

■ Price (Euro)	34.70			
52 weeks range	38.45 / 26.55			
■ Key data				
ISIN	DE0006972508			
Bloomberg	PBY:GR			
Reporting Standard	IFRS			
Market Cap (million)	517.0			
Number of shares (million)	14.9			
Free Float	61.8%			
Free Float Market Cap (million)	319.5			
■ Multiples	2019	2020e	2021e	2022e
Market Cap / Revenues	25.4	5.1	2.9	2.7
Price-Earnings Ratio (PER)	6.6	3.8	2.4	2.5
Dividend yield	0.0%	8.6%	11.5%	11.5%
Return on Equity (RoE)	30.4%	44.7%	48.3%	35.1%
■ Key data per share (Euro)	2019	2020e	2021e	2022e
Earnings per share	5.25	9.14	14.49	14.05
Dividend per share	0.00	3.00	4.00	4.00
■ Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	20,323	102,225	178,669	192,471
Gross profit	9,720	70,078	122,388	133,382
Personnel expenses	-2,547	-2,977	-3,247	-3,655
Remeasurements	122,230	230,147	322,585	332,147
EBIT	116,299	285,279	428,477	447,582
Interest income	6,127	1,258	2,476	1,347
Interest expenses	-14,360	-72,584	-105,331	-123,832
EBT	79,776	209,504	321,702	318,830
Tax	-15,616	-48,186	-73,992	-73,331
Net income	64,161	161,318	247,711	245,499
■ Main Shareholder				
Thomas Olek	38.2%			
■ Financial Calendar				
2020 annual report	July 2021			
AGM	August 2021			
■ Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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publity to sell majority stake of PREOS – Thomas Olek resigned as CEO – publity issues digital twin of PREOS share - Target up to Euro 55.00, Buy rating affirmed

Yesterday, the company announced that it aims to sell a majority stake of its PREOS shares to a strategic investor, probably effective 2Q 2021. More details are yet to be released, however, we could imagine that the investor is from overseas, probably Asia, and wants to gain access to the German and European market. We believe a sale of 60% to 70% of the PREOS shares held by publity could be targeted, giving the new investor a holding rate of more than 50% of PREOS, while retaining a share of more than 25%, as originally targeted by 2023. Regarding a sales price, we believe a price of about 10% to 25% on top of the current market value of PREOS to be reasonable. This would translate into a share price of Euro 10.00 to Euro 11.50 per share and should be significantly on top of the current book value. **The value for the entire PREOS shares currently held by publity would thus amount to more than Euro 900m alone.**

Furthermore, over the course of the recent weeks, publity reported several news regarding its assets under management, the tokenization of some shares of its subsidiary PREOS, and a change in management.

On the sales side, publity recorded two sales in the recent weeks. In December, a commercial property held by GORE, an indirect subsidiary of publity, was sold. The object had a plot size of 25k sqm and was located in Waltrop. A second object, a 7.5k sqm office building located in Neu-Isenburg, was sold in January. The purchase prices were not disclosed, however we expect a lucrative return.

In November, the firm announced to issue a digital twin of the PREOS share, of which the company held 86%. publity is offering up to 14 million of its PREOS shares in a public offering, which is at the same time a step in the process to reduce the holding in PREOS to 25.01% by 2023. PREOS thus became the first company in the world whose shares are digitally securitized by a Blockchain-based token. The initial offer includes 50 million tokens, while the medium to long-term goal is a volume of 1 billion token. Each token represents one share. The token is based on the Ethereum Blockchain, guarantees essential shareholder rights, including dividend and voting, and can also be exchange into conventional shares at any time. With the tokenization, publity intends to underline its technological pioneering role.

As of year-end 2020, Thomas Olek resigned as CEO of the company, taking on a consultancy role for the firm from now on. He will remain a majority shareholder however. Thus, the management board now consists of Frank Schneider and Stephan Kunath, both of which are very experienced as they were already on the board prior to the resignation and have been with the company and in the industry for a long time. We are confident, that they will continue to lead the company successfully in the coming years.

We continue to stick to our forecast for 2020 and see this confirmed by the latest developments despite the Covid-19 pandemic. As for the current year 2021 and the following years we maintain our forecast for the time being as well, until news about the finalization of the sale of the PREOS shares will be reported. Given the expected to be realized value of the PREOS share package by itself, we lift our target for the publity share from Euro 50.00 to Euro 55.00 and confirm our Buy rating.

publity AG

Industry: Real Estate
Sub-segment: Office/ Commercial
Country: Germany
Headquarter: Frankfurt
Foundation: 1999

Management Board of publity AG

Frank Schneider
 Stephan Kunath

Supervisory Board

Hans-Jürgen Klumpp (Chairman)
 Prof. Dr. Holger Till (Dep. Chairman)
 Frank Vennemann

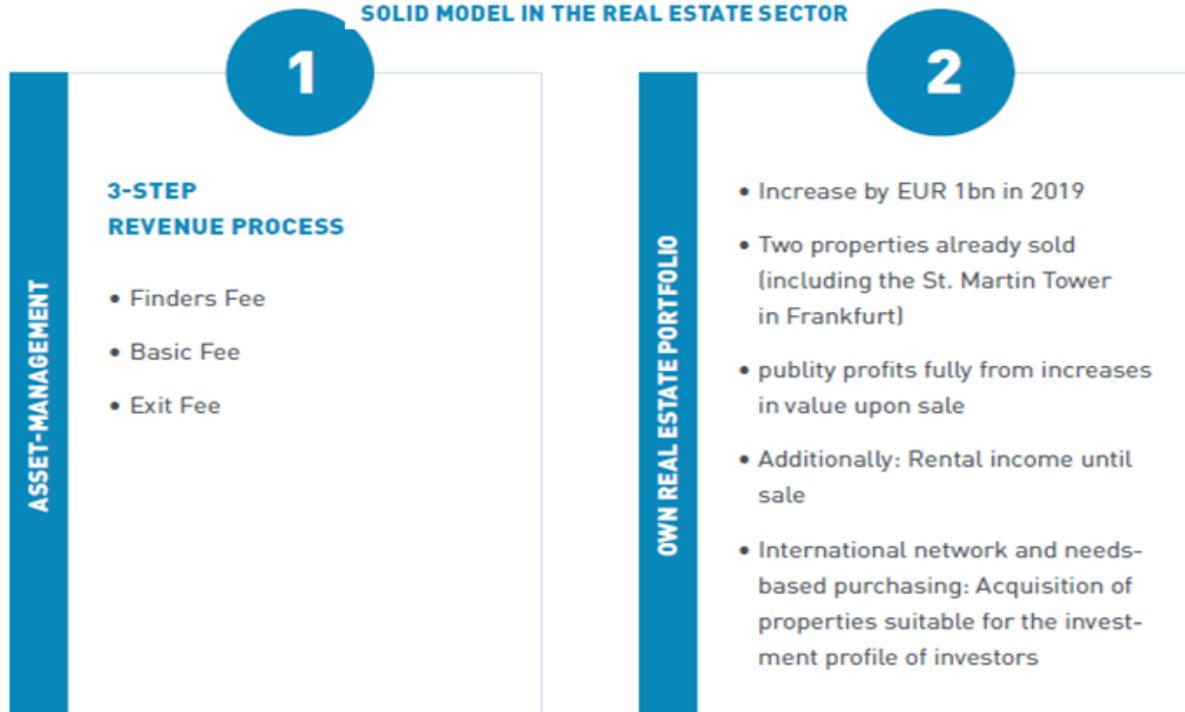
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publity was founded in 1999 in partnership with Landesbank Sachsen, Landesbank Baden-Württemberg, Nord LB and HSBC Trinkaus. In 2003, Thomas Olek became the majority shareholder and CEO of publity AG. Under his leadership, publity AG has been active in the German real estate market since 2004.

publity's 2-pillar model

SOLID MODEL IN THE REAL ESTATE SECTOR



The company is an office real estate asset manager and investor, focusing on the main metropolitan regions of Germany (Top 7) and has branches in the main financial places like New York, London, Paris and Moscow. publity acts as an office real estate asset manager and investor, which are the major pillars of the company. Another business field is the NPL-Portfolio. The focus is primarily on office real estate with development potential in German metropolitan regions. In summary, publity follows the manage-to-core approach and has been implementing it very successfully for many years.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- The Management Board is well experienced and has been with the company and in the industry for a long time.
- High-quality network, which is crucial for publity's business model.
- A great added value results from the high-quality database with more than 9,500 properties by linking consistent data with innovative technology. This enables ongoing investment activity and very good access to attractive properties.
- The excellent track record is proven by more than 1,150 Transactions, which also proved the efficiency of the standardized process and the implementation security when handling the deals. This results in a high level of trustworthiness in the market.
- Asset management contracts are concluded with a term of 5 years including the Evergreen option. The current average contract duration is 3.6 years
- By positioning itself in two main and one additional business area, publity has a stable business model. The concentration risk is reduced by a broad investor environment.

Weaknesses

- Like the entire industry, the company's success depends to a certain extent on the economic trend
- The valuation of the company is based exclusively on the DCF valuation, as a NAV observation in the context of current developments has a low significance.
- The publity share has so far been listed in the lower transparency level Open Market / Scale in Frankfurt and on XETRA.

Opportunities

- As a flexible investor, publity has a significant advantage when it comes to buying decisions and speed of implementation compared to players with rigid purchase criteria
- The anchoring of low interest rate policies by leading global central banks confirms a high probability that interest rates, as the most important valuation factor in the real estate industry, will remain advantageously low.
- The very good liquidity situation favors real estate as a stable asset class given the volatility of other asset classes, such as equities. This constellation should continue to drive demand in the real estate sector.
- Further growth in assets under management and expansion of the investor base are planned.

Threats

- Fierce competition in real estate asset management and investment poses certain obstacles when it comes to accessing promising properties.
- Project-dependent sales naturally depend on the acquisition of asset management mandates.
- The market risk affects all companies in the real estate industry and should therefore be seen as a general one. In connection with the general trend towards the home office and the current recession due to the corona virus, we see general risks for the real estate sector and the office segment.

publity a pioneer by issuing a digital twin of PREOS share

In August 2020, the company announced the plans to issue a block-chain based PREOS token and followed up on that plan with public offer on 24 November 2020. With that step, the company wants to open a new chapter on the capital markets as a pioneer, as the PREOS token is the world's first digital asset that grants its owners the rights and responsibilities of a stock. The initial offer includes 50 million PREOS tokens, while the medium to long-term goal is a volume of 1 billion token. The necessary PREOS shares are provided from the publity portfolio. In a first step, publity has already tokenized PREOS shares worth Euro 230m, representing 25 million tokens. Furthermore, a public offer has started on 24 November and will run until 22 November 2021.

The token is based on the Ethereum Blockchain and guarantees essential shareholder rights, such as dividend and voting rights. Each token represents one share, and can at any time be exchanged into a PREOS share. The respective shares are placed with a trustee, who is instructed to hold and exercise all rights and obligations related with the trust shares. The tokens can be initially purchased from publity and are freely transferable afterwards. The tokens will not be traded publicly, however, an OCT trading platform is to be operated by the issuer. We are awaiting further news in that regard soon.

The future-shaping combination of stock and digital asset offers various benefits for its owner.



- Security**
 - The tokenized shares are held by a security trustee
 - Token owners are granted benefits of material asset storage on the blockchain with the option to exchange for a material share at any given time
- Flexibility**
 - The token can be exchanged for PREOS shares or sold at any time
 - The token owner can hold shares independently of his house bank and his securities account
- Growth**
 - The token gives the owner the essential voting rights and claim to dividends

Source: PREOS Homepage

By issuing the token, publity wants to make real estate digitally and globally investable. This could also help to broaden the shareholder basis of its subsidiary PREOS. While there are also some additional risks in regards to investing in a token, benefits for the investors include reduced transaction and deposit fees, as well as accessibility regardless of location and infrastructure.

Strong activity & completions

Deals & Achievements 2020 and early 2021

After the dynamic development was always emphasized, this strategy could also be implemented in 2020. An overview of the deals and achievements for 2020 and early 2021 can be found below:

April 2020:

- publity successfully completes purchase of the Centurion office tower in Frankfurt a.M.

May 2020:

- publity secures full letting in Essen property - new lease with university hospital
- publity closes sales success for office property at Dortmund Airport

July 2020:

- publity sells property near Munich as an asset manager

August 2020:

- publity completes renovation of 25,500 sqm of corporate real estate in Essen - police headquarters move in

September 2020:

- Sale of an office property in a central location in Hamburg
- publity sells 100,000 square meters of property in Essen-Bredeney to SIG-NA

December 2020:

- Sale of a commercial property in North Rhine-Westphalia
-

January 2021:

- Sale of long-term leased office property in Neu-Isenburg
- MC 30 office building now fully let after lease extension with Hessian state authority

Financing measures in 2020

The business dynamism was already underpinned in 2019 by important financing agreements with major financing partners such as Meritz (Euro 141m) and Helaba (over Euro 200m), which was finalized in January 2020. The following is an overview of the financing activities for the recently ended year 2020:

Broadening financial base on debt & equity side

New long-term equity investor with lock-up 12-24 months

AuM to grow to Euro 10bn by 2023

Corporate Bond: Euro 100m already raised

convertible bond fully repaid

January 2020:

- Convertible bonds with a nominal volume of Euro 4.1m have already been converted
- publity receives another tranche of Euro 56m from financing partner Meritz, who has meanwhile invested Euro 141m in publity.
- publity concludes financing with Helaba of over Euro 200m for property purchases

April 2020:

- Thomas Olek has acquired more than 120.000 shares since the start of the Covid 19 Pandemic with a total volume of about Euro 4m, showcasing the trust he places in the company despite the turbulent times.

May 2020:

- publity to issue corporate bond as announced in January, while the issue was postponed in March due to the Corona pandemic to autumn 2020.
- Thomas Olek continued acquiring further significant amounts of publity shares.
- The majority shareholder of publity AG publishes a voluntary public purchase offer to the holders of the convertible bond 2015/2020.

June 2020:

- publity raises Euro 50m by issuing the first tranche of the 5.5% corporate bond.
- publity expands its investor base and wins new investors for 49% of the shares, for which a lock-up period of between 12 and 24 months has been agreed. The free float is now 62% and Thomas Olek's stake is further reduced to 38%.

August 2020:

- publity AG plans to grow its assets under management to Euro 10bn by 2023.
- publity raises additional debt capital of Euro 25m by increasing corporate bond (2020/2025) volume to Euro 75m.

September 2020:

- additional debt capital of Euro 25m raised. Corporate Bond (2020/2025) volume increased to Euro 100m.

November 2020:

- publity fully repaid the 2015/2020 convertible bond with a volume of Euro 50m.

publity AG 31/12 IFRS ('000)	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	37,217	20,323	102,225	178,669	192,471	111.6%
Cost of sales	-6,793	-10,603	-32,147	-56,281	-59,089	
Gross profit	30,424	9,720	70,078	122,388	133,382	139.4%
Other operating income	1,294	6,748	6,578	7,224	7,039	
Impairment losses on receivables	-143	0	0	0	0	
Personnel expenses	-2,024	-2,547	-2,977	-3,247	-3,655	
Other operating expenses	-7,675	-19,852	-18,547	-20,473	-21,331	
Result of remeasurement of investment properties	8,940	122,230	230,147	322,585	332,147	
Operating Profit (EBIT)	30,816	116,299	285,279	428,477	447,582	56.7%
Finance income	8,454	6,127	1,258	2,476	1,347	
Finance costs	-2,851	-14,360	-72,584	-105,331	-123,832	
Impairment of non-current financial assets	-2,962	-27,703	-3,475	-2,876	-4,788	
Share of results of associates	-16	-587	-974	-1,044	-1,479	
Pre-tax profit (EBT)	33,441	79,776	209,504	321,702	318,830	58.7%
Income tax expense	-8,826	-15,616	-48,186	-73,992	-73,331	
Net profit	24,615	64,161	161,318	247,711	245,499	56.4%
Minorities	85	5,338	25,314	32,174	36,471	
Net profit after minorities	24,530	58,822	136,004	215,537	209,028	
Number of shares ('000)	7,516	11,202	14,874	14,874	14,874	
Earnings per share (Euro)	3.26	5.25	9.14	14.49	14.05	
Dividend per share (Euro)	1.50	0.00	3.00	4.00	4.00	
Shareholders' Equity	119,797	302,476	419,171	607,383	793,385	
Balance Sheet sum	187,935	878,920	2,845,236	4,478,963	3,784,256	
Equity Ratio	63.7%	34.4%	14.7%	13.6%	21.0%	

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Rating chronicle:

Company	Date	Rating	former share price	former target price
publity AG	5 October 2020	Buy	35.85 €	50.00 €
publity AG	25 May 2020	Buy	35.90 €	50.00 €
publity AG	18 March 2020	Buy	30.40 €	42.00 €

Please note:

The share price mentioned in this report is from 26 January 2021. publity AG mandated SRC Research for covering the share.

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