

Coreo AG^{*4,5a,6a,11}

Buy

Target price: 2.60 Euro

current share price: 1.22 €
20.08.20 / XETRA; 12:22 pm
Currency: EUR

Key data:

ISIN: DE000A0B9VV6
WKN: A0B9VV
Ticker symbol: CORE
Number of shares³: 17.54
Marketcap³: 21.40
EnterpriseValue³: 35.27
³ in million / in million EUR
Free float: 29.1 %

Level of transparency:

Open market
Market segment:
open market

Accounting:
IFRS

Financial year: 31.12

Designated Sponsor:
Hauck & Aufhäuser AG

Analysts:

Cosmin Filker
filker@gbc-ag.de

Marcel Goldman
goldmann@gbc-ag.de

* Catalogue of possible conflicts of interest on page 4

Date (time) completion german version: 20.08.20 (14:05)
Date (time) first distribution german version: 20.08.20 (15:00)

Date (time) completion english version: 26.08.20 (09:55 am)
Date (time) first distribution english version: 26.08.20 (11:00 am)

Validity of the price target: until max. 31.12.2021

Company profile

Industry: Real estate

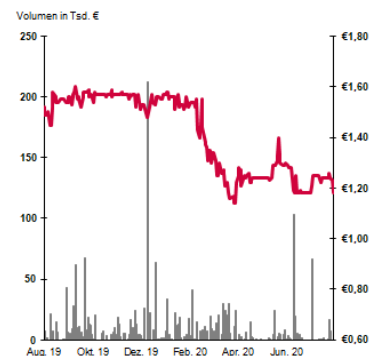
Focus: Commercial and residential real estate

Employees: 10 Status: 31.12.2019

Foundation: 2003

Head office: Frankfurt am Main

Board of Directors: Marin N. Marinov



Coreo AG, based in Frankfurt am Main, is a dynamic growing real estate company focused on German commercial and residential real estate. The company invests in real estate with significant potential for upside potential through renovation, preferably in the so called B- and C-cities in Germany. The goal is to build up an efficiently managed, high-yield real estate portfolio through the prudent development and sale of non-strategic properties. Coreo AG's strategy is characterised by an expansive and selective approach to its real estate investments. The focus of this concept is on the acquisition and management of commercial real estate. Business locations with high yield levels in Germany are given preference, creating the basis for long-term and stable rental income. Opportunities are also used very selectively. Coreo AG acquires value-added portfolios/properties in order to increase their recoverability significantly and sustainably over the medium term with an active "manage-to-core" approach. Non-strategic portfolio components are sold on at a profit.

P&L in EURm	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e
Sales	7.41	11.16	18.93	25.58
EBITDA	2.52	5.52	10.89	14.99
EBIT	2.50	5.51	10.87	14.97
Net income	-0.86	2.40	5.91	8.93

Key figures in EUR

Earnings per share	-0.05	0.14	0.34	0.51
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	4.66	3.10	1.83	1.35
EV/EBITDA	13.71	6.26	3.17	2.31
EV/EBIT	13.81	6.27	3.18	2.31
P/E	neg.	8.62	3.50	2.32
P/B	0.73			

Financial calendar

10.09.2020: Financial & Real Estate Forum
October 2020: HY Report 2020

**last research by GBC:

Date: Publication / Target price in EUR / Rating
17.06.2020: RS / 2.60 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Issue of a 6.75% bond with a volume of up to € 30 million for the expansion of the real estate portfolio and for the premature repayment of the bond with warrants attached 2018/2022

Key data of the 6.75 % corporate bond of Coreo AG	
WKN/ISIN	A289D7 / DE000A289D70
Coupon	6.75 %
Interest payment	half-yearly, first time on 15.03.2021
Volume	up to 30 million € (expandable up to 50 million €)
Duration	5 years (15.09.2020 - 14.09.2025)
Denomination	EUR 1,000
Issue/redemption price	100 % / 100 %
Stock exchange listing	Open Market of the Frankfurt Stock Exchange

Source: Coreo AG; GBC AG

On August 13, 2020, Coreo AG announced the issue of a 6.75% corporate bond with a volume of up to € 30 million and a term of 5 years. The public offering is scheduled to take place in the period 24.08.2020 to 08.09.2020. The security has a coupon of 6.75 % p.a. payable semi-annually. The listing is to take place on the Freiverkehr of the Frankfurt Stock Exchange.

The Company plans to use the bond funds primarily to finance the further growth of its residential and commercial real estate portfolio. The focus here is on the Value Add segment in mid-centre locations in Germany. According to the latest available figures as of December 31, 2019, Coreo AG has a property portfolio (IFRS) of € 44.38 million. For further properties acquired in 2019 with a volume of just under €20 million, the transfer of benefits and burdens did not take place until the first half of 2020. The long-term investment plan foresees a significant expansion to over €400 million over the next 4 - 5 years. If a loan-to-value of 75% is assumed for property financing, Coreo AG would have to raise new capital of around €85 million for the outstanding investments in the coming fiscal years. In addition to the access to liquidity from the planned value-enhancing sales, part of this is to be provided by the current bond issue.

However, the company also intends to use the proceeds of the issue to redeem the option bond, which runs until 2022 and has a current outstanding volume of €15 million, ahead of schedule. In this case, the company would achieve an immediate improvement in earnings, as the warrant bond has a coupon of 10%, which no longer corresponds to the company's development since the issue. If it were to be repaid in full, annual interest savings of € 0.49 million p.a. would be achieved.

In our last research study (see study dated 17 June 2020), we assumed a significant expansion of the property portfolio and real estate projects in the coming financial years. For the current financial year, we expect investments totaling € 40 million. To this extent, the funds from the bond issue would increase the financial basis for the corporate growth we have assumed. The key creditworthiness figures derived from our unchanged forecasts are comparatively sound. The expected EBIT interest coverage ratio for the current fiscal year is 2.4 and is expected to increase significantly to 3.6 as early as 2021.

In the course of the current bond issue, we conducted an interview with Coreo board member Marin Marinov. This is available at <http://www.more-ir.de/d/21403.pdf>.

ANNEX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever. or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer>

Legal information and disclosures as required by section 85 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1, Conflicts of interest as defined in section 85 of the Securities Trading Act (WpHG)

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (4,5a,6a,11)

section 2 (V) 2, Catalogue of potential conflicts of interest

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analysed or the financial instrument or financial product analysed. (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analysed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.
- (5) b) After receiving valid amendments by the analysed company or issuer, the draft of this analysis was changed.
- (6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.
- (6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).
- (12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

Section 2 (V) 3. Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Karin Jägg, Email: jaegg@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research
Marcel Goldmann, M.Sc., Financial Analyst

Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

Section 3 Copyright

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de