

Aroundtown SA

Germany / Real Estate
 Frankfurt Stock Exchange
 Bloomberg: AT1 GR
 ISIN: LU1673108939

Operational
 update

RATING
BUY

PRICE TARGET
€ 8.50

Return Potential 33.1%
 Risk Rating Medium

OPERATIONAL KPIS FOR MAY SUPPORT GROWTH SCENARIO

Aroundtown (AT) has published an operational update confirming the current growth phase. According to the new run rates for May, the value of the commercial property portfolio has grown +11.2% YTD to €10.9bn. This compares to €10.2bn reported for April (+6.9%). In-place rent for commercial properties is now €9.5 / sqm with an EPRA vacancy rate of 9.4%. The May net rent run rate for the commercial portfolio now stands at €584m (April €540m) with adjusted EBITDA at €482m. FFOPS 1 edged higher to €0.39 (December €0.36) corresponding to a 6.1% yield. The new operational figures support our 2018 targets. We stick to our Buy rating and €8.50 price target.

Operational KPIs support current scenario Aroundtown continues to expand its commercial portfolio primarily with office and hotel assets spread across top tier German hubs, such as Berlin, Frankfurt, North Rhine Westphalian cities, Munich, and Stuttgart, as well as Rotterdam, Utrecht, and London abroad. While the company may not be able to duplicate the exceptional growth—doubling commercial assets—of 2017, we believe the company will deliver another strong year of growth (FBe: commercial assets: €11.8bn) and operational performance (FBe: FFOPS 1 +13%, NAVPS +17%) in 2018, thanks to ample financial firepower, a full pipeline and operational execution. The company will report Q1/18 results and host a conference call on 29 May. In our view, Aroundtown stock is trading at attractive levels. The pro-forma dividend yield is 4% based on the reported run rates and the 65% dividend payout policy.

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Rental income (€m)	125.16	273.70	527.10	711.68	784.68	812.82
Adj. EBITDA (€m)	92.72	194.54	369.10	497.16	548.80	570.07
Net income (€m)	920.8	901.1	1539.0	1015.1	987.7	918.2
EPS (diluted) (€)	1.01	0.88	1.35	0.71	0.69	0.64
EPRA NAV ¹ (€m)	2720.69	4349.05	7656.28	9437.07	10078.92	10313.27
NAVPS ¹ (€m)	3.7	5.4	7.6	9.1	9.7	9.9
DPS (€)	0.05	0.16	0.20	0.26	0.29	0.30
FFO 1 (€m)	94.05	165.63	293.00	410.04	462.29	476.99
FFOPS 1 (€)	0.17	0.25	0.36	0.40	0.44	0.46
Liquid assets (€m)	386.98	833.44	852.44	991.17	670.49	609.63

¹ 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 SA is a specialist real estate company focused on investing in and managing value-add properties primarily located in the German/ Netherlands real estate markets.

MARKET DATA

As of 18 Apr 2018

Closing Price	€ 6.39
Shares outstanding	1043.25m
Market Capitalisation	€ 6661.15m
52-week Range	€ 4.26 / 6.68
Avg. Volume (12 Months)	1,333,863

Multiples	2017	2018E	2019E
P/FFO I	17.9	15.9	14.4
P/EPRA NAV	1.0	0.8	0.8
FFO 1/Yield	5.6%	6.3%	6.9%
Div. Yield	3.1%	4.0%	4.5%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2017

Liquid Assets	€ 764.80m
Current Assets	€ 1,523.10m
EPRA NAV ¹	€ 7,656.30m
Total Assets	€ 13,770.00m
Current Liabilities	€ 565.60m
Total Equity	€ 7,249.90m

¹ includes perpetual notes

SHAREHOLDERS

Avisco Group	36.6%
Free Float	63.4%



VALUATION MODEL

in €m	2018E	2019E	2020E
Shareholders' equity (excl. perpetual notes)	6,660	7,214	7,675
Total equity	9,081	9,802	10,419
NAV per share	0.01	0.01	0.01
Net deferred taxes	854	936	1,001
Derivative financial instruments	58	61	64
Convertible bond	292	295	-
EPRA NAV (excl. perpetual notes)	7,864	8,506	8,740
EPRA NAV per share	7.54	8.16	8.38
FFO	410	462	477
Revaluation results	566	482	407
Total return	976	945	884

EPRA NAV	7,864	8,506	8,740
Return on NAV	15.0%	12.0%	10.4%
Cost of equity	6.0%	6.0%	6.0%
Spread (percentage points)	9.1%	6.0%	4.4%

	2018E	2019E	2020E
WACC	4.2%	4.2%	4.2%
Value creation	713	513	386
NPV	693	478	345
Dividends paid	190	267	300
Present value of dividends paid	185	249	269

Fair value calculation			
PV of total value created	1,516		
EPRA NAV (2017)	6,483		
Adjustments	-		
Equity value	7,999		
PV of dividends	702		
Fair value	8,702		
Fully diluted number of shares (m)	1,021		
Fair value per share €	8.50		

Valuation metrics	2017E	2018E	2019E
Price target (€)	8.50	8.50	8.50
Share price (€)	6.39	6.39	6.39
Return potential	33.1%	33.1%	33.1%
Dividend yield	4.0%	4.5%	4.7%
Total return potential	37.1%	37.6%	37.8%
NAV discount / premium (share price)	-1.1%	-15.3%	-21.7%
FFOPS I yield	6.3%	6.9%	7.2%



INCOME STATEMENT

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Net rent	106	233	449	607	669	693
Operating and other income	19	40	78	105	116	120
Rental and operating income (RI)	125	274	527	712	785	813
Capital gains, property revaluations & other	815	720	1,327	566	482	407
Result from equity-accounted investees	134	197	228	191	179	157
Property OpEx	-29	-75	-147	-198	-218	-226
Administration & other OpEx	-4	-8	-15	-20	-21	-20
Operating income (EBIT)	1,041	1,107	1,920	1,251	1,207	1,130
Net financial result	-20	-47	-70	-89	-88	-96
Other financial expenses	8	-36	-15	0	0	0
Pre-tax income (EBT)	1,028	1,024	1,836	1,162	1,119	1,035
Tax expense	-9	-20	-34	-45	-49	-51
Deferred tax	-98	-103	-263	-102	-82	-65
Tax result	-108	-123	-297	-147	-131	-116
Comprehensive net income	921	901	1,539	1,015	988	918
Minority interests	234	169	228	173	168	156
Hybrid note investors	0	4	29	47	45	45
Net income to owners	687	728	1,283	795	775	717
Basic EPS (€)	1.26	1.11	1.56	0.78	0.74	0.69
Diluted EPS (€)	1.01	0.87	1.35	0.71	0.69	0.64
Adjusted EBITDA commercial	93	195	369	497	549	570
Ratios						
Adjusted EBITDA commercial margin	74.1%	71.1%	70.0%	69.9%	69.9%	70.1%
Tax rate	6.0%	7.4%	7.8%	7.8%	7.8%	7.8%
Expenses as % of revenues						
Property OpEx	22.8%	27.5%	27.9%	27.8%	27.8%	27.8%
Administration & other OpEx	3.4%	2.9%	2.8%	2.8%	2.7%	2.5%
Y/Y Growth						
Revenues	-51.3%	118.7%	92.6%	35.0%	10.3%	3.6%
Operating income	2.9%	6.3%	73.5%	-34.9%	-3.5%	-6.4%
Adjusted EBITDA	-30.7%	109.8%	89.7%	34.7%	10.4%	3.9%
Net income/ loss	-3.9%	6.0%	76.1%	-38.0%	-2.6%	-7.4%
Funds from Operations (FFO)						
Adjusted EBITDA commercial portfolio	93	195	369	497	549	570
Finance expense	-20	-47	-70	-89	-88	-96
Tax expense	-9	-20	-34	-45	-49	-51
Minority adjustment	-8	-7	-9	-8	-8	-9
FFO 1 commercial portfolio	55	120	257	355	403	415
FFO related to properties for disposal	0	0	-20	-10	-10	-10
FFO 1 commercial (long-term recurring)	55	120	237	345	393	405
Adjustment for GCP contribution	39	46	56	65	69	72
FFO 1	94	166	293	410	462	477



BALANCE SHEET

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Assets						
Current assets, total	433	1,100	1,523	1,694	1,393	1,340
Cash and cash equivalents	121	641	736	924	603	541
Short-term investments	262	181	99	49	49	49
Receivables	46	111	163	195	215	223
Other current assets	4	11	18	18	19	19
Assets held for sale	0	155	508	508	508	508
Non-current assets, total	4,008	6,989	12,247	14,585	15,872	16,993
Property, plant & equipment	5	23	26	26	27	27
Investment properties	2,431	5,016	9,804	11,822	12,953	13,945
Equity accounted investees	1,183	1,557	1,906	2,049	2,172	2,270
Other LT assets	389	393	512	688	720	750
Total assets	4,440	8,089	13,770	16,279	17,265	18,333
Shareholders' equity & debt						
Current liabilities, total	241	349	566	571	609	631
Short-term debt	129	160	17	17	17	17
Accounts payable	96	108	267	260	287	297
Provisions & other current liabilities	16	81	282	293	305	317
Long-term liabilities, total	1,773	3,799	5,955	6,627	6,854	7,282
Long-term debt	1,522	3,385	5,078	5,644	5,785	6,143
Deferred tax liabilities	186	366	752	854	936	1,001
Other LT liabilities	66	48	125	129	133	138
Minority interests	320	373	674	847	1,015	1,171
Shareholders' equity	2,105	3,568	6,576	8,234	8,787	9,249
Total consolidated equity and debt	4,440	8,089	13,770	16,279	17,265	18,333
Ratios						
Current ratio (x)	1.79	3.15	2.69	2.97	2.29	2.12
Equity ratio	54.6%	48.7%	52.6%	55.8%	56.8%	56.8%
EPRA NAV	2,721	3,871	6,483	7,864	8,506	8,740
EPRA NAVPS (€)	3.70	5.40	7.63	9.05	9.67	9.89
Net debt	1,076	2,737	4,400	4,671	5,132	5,551
Return on equity (ROE)	43.7%	25.3%	23.4%	12.3%	11.2%	9.9%
Loan-to-value (LTV)	29.4%	39.3%	35.9%	32.0%	32.3%	32.6%
LTV without convertible bond	19.0%	34.0%	33.5%	30.0%	30.4%	32.6%



CASH FLOW STATEMENT

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Net income	921	901	1,539	1,015	988	918
Depreciation & amortisation	0	2	2	1	2	2
Capital gains, property revaluations & other	-815	-720	-1,327	-566	-482	-407
Profit share from equity accounted investees	-134	-197	-228	-191	-179	-157
Shared based payment in a subsidiary	0	2	2	0	0	0
Net finance expenses	13	83	85	89	88	96
Tax result	108	123	297	147	131	116
Operating cash flow	93	195	369	495	547	568
Changes in working capital	-4	-17	-13	-205	-16	-18
Provisions for other liabilities	6	-1	-2	12	12	12
Dividend received	7	18	41	49	56	59
Tax paid	-8	-16	-33	-45	-49	-51
Net operating cash flow	94	179	362	305	549	570
CapEx/ intangibles	-1	-7	-9	-2	-2	-2
Disposal/ investment in investment properties, net	-776	-1,051	-615	-1,452	-648	-585
Acquisition/disposals of subsidiaries	-386	-994	-1,946	0	0	0
Proceeds from investments in financial assets	-255	151	-184	43	-6	-6
Cash flow from investing	-1,419	-1,900	-2,754	-1,411	-656	-593
Debt financing, net	1,230	1,786	1,165	567	141	358
Equity financing, net	320	741	1,561	1,006	0	0
Dividends paid	0	-34	-155	-190	-267	-300
Other financing activities	-113	-204	-13	0	0	0
Net paid financing expenses	-20	-45	-66	-89	-88	-96
Cash flow from financing	1,418	2,244	2,492	1,293	-214	-38
Net cash flows	93	523	100	187	-321	-61
Assets held for sale - cash	0	-2	-5	0	0	0
Cash, start of the year	28	121	641	736	924	603
Cash, end of the year	121	641	736	924	603	541
Adjusted EBITDA commercial/share (€)	0.17	0.30	0.41	0.46	0.50	0.52
FFO 1	94	166	293	410	462	477
FFOPS 1 (€)	0.17	0.25	0.36	0.40	0.44	0.46
Y/Y Growth						
EBITDA/share	42.0%	75.7%	38.6%	11.1%	8.5%	4.1%
FFO 1	-99.8%	76.1%	76.9%	39.9%	12.7%	3.2%
FFOPS 1 (€)	114.9%	47.5%	40.7%	12.8%	10.2%	3.2%

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...17	↓	↓	↓	↓
18	5 March 2018	€6.20	Buy	€8.20
19	6 March 2018	€6.35	Buy	€8.20
20	29 March 2018	€6.20	Buy	€8.50
21	Today	€6.39	Buy	€8.50

Authored by: Ellis Acklin, Analyst

Company responsible for preparation:

First Berlin Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com
www.firstberlin.com

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2018 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 34B OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO THE GERMAN ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS [FINANV]

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.

CONFLICTS OF INTEREST

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG] (2ND FINANOG) OF 23 JUNE 2017, DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014)

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

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

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

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.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA, Canada and/or the United Kingdom (Great Britain).