

# Aroundtown Property Holdings Plc.

Germany / Real Estate  
 Frankfurt Stock Exchange  
 Bloomberg: AT1 GR  
 ISIN: CY0105562116

Update

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>€ 7.20</b>
Return Potential	27.9%
Risk Rating	Medium

## AROUNDTOWN SOON TO JOIN SDAX

Effective 18 September, Aroundtown (AT) will enter Germany's SDAX index as part of the reshuffling of the DAX family of indices. The adoption follows several steps undertaken by management to boost the transparency of the company and share tradability including the uplisting to the German Prime Standard of the Frankfurt Stock Exchange. Once trading volumes pick up, we anticipate the company will quickly be eligible to join the MDAX. The next review is set to take place 5 December 2017. We recently upgraded our estimates and price target to €7.20 on the heels of a strong six month report and outlook. Our rating is Buy.

**Stepping stone to likely MDAX inclusion** AT plans to de-list its shares from the Paris Stock Exchange and trade exclusively under its Xetra ticker AT1. We expect a pick up in trading volumes to boost the chances for a further step up into the MDAX, where it would join the recently adopted Grand City Properties. AT holds a 36% stake in the German residential property specialist. We believe AT already meets market capitalisation requirements to join the MDAX, which contains the 50 largest and most liquid companies outside of the DAX. We believe the SDAX milestone and the corporate relocation to Luxembourg will be appreciated by investors and expect the latter to be wrapped up upon approval at the 13 September EGM.

**Stock performance beginning to reflect strong operations** We regard AT as an attractive growth play in the German commercial property segment with appealing valuation metrics. The share trades at a 23% discount to our projected 2017E NAVPS (€7.2). Thanks to its strong deal flow and overall sourcing prowess, we believe the company can continue its high external growth trajectory to compliment strong operating performance and spur FFO I and NAV growth. We target FFOPS I and NAVPS growth of 32% and 33% respectively in 2017. In our view, the compelling equity story is beginning to be reflected in the share price performance with the stock having appreciated some 12% since the beginning of August. (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Rental income (€m)	257.17	125.16	273.70	479.55	623.96	720.71
Y/Y growth	42.1%	-51.3%	118.7%	75.2%	30.1%	15.5%
Adj. EBITDA (€m)	59.67	92.72	194.54	320.71	422.58	490.05
Net income	898.45	920.75	901.09	1095.37	696.53	783.58
EPS (diluted) (€)	1.41	1.01	0.88	0.93	0.56	0.63
EPRA NAV <sup>1</sup> (€m)	1273.27	2720.69	4349.05	6259.94	6693.10	7143.67
DPS (€)	0.00	0.05	0.16	0.20	0.27	0.30
FFO I (€m)	38.75	94.05	165.63	273.06	358.70	408.05
FFOPS I	0.08	0.17	0.25	0.34	0.41	0.47
Liquid assets (€ m)	175.75	386.98	833.44	336.68	254.73	251.41

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

## 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/NL real estate markets.

## MARKET DATA

As of 06 Sep 2017

Closing Price	€ 5.63
Shares outstanding	872.31m
Market Capitalisation	€ 4911.11m
52-week Range	€ 3.97 / 5.69
Avg. Volume (12 Months)	668,635

Multiples	2016	2017E	2018E
P/FFO I	22.1	16.7	13.6
P/EPRA NAV	1.1	0.9	0.9
FFO I/Yield	4.5%	6.0%	7.3%
Div. Yield	2.8%	3.6%	4.7%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2017

Liquid Assets	€ 324.50m
Current Assets	€ 1,123.50m
EPRA NAV <sup>1</sup>	€ 6,160.00m
Total Assets	€ 10,821.10m
Current Liabilities	€ 601.20m
Total Equity	€ 6005.80m

<sup>1</sup> includes perpetual notes

## SHAREHOLDERS

Avisco Group	44.0%
Free Float	56.0%



## EPRA NAV VALUATION

in €'000	2017E	2018E	2019E
Shareholders' equity	5,716,526	6,096,267	6,489,979
Total equity	6,308,241	6,827,288	7,377,717
NAV per share	7.23	7.83	8.46
Net deferred taxes	536,177	589,228	645,703
Derivative financial instruments	7,241	7,603	7,983
Convertible bond	-	-	-
EPRA NAV (inc hybrid notes)	6,259,944	6,693,098	7,143,665
<b>EPRA NAV per share</b>	<b>7.18</b>	<b>7.67</b>	<b>8.19</b>
FFO	273,056	358,700	408,050
Revaluation results	896,025	294,730	332,206
New Equity	420,140	-	-
<b>Total return</b>	<b>1,589,221</b>	<b>653,430</b>	<b>740,256</b>

EPRA NAV	6,259,944	6,693,098	7,143,665
Return on NAV	37%	10%	11%
Cost of equity	6.0%	6.0%	6.0%
<b>Spread (percentage points)</b>	<b>31%</b>	<b>4%</b>	<b>5%</b>

	2017E	2018E	2019E
WACC	4.2%	4.2%	4.2%
Value creation	1,913,028	298,263	362,755
NPV	1,888,596	282,582	329,826
Dividends paid	107,658	177,487	233,155
Present value of dividends paid	106,283	168,155	211,991

Fair value calculation			
PV of total value created	2,501,005		
EPRA NAV (2016)	3,568,440		
Adjustments	-		
Equity value	6,069,445		
PV of dividends	717,863		
<b>Fair value</b>	<b>6,787,307</b>		
Number of shares (000's, fully diluted)	944,920		
<b>Fair value per share €</b>	<b>7.20</b>		

Valuation metrics	2017E	2018E	2019E
Price target (€)	7.20	7.20	7.20
Share price (€)	5.63	5.63	5.63
Return potential	27.9%	27.9%	27.9%
Dividend yield	3.6%	4.7%	5.4%
<b>Total return potential</b>	<b>31.5%</b>	<b>32.6%</b>	<b>33.3%</b>
NAV discount / premium (share price)	-21.5%	-26.6%	-31.3%
FFOPS I yield	6.0%	7.3%	8.3%



## INCOME STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
<b>Revenue</b>	<b>125,162</b>	<b>273,699</b>	<b>479,550</b>	<b>623,960</b>	<b>720,707</b>
Capital gains, property revaluations & other	814,511	719,517	896,025	294,730	332,206
Result from equity-accounted investees	134,138	197,064	146,220	153,530	163,092
Property OpEx	-28,529	-75,353	-132,835	-172,837	-200,357
Administration & other OpEx	-4,287	-7,921	-14,386	-17,471	-19,459
<b>Operating income (EBIT)</b>	<b>1,040,995</b>	<b>1,107,006</b>	<b>1,374,573</b>	<b>881,912</b>	<b>996,190</b>
Net financial result	-20,466	-47,408	-67,894	-80,298	-96,652
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>1,306,679</b>	<b>801,614</b>	<b>899,538</b>
Tax expense	-9,264	-19,910	-41,062	-52,028	-59,479
Deferred tax	-98,380	-102,711	-170,245	-53,051	-56,475
<b>Tax result</b>	<b>-107,644</b>	<b>-122,621</b>	<b>-211,307</b>	<b>-105,079</b>	<b>-115,954</b>
<b>Comprehensive net income</b>	<b>920,754</b>	<b>901,094</b>	<b>1,095,372</b>	<b>696,535</b>	<b>783,584</b>
Minority interests	233,862	169,186	219,074	139,307	156,717
Hybrid note investors	0	3,699	28,500	32,500	32,500
<b>Net income to owners</b>	<b>686,892</b>	<b>728,209</b>	<b>847,798</b>	<b>524,728</b>	<b>594,367</b>
Basic EPS (in €)	1.26	1.11	1.04	0.60	0.68
Diluted EPS (in €)	1.01	0.87	0.93	0.56	0.63
<b>Adjusted EBITDA commercial</b>	<b>92,723</b>	<b>194,541</b>	<b>320,713</b>	<b>422,575</b>	<b>490,052</b>
<b>Ratios</b>					
Adjusted EBITDA commercial margin	74.1%	71.1%	66.9%	67.7%	68.0%
Tax rate	6.0%	7.4%	10.0%	10.0%	10.0%
<b>Expenses as % of revenues</b>					
Property OpEx	22.8%	27.5%	27.7%	27.7%	27.8%
Administration & other OpEx	3.4%	2.9%	3.0%	2.8%	2.7%
<b>Y/Y Growth</b>					
Revenues	-51.3%	118.7%	75.2%	30.1%	15.5%
Operating income	2.9%	6.3%	24.2%	-35.8%	13.0%
Adjusted EBITDA	-30.7%	109.8%	64.9%	31.8%	16.0%
Net income/ loss	-3.9%	6.0%	16.4%	-38.1%	13.3%
<b>Funds from Operations (FFO)</b>					
<b>Adjusted EBITDA commercial portfolio</b>	<b>92,723</b>	<b>194,541</b>	<b>320,713</b>	<b>422,575</b>	<b>490,052</b>
Finance expense	-20,466	-47,408	-67,894	-80,298	-96,652
Tax expense	-9,264	-19,910	-41,062	-52,028	-59,479
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>210,048</b>	<b>288,429</b>	<b>331,984</b>
Adjustment for GCP contribution	38,956	45,862	63,008	70,272	76,066
<b>FFO I</b>	<b>94,049</b>	<b>165,627</b>	<b>273,056</b>	<b>358,700</b>	<b>408,050</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>1,011,682</b>	<b>969,291</b>	<b>992,479</b>
Cash and cash equivalents	121,243	641,400	265,453	227,901	224,226
Short-term investments	261,527	180,810	59,667	14,917	14,917
Receivables	45,562	111,293	131,384	170,948	197,454
Other current assets	4,213	11,225	11,562	11,909	12,266
Assets held for sale	0	155,319	543,617	543,617	543,617
<b>Non-current assets, total</b>	<b>4,007,602</b>	<b>6,988,905</b>	<b>10,225,810</b>	<b>11,826,415</b>	<b>13,349,345</b>
Property, plant & equipment	5,123	22,799	23,255	23,720	24,194
Investment properties	2,430,595	5,016,235	8,132,716	9,546,149	10,873,893
Equity accounted investees	1,183,148	1,557,044	1,703,264	1,856,794	2,019,887
Other LT assets	388,736	392,827	366,575	399,752	431,371
<b>Total assets</b>	<b>4,440,147</b>	<b>8,088,952</b>	<b>11,237,492</b>	<b>12,795,706</b>	<b>14,341,824</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>241,278</b>	<b>348,839</b>	<b>486,819</b>	<b>583,631</b>	<b>662,447</b>
Short-term debt	129,426	159,965	142,546	178,070	212,436
Accounts payable	95,971	107,721	181,966	236,763	274,461
Provisions & other current liabilities	15,881	81,153	162,306	168,798	175,550
<b>Long-term liabilities, total</b>	<b>1,773,357</b>	<b>3,799,033</b>	<b>4,442,433</b>	<b>5,384,786</b>	<b>6,301,660</b>
Long-term debt	1,521,557	3,384,658	3,856,637	4,744,730	5,603,884
Deferred tax liabilities	185,774	365,932	536,177	589,228	645,703
Other LT liabilities	66,026	48,443	49,619	50,828	52,073
Minority interests	320,103	372,640	591,714	731,021	887,738
<b>Shareholders' equity</b>	<b>2,105,409</b>	<b>3,568,440</b>	<b>5,716,526</b>	<b>6,096,267</b>	<b>6,489,979</b>
<b>Total consolidated equity and debt</b>	<b>4,440,147</b>	<b>8,088,952</b>	<b>11,237,492</b>	<b>12,795,706</b>	<b>14,341,824</b>
<b>Ratios</b>					
Current ratio (x)	1.79	3.15	2.08	1.66	1.50
Equity ratio	54.6%	48.7%	56.1%	53.4%	51.4%
Financial leverage	60.0%	76.7%	64.1%	76.6%	85.7%
EPRA NAV	2,720,687	3,870,770	5,238,067	5,671,221	6,121,788
EPRA NAVPS (€)	3.70	5.40	7.18	7.67	8.19
Net debt	1,264,000	2,737,437	3,662,502	4,668,074	5,564,911
Return on equity (ROE)	43.7%	25.3%	19.2%	11.4%	12.1%
Loan-to-value (LTV)	34.5%	39.3%	34.7%	38.5%	40.8%
LTV without convertible bond	19.0%	34.0%	32.0%	36.0%	38.6%



## CASH FLOW STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
<b>Net income</b>	<b>920,754</b>	<b>901,094</b>	<b>1,095,372</b>	<b>696,535</b>	<b>783,584</b>
Depreciation & amortisation	377	2,006	959	1,248	1,441
Capital gains, property revaluations & other	-814,511	-719,517	-896,025	-294,730	-332,206
Profit share from equity accounted investees	-134,138	-197,064	-146,220	-153,530	-163,092
Shared based payment in a subsidiary	0	2,110	0	0	0
Net finance expenses	12,597	83,291	67,894	80,298	96,652
Tax result	107,644	122,621	211,307	105,079	115,954
<b>Operating cash flow</b>	<b>92,723</b>	<b>194,541</b>	<b>333,287</b>	<b>434,900</b>	<b>502,333</b>
Changes in working capital	-3,842	-17,277	134,679	-13,383	-15,720
Provisions for other liabilities	6,355	-871	80,899	6,179	6,374
Dividend received	7,445	17,948	0	0	0
Tax paid	-8,376	-15,537	-41,062	-52,028	-59,479
<b>Net operating cash flow</b>	<b>94,305</b>	<b>178,804</b>	<b>507,802</b>	<b>375,667</b>	<b>433,508</b>
CapEx/ intangibles	-957	-6,653	-1,415	-1,713	-1,916
Disposal/ investment in investment properties, net	-776,436	-1,050,803	-2,220,456	-1,118,704	-995,538
Acquisition/disposals of subsidiaries	-386,297	-994,129	-388,298	0	0
Proceeds from investments in financial assets	-255,035	151,306	67,964	41,366	-3,441
<b>Cash flow from investing</b>	<b>-1,418,725</b>	<b>-1,900,279</b>	<b>-2,542,205</b>	<b>-1,079,051</b>	<b>-1,000,895</b>
Debt financing, net	1,230,276	1,786,100	870,267	923,616	893,520
Equity financing, net	319,731	740,942	963,740	0	0
Dividends paid	0	-34,490	-107,658	-177,487	-233,155
Other financing activities	-112,578	-203,936	0	0	0
Net paid financing expenses	-19,760	-44,606	-67,894	-80,298	-96,652
<b>Cash flow from financing</b>	<b>1,417,669</b>	<b>2,244,010</b>	<b>1,658,455</b>	<b>665,832</b>	<b>563,712</b>
<b>Net cash flows</b>	<b>93,249</b>	<b>522,535</b>	<b>-375,947</b>	<b>-37,552</b>	<b>-3,675</b>
Assets held for sale - cash	0	-2378	0	0	0
Cash, start of the year	27,994	121,243	641,400	265,453	227,901
<b>Cash, end of the year</b>	<b>121,243</b>	<b>641,400</b>	<b>265,453</b>	<b>227,901</b>	<b>224,226</b>
Adjusted EBITDA commercial/share (€)	0.17	0.30	0.39	0.48	0.56
FFO I	94,049	165,627	273,056	358,700	408,050
FFOPS I (€)	0.17	0.25	0.34	0.41	0.47
<b>Y/Y Growth</b>					
EBITDA/share	42.0%	75.7%	32.2%	23.0%	16.0%
FFO I	142.7%	76.1%	64.9%	31.4%	13.8%
FFOPS I	114.9%	47.5%	32.2%	22.6%	13.8%

### 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...10	↓	↓	↓	↓
11	9 June 2017	€4.62	Buy	€6.40
12	15 June 2017	€4.68	Buy	€6.40
13	1 September 2017	€5.60	Buy	€7.20
14	Today	€5.63	Buy	€7.20

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

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

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**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%.

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- 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/>

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