939			
Ticker	AT1			
Bloomberg	AT1 GR			
Reporting standard	IFRS			
Market Cap (Euro million)	3,889			
Number of shares (million)	1,537.0			
Free Float	56.0%			
Free Float Market Cap (Euro million)	2,178			
CAGR Adj. EBITDA profit ('21-'24e)	-7.3%			
Multiples				
	2021	2022e	2023e	2024e
Market Cap/ Total revenues	2.9	2.5	2.6	2.6
PE-Ratio	4.6	5.5	105.0	45.3
Dividend Yield	9.0%	0.0%	8.8%	8.9%
Price-to-Book-Ratio	0.27	0.26	0.26	0.27
P/ NAV-ratio	0.25	0.24	0.25	0.26
Key Data per share (Euro)				
	2021	2022e	2023e	2024e
Earnings per share (EPS)	0.55	0.46	0.02	0.06
FFO I per share	0.30	0.33	0.30	0.30
Dividend per share (DPS)	0.23	0.00	0.22	0.23
EPRA NTA per share	10.21	10.45	10.27	9.90
Financial Data (Euro Millions)				
	2021	2022e	2023e	2024e
Revenues (rental income)	1,323.2	1,561.4	1,514.5	1,484.2
Capital gains, Prop. Revaluations	809.7	553.1	-517.2	-422.6
EBITDA profit	1,751.6	1,466.3	364.2	465.5
Adj. EBITDA profit (cash driven)	973.9	912.5	769.2	775.0
Operating profit (EBIT)	1,736.7	1,449.5	346.4	447.1
Net financial result	-342.5	-253.8	-286.5	-308.1
Pre-tax profit (EBT)	1,394.2	1,195.7	59.9	139.0
Taxation	-316.1	-227.2	-11.4	-26.4
Net profit after minorities	642.2	503.6	25.2	58.5
FFO I	353.2	362.4	310.6	315.2
Shareholders' equity (Euro billion)	10.5	10.8	10.8	10.6
Property portfolio (Euro billion)	29.1	28.5	28.0	27.4
RoE (after tax)	3.7%	2.6%	0.1%	0.3%
Equity ratio (incl. equity minorities)	48.6%	50.1%	50.0%	50.1%
Main Shareholders				
Treasury shares	30%			
Avisco Group Plc.	15%			
Financial calendar				
2022 annual report			exp. March 2023	
1Q 2023 report			exp. May 2023	

Analysts	Christopher Mehl, MBA, CFA Dipl.-Kfm. Stefan Scharff, CREA
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9M 2022 numbers on track to reach our estimates and firm's guidance – Less optimistic outlook and reduced P&L for coming years – Target price reduced to Euro 4.50, Buy rating affirmed

Today, Arowntown released the report for the first nine months of 2022 and held a conference call. While the numbers for the current year are mostly in line with our expectations and the firm's guidance, which was again reaffirmed today, the outlook and our expectations for the coming years are now less optimistic.

Revenues hiked by 28% from Euro 935m to Euro 1.2bn, while recurring long-term net rental income increased by more than 19% from Euro 756m to Euro 903m. The share of profit from at-equity investments amounted to Euro 52m. Revaluations and capital gains for the three quarters amounted to Euro 409m. Recurring property operating expenses were up 65% from Euro 270m to Euro 447m, driven by the consolidation of GCP as well as cost inflation. Furthermore, the firm has precautiously recorded a Euro 25m provision for the risk that utility expenses cannot be recovered in full due to higher energy costs, as well as the extraordinary expenses for uncollected rent of Euro 60m (1H 2021: Euro 100m). The firm's EBITDA all in all came in at Euro 1.12bn, up more than 11% from last year's number of Euro 1.0bn. Adjusted EBITDA was up about 6% and hiked from Euro 716m to Euro 758m. The firm's finance expenses for the period amounted to Euro 141m, slightly up from Euro 130m last year due to the consolidation of GCP, but would have declined excluding GCP due to debt repayments of net Euro 0.9bn. The other financial result on the other hand significantly increased from Euro -88m to now Euro -175m. The bottom line after minorities came in at Euro 304m (9M 2021: Euro 465m). The cash-driven FFO I hiked by 3% from Euro 267m to Euro 275m and on a per share basis by 9% from 23 cents to 25 cents, reflecting the positive impact of the share buyback. The firm made clear that it currently puts the main focus on cash preservation as it expects rougher seas ahead. The balance sheet and the financial profile is currently very solid with an LTV of 40%, Euro 2.3bn of cash and liquid assets, 83% of unencumbered investment properties and only minor debt maturities in 2023 and 2024. Furthermore, the firm still has plenty of headroom regarding the bond covenants. Arowntown today also announced that it will not exercise its call option on the January perpetual notes and that a decision regarding the other perpetuals has not yet been made. Thus, while the firm preserves the cash it will burden the FFO in 2023, as the rates for the perpetual notes will be reset at a significantly higher rate. The decision to not call the January notes will impact the FFO by about Euro 20m in our estimate and if the firm decides to also not call the July perpetuals, the impact will be at Euro 60m annualized. It is important to keep in mind, however, that the perpetuals will still count as equity regarding the IFRS treatment and the covenants. With the emphasized focus on cash preservation, we now also believe that it is likely that the firm will not distribute a dividend for the 2022 year. Furthermore, we also clearly reduce our P&L estimates for 2023 and the following years. We now expect revenues to decline and also a negative capital gains and property revaluations result in the coming years. Furthermore, our expectations also lead to a declining FFO result, which we now expect to fall to about Euro 310m in 2023. **While we see the firm in a very solid financial position and the outcome and developments of the P&L in the coming years are currently rather uncertain due to the uncertain development of the economic environment, we as described decided to be more cautious in our estimates and also reduce our target price from Euro 6.00 to Euro 4.50 for the moment. This new target price, however, still offers a current upside of almost 80%, which is why we stick to our Buy recommendation.**

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
Frank Rosen 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

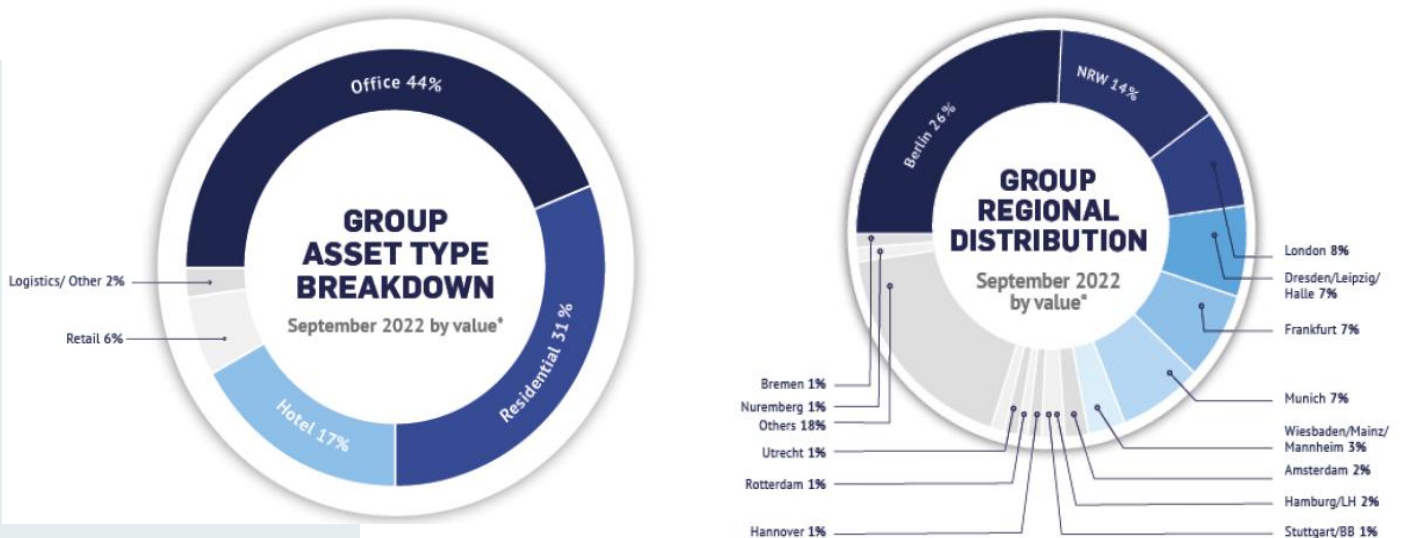
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 60% as of 9M 2022, 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 more than Euro 29bn. Commercial properties have a share of 69% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 31%. Office properties make up for 44%, while the hotel share stands at 17%. Retail, logistics and other assets comprise the remaining 8%.

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.

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)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
Revenues	894.8	1,180.3	1,323.2	1,561.4	1,514.5	1,484.2	3.9%
Capital gains, property revaluations and others	1,217.5	769.4	809.7	553.1	-517.2	-422.6	
Share in profit from investment in equity-accounted investees	298.7	195.7	193.4	67.8	71.9	76.2	
Property-related operating expenses	-227.9	-442.6	-533.0	-670.3	-662.2	-631.4	
thereof depreciation and amortization	-1.8	-4.3	-15.9	-16.8	-17.8	-18.4	
Administrative and other expenses	-27.3	-51.1	-56.6	-62.5	-60.6	-59.4	
Operating profit (EBITDA)	2,157.5	1,656.0	1,751.6	1,466.3	364.2	465.5	
Operating Profit (EBIT)	2,155.8	1,651.7	1,736.7	1,449.5	346.4	447.1	
Finance expenses	-141.7	-200.7	-180.4	-191.5	-231.1	-254.2	
Other financial results	45.7	-167.8	-162.1	-62.3	-55.4	-53.9	
Net financial result	-96.0	-368.5	-342.5	-253.8	-286.5	-308.1	
Pre-tax profit (EBT)	2,059.8	1,283.2	1,394.2	1,195.7	59.9	139.0	-53.6%
Tax (cash and deferred)	-350.7	-376.8	-316.1	-227.2	-11.4	-26.4	
Net profit before minorities	1,709.1	906.4	1,078.1	968.5	48.6	112.6	
Minorities	-401.0	-254.7	-435.9	-464.9	-23.3	-54.0	
Net profit after minorities	1,308.1	651.7	642.2	503.6	25.2	58.5	
Number of shares (weighted average, excl. treasury shares)	1,172.9	1,305.2	1,168.2	1,094.4	1,048.2	1,048.2	
Earnings per share (EPS, basic)	1.12	0.50	0.55	0.46	0.02	0.06	
Earnings per share (EPS, diluted)	1.10	0.49	0.53	0.44	0.00	0.04	
Dividend per share (DPS)	0.14	0.22	0.23	0.00	0.22	0.23	
Adjusted EBITDA	772.7	944.1	973.9	912.5	769.2	775.0	-7.3%
FFO I	445.6	357.8	353.2	362.4	310.6	315.2	-3.7%
FFO I per share	0.38	0.27	0.30	0.33	0.30	0.30	-0.2%
Shareholders' Equity (without minorities)	9,585.5	10,424.8	10,533.6	10,772.3	10,797.6	10,623.2	0.3%
Shareholders' Equity (including minorities)	13,378.9	15,583.0	19,156.4	19,551.4	19,558.0	19,203.6	
EPRA NTA	10,522.7	11,187.4	11,564.0	11,684.3	11,477.5	11,066.2	-1.5%
Balance Sheet sum	25,444.7	31,021.6	39,383.1	38,989.3	39,098.9	38,341.0	
Equity Ratio	52.6%	50.2%	48.6%	50.1%	50.0%	50.1%	
RoE (after tax)	11.2%	4.5%	3.7%	2.6%	0.1%	0.3%	-56.6%
Property portfolio (including equity-accounted investees)	21,213.3	24,327.4	29,115.9	28,533.6	27,962.9	27,403.7	
Book Value per share (Euro) - undiluted	8.17	7.99	9.30	9.64	9.66	9.50	0.7%
EPRA NTA per share (Euro) - undiluted	8.59	9.51	10.21	10.45	10.27	9.90	-1.0%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

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

Please note:

The share price mentioned in this report is from 28 November 2022. AROUNDTOWN SA mandated SRC Research for covering the share.

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