

Aroundtown SA

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

Update

RATING
BUY

PRICE TARGET
€ 9.50

Return Potential 26.3%
 Risk Rating Medium

KICKING THE BRICKS AROUND TOWN

We recently had an opportunity to tour several of AT's commercial assets around Berlin. Aroundtown controls some €2.7bn in Berlin commercial properties constituting some 21% of its regional footprint. We stopped by several hotel and office properties to gain deeper insight into the landlord's successful acquisition and repositioning strategy. The gleaned insight underscores the strong operational performance of the maturing business. We expect the positive operational trajectory to continue supported by good commercial market dynamics. Our rating remains Buy with a €9.5 price target.

Share price fails to reflect good operational momentum AT shares have underperformed commercial peers YTD, despite often superior operating metrics. Rent freeze jitters have hurt property sector stocks since a left-wing Berlin senator proposed a five year rent cap on 5 June, while the media continues to blame the listed landlords for Berlin's real estate woes (soaring rents & tight supply). Now investors are beginning to worry if other German cities, where left-wing parties are strong, will imitate Berlin, or about potential contagion effects into the commercial sector. Sentiment for German property stocks is simply bad at the moment. We attribute some of AT's lacklustre stock performance to exposure to Berlin's rent freeze debate through its 39% stake in Grand City Properties. However, potential ramifications of a Berlin rent freeze for AT are reassuring (< 1% valuation risk). We argue investors should rather focus on AT's solid fundamentals vs peers and the company's strong external and operational growth trajectories.

Kicking the bricks with Deputy CEO Andrew Wallis The Berlin tour included a sample of hotel and office properties from an office park in Siemensdamm, to hotels located in Zehlendorf and Kurfürstendamm, plus the Hilton hotel located on Gendarmenmarkt. Each of these properties generates strong cash flows and included stories of reversionary potential common to AT's portfolio. Seeing the properties first hand and listening to conversion options gave us a higher degree of confidence in the company's 33% reversionary upside projected over the next 7 to 8 years. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Net rent (€m)	233.38	448.98	633.00	771.03	824.44	877.06
Adj. EBITDA (€m)	268.2	429.3	606.0	731.2	781.0	831.1
Net income (€m)	901.09	1,539.00	1,827.80	1,157.11	1,106.19	1,027.91
EPS (diluted) (€)	0.88	1.35	1.49	0.88	0.84	0.78
EPRA NAV ¹ (€m)	4,349.05	7,656.28	10,290.10	11,667.10	12,537.71	13,302.61
NAVPS ¹ (€m)	5.40	7.63	9.11	10.34	11.11	11.79
DPS (€)	0.16	0.23	0.25	0.28	0.30	0.32
FFO 1 (€m)	165.63	293.00	405.74	480.16	515.39	551.20
FFOPS 1 (€)	0.25	0.36	0.39	0.43	0.46	0.49
Liquid assets (€m)	833.44	841.60	1,599.50	2,020.47	2,095.65	1,837.45

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 03 Jul 2019

Closing Price	€ 7.52
Shares outstanding	1129.00m
Market Capitalisation	€ 8492.34m
52-week Range	€ 7.00 / 7.88
Avg. Volume (12 Months)	3,385,921

Multiples	2018	2019E	2020E
P/FFO 1	19.5	17.7	16.5
P/EPRA NAV	0.8	0.7	0.7
FFO 1 Yield	5.1%	5.7%	6.1%
Div. Yield	3.3%	3.7%	3.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2019

Liquid Assets	€ 2,119.00m
Current Assets	€ 2,670.00m
EPRA NAV ¹	€ 10,734.00m
Total Assets	€ 20,509.00m
Current Liabilities	€ 445.00m
Total Equity	€ 10,393.00m

¹ including perpetual notes

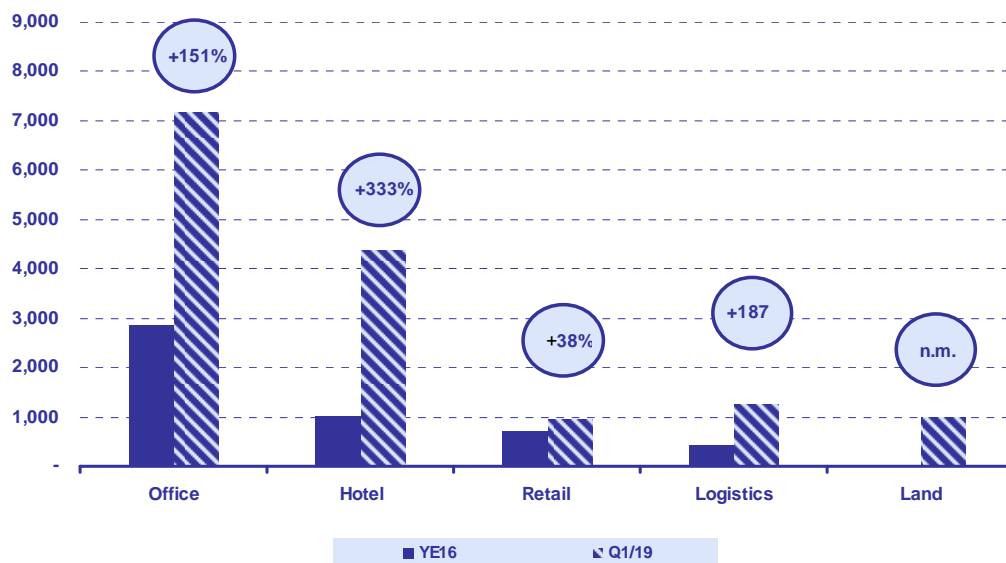
SHAREHOLDERS

Avisco Group	28.9%
Blackrock	5.2%
Free Float	65.9%



Going long office and hotels Physical retail space has fallen out of favour with commercial landlords, as the market wrestles with the negative impact of e-commerce upon brick and mortar (street level) retail. However, a veritable office gold rush has ensued throughout Germany's major hubs the past two years with Aroundtown being one of the largest buyers. Thanks to its strong balance sheet and excellent deal sourcing, the value of AT's office portfolio climbed 143% since February 2017. The company has also invested heavily in hotel properties with the portfolio component more than trebling over the same time frame (figure 1) to €4.4bn.

Figure 1: Evolution of AT's commercial asset mix in GAV €m



Source: First Berlin Equity Research; Aroundtown

No signs of a slowdown so far this year In a recent operational update, the company reported signed acquisitions of > €1.6bn as of H1. These featured a 25x multiple and 10% vacancy providing significant upside potential (long term unlevered NOI yield > 7%). The deals entailed a blend of predominantly office and hotel assets and extended the strong momentum in 2018 when AT invested some €3.7bn into commercial properties.

We expect office and hotels to remain the focus, whereas the retail segment will continue to be de-emphasised although management have said that many of its retail assets are situated in highly coveted locations, such as Berlin's Kurfürstendamm.

Crystallising the meaning "asset repositioning and reversionary potential" Listed property players, Aroundtown included, all boast about the "high quality" of their "centrally" located assets. Plus, Berlin features a highly mixed bag of properties in terms of quality, due to its unique history and diverse influences. Therefore, it was important to check some of Aroundtown's assets to gain first hand insight into: (1) location quality; (2) physical condition; (3) usability; (4) local infrastructure and neighbourhood appeal; and (5) opportunities for expansion or reversionary actions and supporting services.

We spent the afternoon touring central Berlin with Aroundtown Deputy CEO, Andrew Wallis, looking at a variety of office and hotel properties and hearing their respective acquisition and repositioning stories. The insight gave us confidence that AT isn't merely building the largest commercial portfolio among its peers. The properties we inspected also support the company's quality claims. The following case studies illustrate just a sample of the repositioning measures underlying the operational performance and reversionary potential.

HILTON HOTEL CASE STUDY

Figure 2: Hilton Hotel, Mohrenstraße 30, Berlin Mitte



Source: Aroundtown

Property background The four-star Hilton Hotel is located at the heart of Berlin's Gendarmenmarkt – a bustling residential and commercial hub and historical landmark for tourists. The hotel offers over 600 rooms and suites as well as 1,900m² of event space, restaurants, and parking facilities. The hotel had not necessarily been mismanaged—a common theme for most of the properties AT has acquired—rather it suffered from underutilised space and thus failed to maximise its prime location and brand.

Repositioning potential During our tour stop to discuss the repositioning rationale, Mr Willis hinted at the possibilities to extract further value by: (1) converting the 18,000m² overground parking garage into prime office or mixed-purpose residential condos that could be integrated with hotel operations (short-term living); (2) converting the long driveway and the sizable lobby facing the Gendarmenmarkt into retail and gastronomy services to capture higher tourist revenue streams; and (3) adding further rooms taking advantage of unused space, which could yield up to 120 – 170 new rooms.

Quantifying this upside Aroundtown says that one-third of the Hilton's space produces most of the property's rent with the aforementioned underutilised areas contributing only a fraction to the topline. The company estimates that each square metre converted or bolted on would yield some €30 to €50 per m² and €12k to €5k per square metre in value.

SIEMENSDAMM CASE STUDY

Figure 3: Siemensdamm 50, Berlin Charlottenburg



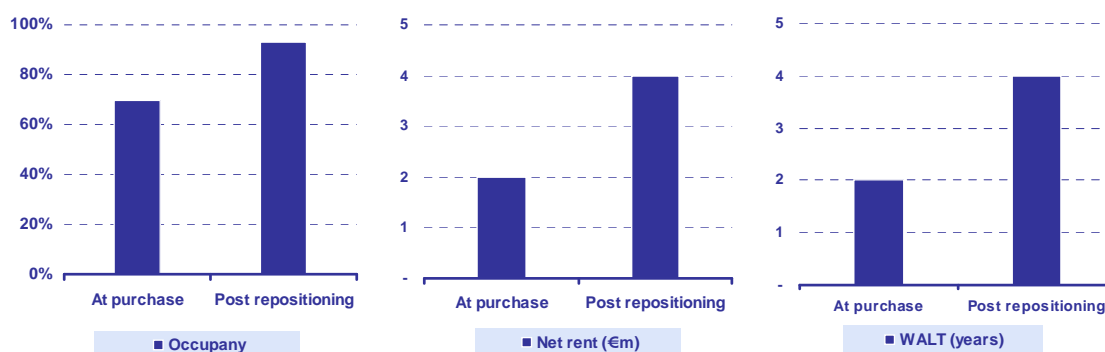
Source: Aroundtown

Property description This iconic red brick office complex offers 50,000m² of space and showcases warehouse-style architecture located on prime land. The 6 - 11 story property is in top condition and surrounded by recently modernised residential apartments. Underground (U7) and Bus services are within two-minute walking distance connecting tenants to central Berlin destinations in less 30 minutes or Tegel Airport (TXL) within 15 minutes.

Repositioning & improvements Siemensdamm had a 30% vacancy rate at acquisition. This allowed management to leverage its network to win new tenants at higher rent levels and boost the WALT. Vacancy was trimmed to < 10%, and the WALT has been lengthened from two to four years. Rental income climbed 60% to €4m, which resulted in 90% valuation gains.

Repositioning potential Siemens is the anchor tenant and expected to vacate the premises as it scales down its Berlin presence. This will open up substantial repositioning options to AT. The property can easily be converted into co-working space and combined with residential units. We believe this would unlock substantial upside, given the current appetite of urbanites for loft-style locations for work and housing. The company also holds development rights on a vacant plot that is part of the property. We therefore see excellent reversionary potential.

Figure 4: Siemensdamm performance KPIs



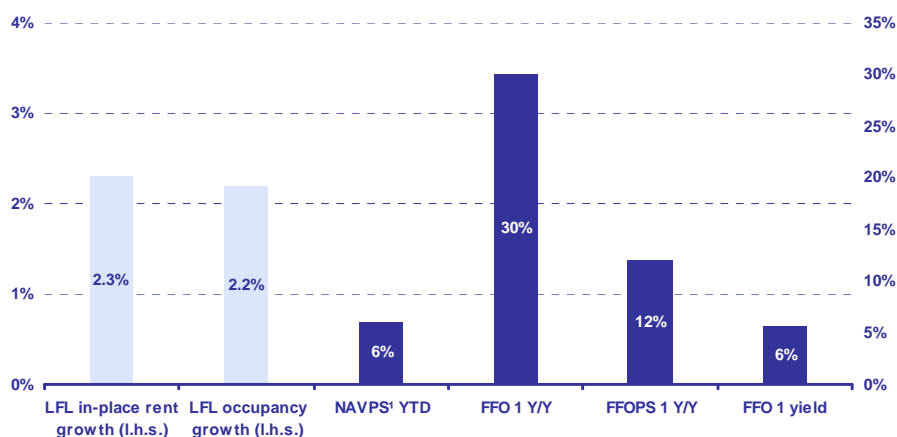
Source: First Berlin Equity Research; Aroundtown



REVISITING OPERATIONAL STRENGTHS

Value-add strategy distinguishes AT's Buy and Hold strategy is focused on the purchase of value-add commercial portfolios centrally located in metropolitan hubs that offer good rent revisionary potential and revaluation upside. This strategy has spurred strong rental income (RI) and earnings growth alongside GAV expansion over the years and will drive operational growth as the commercial sector progresses through the current cycle.

Figure 5: First quarter 2019 KPIs



¹ excludes perpetual note

Source: First Berlin Equity Research; Aroundtown

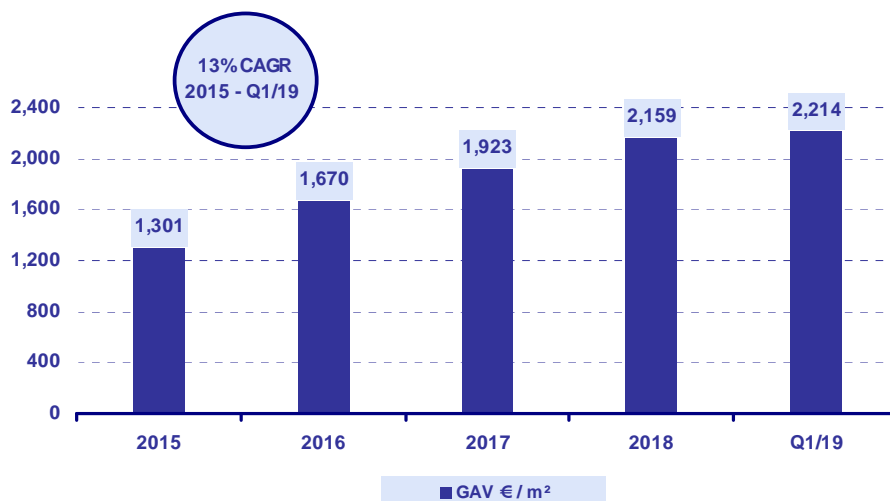
As property investors tussle with regulatory jitters, we see little evidence that Aroundtown is unable to create further value in a market that is defined by stiff competition for assets at the right price. The company reported strong Q1 results (figure 5), thanks to execution of its value-add strategy. And management recently hinted that acquisitions should top €2.5bn this year putting the AT well on pace to hit our FFO 1 and NAV growth targets. (FBe: FFOPS +10%, NAVPS +11%).



FOUR KEY OPERATIONAL FACTORS

While external growth has been very strong the past two years and garnered the most investor attention, Aroundtown continues to ratchet up the key measurables of its commercial portfolio through proven operational measures. We highlight four key charts below as evidence of a growing operational track record.

Figure 6: Commercial portfolio evolution per square metre



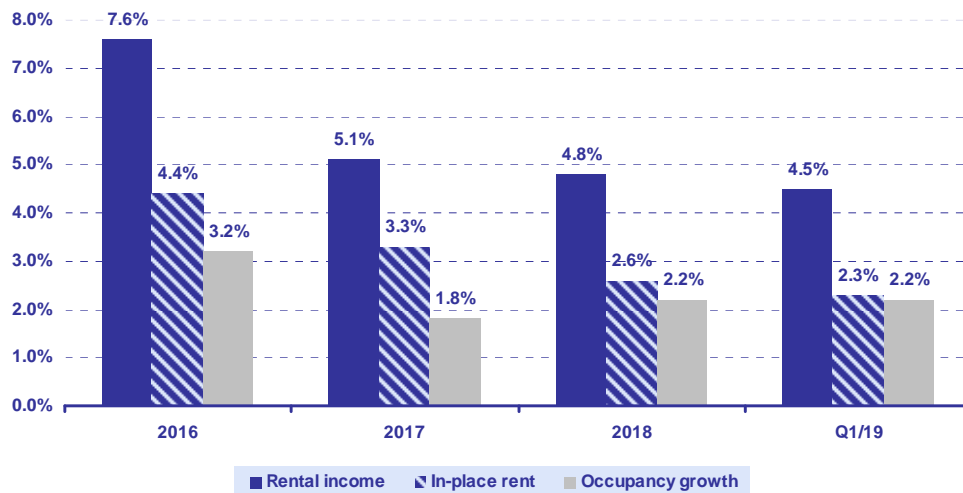
Source: First Berlin Equity Research; Aroundtown

The portfolio GAV / m² has steadily increased since Aroundtown began reporting portfolio KPI's in 2016 and climbed some 12% in 2018. The metric is tracking towards 10% growth in 2019 after Q1 reporting showed 2.5% YTD expansion. Management also began to cull the commercial portfolio in 2018 by disposing of fully optimised and non-core properties acquired as part of large portfolio deals for a value of €740m—12% over net book value. This generated a €169m economic profit resulting in FFO 2 of €757m for the year (2017: €339m; +69%).



It's not only about acquisition growth Aroundtown has an impressive turnaround track record for increasing in-place rent levels in its portfolio while compressing vacancy rates. The company began reporting quarterly LFL (like-for-like) rent and occupancy growth updates in Q4/16. At the end of 2018, LFL in-place rent growth was reported at 2.6% alongside 2.2% LFL occupancy growth. EPRA vacancy stood at 8.8% and in-place rent was €9.9 / m². As of Q1 reporting, LFL net rental growth stood at 4.5%.

Figure 7: LFL rental income, in-place rent and occupancy developments



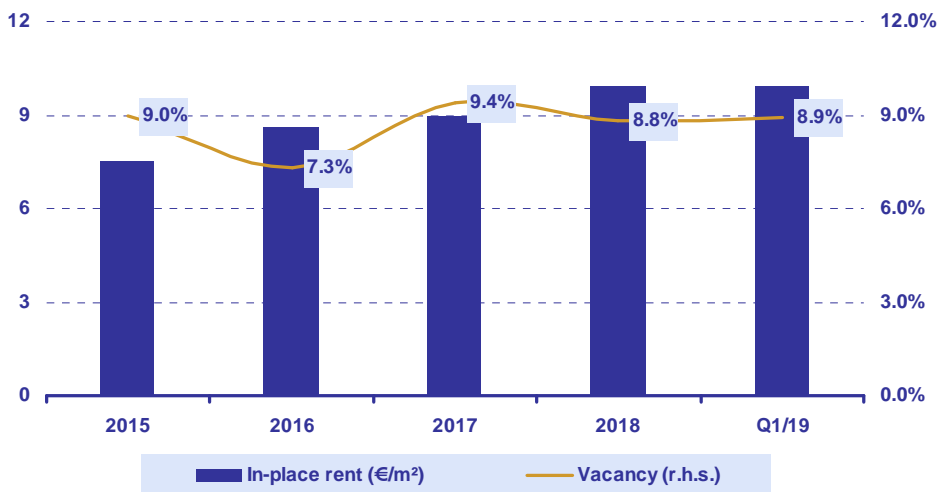
Source: First Berlin Equity Research; Aroundtown

The hotel segment spearheaded LFL gains last year with 10% followed by office at 4%. Berlin and Amsterdam have been the top regional drivers lately having improved 9% on a like-for-like basis in 2018. London topped LFL performance in the first three months of this year. AT made strong inroads into the British capital in H2/18 and now controls some €652m of hotel and office assets with good reversionary upside.

Management guide for ~4% LFL net rental growth in 2019, which looks readily achievable, given the persistent occupier demand. And we see little indication that this is about to change.



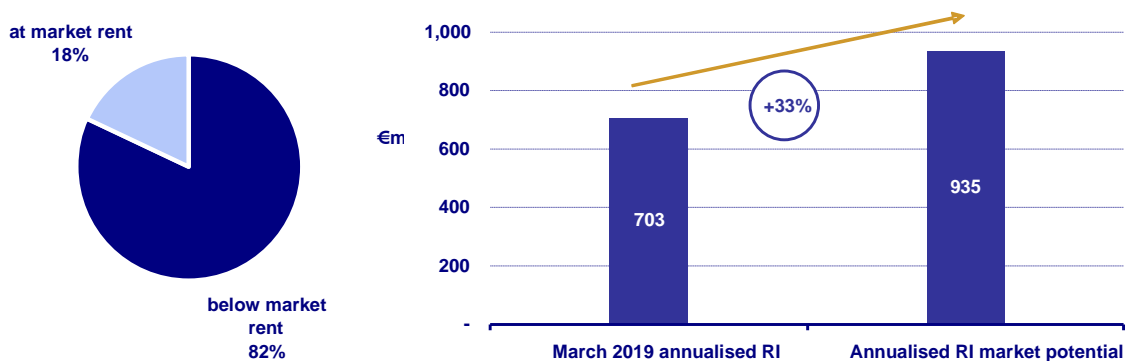
Figure 8: In-place rent / m² and vacancy developments



Source: First Berlin Equity Research; Aroundtown

We continue to regard AT’s operational competence as a differentiating factor in the commercial sector. The company has steadily increased rents, while vacancy rates have remained steady, due to the high acquisition volumes that offset occupancy increases for on-balance sheet assets.

Figure 9: In-place rent vs market levels; embedded net rental income upside



Source: First Berlin Equity Research; Aroundtown

Aroundtown reports reversionary upside on a quarterly basis. Currently, the on-balance sheet commercial portfolio contains 33% further operational upside through rent and vacancy optimisation. The annualised market potential of €935m equates to additional net rent of €232m over the next six years. Assuming the operating structure continues to scale at its present trajectory, we expect this to translate into €185m in additional FFO 1 or €0.17 FFOPS 1.



STACKING UP THE GERMAN COMMERCIAL LANDLORDS

Sector fundamentals are better than most think We argue that the sector as a group remains attractive for investors, thanks to ample dividend and FFO yields that continue to expand. Overall the sector looks healthy in terms of financial strength and capital structure with AT ranking favourably on all financial metrics.

Table 1: German commercial landlord comparables

	Price (€)	Market cap (€m)	SO (m)	FFO Yield		FFOPS Growth		P / FFO	
				2019E	2020E	2019E	2020E	2019E	2020E
Alstria Office REIT AG	14.56	2,583	177	4.5%	4.6%	-1.5%	3.1%	22.4x	21.7x
Demire Real Estate AG	4.60	497	108	4.3%	5.2%	0.0%	20.0%	23.0x	19.2x
DIC Asset AG	10.38	737	71	10.1%	10.5%	10.5%	3.8%	9.9x	9.5x
Godewind	3.75	409	109	1.9%	4.9%	n.a.	164.3%	53.6x	20.3x
Hamborner REIT AG	9.13	728	80	7.3%	7.7%	8.1%	4.5%	13.6x	13.0x
TLG Immobilien AG	26.45	2,735	103	5.2%	5.5%	6.2%	5.1%	19.2x	18.2x
Median				4.8%	5.3%	6.2%	4.8%	20.8x	18.7x
Top Quartile				6.8%	7.1%	8.1%	16.3%	22.9x	20.0x
Aroundtown	7.52	8,445	1,123	5.7%	6.1%	12.0%	7.3%	17.7x	16.5x
<i>Variance to median</i>				0.8%	0.7%	5.8%	2.6%	-15.0%	-12.0%

Source: First Berlin Equity Research, Bloomberg

Table 2: Portfolio KPI comparables as of Q1/19

		Aroundtown ²	Alstria	Demire	DIC	Hamborner	TLG ¹	Godewind	Mean	Top quartile
Gross asset value	€m	14,803	3,900	1,141	1,700	1,517	3,721	708	3,927	3,811
Gross rental yield	%	5.1	5.0	6.4	5.0	4.6	5.3	5.0	5.2	5.2
Vacancy rate	%	8.9	9.2	8.3	8.4	2.0	3.4	24	9.2	9.05
WALT	Years	8.2	4.9	4.3	5.8	6.6	6.0	4.8	6	6
Total assets	#	n.a.	115	84	100	78	286	9	112	111
Lettable space	000 m ²	6,236	1,533	926	902	n.a.	1,562	270	1,905	1,555
GAV / m ²	€	2,214	2,544	1,232	1,885	n.a.	2,382	2,626	2,147	2,504
Avg rent per m ²	€/month	9.9	12.3	7.3	7.8	n.a.	11.2	14.4	10.5	12.0
Portfolio split	Basis	GAV	GAV	GAV	GRI*	GRI*	GAV	GAV	GAV	GAV
Office	%	53	100	68	83	33	59	100	71	92
Retail	%	6	0	24	5	62	32	0	18	28
Hotel	%	30	0	0	0	0	9	0	5.6	5
Logistics	%	11	0	6	9	0	0	0	4	7
Other	%	1	0	3	3	5	0	0	2	3
Berlin component	%	21	0	1	9	0	42	0	10	15

*based on full year 2018 reporting; ¹ based on strategic portfolio; ² GAV includes land for development & other rights

Source: First Berlin Equity Research, Aroundtown, Alstria, Demire, DIC, Hamborner, TLG, Godewind

Table 3: Balance sheet KPI comparables as of Q1/19

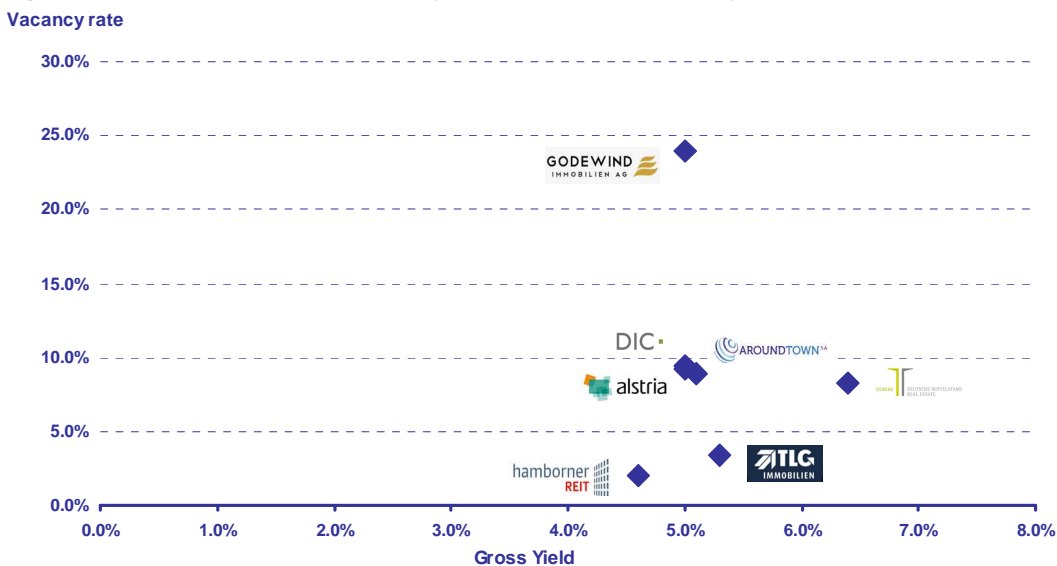
		Aroundtown	Alstria	Demire	DIC	Hamborner	TLG	Godewind	Mean	Top quartile
LTV	%	37	33	39	50	42	34	24	37	34
Cost of debt (CoD)	%	1.8	1.8	3.0	1.8	2.1	1.8	1.8	2.0	1.8
Maturity (years)	Years	7.5	5.5	n.a.	4.0	5.7	5.2	n.a.	5.6	5.7
Net debt /EBITDA	x	8.9	7.8	8.2	9.8	9.9	7.8	14.3	10	8.0
Unencumbered assets	%	76	n.a.	47	n.a.	n.a.	25	0	37	54
Equity ratio	%	51	65	43	37	44	50	66	51	58
Interest cover (ICR)	x	4.7	5.7	8.5	3.2	4.2	5.2	2.1	4.8	5.5
LTV target	%	< 45	n.a.	n.a.	n.a.	n.a.	n.a.	< 55		
Moody's rating	-	-	-	Ba2	-	-	Baa2	-		
S&P rating	-	BBB+	BBB	BB	-	-	-	-		

Source: First Berlin Equity Research, Aroundtown, Alstria, Demire, DIC, Hamborner, TLG, Godewind



In our view, the notion that the commercial sector is on the verge of a major slowdown is false. Although we regard the commercial sector as mid-cycle, we believe fundamentals are merely levelling off, not peaking. We expect Aroundtown to benefit from its operational structure to continue its current growth trajectory. Occupier demand for well-located office space remains near peak levels and continues to drive sustainable, solid earnings growth and high cash flow visibility.

Figure 10: German commercial Q1/19 yield and portfolio vacancy comparison



Source: First Berlin Equity Research, Aroundtown, Alstria, Demire, DIC, Hamborner, TLG, Godewind

Figure 11: German commercial dividend and FFOPS yield comparison as of Q1/19



Source: First Berlin Equity Research, Aroundtown, Alstria, Demire, DIC, Hamborner, TLG, Godewind



Fundamentals unsupportive of lacklustre AT share price performance AT shares have underperformed several commercial peers YTD, despite often superior performance metrics. The variance is even more pronounced since news of Berlin's potential rent freeze hit the market on 5 June.

Table 4: Share price performance YTD and post Berlin rent freeze announcement

	YE18	04-July	variance	05-June	04-July	variance
Aroundtown	7.22	7.52	4.2%	7.72	7.52	-2.6%
Alstria Office REIT AG	12.2	14.56	19.3%	14.03	14.56	3.8%
Demire Real Estate AG	4.31	4.60	6.7%	4.89	4.60	-5.9%
DIC Asset AG	9.07	10.38	14.4%	9.83	10.38	5.6%
Godewind	2.89	3.75	29.8%	3.64	3.75	3.0%
Hamborner REIT AG	8.41	9.13	8.6%	9.13	9.13	0.0%
TLG Immobilien AG	24.22	26.45	9.2%	26.70	26.45	-0.9%
Mean			13.2%			0.4%
Top quartile			16.9%			3.4%

Source: First Berlin Equity Research, Bloomberg

Aroundtown recently published an operational update for the first six months showing continued acquisition momentum. This puts the company well on target to hit our full year external growth targets. We currently model for commercial properties to top €16.4bn by YE19—a figure that is beginning to look conservative considering a still flush pipeline (> €1.5bn) of office and hotel targets in Germany and the Netherlands. We will review and update our forecasts with H1 reporting in August.

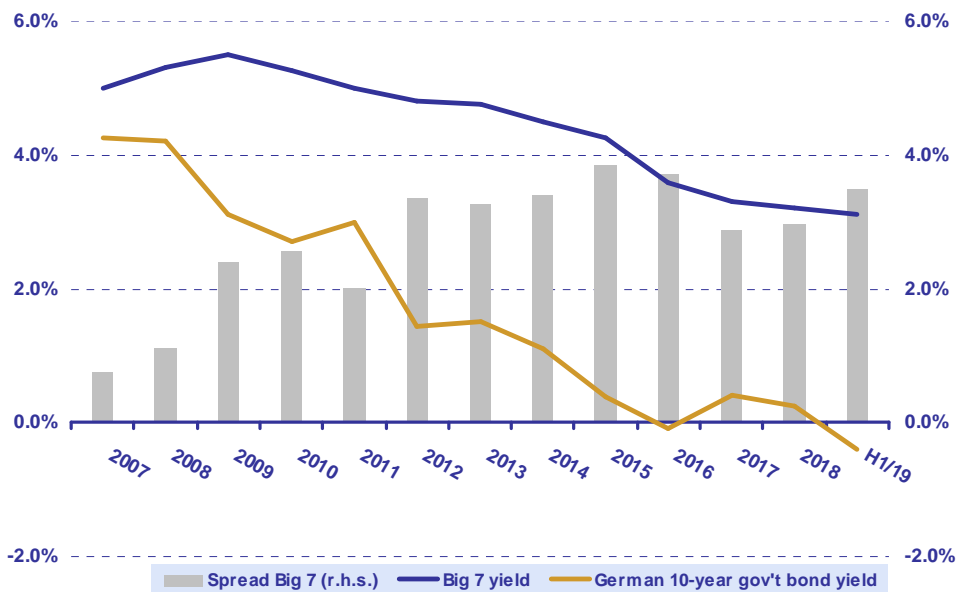
Given the strong YTD operational performance, we attribute some of the comparatively lacklustre performance to AT's residential exposure through its 39% stake in Grand City Properties. AT shares have retreated some 3% since 5 June, whereas the group mean has edged 0.4% higher. The contrast in YTD performance is even more pronounced.



MARKET THEMES TO TAKE NOTE OF

Bond yield spread offers considerable comfort There remains a paucity of alternative investment options to match real estate yields or income potential. The gap between now negative government bond and German commercial yields also remains historically wide, and a number of pension funds and insurers are under pressure to put copious amounts of idle capital to work.

Figure 12: German Big 7 office over German bond yields



Source: Bulwiengesa, Bloomberg, First Berlin Equity Research

Given their size, even minor shifts in their investment strategy can have a sizable impact on the property market, and we still regard investment in German commercial property stocks as a virtual safe-haven investment for risk prudent portfolios that also seek attractive yields.

Back to Berlin German residential stocks sold off sharply on news that a left-wing Berlin senator wants to freeze rents in the capital for five years. The Senate agreed on the key points of the proposal on 18 June, which triggered a new wave of selling in the German residential landlord sector. The specific bill is now being drafted for submission to the Berlin Chamber of Deputies. Further deliberation and potential adoption will take place after the Senate resolution in October 2019.

Federal experts caution Berlin's lawmakers Lawyers from Germany's Bundestag weighed in over the weekend on Berlin's plans declaring the cap proposal unlawful, while noting that the federal government has already introduced measures to brake runaway rents (*Mietpreisbremse*), and that the state of Berlin cannot simply make its own laws regarding rents. The Bundestag cautioned the red-red-green Senate against waging a constitutional conflict.

Impact of creeping socialism Regulatory uncertainty could cause investors to regard German real estate as off-limits, due to an unclear operating environment. This could cause the overall market caps to decline even if operations show contrary evidence to negative sentiment. We expect the political wrangling to continue at least until the Berlin Senate resolution in October. Berlin lawmakers will continue to argue that they understand local market dynamics better than federal regulators and should be able to act accordingly on their own.



Potential ramifications for Aroundtown are reassuring We judge Aroundtown's rent cap exposure through its 39% Grand City stake as minimal. Grand City controls some 7,500 flats in the German capital, which generate annualised rental income (RI) of €50m or 14% of the total RI. We ran a bearish scenario assuming a 5 year rental freeze in Berlin with no modernisation CapEx. This trims < 1% off of our 2020 Grand City projections and has virtually no adverse impact (< 1%) on our AT valuation model.

ECONOMIC PROFIT MODEL

in €m	2019E	2020E	2021E	2022E	TV
EBITDA	615	658	701	746	753
(+) Revaluations	778	685	562	489	190
(+) Investment income (GCP)	116	123	130	137	138
(-) Tax expense	113	110	104	103	81
NOPAT	1,396	1,356	1,288	1,268	1,000
Total assets	21,659	23,365	24,490	25,307	25,307
(-) Current liabilities	715	759	802	830	830
(+) Current financial debt	27	27	27	27	27
(-) Cash	1,649	1,724	1,466	1,343	1,343
(+) Deferred taxes	998	1,182	1,353	1,520	1,520
Capital employed (CE)	20,320	22,090	23,602	24,680	24,680
ROCE	7.3%	6.4%	5.6%	5.3%	4.1%
WACC	4.0%	4.0%	4.0%	4.0%	4.0%
ROCE-WACC	3.3%	2.4%	1.7%	1.3%	0.1%
Economic Profit	634	514	380	309	19
NPV	622	485	345	269	566
Fair value calculation					
Total return	2,287				
(+) NAV ¹ (2018)	8,742				
(-) Dividend to be paid	264				
Equity value	10,765				
Diluted SO ('000)	1,129				
Fair value per share (€)	9.50				
Target price (€)	9.50				
Share price (€)	7.52				
Return potential	26.3%				
Dividend yield	3.9%				
Total return potential	30.2%				

¹ excludes perpetuals



INCOME STATEMENT

All figures in EURm	2016	2017	2018	2019E	2020E	2021E
Net rent	233	449	633	771	824	877
Operating and other income	40	78	114	139	149	158
Rental and operating income (RI)	274	527	747	910	973	1,035
Capital gains, property revaluations & other	720	1,327	1,536	778	685	562
Result from equity-accounted investees	197	228	252	162	162	165
Property OpEx	-75	-147	-219	-266	-284	-302
Administration & other OpEx	-8	-15	-23	-27	-29	-30
Operating income (EBIT)	1,107	1,920	2,294	1,557	1,508	1,430
Net financial result	-47	-70	-115	-147	-153	-162
Other financial expenses	-36	-15	-94	0	0	0
Pre-tax income (EBT)	1,024	1,836	2,085	1,409	1,355	1,268
Tax expense	-20	-34	-44	-55	-59	-63
Deferred tax	-103	-263	-213	-197	-190	-178
Tax result	-123	-297	-257	-252	-249	-240
Comprehensive net income	901	1,539	1,828	1,157	1,106	1,028
Minority interests	169	228	161	116	111	103
Perpetual notes	4	29	46	46	46	46
Net income to owners	728	1,283	1,620	995	949	879
Basic EPS (€)	1.11	1.56	1.54	0.88	0.84	0.78
Diluted EPS (€)	0.87	1.35	1.49	0.88	0.84	0.78
Adjusted EBITDA commercial	195	339	497	615	658	701
Ratios						
Adj EBITDA commercial margin	83.4%	81.7%	80.9%	79.7%	79.8%	79.9%
Tax rate	7.4%	7.8%	7.3%	7.5%	7.5%	7.5%
Expenses as % of revenues						
Property OpEx	27.5%	27.9%	29.3%	29.2%	29.2%	29.2%
Administration & other OpEx	2.9%	2.8%	3.0%	3.0%	3.0%	2.9%
Y/Y Growth						
Revenues	118.7%	92.6%	41.7%	21.8%	6.9%	6.4%
Operating income	6.3%	73.5%	19.4%	-32.1%	-3.2%	-5.2%
Adjusted EBITDA	109.8%	74.3%	46.5%	23.8%	7.0%	6.6%
Net income/ loss	6.0%	76.1%	26.3%	-38.6%	-4.6%	-7.4%
Funds from Operations (FFO)						
Adjusted EBITDA commercial portfolio	195	339	497	615	658	701
Finance expense	-47	-70	-115	-147	-153	-162
Tax expense	-20	-34	-44	-55	-59	-63
Minority adjustment	-7	-9	-7	-8	-9	-10
Other adjustments	0	10	8	7	4	4
FFO 1 commercial (long-term recurring)	120	237	339	411	441	471
Adjustment for GCP contribution	46	56	67	69	74	80
FFO 1	166	293	406	480	515	551



BALANCE SHEET

All figures in EURm	2016	2017	2018	2019E	2020E	2021E
Assets						
Current assets, total	1,100	1,523	2,102	2,418	2,517	2,281
Cash and cash equivalents	641	736	1,243	1,649	1,724	1,466
Short-term investments	181	99	366	366	366	366
Receivables	111	163	277	337	360	383
Other current assets	11	18	5	5	5	5
Assets held for sale	155	508	211	61	61	61
Non-current assets, total	6,989	12,247	16,939	19,241	20,848	22,208
Property, plant & equipment	23	26	33	34	34	35
Investment properties	5,016	9,804	14,174	16,337	17,819	19,056
Equity accounted investees	1,557	1,906	2,215	2,323	2,428	2,531
Other LT assets	393	512	517	547	567	586
Total assets	8,089	13,770	19,041	21,659	23,365	24,490
Shareholders' equity & debt						
Current liabilities, total	349	566	606	715	759	802
Short-term debt	160	17	27	27	27	27
Accounts payable	108	267	451	555	593	631
Provisions & other current liabilities	81	282	128	133	138	144
Long-term liabilities, total	3,799	5,955	8,491	9,657	10,524	10,913
Long-term debt	3,385	5,078	7,444	8,408	9,080	9,286
Deferred tax liabilities	366	752	882	1,080	1,269	1,447
Other LT liabilities	48	125	164	169	175	180
Minority interests	373	674	567	683	793	896
Shareholders' equity	3,568	6,576	9,377	10,605	11,288	11,878
Total consolidated equity and debt	8,089	13,770	19,041	21,659	23,365	24,490
Ratios						
ICR (x)	5.7	5.4	4.7	4.8	4.9	5.0
Equity ratio	48.7%	52.6%	52.2%	52.1%	51.7%	52.2%
EPRA NAV ¹	3,871	6,483	8,742	9,669	10,540	11,305
EPRA NAVPS ¹ (€)	4.9	6.5	7.7	8.6	9.3	10.0
Net debt	2,737	4,400	5,871	6,414	7,012	7,476
Return on equity (ROE)	25.3%	23.4%	19.5%	10.9%	9.8%	8.7%
Loan-to-value (LTV)	39.3%	35.9%	35.3%	34.1%	34.4%	34.4%
Interest coverage ratio (x)	5.7	5.4	4.7	4.8	4.9	5.0

¹ excludes perpetual notes



CASH FLOW STATEMENT

All figures in EURm	2016	2017	2018	2019E	2020E	2021E
Net income	901	1,539	1,828	1,157	1,106	1,028
Depreciation & amortisation	2	2	2	2	2	2
Capital gains, property revaluations & other	-720	-1,327	-1,536	-778	-685	-562
Profit share from equity accounted investees	-197	-228	-252	-162	-162	-165
Shared based payment in a subsidiary	2	2	3	0	0	0
Net finance expenses	83	85	208	147	153	162
Tax result	123	297	257	252	249	240
Operating cash flow	195	369	510	619	662	705
Changes in working capital	-17	-13	-39	28	9	10
Provisions for other liabilities	-1	-2	-3	2	2	2
Dividend received	18	41	51	54	57	62
Tax paid	-16	-33	-46	-55	-59	-63
Net operating cash flow	179	362	473	647	671	716
CapEx/ intangibles	-7	-9	-5	-2	-3	-3
Disposal/ investment in investment properties, net	-1,051	-615	-915	-1,236	-796	-676
Acquisition/disposals of subsidiaries	-994	-1,946	-1,829	0	0	0
Proceeds from investments in financial assets	151	-184	-175	-5	-5	-5
Cash flow from investing	-1,900	-2,754	-2,924	-1,243	-804	-683
Debt financing, net	1,786	1,165	2,588	963	673	206
Equity financing, net	741	1,561	953	450	0	0
Dividends paid	-34	-155	-226	-264	-312	-335
Other financing activities	-204	-13	-265	0	0	0
Net paid financing expenses	-45	-66	-97	-147	-153	-162
Cash flow from financing	2,244	2,492	2,953	1,002	208	-291
Net cash flows	523	100	501	406	75	-258
Assets held for sale - cash	-2	-5	6	0	0	0
Cash, start of the year	121	641	736	1,243	1,649	1,724
Cash, end of the year	641	736	1,243	1,649	1,724	1,466
Adjusted EBITDA commercial/share (€)	0.30	0.41	0.47	0.54	0.58	0.62
FFO 1	166	293	406	480	515	551
FFOPS 1 (€)	0.25	0.36	0.39	0.43	0.46	0.49
Y/Y Growth						
EBITDA/share	75.7%	38.6%	14.4%	15.5%	7.0%	6.6%
FFO 1	76.1%	76.9%	38.5%	18.3%	7.3%	6.9%
FFOPS 1 (€)	47.5%	40.7%	8.1%	10.4%	7.3%	6.9%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 September 2015	€7.52	Buy	€9.50
2...23	↓	↓	↓	↓
24	15 March 2019	€7.58	Buy	€9.50
25	4 April 2019	€7.43	Buy	€9.50
26	29 May 2019	€7.38	Buy	€9.50
27	Today	€7.52	Buy	€9.50

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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