

1Q numbers in-line – 2018 is a transitional year as expected – no change of rating or target price

Today Warimpex published the 1Q 2018 report and invited for a conference call in the morning.

As it was very clear after the sale of 8 hotels in last year, the top line would come down. The company already took some measures by properties acquisitions and own developments to bring back the revenues to old levels. This will need 1 or 2 years, but there is a good progress, so far.

The revenues from hotel came down from Euro 9.5m to Euro 2.4m, but the revenues from investment properties already surged by 51% from Euro 2.5m to Euro 3.8m.

The EBITDA cash driven operating profit was quite good for an initial quarter with the much lower number of hotels. It came in at Euro 1.3m, after Euro 2.3m in 1Q 2017.

The pre-tax profit was impaired by a non-cash F/X Ruble loss of Euro -2.1m, according to the weak currency development. In last year the F/X Ruble position helped with a positive Euro 4.4m contribution, but of course also non-cash. It is important to note that the regular financing costs significantly declined from Euro 3.5m to Euro 2.0m (-43%), due to the early repayment of expensive bonds and the elimination of project loans.

The balance sheet situation is much better now than one year before. The equity ratio is at 31%, similar to year-end 2017, but much better than one year before at only tiny 13%.

Already in April, Warimpex reported one sale and one purchase in Budapest. The company sold a 3k sqm building plot above the initial valuation. Independent from that, Warimpex bought the B52 office building with over 5k sqm and 100% occupancy. With rentals duration between 2 and 3 years and an under-rent situation of c. Euro 9 per sqm, there is future upside. Already now, we estimate a yield of 7.0% to 7.5% for this property and additional annual income of Euro 0.6m. More acquisitions in Budapest might follow and would push overall portfolio yield once more.

With the good progress at Lodz Ogródowa to be opened soon, at the end of 2Q 2018, the next milestone to lift top line and earnings is just ahead (27k leasable office space and underground parking). We confirm our Buy recommendation and keep our Euro 2.20 target after 1Q results.

Price (Euro)	1.40			
52 weeks range	1.65 / 1.17			
Key data				
ISIN	AT0000827209			
Reuters	WXFB.VI			
Bloomberg	WXT AV			
Reporting standard	IFRS			
Market Cap (Euro million)	75.6			
Shares outstanding (million)	54.0			
Free Float	44%			
Free Float MarketCap (m)	33.3			
3 years CAGR (EBITDA '17e - '20e)	-27.5%			
Multiples				
	2017	2018e	2019e	2020e
MarketCap / Revenues	1.78	2.43	2.14	1.98
PE Ratio	1.9	5.3	5.2	4.8
Dividend Yield	4.3%	4.3%	4.3%	4.3%
Key data per Share				
	2017	2018e	2019e	2020e
EPS (Earnings per Share)	0.75	0.26	0.27	0.29
Dividends per Share	0.06	0.06	0.06	0.06
Financial data (Euro million)				
	2017	2018e	2019e	2020e
Total Revenues	42.4	31.1	35.3	38.2
thereof Hotels and Resorts	27.5	11.1	11.8	12.2
thereof Investment Properties	13.2	16.8	20.3	22.7
thereof Development & AM	1.7	3.2	3.2	3.3
Total expenses	-22.0	-17.9	-10.9	-11.2
Operating profit (EBITDA)	33.6	15.0	10.8	12.8
Operating profit (EBIT)	54.7	21.3	21.7	24.5
Net financial result	-11.7	-2.2	-1.6	-2.8
Pre-tax profit	43.0	19.2	20.2	21.8
Net profit after minorities	40.5	14.2	14.4	15.8
Main Shareholders				
Dr. Franz Jurkowsch (CEO)		14%		
Georg Folian		15%		
Amber Privatstiftung		11%		
Bocca Privatstiftung		11%		
MetLife PTE		> 5%		
Financial calendar				
AGM		14 June 2018		
1H 2018 report		30 August 2018		
SRC Forum Financials & Real Estate		6 September 2018		
Analysts				
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Warimpex Finanz- und Beteiligungs AG

Industry:	Real Estate	Management Board	
Sub-segment:	Hotel properties	Dr. Franz Jurkowitsch, CEO	
Country:	Austria	Dr. Daniel Folian	
Headquarters:	Vienna	Dr. Alexander Jurkowitsch	
Foundation:	1959	Florian Petrowsky	
Employees:	564		
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Warimpex is a Vienna-based real estate development and investment company with focus on office and hotel properties in Central and Eastern Europe. The company develops and invests in projects in the Czech Republic, Poland, Hungary, and Russia with a strategy to expand the office portfolio further, perhaps also in other European countries, if opportunities occur. In the past, the firm managed to build up a well diversified hotel portfolio in terms of regions, hotel categories and hotel brands with more than 20 hotels and office properties. In February 2017 the company sold the biggest part of the hotel portfolio, a total of 8 hotels in Poland, Czech republic and Romania, to a Thai investor, U City Public Company Limited. The closing was on 31 May 2017. After the deal Warimpex has only 5 hotels left, the Paris Eurodisney based Dreamcastle and Magic Circus hotels (both are 50% JVs with UBM), and the Intercontinental Warsaw and the Czech Dvorak in Karlovy Vary (both on an operational lease) and the Crowne Plaza at St. Petersburg airport (55% stake). Besides that, there is a minor 9.9% stake at the Vienna-based Palais Hansen Kempinski hotel.

The group is on a good way to de-risk the balance sheet, lift the equity ratio to 32% in 2017 (12% at FY 2016), and even closer to 40% or slightly above in 2018 and the coming years. Warimpex significantly reduced expensive debt (repaying Euro 31m loans and bonds in 1H 2017) and thus brings down financial expenses, putting the full P & L on a more stable basis for the future. The sale of most of the hotel assets helps to reduce the regular depreciation under IFRS rules, which is not cash effective but brings down the P & L profits and consecutively the company's equity ratio. With the recent deal Warimpex confirmed the valuation of the hotel portfolio and even manages to show a profit of c. Euro 22m for the 2017 P & L. With the current office assets and more offices developments to be completed within the next 2 years, the revenues will clearly shift to the office sector. The tables below show the standing office assets and the development pipeline.

Current office portfolio at a glance

Offices	City	Country	Area	Stake	Occ. rate (approx.)	Tenant
Business Tower Zeppelin	St. Petersburg	RU	15,600 m ²	55 %	100 %	Gazprom
Business Tower Jupiter	St. Petersburg	RU	17,000 m ²	24 %	100 %	Gazprom
Bykovskaya multi-use building	St. Petersburg	RU	6,000 m ²	100 %	100 %	Gazprom
Erzsébet Offices	Budapest	HU	15,000 m ²	100 %	97 %	Groupama Garancia Insurance
Sajka Office	Budapest	HU	600 m ²	100 %	40 %	Groupama Garancia Insurance
Mogilska 41	Krakow	PL	5,800 m ²	100 %	100 %	Air Liquide / Lurgi

Overview developments

Project	Status	Exp. opening	Total area (approx.)	Beneficial ownership
AIRPORTCITY St. Petersburg Bykovskaya multi-use building	finished	Q2 2017	7,200 m ² 450 parking spaces	100 %
Lódź Ogrodowa Office	construction	Q2 2018	27,400 m ²	100 %
Krakow Mogilska 43	construction	Q1 2019	12,000 m ²	100 %
Krakow Chopin Office	planning	2020	21,000 m ²	100 %
AIRPORTCITY St. Petersburg Offices phase III	planning	2021	20,000 m ²	55 %
Białystok Offices phase 1	early planning	2021	13,000 m ²	100 %
Krakow Mogilska 41	early planning	2021	12,000 m ²	100 %
Białystok Offices phase 2-4	early planning	-	60,000 m ²	100 %
AIRPORTCITY St. Petersburg Offices phase IV	early planning	-	130,000 m ²	55 %

Source: Company Data, SRC Research

Warimpex AG IFRS 31/12 (Euro '000)	2015	2016	2017	2018e	2019e	2020e	CAGR '17e - '20e
Revenues	61,899	62,201	42,367	31,055	35,300	38,220	-3.4%
thereof "Hotels & Resorts" segment	54,462	51,864	27,509	11,122	11,844	12,241	-23.7%
thereof "Development & Services"	3,053	1,757	1,668	3,150	3,200	3,250	
thereof "Investment Properties" (office assets)	4,384	8,580	13,190	16,783	20,256	22,729	
Expenses	-38,539	-35,966	-21,956	-17,889	-10,852	-11,199	
thereof "Hotels & Resorts" segment	-36,374	-33,094	-18,890	-7,408	-6,674	-6,691	
thereof "Development & Services"	-898	-1,030	-651	-1,250	-1,300	-1,350	
thereof "Investment Properties"	-1,267	-1,842	-2,415	-9,231	-2,878	-3,158	
Net gains from the sale of group subsidiaries	14,220	8,673	26,575	15,663	1,266	1,069	
thereof revenues from property sales	68,853	14,061	61,030	63,545	7,620	5,387	
thereof carrying amounts, loans and borrowings assumed by the purchaser	-54,633	-5,388	-34,455	-47,882	-6,354	-4,318	
Other operating income	3,740	1,792	1,672	1,450	1,300	1,150	
thereof changes in real estate projects under development or construction	0	0	0	0	0	0	
thereof other income	0	0	0	0	0	0	
Administrative and other expenses	-12,040	-15,250	-15,053	-15,279	-16,186	-16,429	
EBITDA	29,280	21,450	33,605	15,000	10,828	12,811	-27.5%
Depreciation, amortization and revaluation	-39,185	4,285	21,099	6,326	10,890	11,721	
thereof scheduled depreciation and amortization	-8,905	-6,415	-895	-859	-980	-941	
thereof impairment of property, plant and equipment	-12,189	-491	0	785	650	515	
thereof reversal of impairments on property, plant and equipment	2,149	3,638	5,805	0	0	0	
thereof valuation result for investment properties	-20,240	7,553	16,189	6,400	11,220	12,147	
Operating profit (EBIT)	-9,905	25,735	54,704	21,326	21,718	24,533	-23.5%
Financial result	-31,853	-1,889	-11,716	-2,158	-1,564	-2,780	
thereof financial revenues	2,416	1,928	3,602	1,120	1,354	1,143	
thereof financial expenses	-24,410	-23,004	-10,499	-4,958	-5,120	-7,173	
thereof exchange rate changes	-19,506	20,343	-7,409	230	452	1,200	
thereof result from JV companies (at equity) after tax	9,647	-1,156	2,590	1,450	1,750	2,050	
Pre-tax profit (EBT)	-41,759	23,846	42,988	19,168	20,154	21,753	
Taxes	-571	-983	-2,492	-488	-500	-512	
thereof income tax	-194	-937	15	-151	-160	-169	
thereof deferred income tax	-377	-46	-2,507	-337	-340	-343	
Net profit before minorities	-42,330	22,863	40,496	18,680	19,654	21,241	-19.4%
Minorities	-24,492	5,440	-46	4,520	5,235	5,485	
Net profit after minorities	-17,838	17,423	40,542	14,160	14,419	15,756	-27.0%
<i>Number of shares (on average)</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	<i>54,000</i>	
Earnings per share	-0.33	0.32	0.75	0.26	0.27	0.29	-27.0%
Dividends per share (Euro)	0.00	0.00	0.06	0.06	0.06	0.06	
NNNAV per share (Euro)	1.80	1.90	2.40	2.45	2.50	2.55	
Shareholders' Equity (without minorities)	21,728	43,058	83,481	94,437	108,856	121,372	
Shareholders' Equity (including minorities)	53,765	70,188	110,926	102,897	104,440	95,487	
Total assets	350,235	357,886	265,254	271,620	287,102	293,993	
Equity Ratio	6.2%	12.0%	31.5%	34.8%	37.9%	41.3%	

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Rating Chronicle	Date	Rating	former share price	former target
Warimpex	26 April 2018	Buy	1.41 €	2.20 €
Warimpex	9 April 2018	Buy	1.37 €	2.20 €
Warimpex	4 December 2017	Buy	1.49 €	2.00 €
Warimpex	30 August 2017	Buy	1.18 €	2.00 €
Warimpex	31 May 2017	Buy	1.25 €	1.90 €
Warimpex	4 May 2017	Buy	0.96 €	1.90 €
Warimpex	23 February 2017	Buy	0.89 €	1.90 €

Please note:

The Warimpex share price mentioned in this report is the closing price of 29 May 2018. Warimpex mandated SRC Research for covering the Warimpex share.

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