

# Aroundtown Property Holdings Plc.

Germany / Real Estate  
 Euronext Paris  
 Bloomberg: ALATP FP  
 ISIN: CY0105562116

Update

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>€ 6.40</b>
Return Potential	35.6%
Risk Rating	Medium

## PAVING THE WAY FOR FURTHER GROWTH

Aroundtown announced the successful placement of 93m new shares for gross proceeds of some €426m. At the same time, the company closed an offer with its Series B convertible bond holders. AT will use the proceeds of the capital increase to further facilitate its growth strategy and to finance the reduction of the outstanding convertible bonds by €55.3m. The company cited a strong acquisition pipeline on its 31 March conference call and wants to be prepared to react quickly to opportunities. The measures likewise improve balance sheet metrics, and will result in an improved free float (+5%). We now see fair value for the share at €6.40 (previously: €6.50) after accounting for the share dilution. Our rating remains Buy.

**Equity issue bolsters balance sheet** The €350m cash injection (gross proceeds adjusted for the cash used for the bond redemption) is a substantial boost to the cash position, which stood at €641m at the end of 2016 (liquid assets: €833m). We believe the company has an acquisition pipeline of around €1bn as discussed on the annual results conference call. The proceeds will provide added financial firepower and flexibility to drive further external growth. The equity issue will likewise have a positive impact on the leverage ratios. We expect the Loan-to-value (LTV) to approach the 30% mark at the end of the year based on our growth assumptions.

**Series B conversion helps clear overhang** AT earmarked some €77m of the proceeds for the redemption of Series B convertible bonds for cash or exchange into new shares at €4.58 per share. This includes a 40% premium to the announced €55.3m principal amount. The conversion will reduce the aggregate amount of the bonds from €128.7m to €73.4m, whereas the combined effect of the redemption and the new equity will improve the free float by some 5% and thus boost share liquidity. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2014*	2015	2016	2017E	2018E	2019E
Rental income (€m)	257.17	125.16	273.70	421.36	484.86	538.34
Y/Y growth	42.1%	-51.3%	118.7%	54.0%	15.1%	11.0%
Adj. EBITDA (€m)	59.67	92.72	194.54	296.53	342.09	379.60
Net income	898.45	920.75	901.09	660.83	756.95	830.43
EPS (diluted) (€)	1.41	1.01	0.88	0.62	0.71	0.78
EPRA NAV (€m)	1273.27	2720.69	4349.05	5348.70	5950.21	6626.94
DPS (€)	0.00	0.05	0.16	0.21	0.23	0.26
FFO I (€m)	38.75	94.05	165.63	240.82	291.97	331.60
FFOPS I	0.08	0.17	0.25	0.34	0.37	0.40
Liquid assets (€ m)	184.00	175.75	386.98	833.44	983.62	775.51

\* Note that GCP was deconsolidated at the end of 2014. <sup>1</sup> Includes perpetual notes issued October 2016.

### RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and the departure of key personnel.

### COMPANY PROFILE

Aroundtown Property Holdings Plc is a specialist real estate company focused on investing in and managing value-add properties primarily located in the German real estate market.

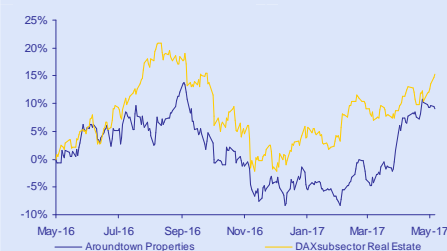
### MARKET DATA

As of 09 May 2017

Closing Price	€ 4.72
Shares outstanding	759.97m
Market Capitalisation	€ 3587.06m
52-week Range	€ 3.97 / 4.93
Avg. Volume (12 Months)	569,233

Multiples	2016	2017E	2018E
P/FFO I	18.9	14.1	12.8
P/EPRA NAV	1.0	0.7	0.7
FFO I/Yield	5.3%	7.1%	7.8%
Div. Yield	3.4%	4.4%	4.9%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2016

Liquid Assets	€ 833.00m
Current Assets	€ 1,100.00m
EPRA NAV <sup>1</sup>	€ 4,349.00m
Total Assets	€ 8,089.00m
Current Liabilities	€ 349.00m
Total Equity	€ 3941.00m

<sup>1</sup> includes perpetual notes issued Oct 2016

### SHAREHOLDERS

Avisco Group	50.0%
Free Float	50.0%



## VALUATION

We have adjusted our model to reflect the capital increase and the expected bond conversions. We now assume a fully diluted share count of 944m (previously: 851m). The adjustments generate a new fair value of €6.40 per share (previously: €6.50). Our rating remains Buy.

in €'000	2017E	2018E	2019E
Shareholders' equity	4,750,599	5,447,104	6,047,666
Total equity	5,255,406	6,103,301	6,869,949
NAV per share	6.90	7.42	8.14
Net deferred taxes	427,381	495,502	571,292
Derivative financial instruments	7,241	7,603	7,983
Convertible bond	163,474	-	-
EPRA NAV (inc hybrid notes)	5,348,695	5,950,208	6,626,941
<b>EPRA NAV per share</b>	<b>6.29</b>	<b>6.99</b>	<b>7.79</b>
FFO	240,821	291,972	331,597
Revaluation results	409,659	454,140	505,270
New Equity	425,940	-	-
<b>Total return</b>	<b>1,076,420</b>	<b>746,112</b>	<b>836,867</b>

EPRA NAV	5,348,695	5,950,208	6,626,941
Return on NAV	25%	14%	14%
Cost of equity	6.0%	6.0%	6.0%
<b>Spread (percentage points)</b>	<b>19%</b>	<b>8%</b>	<b>8%</b>

	2017E	2018E	2019E
WACC	4.2%	4.2%	4.2%
Value creation	1,003,882	474,078	535,622
NPV	977,742	443,118	480,457
Dividends paid	107,658	156,534	189,782
Present value of dividends paid	104,854	146,311	170,236

Fair value calculation	
PV of total value created	1,901,317
EPRA NAV (2016)	3,568,440
Adjustments	-
Equity value	5,469,757
PV of dividends	606,945
<b>Fair value</b>	<b>6,076,702</b>
Number of shares (000's, fully diluted)	943,858
<b>Fair value per share €</b>	<b>6.40</b>



## INCOME STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
<b>Revenue</b>	<b>125,162</b>	<b>273,699</b>	<b>421,364</b>	<b>484,857</b>	<b>538,335</b>
Capital gains, property revaluations & other	814,511	719,517	409,659	454,140	505,270
Result from equity-accounted investees	134,138	197,064	135,228	150,037	146,478
Property OpEx	-28,529	-75,353	-116,296	-134,305	-149,657
Administration & other OpEx	-4,287	-7,921	-11,531	-11,630	-12,392
<b>Operating income (EBIT)</b>	<b>1,040,995</b>	<b>1,107,006</b>	<b>838,423</b>	<b>943,100</b>	<b>1,028,034</b>
Net financial result	-20,466	-47,408	-69,934	-65,378	-63,825
Other financial expenses	7,869	-35,883	0	0	0
<b>Pre-tax income (EBT)</b>	<b>1,028,398</b>	<b>1,023,715</b>	<b>768,489</b>	<b>877,722</b>	<b>964,208</b>
Tax expense	-9,264	-19,910	-46,208	-52,646	-57,988
Deferred tax	-98,380	-102,711	-61,449	-68,121	-75,791
<b>Tax result</b>	<b>-107,644</b>	<b>-122,621</b>	<b>-107,657</b>	<b>-120,767</b>	<b>-133,779</b>
<b>Comprehensive net income</b>	<b>920,754</b>	<b>901,094</b>	<b>660,831</b>	<b>756,955</b>	<b>830,430</b>
Minority interests	233,862	169,186	132,166	151,391	166,086
Hybrid note investors	0	3,699	3,304	3,785	4,152
<b>Net income to owners</b>	<b>686,892</b>	<b>728,209</b>	<b>525,361</b>	<b>601,779</b>	<b>660,192</b>
Basic EPS (in €)	1.26	1.11	0.73	0.76	0.79
Diluted EPS (in €)	1.01	0.87	0.62	0.71	0.78
<b>Adjusted EBITDA commercial</b>	<b>92,723</b>	<b>194,541</b>	<b>296,531</b>	<b>342,087</b>	<b>379,602</b>
<b>Ratios</b>					
Adjusted EBITDA commercial margin	74.1%	71.1%	70.4%	70.6%	70.5%
Tax rate	6.0%	7.4%	12.0%	12.0%	12.0%
<b>Expenses as % of revenues</b>					
Property OpEx	22.8%	27.5%	27.6%	27.7%	27.8%
Administration & other OpEx	3.4%	2.9%	2.7%	2.4%	2.3%
<b>Y-Y Growth</b>					
Revenues	-51.3%	118.7%	54.0%	15.1%	11.0%
Operating income	2.9%	6.3%	-24.3%	12.5%	9.0%
Adjusted EBITDA	-30.7%	109.8%	52.4%	15.4%	11.0%
Net income/ loss	-3.9%	6.0%	-27.9%	14.5%	9.7%
<b>Funds from Operations (FFO)</b>					
<b>Adjusted EBITDA commercial portfolio</b>	<b>92,723</b>	<b>194,541</b>	<b>296,531</b>	<b>342,087</b>	<b>379,602</b>
Finance expense	-20,466	-47,408	-69,934	-65,378	-63,825
Tax expense	-9,264	-19,910	-46,208	-52,646	-57,988
Minority adjustment	-7,900	-7,458	-1,709	-1,821	-1,937
<b>FFO I commercial portfolio</b>	<b>55,093</b>	<b>119,765</b>	<b>178,680</b>	<b>222,243</b>	<b>255,851</b>
Adjustment for GCP contribution	38,956	45,862	62,141	69,729	75,745
<b>FFO I</b>	<b>94,049</b>	<b>165,627</b>	<b>240,821</b>	<b>291,972</b>	<b>331,597</b>



## BALANCE SHEET

All figures in EUR '000	2015	2016	2017E	2018E	2019E
<b>Assets</b>					
<b>Current assets, total</b>	<b>432,545</b>	<b>1,100,047</b>	<b>1,254,383</b>	<b>1,063,667</b>	<b>992,794</b>
Cash and cash equivalents	121,243	641,400	912,393	748,685	662,803
Short-term investments	261,527	180,810	59,667	14,917	14,917
Receivables	45,562	111,293	115,442	132,838	147,489
Other current assets	4,213	166,544	166,881	167,228	167,585
<b>Non-current assets, total</b>	<b>4,007,602</b>	<b>6,988,905</b>	<b>7,999,944</b>	<b>8,957,850</b>	<b>9,923,559</b>
Property, plant & equipment	5,123	22,799	23,255	23,720	24,194
Investment properties	2,430,595	5,016,235	6,011,122	6,798,879	7,597,634
Equity accounted investees	1,183,148	1,557,044	1,692,272	1,842,309	1,988,787
Other LT assets	388,736	392,827	273,296	292,942	312,944
<b>Total assets</b>	<b>4,440,147</b>	<b>8,088,952</b>	<b>9,254,327</b>	<b>10,021,517</b>	<b>10,916,353</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>241,278</b>	<b>348,839</b>	<b>355,430</b>	<b>386,145</b>	<b>416,555</b>
Short-term debt	129,426	159,965	111,721	114,390	120,259
Accounts payable	95,971	107,721	159,310	183,980	205,010
Provisions & other current liabilities	15,881	81,153	84,399	87,775	91,286
<b>Long-term liabilities, total</b>	<b>1,773,357</b>	<b>3,799,033</b>	<b>3,643,492</b>	<b>3,532,071</b>	<b>3,629,849</b>
Long-term debt	1,521,557	3,384,658	3,166,492	2,985,741	3,006,483
Deferred tax liabilities	185,774	365,932	427,381	495,502	571,292
Other LT liabilities	66,026	48,443	49,619	50,828	52,073
Minority interests	320,103	372,640	504,806	656,197	822,283
<b>Shareholders' equity</b>	<b>2,105,409</b>	<b>3,568,440</b>	<b>4,750,599</b>	<b>5,447,104</b>	<b>6,047,666</b>
<b>Total consolidated equity and debt</b>	<b>4,440,147</b>	<b>8,088,952</b>	<b>9,254,327</b>	<b>10,021,517</b>	<b>10,916,353</b>
<b>Ratios</b>					
Current ratio (x)	1.79	3.15	3.53	2.75	2.38
Equity ratio	54.6%	48.7%	56.8%	60.9%	62.9%
Financial leverage	60.0%	76.7%	48.3%	42.7%	40.3%
EPRA NAV	2,720,687	3,870,770	4,870,418	5,471,931	6,148,664
EPRA NAV per share (€)	3.70	4.90	6.40	6.66	7.29
Net debt	1,264,000	2,737,437	2,294,591	2,324,620	2,436,757
Return on equity (ROE)	43.7%	25.3%	13.9%	13.9%	13.7%
Loan-to-value (LTV)	34.5%	39.3%	28.8%	26.0%	24.6%
LTV without convertible bond	19.0%	34.0%	24.1%	24.6%	24.6%



## CASH FLOW STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
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Current ratio (x)	1.79	3.15	3.53	2.75	2.38
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Financial leverage	60.0%	76.7%	48.3%	42.7%	40.3%
EPRA NAV	2,720,687	3,870,770	4,870,418	5,471,931	6,148,664
EPRA NAV per share (€)	3.70	4.90	6.40	6.66	7.29
Net debt	1,264,000	2,737,437	2,294,591	2,324,620	2,436,757
Return on equity (ROE)	43.7%	25.3%	13.9%	13.9%	13.7%
Loan-to-value (LTV)	34.5%	39.3%	28.8%	26.0%	24.6%
LTV without convertible bond	19.0%	34.0%	24.1%	24.6%	24.6%

## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 September 2015	€3.40	Buy	€5.70
2...6	↓	↓	↓	↓
7	10 October 2016	€4.30	Buy	€6.20
8	30 November 2016	€4.18	Buy	€6.20
9	5 April 2017	€4.59	Buy	€6.50
10	Today	€4.72	Buy	€6.40

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

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#### PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

#### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

#### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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#### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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