

Aroundtown SA

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

Q1/18
 Results

RATING
BUY

PRICE TARGET
€ 9.00

Return Potential 25.4%
 Risk Rating Medium

PICKING UP WHERE 2017 LEFT OFF; RAISING PT TO €9

First quarter reporting featured strong operational performance with all headline figures showing mid double digit growth. Net rent climbed 43% Y/Y to €139m, thanks to external and internal portfolio expansion, which spurred 4.8% like-for-like (LFL) total rental income growth. Commercial assets now top €11.3bn after substantial acquisitions in Q1 / Q2. This excludes the disposal of several non-core assets post reporting amounting to €720m. The sale yielded disposal gains of €165m(30% above cost). We look for the strong operational performance to persist, thanks to the full pipeline and abundant financial firepower. Our adjusted valuation model yields a €9.00 price target (old: €8.50). Our rating remains Buy.

No slowdown in Q1; expect pace to continue We continue to see good growth prospects for AT this year (FBe: FFOPS 1: +13%, NAVPS: +21%) after a strong start in Q1 and post reporting in which some €1bn was invested into commercial properties. On the earnings call, management hinted at an overall pipeline of >€1bn, which primarily contains coveted office and hotel assets in core regions. The company exited Q1 with €1.4bn in cash and liquid assets on the balance sheet. Liquidity was further boosted by the April issuance of €500m in fixed rate notes with an attractive 2.0% coupon. This gives the company excellent financial flexibility to execute on deal flow and capitalise on ample opportunities in its core markets, which now include London. The strong operational performance is again beginning to be reflected in AT's share price, which has appreciated some 13% from February / March lows and posted all time highs this month.

Operational strengths translate into strong Q1 performance Both the top line and earnings showed strong performance (figure 1 overleaf). As of Q1, AT realised total like-for-like (LFL) rental growth of 4.8% comprising 3.3% in-place rent and 1.5% occupancy increases. Management target >4.0% LFL for the year. Grand City Properties (38% AT stake) likewise showed steady like-for-like growth (2.5% in-place rent; 0.5% occupancy) in the first quarter. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Net rent (€m)	106.39	233.38	448.98	590.35	667.69	691.79
Adj. EBITDA (€m)	92.7	194.5	369.1	486.2	547.8	569.1
Net income (€m)	920.75	901.09	1539.00	1068.89	985.86	873.24
EPS (diluted) (€)	1.01	0.88	1.35	0.86	0.81	0.79
EPRA NAV ¹ (€m)	2720.69	4349.05	7656.28	9560.31	10290.00	10572.54
NAVPS ¹ (€m)	3.70	5.40	7.63	9.17	9.87	10.14
DPS (€)	0.05	0.16	0.20	0.25	0.29	0.30
FFO 1 (€m)	94.05	165.63	293.00	404.85	461.52	479.78
FFOPS 1 (€)	0.17	0.25	0.36	0.39	0.44	0.46
Liquid assets (€m)	386.98	833.44	852.44	1167.07	591.25	425.38

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 30 May 2018

Closing Price	€ 7.18
Shares outstanding	1053.00m
Market Capitalisation	€ 7555.28m
52-week Range	€ 4.58 / 7.18
Avg. Volume (12 Months)	1,636,494

Multiples	2017	2018E	2019E
P/FFO I	20.1	18.4	16.2
P/EPRA NAV	0.9	0.8	0.7
FFO 1/Yield	5.0%	5.4%	6.2%
Div. Yield	2.8%	3.5%	4.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2018

Liquid Assets	€ 1,395.00m
Current Assets	€ 2,440.00m
EPRA NAV ¹	€ 9,189.00m
Total Assets	€ 16,079.00m
Current Liabilities	€ 566.00m
Total Equity	€ 8465.00m

¹ includes perpetual notes

SHAREHOLDERS

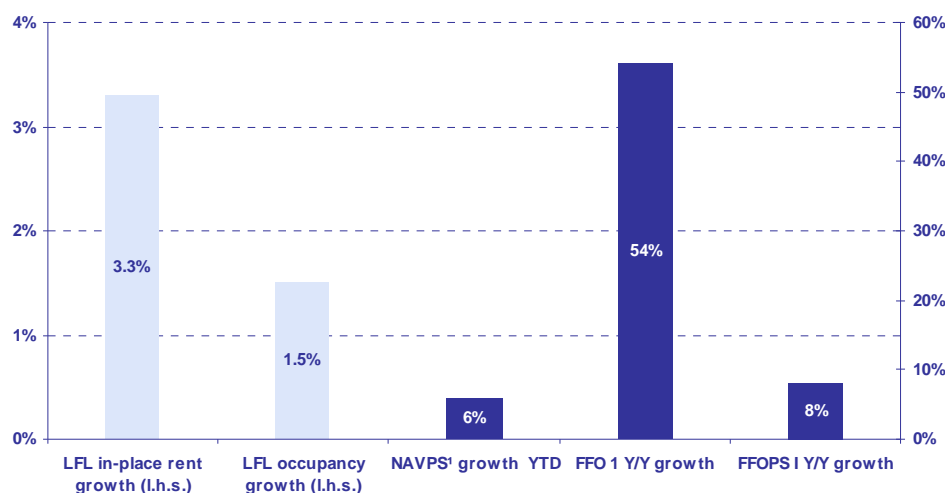
Avisco Group	36.2%
Free Float	63.8%

**Table 1: First quarter results vs forecasts**

All figures in EURm	Q1/18	Q1/18E	Δ	Q1/17	Δ
Revenue	166	155	7.3%	114	46%
Adjusted EBITDA commercial	108	101	6.9%	72	50%
Margin	65%	65%	-	63%	-
Adjusted EBITDA	134	125	6.9%	93	43%
Margin	80%	81%	-	82%	-
FFO I	91	86	6.7%	59	54%
FFOPS I (€)	0.09	0.09	6.7%	0.09	4%

Source: First Berlin Equity Research; Aroundtown

Net rental income rose 43% Y/Y to €139m (recurring long term net rental income: €131m) and 13% sequentially. Net profit surged 50% Y/Y to €371m in the first three months owing to portfolio growth and the unlocking of embedded value.

Figure 1: Operating performance as of 31 March

*excludes perpetual notes

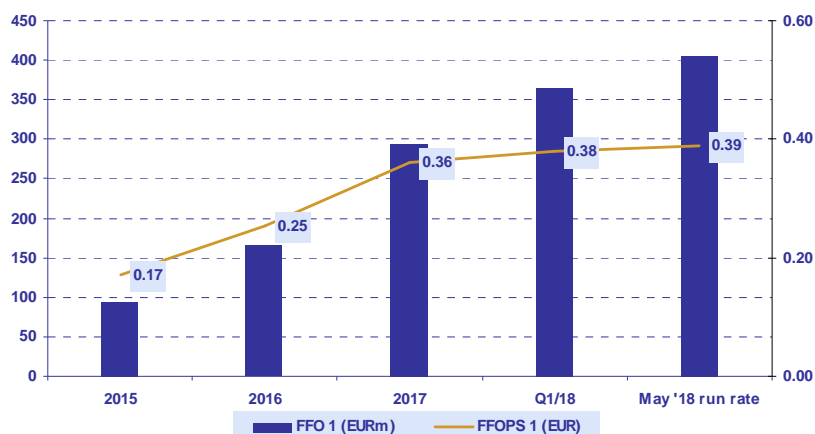
Source: First Berlin Equity Research; Aroundtown

The capital gains, property revaluations and other income line item totalled €346m for the quarter (Q1/17: €212m, +63%). The strong development relates to Aroundtown's value-add business model: acquiring properties with high revisionary potential and value creation upside through asset repositioning.

'Adjusted EBITDA commercial, recurring long-term' reflects the operational profit of the commercial portfolio by excluding revaluation effects, disposal gains, and share of profits from investments in equity-accounted investees. This climbed 50% in Q1 to €108m. The increase is traced to external growth realised through accretive acquisitions and improving occupancy rates and rent levels. Including the 38% GCP stake, adjusted EBITDA rose 43% Y/Y to €134m. As of May 2018, the portfolio generates monthly annualised adjusted EBITDA of €585m (+36% YTD).



Figure 2: FFO 1 and FFOPS 1 development



Source: First Berlin Equity Research; Aroundtown

FFO 1, the key industry indicator for recurring cash flow, climbed 56% Y/Y to €91m equating to FFOPS 1 of €0.09. This topped our estimate by nearly 7%, owing to the better than expected top line performance. On an annualised basis, FFOPS 1 equals €0.38, whereas the FFOPS 1 May run rate is €0.39. This corresponds to a 5.7% yield and supports our 2018 target. Including the result from disposed properties, FFO 2 amounted to €94m and stood at €530m on an annualised Q1/18 basis.

Table 2: FFOPS 1 development

All figures in EURm	Q1/18	Q1/17	Δ
Adjusted EBITDA commercial portfolio	108	72	50%
Finance expense	-24	-15	-
Tax	-10	-10	-
Minority adjustment	-2	-2	-
Other adjustments	3	2	100%
FFO I commercial portfolio (recurring long-term)	75	46	61%
FFO I adjustment for GCP stake	17	13	28%
FFO I	91	59	54%
FFOPS I (€)	0.09	0.09	8%

Source: First Berlin Equity Research; Aroundtown

Asset rotation yields strong disposal gain After the reporting period, Aroundtown sold non-core properties classified as assets held for sale for €720m for some €1,800 / m² to a group of six buyers. The assets were a mix of 32 properties acquired as part of large portfolio deals or assets in non-core locations such as Koblenz or Freiburg. The sale was €75m above current book value (+12%) and resulted in a disposal gain of €165m—30% above total cost. The transaction will impact Q2 FFO 2 and proceeds will be reinvested according to the core strategy. We also anticipate further asset rotation on a select basis once management have harvested all the embedded upside of certain properties.

**Table 3: Commercial investment properties overview**

	Investment properties (€m)	Area ('000 m ²)	EPRA vacancy	In-place rent (€/m ²)	Annualised net rent (€m)	Value (€/m ²)	Rental yield	WALT (years)
Office	6,341	2,670	9.7%	10.8	324	2,375	5.1%	4.6
Hotel	2,184	896	6.3%	12.6	118	2,439	5.4%	15.4
Retail	896	468	13.3%	10.8	57	1,915	6.4%	4.8
Logistics / Wholesale / Other	1,213	1,339	7.0%	4.4	67	905	5.6%	7.1
Land for dev. & building rights	285	0	0.0%	0.0	0	0	0.0%	0
Total	10,919	5,373	9.1%	9.4	566	1,979	5.3%	7.2
May (MTD)	11,300	5,550	9.4%	9.5	584	1,985	5.3%	7.0

Source: First Berlin Equity Research; Aroundtown

Investment properties (excluding assets held for sale) stood at €10.9bn (May total: €11.3bn), while the asset mix continues to be dominated by attractive office and hotel properties featuring high revisionary potential and good demographics. We expect office and hotels to remain the focus, whereas the retail segment will continue to be de-emphasised and opportunistically pared down. The company also noted on the earnings call that it is assessing conversion options for select retail assets. Management likewise said it does not plan to develop the assets categorised as 'Land for development & building rights.' Rather the company prefers to extract the value by disposing of the building rights sometime in 2019.

Table 4: Financial highlights

All figures in EURm	Q1/18	2017	Δ
Cash and liquid assets	1,408	849	66%
Investment property ¹	11,045	9,804	13%
Investment in equity-accounted investees	1,987	1,906	4%
Total assets	16,078	13,770	17%
Net debt	4,812	4,400	9%
Total equity	8,465	7,250	17%
Equity ratio	53%	53%	
EPRA NAV	7,619	6,483	18%
EPRA NAV inc perpetual notes	9,189	7,756	18%
Loan-to-Value (LTV)	35%	36%	-
LTV pro forma*	33%	33%	-

* assumes full conversion of the Series B and Series C bonds

¹ including advanced payments for investment properties

Source: First Berlin Equity Research; Aroundtown

As of 31 March, EPRA NAV totalled €7.6bn (€6.9 / share) compared to €6.5bn at year end 2017 (€6.5 /share, +6% Q/Q). NAV growth stems predominantly from the high growth pace and portfolio value extraction. Including perpetual notes, which are classified as equity under IFRS, this KPI stood at €9.2bn or €8.3 / share (+9% Q/Q).

Well financed for further growth AT reported cash and liquid assets of €1.4bn for the period ended 31 March compared to €849m at the end of Q4/17, while net debt stood at €4.8bn vs €4.4bn at the end of 2017. The debt structure featured an LTV of 35% (33% assuming bond conversion, which remains well below the 45% internal limit set by the Management Board. Coverage ratios were solid with a debt service coverage ratio (DSCR) and an interest coverage ratio (ICR) of 3.9x and 4.9x respectively at the end of Q1, while unencumbered assets totalled 71%. The debt structure continues to feature a 1.6% average cost of debt (CoD) with a 7.5 year maturity. Management commented that it prefers to extend the debt maturity rather than further compress the already low CoD. In our view, the strong balance sheet remains a core strength as competition for deal flow intensifies. The abundant cash position even allows for cash discounts on certain deals.



VALUATION MODEL

We think AT has all the key pieces in place to continue its current growth trajectory (FBe: FFOPS 1: +13%, NAVPS: +21%) thanks to abundant financial firepower (€1.4bn), a full pipeline (>€1bn), and a growing track record, which is reflected in the increasing size of deals now being done. The commercial market continues to thrive in particular from flourishing office segment spurred by the strong job market and frenzied uptake of vacant space in urban hubs. We have also frequently highlighted Aroundtown's excellent turnaround track record of increasing in-place rent levels in its portfolio while compressing vacancy rates. Q1 reporting supports this stance and our belief that this operational performance will persist, We have increased our revaluation assumptions going forward after the strong Q1 result (€346m) resulting in a new price target of €9 (old: €8.50).

in €m	2018E	2019E	2020E
Shareholders' equity	8,278	8,834	9,258
Total equity	9,134	9,857	10,430
NAV per share	8.76	9.45	10.00
Net deferred taxes	933	1,101	1,251
Derivative financial instruments	58	61	64
Convertible bond	292	295	-
EPRA NAV (inc. perpetual notes)	9,560	10,290	10,573
EPRA NAV per share (inc. perpetual notes)	9.17	9.87	10.14
FFO	405	462	480
Revaluation results	693	579	454
Total return	1,098	1,041	934

EPRA NAV	9,560	10,290	10,573
Return on NAV	14.3%	10.9%	9.1%
Cost of equity	5.7%	5.7%	5.7%
Spread (percentage points)	8.6%	5.2%	3.4%

	2018E	2019E	2020E
WACC	4.0%	4.0%	4.0%
Value creation	825	532	355
NPV	806	500	321
Dividends paid	190	263	300
Present value of dividends paid	186	247	271

Fair value calculation			
PV of total value created	1,627		
EPRA NAV (2017)	7,656		
Equity value	9,284		
PV of dividends	705		
Fair value	9,988		
Diluted share count (m)	1,116		
Fair value per share €	9.00		

Valuation metrics	2018E	2019E	2020E
Price target (€)	9.00	9.00	9.00
Share price (€)	7.18	7.18	7.18
Return potential	25.4%	25.4%	25.4%
Dividend yield	3.5%	4.0%	4.2%
Total return potential	29.0%	29.4%	29.6%
NAV discount / premium (share price)	-21.7%	-27.3%	-29.2%
FFOPS I yield	5.4%	6.2%	6.4%



INCOME STATEMENT

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Net rent	106	233	449	590	668	704
Operating and other income	19	40	78	102	116	122
Rental and operating income (RI)	125	274	527	692	783	826
Capital gains, property revaluations & other	815	720	1,327	693	579	454
Result from equity-accounted investees	134	197	228	248	172	153
Property OpEx	-29	-75	-147	-191	-218	-230
Administration & other OpEx	-4	-8	-15	-18	-21	-21
Operating income (EBIT)	1,041	1,107	1,920	1,424	1,295	1,183
Net financial result	-20	-47	-70	-94	-96	-101
Other financial expenses	8	-36	-15	-42	0	0
Pre-tax income (EBT)	1,028	1,024	1,836	1,288	1,200	1,082
Tax expense	-9	-20	-34	-39	-46	-50
Deferred tax	-98	-103	-263	-180	-168	-152
Tax result	-108	-123	-297	-219	-214	-201
Comprehensive net income	921	901	1,539	1,069	986	881
Minority interests	234	169	228	182	168	150
Hybrid note investors	0	4	29	47	45	45
Net income to owners	687	728	1,283	840	773	687
Basic EPS (€)	1.26	1.11	1.56	0.81	0.74	0.66
Diluted EPS (€)	1.01	0.87	1.35	0.75	0.69	0.61
Adjusted EBITDA commercial	93	195	369	486	548	579
Ratios						
Adjusted EBITDA commercial margin	74.1%	71.1%	70.0%	70.2%	69.9%	70.1%
Tax rate	6.0%	7.4%	7.8%	7.0%	7.3%	7.4%
Expenses as % of revenues						
Property OpEx	22.8%	27.5%	27.9%	27.6%	27.8%	27.8%
Administration & other OpEx	3.4%	2.9%	2.8%	2.7%	2.7%	2.5%
Y/Y Growth						
Revenues	-51.3%	118.7%	92.6%	31.4%	13.1%	5.5%
Operating income	2.9%	6.3%	73.5%	-25.8%	-9.1%	-8.7%
Adjusted EBITDA	-30.7%	109.8%	89.7%	31.7%	12.7%	5.8%
Net income/ loss	-3.9%	6.0%	76.1%	-34.5%	-7.9%	-11.2%
Funds from Operations (FFO)						
Adjusted EBITDA commercial portfolio	93	195	369	486	548	579
Finance expense	-20	-47	-70	-94	-96	-101
Tax expense	-9	-20	-34	-39	-46	-50
Minority adjustment	-8	-7	-9	-8	-8	-9
FFO 1 commercial portfolio	55	120	257	345	398	420
FFO related to properties for disposal	0	0	-20	-7	-7	-7
FFO 1 commercial (long-term recurring)	55	120	237	338	391	413
Adjustment for GCP contribution	39	46	56	66	71	76
FFO 1	94	166	293	405	462	489



BALANCE SHEET

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Assets						
Current assets, total	433	1,100	1,523	2,064	1,514	1,370
Cash and cash equivalents	121	641	736	1,100	523	368
Short-term investments	262	181	99	49	49	49
Receivables	46	111	163	190	215	226
Other current assets	4	11	18	18	19	19
Assets held for sale	0	155	508	708	708	708
Non-current assets, total	4,008	6,989	12,247	14,721	16,270	17,417
Property, plant & equipment	5	23	26	26	27	27
Investment properties	2,431	5,016	9,804	11,900	13,296	14,320
Equity accounted investees	1,183	1,557	1,906	2,105	2,220	2,312
Other LT assets	389	393	512	689	727	758
Total assets	4,440	8,089	13,770	16,785	17,783	18,787
Shareholders' equity & debt						
Current liabilities, total	241	349	566	562	608	636
Short-term debt	129	160	17	17	17	17
Accounts payable	96	108	267	251	286	302
Provisions & other current liabilities	16	81	282	293	305	317
Long-term liabilities, total	1,773	3,799	5,955	7,089	7,318	7,713
Long-term debt	1,522	3,385	5,078	6,027	6,084	6,323
Deferred tax liabilities	186	366	752	933	1,101	1,252
Other LT liabilities	66	48	125	129	133	138
Minority interests	320	373	674	856	1,024	1,173
Shareholders' equity	2,105	3,568	6,576	8,278	8,834	9,265
Total consolidated equity and debt	4,440	8,089	13,770	16,785	17,783	18,787
Ratios						
Current ratio (x)	1.79	3.15	2.69	3.68	2.49	2.15
Equity ratio	54.6%	48.7%	52.6%	54.4%	55.4%	55.6%
EPRA NAV	2,721	3,871	6,483	7,987	8,717	9,007
EPRA NAVPS (€)	3.70	5.40	7.63	9.17	9.87	10.15
Net debt	1,076	2,737	4,400	4,878	5,510	5,904
Return on equity (ROE)	43.7%	25.3%	23.4%	12.9%	11.2%	9.5%
Loan-to-value (LTV)	29.4%	39.3%	35.9%	32.6%	33.4%	33.5%
LTV without convertible bond	19.0%	34.0%	33.5%	30.7%	31.6%	33.5%



CASH FLOW STATEMENT

All figures in EURm	2015	2016	2017	2018E	2019E	2020E
Net income	921	901	1,539	1,069	986	873
Depreciation & amortisation	0	2	2	2	2	2
Capital gains, property revaluations & other	-815	-720	-1,327	-693	-579	-454
Profit share from equity accounted investees	-134	-197	-228	-248	-172	-153
Shared based payment in a subsidiary	0	2	2	0	0	0
Net finance expenses	13	83	85	136	96	101
Tax result	108	123	297	219	214	199
Operating cash flow	93	195	369	484	546	567
Changes in working capital	-4	-17	-13	-210	-18	-18
Provisions for other liabilities	6	-1	-2	12	12	12
Dividend received	7	18	41	49	57	62
Tax paid	-8	-16	-33	-39	-46	-49
Net operating cash flow	94	179	362	295	551	574
CapEx/ intangibles	-1	-7	-9	-2	-2	-2
Disposal/ investment in investment properties, net	-776	-1,051	-615	-1,402	-817	-570
Acquisition/disposals of subsidiaries	-386	-994	-1,946	-200	0	0
Proceeds from investments in financial assets	-255	151	-184	43	-6	-6
Cash flow from investing	-1,419	-1,900	-2,754	-1,561	-825	-578
Debt financing, net	1,230	1,786	1,165	950	57	239
Equity financing, net	320	741	1,561	1,006	0	0
Dividends paid	0	-34	-155	-190	-263	-300
Other financing activities	-113	-204	-13	0	0	0
Net paid financing expenses	-20	-45	-66	-136	-96	-101
Cash flow from financing	1,418	2,244	2,492	1,629	-302	-162
Net cash flows	93	523	100	363	-577	-166
Assets held for sale - cash	0	-2	-5	0	0	0
Cash, start of the year	28	121	641	736	1,100	523
Cash, end of the year	121	641	736	1,100	523	357
Adjusted EBITDA commercial/share (€)	0.17	0.30	0.41	0.44	0.50	0.52
FFO 1	94	166	293	405	462	480
FFOPS 1 (€)	0.17	0.25	0.36	0.39	0.44	0.46
Y/Y Growth						
EBITDA/share	42.0%	75.7%	38.6%	6.3%	13.2%	4.1%
FFO 1	-99.8%	76.1%	76.9%	38.3%	13.9%	4.0%
FFOPS 1 (€)	114.9%	47.5%	40.7%	9.1%	13.7%	4.0%

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...18	↓	↓	↓	↓
19	6 March 2018	€6.35	Buy	€8.20
20	29 March 2018	€6.20	Buy	€8.50
21	19 April 2018	€6.39	Buy	€8.50
22	Today	€7.18	Buy	€9.00

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).