

Steep hike in first quarter cash earnings, EBITDA +42%, FFO I up +29%, ongoing portfolio shift towards CEE will further accelerate the cash generation – target up to Euro 24.00

Today S IMMO released the 1Q quarterly 2024 report. The ongoing portfolio shift away from Germany and towards higher yielding assets, in particular CEE, translated into a steep hike of cash earnings. The rental revenues were up +23%, from Euro 48m to more than Euro 58m. That steep hike came along with an improvement in NOI margin, which was up from 49.6% in 1Q 2023 to 55.7% in 1Q 2024. That was also clearly above the 52.0% in FY 2023. The cash driven operating profit in terms of EBITDA even jumped +42%, from Euro 31m to almost Euro 45m. The FFO I jumped +29%, from Euro 25m to more than Euro 32m. With regards to EBIT, there was only a small increase from Euro 19m to Euro 20m, as the valuation side prohibited a more remarkable hike. After the Euro -10m in the previous year, the challenging economic situation, in particular in Germany, took its toll and the general rise in yields translated into a net revaluation of Euro -23m. The net financial result was more or less unchanged at Euro -13.5m (1Q 2023: Euro -13.2m), as the higher financing costs of Euro -29m (1Q 2023: Euro -18m) were offset by a positive contribution of interest rate derivatives of almost Euro 16m, after only Euro 5m last year. With the tailwind from the operating performance, the group's net income after minorities jumped from Euro 0.4m to Euro 6.4m, which is a good start into the new year. With regards to the balance sheet, it is healthy with a net LTV down to 48.2% (2023: 49.0%) and Cost of Funding just very slightly up to 2.47% (2023: 2.44% / 2022: 2.16%). The equity ratio also improved from 40.7% at year-end 2023 to now 42.4%. With regards to the debt maturity profile, it is quite undemanding until 2027.

All in all, the company makes good progress in a quick portfolio shift. The quite low yielding Germany stake was at 48% in 2021 and 38% in 2022 and is now just about 2 years later at below 15% (14.7%). In contrast to that, the CEE countries strongly gained weight. After only 35% in 2021 and 47% in 2022, CEE stands now at the end of March at over 63%. For instance, the Czech Republic portfolio contained just two small properties in 2022 and has now at the end of March a 20.5% weighting in the total Euro 3.4bn portfolio.

The Czech weighting in the portfolio will further significantly grow, as the firm announced end of April the acquisition of 8 Czech properties (4 office / 4 commercial) from a CPI subsidiary for a net acquisition price of Euro 422.5m, which is a 6.7% yield. In contrast to CEE, we expect the sale of Germany in total to further gain momentum in the coming quarters of 2024. The residential portfolio (mainly Germany) was a bit above Euro 800m end of 2022 (25% of total Euro 3.3bn portfolio) and shrunk to less than Euro 200m in just 15 months (Euro 197m), which is only 5.7% of the total Euro 3.4bn portfolio.

On Friday Immofinanz announced to begin with preparations for a Squeeze out action, as the free float without own shares is now only at 7.1%. We expect the share price to come closer to EPRA NTA per share, which hiked to Euro 25.17 (2023: Euro 25.00). We maintain our Buy and lift our target price from Euro 20.00 to Euro 24.00.

Price (Euro)	20,40			
52 weeks range	22.00 / 11.04			
Key Data				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPI AV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	1501,6			
Number of shares (million)	73,6			
Free Float (approx.)	7,1%			
Free Float MarketCap (Euro million)	106,6			
CAGR (EBITDA '22-25e)	18,4%			
Multiples	2023	2024e	2025e	2026e
Market cap/ Revenues-Ratio	7,8	8,0	7,9	7,6
P/E-Ratio	-44,6	20,4	14,2	13,1
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per Share (EpS)	-0,46	1,00	1,43	1,55
Dividends per Share (DpS)	0,00	0,00	0,00	0,00
Book Value per Share (BVpS)	22,39	23,40	24,83	26,38
EPRA NTA per share	25,00	26,00	26,85	28,04
FFO I per share	1,41	1,73	2,11	2,51
Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	336.461	353.751	367.129	380.668
Rental income	202.646	208.954	215.440	224.896
Net revaluation result	-109.343	-5.002	15.237	16.840
Operating cash profit (EBITDA)	142.634	168.470	175.858	184.212
Operating Profit (EBIT)	24.086	154.083	181.508	190.932
Pre-tax profit (EBT)	-46.355	93.633	133.398	146.361
Net profit after minorities	-32.195	73.731	105.402	114.196
Shareholders' Equity	1.648.388	1.722.119	1.827.521	1.941.717
RoE after tax	-1,9%	4,4%	5,9%	6,1%
Financial Calendar				
1H 2024		28 August 2024		
9M 2024		28 November 2024		
Main Shareholders				
CPI Property Group SA		88,4%		
Own shares		4,5%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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S IMMO AG Company Profile

Industry:	Real Estate	Management Board:
Sub-segment:	mixed (67% commercial)	Radka Doehring
Country:	Austria	Tomas Salajka
Headquarter:	Vienna	
Foundation:	1986	
Employees (without Hotels):	100	
		Supervisory Board:
		Martin Matula
		Vladislav Jirka (First Deputy Chairman)
		Matej Csenky (Second Deputy Chairman)
IR Contact		Andreas Feuerstein
Andreas Feuerstein		Vit Urbanec
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S IMMO is a Vienna-based real estate holding company founded in 1986. Since 1987 the company is listed on the Vienna stock exchange and therefore Austria's longest existing property investment company. The share is member of ATX blue chip index since September 2017. Expansion activities to foreign countries were started close to the millenium. Within recent years the company acquired, according to its Buy and Develop and Hold strategy that also contained some opportunistic sales, a real estate portfolio that comprises more than 240 properties, a lettable space of about 1,400k sqm amounting to a value of almost Euro 3.5bn at December 2023 (+6% compared to year-end 2022). With CPI taking the steering wheel in 2022, the company swiftly shifted away from low yielding German residential properties (and also several German commercial assets) and more into office in CEE and Austria, with a focus on high ESG and energy efficiency standards. The residential stake of the portfolio, which was above 30% in former years shrunk to only 6% now. Office assets which were mostly between 40% and 45% in former years, were up to 67% now. Retail assets were also up from 13% to 17% in former years to now almost 20%. The geographical focus also strongly shifted. CEE was mostly between 32% to 35% in former years and was now at more than 62% at year-end 2023, with a rising tendency as more German assets will be sold and there are new acquisitions in pipeline in Eastern Europe. The lion's share of the Eastern portfolio is split between Czech Republic, Hungary and Romania. In particular, the firm strives to become a major player on the Czech market, which was underlined in 2023 with several significant acquisition deals. A minor part of the portfolio comes from Slovakia and Croatia (about 6% from the total portfolio), but that should diminish soon, as both countries are on the exit list, and S IMMO recently already announced the sale of the Zagreb Tower.

S IMMO released the 2023 annual report on 25 March 2024 and presented again a record EBITDA result of Euro 143m, after breaking the Euro 100m threshold in 2022 with Euro 106m. FFO result was also good with a +54% hike, from Euro 65m to almost 100m. Balance sheet is still solid with an equity ratio, that was a bit down after the portfolio growth, from 47% to 41%. Cost of funding incl. hedging was always at 2.3% or even below in the last years. With the general interest upswing it went up slightly to 2.44% in 2023. The debt maturity profile is undemanding for 2024 and 2025. In May 2026 there is a Euro 150m bond due, with a low 1.875% coupon. On the financing side it is worth to mention that S IMMO could utilize a favorable window in the challenging bond markets to issue a Euro 75m Green Bond in July 2023 for 5 years with a 5.5% coupon.

Country	Book value portfolio (EUR m)	Total revenues (EUR m)	Gross leasable area (m ²) ¹
Austria	766.6	75.0	258,947
Germany	547.3	48.9	301,688
Hungary	708.9	105.8	310,280
Romania	521.5	63.5	214,486
Czech Republic	705.2	16.9	211,616
Slovakia	153.1	15.5	90,000
Croatia	75.0	11.0	41,662
Total	3,477.6	336.5	1,428,679

Source: Company Data, SRC Research

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '22 - '25e
Revenues	173.915	196.856	260.493	336.461	353.751	367.129	380.668	12,1%
└ thereof rental income	123.255	131.294	155.705	202.646	208.954	215.440	224.896	
└ thereof revenues from service charges	32.871	34.359	48.405	63.792	71.543	75.242	78.952	
└ thereof revenues from hotel operations	17.789	31.203	56.383	70.023	73.254	76.447	76.820	
Other operating income	2.501	3.175	2.227	4.210	3.120	3.200	3.450	
Expenses directly attributable to properties	-66.760	-66.795	-79.511	-108.675	-99.790	-103.220	-106.987	
<i>Gross margin property segment</i>	<i>57,2%</i>	<i>59,7%</i>	<i>61,0%</i>	<i>59,2%</i>	<i>64,4%</i>	<i>64,5%</i>	<i>64,8%</i>	
Hotel operating expenses	-18.126	-23.702	-43.010	-52.744	-54.609	-56.726	-56.741	
Gross operating profit hotels (GOP)	-337	7.501	13.373	17.279	18.645	19.721	20.079	
<i>Gross margin within hotel segment</i>	<i>-1,9%</i>	<i>24,0%</i>	<i>23,7%</i>	<i>24,7%</i>	<i>25,5%</i>	<i>25,8%</i>	<i>26,1%</i>	
Gross profit (revenues less directly attributable expenses)	91.530	109.534	140.199	179.252	202.472	210.383	220.390	14,5%
<i>Total Gross margin</i>	<i>52,6%</i>	<i>55,6%</i>	<i>53,8%</i>	<i>53,3%</i>	<i>57,2%</i>	<i>57,3%</i>	<i>57,9%</i>	
Net operating income (NOI)	89.029	106.359	137.972	175.042	199.352	207.183	216.940	14,5%
<i>NOI-margin</i>	<i>51,2%</i>	<i>54,0%</i>	<i>53,0%</i>	<i>52,0%</i>	<i>56,4%</i>	<i>56,4%</i>	<i>57,0%</i>	
Net Gains on property disposal	0	0	0	0	0	0	0	
Management expenses	-20.398	-28.237	-34.141	-36.618	-34.002	-34.525	-36.178	
└ thereof personnel expenses	-12.272	-14.608	-19.009	-17.882	-18.744	-19.188	-19.489	
EBITDA	71.132	81.297	106.058	142.634	168.470	175.858	184.212	18,4%
<i>EBITDA-margin</i>	<i>40,9%</i>	<i>41,3%</i>	<i>40,7%</i>	<i>42,4%</i>	<i>47,6%</i>	<i>47,9%</i>	<i>48,4%</i>	
Depreciation	-9.232	-9.646	-9.682	-9.205	-9.385	-9.587	-10.120	
Property Revaluation	39.056	198.686	-78.397	-109.343	-5.002	15.237	16.840	
Operating profit (EBIT)	100.956	270.337	17.979	24.086	154.083	181.508	190.932	116,1%
<i>EBIT-margin</i>	<i>58,0%</i>	<i>137,3%</i>	<i>6,9%</i>	<i>7,2%</i>	<i>43,6%</i>	<i>49,4%</i>	<i>50,2%</i>	
EBIT-profit without revaluation result	61.900	71.651	96.376	133.429	159.085	166.271	174.092	19,9%
Net financial result	-29.370	705	16.855	-70.441	-60.450	-48.110	-44.571	
Participating certificates expenses (hybrid capital)	0	0	0	0	0	0	0	
Earnings before tax (EBT)	71.586	271.042	34.834	-46.355	93.633	133.398	146.361	56,5%
<i>EBT margin</i>	<i>41,2%</i>	<i>137,7%</i>	<i>13,4%</i>	<i>-13,8%</i>	<i>26,5%</i>	<i>36,3%</i>	<i>38,4%</i>	
Income tax expense	-14.674	-40.484	-15.907	4.956	-18.547	-25.452	-28.366	
<i>Tax rate</i>	<i>20,5%</i>	<i>14,9%</i>	<i>45,7%</i>	<i>10,7%</i>	<i>19,8%</i>	<i>19,1%</i>	<i>19,4%</i>	
Net profit	56.912	230.558	18.927	-41.399	75.086	107.946	117.995	
Minorities	-375	-1.037	8.277	9.204	-1.355	-2.544	-3.799	
Net profit after minorities	56.537	229.521	27.204	-32.195	73.731	105.402	114.196	57,1%
<i>Return on sales</i>	<i>32,5%</i>	<i>116,6%</i>	<i>10,4%</i>	<i>-9,6%</i>	<i>20,8%</i>	<i>28,7%</i>	<i>30,0%</i>	
Number of shares (in million)	73,6	73,6	73,6	73,6	73,6	73,6	73,6	
Earnings per Share (EPS) in Euro	0,79	3,24	0,45	-0,46	1,00	1,43	1,55	47,1%
Dividends per Share (DPS) in Euro	0,50	0,65	0,00	0,00	0,00	0,00	0,00	
Book Value per Share (BVPS) in Euro	18,31	20,75	23,06	22,39	23,40	24,83	26,38	
Total assets	3.122.610	3.688.121	3.774.361	4.179.875	4.681.460	4.868.718	5.248.478	8,9%
Shareholders' equity (after dividend payment)	1.347.524	1.527.194	1.697.228	1.648.388	1.722.119	1.827.521	1.941.717	2,5%
Shareholders' equity incl. participating certificates	1.347.524	1.527.194	1.697.228	1.648.388	1.722.119	1.827.521	1.941.717	
Equity ratio without minorities with hybrid capital	43%	41%	45%	39%	37%	38%	37%	
Return on Equity (RoE)	4,3%	16,0%	1,7%	-1,9%	4,4%	5,9%	6,1%	
Key ratios & figures	2020	2021	2022	2023e	2024e	2025e	2026e	
Growth rates in %								
Revenues	-17,4%	13,2%	32,3%	29,2%	5,1%	3,8%	3,7%	
EBITDA	-18,3%	14,3%	30,5%	34,5%	18,1%	4,4%	4,8%	
EBIT	-62,8%	167,8%	-93,3%	34,0%	539,7%	17,8%	5,2%	
EBT	-71,5%	278,6%	-87,1%	-233,1%	-302,0%	42,5%	9,7%	
Net profit after minorities	-73,3%	305,1%	-91,8%	-318,7%	-281,4%	43,8%	9,3%	
Margins in %								
EBITDA	40,9%	41,3%	40,7%	42,4%	47,6%	47,9%	48,4%	
EBIT	58,0%	137,3%	6,9%	7,2%	43,6%	49,4%	50,2%	
EBT	41,2%	137,7%	13,4%	-13,8%	26,5%	36,3%	38,4%	
Expense ratios in %								
Depreciation to sales	-5,3%	-4,9%	-3,7%	-2,7%	-2,7%	-2,6%	-2,7%	
Tax rate	20,5%	14,9%	45,7%	10,7%	19,8%	19,1%	19,4%	
Profitability in %								
Profit margin	32,7%	117,1%	7,3%	-12,3%	21,2%	29,4%	31,0%	
Return on equity (RoE) after tax	4,3%	16,0%	1,7%	-1,9%	4,4%	5,9%	6,1%	
Return on Assets (RoA)	1,8%	6,3%	0,5%	-1,0%	1,6%	2,2%	2,2%	
Return on Investment (RoI)	1,8%	6,3%	0,5%	-1,0%	1,6%	2,2%	2,2%	
Valuation								
P/E-ratio	21,57	5,25	37,81	-37,17	16,97	11,87	10,96	
P/S-ratio	7,20	6,36	4,80	3,72	3,54	3,41	3,29	
Price/BVpS (PBV)	0,93	0,82	0,74	0,76	0,73	0,68	0,64	
Dividend yield in %	2,9%	3,8%	0,0%	0,0%	0,0%	0,0%	0,0%	
Data per share								
Number of shares (in million)	73,6	73,6	73,6	73,6	73,6	73,6	73,6	
EPS	0,79	3,24	0,45	-0,46	1,00	1,43	1,55	
DPS	0,50	0,65	0,00	0,00	0,00	0,00	0,00	
BVPS	18,31	20,75	23,06	22,39	23,40	24,83	26,38	
FFO I per share	0,59	0,86	0,92	1,41	1,73	2,11	2,51	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	28 March 2024	Buy	€ 17,50	€ 20,00
S IMMO	29 November 2023	Buy	€ 12,74	€ 18,00
S IMMO	30 August 2023	Buy	€ 12,00	€ 18,00
S IMMO	31 May 2023	Buy	€ 11,18	€ 18,00
S IMMO	04 April 2023	Buy	€ 12,82	€ 18,00
S IMMO	30 November 2022	Accumulate	€ 14,78	€ 18,00
S IMMO	29 August 2022	Accumulate	€ 22,85	€ 23,00
S IMMO	30 May 2022	Accumulate	€ 23,30	€ 26,00
S IMMO	28 April 2022	Buy	€ 22,55	€ 28,00
S IMMO	06 December 2021	Buy	€ 21,45	€ 26,00

Please note:

The S IMMO AG share price mentioned in this report is the price of 24 May 2024. S IMMO mandated SRC Research for covering the S IMMO share.

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