

■ Price (Euro)	8,30			
52 weeks range	11.20 / 6.95			
■ Key Data				
ISIN	DE000A0KFKB3			
Bloomberg	E7S:GR			
Reporting standard	IFRS			
Market Cap (Euro million)	269			
Number of shares (million)	32,4			
Free Float	12,1%			
Free Float Market Cap (Euro million)	33			
CAGR EBIT ('19 -'22e)	17,4%			
■ Multiples				
	2019	2020e	2021e	2022e
Market Cap / Total revenues	9,0	9,7	5,7	5,2
PE-Ratio	10,2	35,7	8,6	6,4
Dividend Yield	0,0%	1,2%	2,4%	3,0%
Price-to-Book-Ratio	1,22	1,18	1,05	0,93
■ Key Data per share (Euro)				
	2019	2020e	2021e	2022e
Earnings per share (EPS)	0,81	0,23	0,97	1,30
Dividend per share (DPS)	0,00	0,10	0,20	0,25
Book Value per Share (BVPS)	6,81	7,03	7,88	8,97
■ Financial Data (Euro '000)				
	2019	2020e	2021e	2022e
Capital gains from property sales	29.842	27.807	46.842	51.995
Net rental income	6.518	5.276	10.217	12.689
Net service income	2.363	743	1.303	1.781
Operating profit (EBIT)	39.805	30.251	54.053	64.485
Net interest income	-7.353	-17.726	-13.704	-12.506
Pre-tax profit (EBT)	32.488	12.564	40.400	52.026
Income taxes	-6.189	-5.014	-9.054	-9.843
Net profit after Minorities	26.467	7.305	30.891	41.705
Shareholders' equity (Euro million)	474	581	726	807
Privatization Portfolio (Euro million)	389	418	512	584
RoE (after tax)	12,6%	3,3%	12,8%	15,3%
Equity ratio	38,0%	31,4%	31,7%	32,8%
■ Main Shareholders				
Brookline Real Estate S.a.r.l.	83,1%			
Adler Real Estate AG	4,8%			
■ Financial calendar				
2020 annual report			30 March 2021	
1Q 2021 report			11 May 2021	
1H 2021 report			10 August 2021	
■ Analysts				
	Christopher Mehl, MBA, CFA			
	Dipl.-Kfm. Stefan Scharff, CREA			
E-Mail	mehl@src-research.de scharff@src-research.de			
Internet	www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de			

9M bottom line deep in red, guidance too ambitious and more questions than answers – rating downgrade - TP down to € 8.50

On 12 November, the residential privatization company ACCENTRO released the 9M report. After the 1H numbers at least delivered an 8% growth in top-line sales revenues, from Euro 34.5m to 37.4m, the 9M top-line came in with very weak results, a tremendous -12% slump, from 73.4m to Euro 65.3m. **Even more disappointing was the bottom line. Pre-tax profit turned deeply red, from Euro 19.2m last year with old CEO Jacopo Mingazzini, who left the firm in March, to Euro -8.0m in 9M 2020 with new CEO Lars Schriewer. The net profit after minorities was even worse, from a huge Euro 13.2m in 9M 2019 to a horrible Euro -12.0m in 9M 2020.** Even if you deduct Euro 5.4m one-offs in the first half of the year and see a more difficult business in the Covid 19 pandemic, **the delivered numbers are disappointing, as safe haven German residential properties are very demanded and prices for old and new flats went up once more significantly in 2020 in all German metropole regions. The firm stated a lower sales volume from mid March to the end of May due to the Corona lockdown in Germany but a vivid business after that time. We do not fully understand how they managed to deliver a huge 9M loss in the by far most sought-after real estate asset class.** A good news is that a second person, Hans-Peter Kneip, joined the management board mid of November as Chief Financial Officer. Kneip bought shares off-market for Euro 1.5m underlining his trust in the growth story. He was before Director Corporate Finance, Treasury and Controlling at LEG.

With the lockdown from 1 December, we feel not sure about the full year numbers, even if ACCENTRO confirmed the full year guidance in the 9M report with slightly rising sales revenues and an unchanged EBIT of the previous 2019 level of Euro 39.8m. The 9M slump in EBIT from Euro 26.0m to a poor Euro 5.6m seems not sufficient at all for that goal, in our view. In addition to that, we must state a deteriorating balance sheet quality as equity declined from Euro 221m at year 2019 to Euro 210m at 9M 2020 and equity ratio down from 38% to 29%. The LTV was up significantly from 43% in December 2019 to 53% in September 2020.

ACCENTRO stated the acquisition of the property manager DIM Holding AG just prior to the turn of the year, on 29 December. DIM has about 130 employees and works from 7 German locations with about 18,500 residential units under management. This is a milestone to develop ACCENTRO's diversification not only being a privatization firm but also a residential investor and property manager. But keep in mind, that property management is a very small-meshed business which does not allow too many mistakes to take a decent margin out of it. Furthermore, we argue that the acquisition price was quite high in the current market as it was not mentioned. The firm managed to double its own residential standing portfolio to 5,200 units recently, which might help to bring down volatility to future results. **After disappointing 9M and a too ambitious 2020 guidance there are more questions open than answers given. We bring down our rating from Buy to Hold and our target from Euro 12.00 to Euro 8.50.**

ACCENTRO Real Estate AG

Industry:	Real Estate	Management Board of ACCENTRO:
Sub-segment:	Residential	CEO Lars Schriewer
Region:	Germany	CFO Hans-Peter Kneip
Headquarter:	Berlin	
Foundation	2006	
Employees:	60	Supervisory Board of ACCENTRO:
		Axel Harloff
IR Contact:		Carsten Wolff
Thomas Eisenlohr		Natig Ganiyev
Eisenlohr@accentro.de		

ACCENTRO Real Estate AG is a leading company for privatization of residential properties in economically strong regions in Germany, as well as for the marketing and sales for property investors and project developers. The company's strongest focus is on the city of Berlin, where as of FY 2019 almost 73% of the firm's inventory portfolio is located. Furthermore, ACCENTRO has recently expanded in growth markets such as the Leipzig area or Hamburg and North Rhine Westphalia.

Accentro GmbH was founded in 1999 and in 2011 became a subsidiary of Estavis AG, which was formed in 2006 and was renamed to ACCENTRO Real Estate AG in 2015. The firm has a focus on the German residential market since more than 15 years. Over the recent years ACCENTRO managed to build up a strong track record. For example, a total of about 4,900 apartments with a volume of almost Euro 610m have been sold since 2015 (830 Units in 2019) and the inventory portfolio has significantly been expanded from Euro 155m book value in 2015 to Euro 470m at 1H 2020. Currently, at year-end 2020, about 5,200 units are on the firm's balance sheet after the firm made some significant acquisitions in the second half of last year. Furthermore, the strong sales cooperations with investors and developers offer the company further potential for a rise in revenues in the coming years. With regards to last published 9M 2020 the results, these were disappointing, both on sales revenues side and even more on bottom line results which turned deeply red, in a such sought-after asset class like German residential. The financial position of the company deteriorated with the losses as equity ratio came down from 38% to 29% and LTV was significantly up from 43% to 53% in the first nine months of 2020.

The biggest news came on 29 December 2020 with the acquisition of DIM Holding AG ("Deutsche Immobilien Management"), a property manager of 18,500 apartments with 130 employees in 7 locations. The acquisition price was not mentioned but we assume a quite high price due to the current market situation.

Inventories portfolio as of 31 December 2019

Location	Book value/purchase price (in mEUR)	Units	sqm	Selling prices (EUR/sqm)
Berlin	302.1	1,218	90,641	4,486
Bavaria (Bayreuth, Garmisch-Partenkirchen)	64.0	435	26,745	3,194
Leipzig and Greater Leipzig	18.6	252	15,644	1,581
Rostock and Usedom	16.9	118	8,707	2,594
Rhine-Ruhr area (Cologne, Düsseldorf, Ratingen)	11.7	81	5,113	3,198
Others (Hamburg, Hanover)	2.8	12	1,317	2,602
Total	416.1	2,116	148,166	3,774

Source: Company Data, SRC Research

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues from sales of inventory properties	116.920	137.859	194.009	129.503	114.552	184.321	204.596	
Expenses from sales of inventory properties	-80.543	-103.167	-160.924	-99.661	-86.745	-137.479	-152.602	
Capital gains from property sales	36.377	34.692	33.085	29.842	27.807	46.842	51.995	20,3%
Letting revenues	6.597	7.769	8.806	10.261	11.024	21.114	25.548	
Letting expenses	-2.032	-2.335	-2.676	-3.743	-5.748	-10.897	-12.858	
Net rental income	4.565	5.434	6.130	6.518	5.276	10.217	12.689	24,9%
Revenues from services	1.588	1.714	2.794	3.510	1.988	2.386	2.863	
Expenses from services	-979	-766	-511	-1.147	-1.245	-1.083	-1.082	
Net service income	609	948	2.283	2.363	743	1.303	1.781	-9,0%
Other operating income	997	3.260	1.663	1.207	2.687	3.245	3.544	
Gross profit or loss	42.548	44.334	43.161	39.930	36.513	61.607	70.009	20,6%
Net revaluation result	0	0	0	11.399	8.775	5.788	7.842	
Total payroll and benefit costs	-2.986	-3.339	-4.613	-5.835	-8.245	-7.234	-7.528	
Depreciation and amortisation	-114	-114	-349	-731	-812	-856	-902	
Impairments of inventories and accounts receivable	-951	0	-205	-123	-147	-153	-167	
Other operating expenses	-4.561	-4.465	-5.131	-6.079	-6.244	-5.549	-5.224	
Net income from associates	514	-14	2	1.244	411	450	455	
Earnings before interest and taxes (EBIT)	34.450	36.402	32.865	39.805	30.251	54.053	64.485	17,4%
Other income from investments	18	35	36	36	39	51	47	
Interest income	298	304	944	4.854	3.847	1.741	1.514	
Interest expenses	-6.695	-9.107	-9.869	-12.207	-21.573	-15.445	-14.020	
Net interest income	-6.397	-8.803	-8.925	-7.353	-17.726	-13.704	-12.506	
Profit/loss before taxes (EBT)	28.071	27.634	23.976	32.488	12.564	40.400	52.026	17,0%
Income taxes	-7.390	-7.316	-5.675	-6.189	-5.014	-9.054	-9.843	
Consolidated income from Continuing Operation	20.681	20.318	18.301	26.299	7.550	31.346	42.183	17,1%
Earnings after taxes of Discontinued Operation	5.792	-197	0	0	0	0	0	
Consolidated income	26.473	20.121	18.301	26.299	7.550	31.346	42.183	17,1%
Minorities	-181	24	-103	168	-245	-455	-478	
Net profit/loss after minorities	26.292	20.145	18.198	26.467	7.305	30.891	41.705	16,4%
Number of shares ('000)	24.734	24.925	32.438	32.438	32.438	32.438	32.438	
Earnings per share (EPS)	1,07	0,81	0,56	0,81	0,23	0,97	1,30	
Dividend per share (DPS)	0,15	0,17	0,16	0,00	0,10	0,20	0,25	
Shareholders' Equity	136.836	153.697	199.104	220.811	228.116	255.763	290.980	9,6%
Balance Sheet sum	300.546	347.785	474.205	580.757	725.946	807.252	887.977	
Equity Ratio	45,5%	44,2%	42,0%	38,0%	31,4%	31,7%	32,8%	
RoE (after tax)	21,4%	13,9%	10,3%	12,6%	3,3%	12,8%	15,3%	6,6%
Privatisation Portfolio (Euro million)	216	302	344	389	418	512	584	
Book Value per share (Euro)	5,53	6,17	6,14	6,81	7,03	7,88	8,97	9,6%

SRC Research - Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating chronicle:

Company	Date	Rating	former share price	former target
ACCENTRO	13 August 2020	Buy	9,45 €	12,00 €
ACCENTRO	4 June 2020	Accumulate	11,00 €	12,00 €
ACCENTRO	30 March 2020	Buy	7,75 €	9,50 €
ACCENTRO	20 December 2019	Buy	7,70 €	10,00 €
ACCENTRO	7 November 2019	Buy	7,05 €	10,00 €
ACCENTRO	9 August 2019	Buy	8,30 €	12,00 €
ACCENTRO	6 May 2019	Buy	8,45 €	12,00 €
ACCENTRO	25 March 2019	Buy	8,50 €	12,00 €

Please note:

The share price mentioned in this report is from 6 January (10:55 am). ACCENTRO Real Estate AG mandated SRC Research for covering the share.

Disclaimer © 2020: This equity research report is published by: SRC-Scharff Research und Consulting GmbH, Klingerstr. 23, D-60313 Frankfurt, Germany (short name: SRC Research). All rights reserved.

Although we feel sure that all information in this SRC report originates from carefully selected sources with high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgement of the author which is not necessarily the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All the opinions and assessment made in this report may be changed without prior notice. Within the scope of German regulative framework the author and SRC-Scharff Research und Consulting GmbH do not assume any liability for this document or its content being used. This report is solely for information purposes and does not constitute a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should obtain personal advice at their bank or investment house and should keep in mind that prices and dividends of equities can rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to having no long or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution or publishing this report and its content as a whole or in parts is only allowed with approval of SRC management written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at any time at our website www.src-research.de.