

AROUNDTOWN

Buy (unchanged) **Target: Euro 8.50** (unchanged)

25 | August | 2021



Der Spezialist für Finanzaktien

Price (Euro)	6.75			
52 weeks range	7.16 / 3.77			
Key Data				
ISIN	LU1673108939			
Ticker	AT1			
Bloomberg	AT1 GR			
Reporting standard	IFRS			
Market Cap (Euro million)	10,375			
Number of shares (million)	1,537.0			
Free Float	64.0%			
Free Float Market Cap (Euro million)	6,640			
CAGR Adj. EBITDA profit ('20-'23e)	7.6%			
Multiples				
	2020	2021e	2022e	2023e
Market Cap/ Total revenues	8.8	9.5	8.3	7.2
PE-Ratio	13.5	10.4	7.1	6.7
Dividend Yield	3.3%	3.3%	5.4%	5.5%
Price-to-Book-Ratio	0.85	0.71	0.57	0.50
P/ NAV-ratio	0.71	0.65	0.53	0.46
Key Data per share (Euro)				
	2020	2021e	2022e	2023e
Earnings per share (EPS)	0.50	0.65	0.96	1.01
Dividend per share (DPS)	0.22	0.22	0.36	0.37
Book Value per Share (BVPS)	7.99	9.47	11.83	13.57
EPRA NTA per share	9.51	10.44	12.70	14.57
Financial Data (Euro Millions)				
	2020	2021e	2022e	2023e
Revenues (rental income)	1,180.3	1,097.7	1,251.4	1,439.1
Capital gains, Prop. Revaluations	769.4	675.0	1,034.0	1,035.0
EBITDA profit	1,656.0	1,506.9	2,091.0	2,245.8
Adj. EBITDA profit (cash driven)	944.1	919.3	1,020.5	1,175.0
Operating profit (EBIT)	1,651.7	1,502.5	2,085.6	2,239.4
Net financial result	-368.5	-224.4	-252.8	-290.1
Pre-tax profit (EBT)	1,283.2	1,278.1	1,832.8	1,949.3
Taxation	-376.8	-242.8	-348.2	-370.4
Net profit after minorities	651.7	745.4	1,068.9	1,152.6
FFO I	447.4	436.5	581.2	655.3
Shareholders' equity (Euro billion)	10.4	10.9	13.2	15.5
Property portfolio (Euro billion)	24.3	24.8	28.8	33.4
RoE (after tax)	4.5%	4.7%	5.9%	5.4%
Equity ratio (incl. equity minorities)	50.2%	49.7%	47.9%	46.5%
Main Shareholders				
Treasury shares	26%			
Avisco Group Plc.	10%			
Financial calendar				
SRC Forum Financials & Real Estate			8 September 2021	
9M 2021 report			24 November 2021	
Analysts				
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1H numbers still significantly impacted by Covid pandemic, but on track to reach full-year guidance – share buyback becomes more and more visible in numbers - Buy and Euro 8.50 affirmed

Today, Aroundtown released the report for the first half of 2021 and held a conference call. The numbers, which expectedly remained below last year's numbers following the high sales volume and the continued impacts of the Covid pandemic, were in line with the firm's guidance, which was also reaffirmed for the full year. Revenues declined by about 8% from Euro 588m last year to Euro 541m, mainly driven by lower net rental income, which came down about 9% year-over-year to now Euro 458m. The result of revaluations and capital gains was at Euro 109m significantly below last year's number of Euro 564m, as only about 25% of the portfolio has been revalued and thus a more significant valuation result is expected in the second half of the year. Property operating expenses were at Euro 218m (1H 2020: Euro 185m) and included about Euro 75m of extraordinary expenses for uncollected rent (1H 2020: Euro 35m), mainly coming from the hotel properties. Thus, on a recurring basis, property operating expenses declined by about 5%. With stable administrative and other expenses, the operating profit amounted to Euro 496m, down from last year's result of Euro 1.05bn. Adjusted EBITDA however only came down by about 10% from Euro 500m to Euro 452m. The financial result on the other hand significantly improved year-over-year. Finance expenses were reduced 18% from Euro 99m to Euro 81m due to the optimization of the debt side by repaying more than Euro 2bn since the start of 2020, which also reduced the cost of debt to now only 1.4%. Furthermore, the other financial result was at only Euro -2m compared to Euro -100m last year. Thus, pre-tax profit amounted to Euro 414m, about half of last year's number of Euro 850m. The bottom line for the first half of 2021 stood at Euro 362m. FFO I stood at Euro 172m, reflecting a decrease of 26% as it was also impacted by the extraordinary expenses for uncollected rent, while the adjusted FFO I only declined by 8%. The FFO I per share on the other hand only came down by 12% to 15 cent, thus significantly less than the absolute decline in FFO as the share buyback program shows effects, while the adjusted FFO I per share even increased by about 5% to 21 cents per share.

In the first six months, the company has disposed about Euro 1.1bn of assets and the commercial portfolio now stands at almost Euro 20.9bn. The proceeds were partially invested in the ongoing share buyback, where currently about Euro 190m of the Euro 500m program has been bought back at a discount of more than 30% to the EPRA NTA, which as of the reporting date was at Euro 9.60 per share and showed the effects of the buyback as well. The joint offer together with CPI Property Group for the outstanding shares of Globalworth resulted in an acceptance of more than 9%, lifting the combined holding rate to more than 60%.

The numbers of the first six months are in line with the firm's guidance and we also feel comfortable to keep our KPIs largely unchanged. While the 2021 numbers are still heavily impacted by the covid pandemic, the share buyback already counteracts the declines and continues to improve the per share numbers in the long run. We confirm our Euro 8.50 target price and stick to our Buy rating.

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
Oschie Massatschi CCMO		Klaus Krägel CDO
Frank Roseen 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

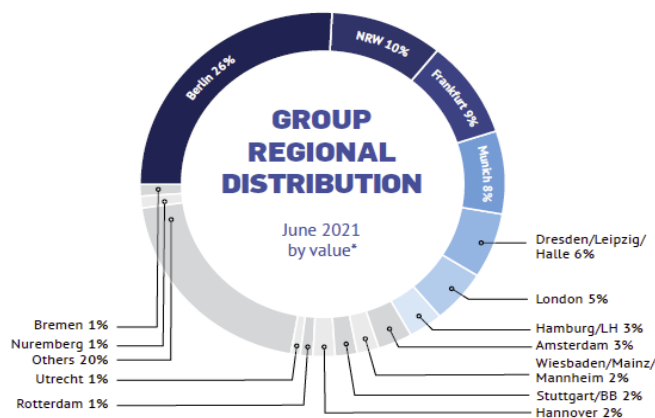
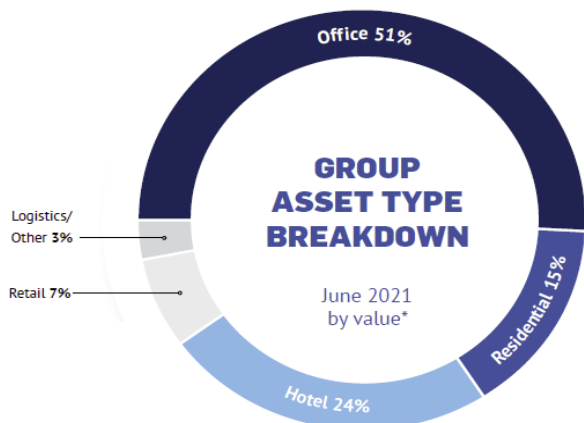
Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index since 19 March 2018.

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 44% as of 1H 2021. Grand City is a German MDax member since 18 Sept. 2017. The firm's total portfolio has grown significantly over the recent years and currently amounts to more than Euro 24bn. Commercial properties have a share of 85% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 15%. The commercial part of the portfolio consists to 55% of office properties followed by hotel and retail. Hotel properties currently have a portfolio share of about 24% of the overall portfolio. The geographical allocation of the portfolio by value as of 1H 2021 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. We believe a rating upgrade could happen soon.

Aroundtown has been added to the newly launched DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index. We believe an uplisting to the German DAX is within reach in the coming quarters, even more if the market cap returns to pre-corona levels.



* including proportion in GCP and development rights & invest

Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	747.1	894.8	1,180.3	1,097.7	1,251.4	1,439.1	6.8%
Capital gains, property revaluations and others	1,536.4	1,217.5	769.4	675.0	1,034.0	1,035.0	
thereof net revaluation result	1,459.6	1,156.6	711.6	641.3	982.3	983.3	
thereof capital gains and bargain purchase	76.8	60.9	57.8	33.8	51.7	51.8	
Share in profit from investment in equity-accounted investees	251.6	298.7	195.7	182.7	193.7	205.3	
Property-related operating expenses	-219.1	-227.9	-442.6	-406.7	-345.4	-391.6	
Administrative and other expenses	-22.5	-27.3	-51.1	-47.2	-50.1	-50.4	
thereof depreciation and amortization	-1.6	-1.8	-4.3	-4.4	-5.4	-6.4	
Operating profit (EBITDA)	2,295.1	2,157.5	1,656.0	1,506.9	2,091.0	2,245.8	
Operating Profit (EBIT)	2,293.5	2,155.8	1,651.7	1,502.5	2,085.6	2,239.4	
Finance expenses	-114.6	-141.7	-200.7	-198.7	-228.5	-262.8	
Other financial results	-93.8	45.7	-167.8	-25.7	-24.3	-27.3	
Net financial result	-208.4	-96.0	-368.5	-224.4	-252.8	-290.1	
Pre-tax profit (EBT)	2,085.1	2,059.8	1,283.2	1,278.1	1,832.8	1,949.3	15.0%
Tax (cash and deferred)	-257.3	-350.7	-376.8	-242.8	-348.2	-370.4	
Net profit before minorities	1,827.8	1,709.1	906.4	1,035.2	1,484.5	1,578.9	
Minorities	-207.4	-401.0	-254.7	-289.9	-415.7	-426.3	
Net profit after minorities	1,620.4	1,308.1	651.7	745.4	1,068.9	1,152.6	
Number of shares (weighted average, excl. treasury shares)	1,052.6	1,172.9	1,305.2	1,152.5	1,117.9	1,140.3	
Number of shares (weighted average, diluted, excl. treasury)	1,082.8	1,174.0	1,306.5	1,144.3	1,110.0	1,132.2	
Earnings per share (EPS, basic)	1.54	1.12	0.50	0.65	0.96	1.01	
Earnings per share (EPS, diluted)	1.49	1.10	0.49	0.63	0.94	1.00	
Dividend per share (DPS)	0.25	0.14	0.22	0.22	0.36	0.37	
EBITDA	2,295.1	2,157.5	1,656.0	1,506.9	2,091.0	2,245.8	10.7%
- Capital Gains, revaluations and other income	-1,536.4	-1,217.5	-769.4	-675.0	-1,034.0	-1,035.0	
- Net adjustment	-142.3	-167.0	-29.0	-16.0	-16.3	-16.6	
- Other adjustments	-10.4	-0.3	86.5	103.4	-20.1	-19.1	
Adjusted EBITDA	606.0	772.7	944.1	919.3	1,020.5	1,175.0	7.6%
AT's finance expenses	-114.6	-141.7	-200.7	-198.7	-228.5	-262.8	
Adjustments of finance expenses	-17.6	-20.4	-25.3	-16.7	-10.4	-14.7	
Adjusted Finance Expenses	-132.2	-162.1	-226.0	-215.4	-238.9	-277.5	
ICR (Interest coverage ratio)	4.7	4.8	4.3	4.3	4.3	4.2	
Financing expenses	-114.6	-141.7	-200.7	-198.7	-228.5	-262.8	
Current cash tax expenses	-44.4	-70.6	-89.4	-96.5	-125.5	-163.1	
Adjustments for the holdings rates	-41.3	-57.0	-86.6	-77.6	-85.4	-93.9	
Extraordinary expenses for uncollected rent	0.0	0.0	-120.0	-110.0	0.0	0.0	
FFO I	405.7	503.4	447.4	436.5	581.2	655.3	13.6%
FFO I per share	0.39	0.43	0.34	0.38	0.52	0.57	18.8%
FFO I after perpetual	357.9	445.6	357.8	342.3	540.2	563.8	16.4%
FFO I per share after perpetual	0.34	0.38	0.27	0.30	0.48	0.49	21.7%
Shareholders' Equity (without minorities)	7,829.5	9,585.5	10,424.8	10,917.2	13,229.3	15,476.8	14.1%
Shareholders' Equity (including minorities)	9,944.3	13,378.9	15,583.0	16,286.4	19,696.2	22,996.2	
Growth Shareholders' Equity (without minorities)	45%	22%	9%	5%	21%	17%	
EPRA NTA*	8,742.4	10,522.7	11,187.4	11,715.8	14,197.1	16,609.0	14.1%
Balance Sheet sum	19,040.8	25,444.7	31,021.6	32,779.8	41,110.8	49,491.7	
Equity Ratio	52.2%	52.6%	50.2%	49.7%	47.9%	46.5%	
RoE (after tax)	18.8%	11.2%	4.5%	4.7%	5.9%	5.4%	6.3%
Property portfolio (including equity-accounted investees)	16,221.9	21,213.3	24,327.4	24,813.9	28,784.1	33,389.6	
Book Value per share (Euro) - undiluted	7.44	8.17	7.99	9.47	11.83	13.57	19.3%
EPRA NTA* per share (Euro) - undiluted	7.70	8.59	9.51	10.44	12.70	14.57	15.3%

* 2018 number is former EPRA NAV

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	May 27, 2021	Buy	6.81 €	8.50 €
Aroundtown	March 26, 2021	Buy	5.87 €	8.50 €
Aroundtown	November 25, 2020	Buy	5.85 €	9.50 €
Aroundtown	August 26, 2020	Buy	4.87 €	9.50 €
Aroundtown	May 27, 2020	Buy	4.84 €	9.50 €
Aroundtown	March 24, 2020	Buy	4.11 €	9.50 €
Aroundtown	January 24, 2020	Buy	8.21 €	9.50 €

Please note:

The share price mentioned in this report is from 24 August 2021. AROUNDTOWN SA mandated SRC Research for covering the share.

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