Aroundtown SA

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

Update

RATING	**BUY**
PRICE TARGET	**€ 10.00**
Return Potential	133.6%
Risk Rating	Medium

BUILT TO RIDE OUT THE ECONOMIC RIPPLE EFFECTS

We believe Aroundtown will weather the pandemic storm and solidify its position on the commercial property landscape, thanks to its robust balance sheet and diversified portfolio. We overhauled our model to reflect the business combination with TLG and simulated the impact of varying degrees of the economic dislocation on AT's FFO 1 streams and capital structure. The results are highly reassuring. The stock market has priced a doomsday scenario into the AT share price. We think this is overdone and believe opportunistic investors will be richly rewarded for building positions at current levels. Our rating remains Buy with a €10 price target.

We are in unchartered territory. . . Governments and economists across the globe are scrambling to work out the costs of the virus-related lockdowns—will the economic slump persist three, six months or much longer? Will the economy contract by ten percent or a third? No one can say with any precision. A similarly unnerving exercise is taking place across corporate boardrooms as firms grapple with cash flow estimates, the stress levels their balance sheets can absorb, and in acute cases, whether they have the resources to survive. After conducting our own stress test on the impact of the economic shock on Aroundtown's cash flows and capital structure, we argue the situation is far less glum for the commercial landlord than the market is pricing in. The simulation results should bolster investor confidence.

. . . but AT can readily absorb some severe scenarios Given that rent is the highest barrier to survival for many frontline businesses, the German government has now prodded landlords into granting a three-month rent holiday from 1 April to 30 June without risk of eviction. Suspended rents accrue and are due by 30 June 2022. Aroundtown plans to publish a fully consolidated balance sheet with Q1 results. However, we have adopted pro-forma forecasts that now reflect the TLG business combination to assess capacity of the merged operations and balance sheets to absorb a prolonged economic dislocation. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS*

	2017	2018	2019	2020E	2021E	2022E
Net rent (€m)	448.98	633.00	765.70	891.69	1,216.15	1,249.83
Adj. EBITDA (€m)	339.03	508.90	641.04	663.10	1,032.44	1,061.90
Net income (€m)	1,539.00	1,827.80	1,709.10	887.62	1,653.90	1,498.55
EPS (diluted) (€)	1.35	1.49	1.11	0.51	0.67	0.65
EPRA NAV[1] (€m)	7,656.28	10,290.10	13,117.48	16,175.60	17,498.45	18,458.91
NAVPS[1] (€m)	7.63	9.11	10.72	12.94	13.65	14.24
DPS (€)	0.23	0.25	0.28	0.22	0.37	0.38
FFO 1 (€m)	293.00	405.74	503.40	444.85	773.38	796.36
FFOPS 1 (€)	0.36	0.39	0.43	0.35	0.57	0.59
Liquid assets (€ m)	852.44	1,613.90	3,074.70	2,708.93	2,241.08	2,026.28

** forecasts pro-forma including TLG; [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.

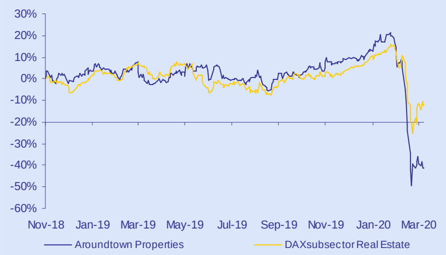
MARKET DATA

As of 03 Apr 2020

Closing Price	€ 4.28
Shares outstanding	1,536.40m
Market Capitalisation	€ 6575.79m
52-week Range	€ 3.70 / 8.84
Avg. Volume (12 Months)	3,686,098

Multiples	2019	2020E	2021E
P/FFO 1	10.0	12.4	7.5
P/EPRA NAV	0.4	0.4	0.4
FFO 1 Yield	10.0%	8.1%	13.4%
Div. Yield	6.5%	5.2%	8.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 3,074.70m
Current Assets	€ 3,742.80m
EPRA NAV[1]	€ 13,117.48m
Investment properties	€ 18,127.00m
Current Liabilities	€ 856.60m
Total Equity	€ 25,444.70m

[1] including perpetual notes

SHAREHOLDERS

Treasury shares	12.0%
Avisco Group	9.6%
Blackrock	5.1%
Free Float	73.3%

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ASSESSING THE OPERATIONAL IMPACT OF COVID-19

The tentacles of covid-19 have crept into corners of the economy unimagined merely a month ago exposing cracks in operations and balance sheets of formidable companies across almost all sectors. We ran three scenarios to test the ripple effects of the economic shock on Aroundtown's rental income and FFO 1 streams, and applied the downturn effects to each asset cluster.

Hotel assets The beleaguered hotel sector (24% of portfolio) has been walloped by travel bans and will be the least resilient. Forbearance could ultimately translate into lost rents in select cases. But the notion of widespread hotel write-downs has no correlation to reality. While hoteliers will suffer in the near term, AT's hotel leases are fixed and have no variable element linked to the operational performance of the hotels. Most of the hotels in AT's portfolio have shut down. However, hotel operators are insured against temporary business interruptions and many will be eligible for government relief. We therefore believe potential defaults will be the rare exception rather than the norm.

Office assets For the office segment (47% portfolio exposure), the picture looks less gloomy. White-collar firms can operate remotely without severely hampering operations during the lockdown period. We thus expect a strong bounce back with low threat of insolvency or lost rents.

Retail and other assets These encompass some 10% of AT's overall portfolio and are anchored by stable grocers such as Edeka, Real, Lidl and Rewe. Despite widespread social-distancing measures, these food-shops are operating at normal capacity and benefit from strong local demand. This should help buffer the asset group against the downturn. We also do not expect the logistics & others segment (7% of portfolio) to be hit by the dislocation.

Residential assets As we wrote in our last update, AT's 12% residential exposure through Grand City Properties should pay off. We think German residential will be among the quickest sectors to rebound, given its strong cash flow visibility and attractive dividend yields. We cannot envision a scenario whereby Grand City management will have to make a u-turn on its proposed dividend payout.

OVERVIEW OF SIMULATION PARAMETERS

Our moderate case assumes: (1) hotels will opt to defer Q2 rents; (2) a swift pick up in hotel room occupancy with loosening travel restrictions in H2; (3) a 10% interruption in office rents in Q2 followed by business as usual in H2; (4) a 40% disruption in the retail segment in Q2 with an H2 pick up; and (5) all outstanding rents are fully paid in 2021.

Our base case assumes: (1) hotels will opt to defer Q2 rents; (2) a slower pick up in hotel room occupancy with easing travel restrictions in H2; (3) a 15% interruption to office rents in Q2 followed by business as usual in H2; (4) a 45% disruption in the retail segment in Q2 with an H2 pick up; and (5) 50% of accrued rents are paid in 2021 with the balances paid off by June 2022.

Our severe case factors in: (1) a five month lockdown for hoteliers extending through July; (2) a gradual pick up in hotel room occupancy with loosening travel restrictions towards the end of H2; (3) a 25% interruption to office rents in Q2 followed by business as usual in H2; (4) a 65% Q2 disruption in the retail segment with a gradual H2 pick up; and (5) all outstanding rents are fully paid in 2022 with no payments in 2021. Write-downs are possible, but we expect these to be the exception rather than rule.

The annualised run rates in the table below refer to February data published with the annual results presentation. These run rates do not include potentially postponed rents and assume no LFL growth. Management wisely decided to not provide 2020 guidance at this stage.

Table 1: Impact of covid-19 scenarios on RI, FFO 1, and balance sheet metrics

		2020E			2021E			2020 + 2021 vs 2 year run rate		
in €m	**Run rate**	**Moderate**	**Base**	**Severe**	**Moderate**	**Base**	**Severe**	**Moderate**	**Base**	**Severe**
Office	505	492	484	455	538	536	525	0	-11	-51
Hotel	326	250	177	133	415	414	339	0	-75	-193
Retail	142	125	125	109	164	156	148	0	-8	-33
Logistics & other	77	76	76	76	81	81	80	0	-1	-1
Acquisition		30	30	30	30	30	30	60	60	60
Total net rent	**1,050**	**973**	**892**	**802**	**1,229**	**1,216**	**1,092**	**60**	**-34**	**-218**
*Variance to run rate**		*-7%*	*-15%*	*-24%*	*17%*	*16%*	*4%*	*3%*	*-2%*	*-12%*
FFO commercial LT	**522**	**466**	**344**	**248**	**652**	**671**	**570**	**54**	**-50**	**-247**
Margin	*50%*	*48%*	*39%*	*31%*	*53%*	*55%*	*52%*	*n.a.*	*n.a.*	*n.a.*
*Variance to run rate**		*-11%*	*-34%*	*-53%*	*25%*	*29%*	*9%*	*5%*	*-5%*	*-23%*
FFO 1 (including GCP)	**625**	**568**	**445**	**349**	**754**	**773**	**672**	**47**	**-57**	**-254**
Margin	*60%*	*58%*	*50%*	*43%*	*61%*	*64%*	*62%*	*n.a.*	*n.a.*	*n.a.*
*Variance to run rate**		*-9%*	*-29%*	*-44%*	*21%*	*24%*	*8%*	*4%*	*-4%*	*-20%*
Balance sheet KPIs										
Cash YE (€m)		1,858	1,791	1,725	1,368	1,322	1,215	-	-	-
Net debt /EBITDA		12.9x	15.6x	18.7x	11.3x	11.1x	12.5x	-	-	-
ICR		4.8x	4.1x	3.5x	5.5x	5.7x	5.1x	-	-	-

** 2021 variance metrics assume no LFL growth on run rates*

Source: First Berlin Equity Research; Aroundtown

The upshot Downturns are capitalism's sorting mechanism, exposing weak business models and strained balance sheets. A scenario in which AT does not lose some rental income streams during the pandemic shock is unlikely. However, evidence shows that the impact will not be as severe as investors fear.

In our base scenario, rental income (RI) drops 15% in 2020 and "FFO 1 commercial, recurring long-term" falls 33% on the current run rates. The picture is less alarming viewed through a 24-month lens (2020 & 2021) with RI falling only 2% vs the current run rate and normalised 2022. FFO 1 only slumps by 3% over this window.

In our severe case, RI drops 12% over a 24-month time frame and FFO 1 retreats by 22%. However, in this scenario, 50% of rents accrued during the 2020 rent holiday are paid off in 2022 to help mitigate the stronger downturn. We consider this scenario as highly unlikely particularly with regard to the assumptions for the office and retail segments. However, investors should take comfort that operations can handle these effects without lasting damage.

The upside to run rates in the 2021 forecasts owes to the timing of outstanding rent payments according to the scenario assumptions. The two year window provides the best gauge of RI and FFO KPIs and their impact on the balance sheet.

The cash position remains comfortable in all scenarios, while balance sheet KPIs will not come close to compromising covenants, which include a 1.8x interest coverage ratio (ICR = adjusted EBITDA / cash interest expense). In our severe case simulation, the ICR dips to 3.5x in 2020 and still provides ample headroom. The lumpiness in balance sheet metrics owes to the timing of postponed and collected rents.

INTRODUCING PRO-FORMA CONSOLIDATED FORECASTS

We have adopted the base case, covd-19 scenario into our consolidated pro-forma forecasts. The new forecasts reflect the combined YE19 balance sheets of Aroundtown and TLG Immobilien and follow the pro-forma guidelines published in section 13.4.5 of the 17 December 2019 prospectus. We factor in a return to normal economic activity in 2021 and a resumption of LFL rental income growth.

The crisis will not be without opportunity for Aroundtown. We expect continued external growth this year and model net investments of €1.5bn. The company has plenty of spare cash (€2.5bn) net of current obligations (see overleaf) to invest and can seize the opportunity if enfeebled rivals need to dispose of assets to free up cash. Further corporate activity also remains an option.

Ample headroom on all covenants Aside from hotel concerns, investors have questioned the ability of Aroundtown's balance sheet to absorb the economic shock and voiced concerns over covenants. Management dedicated considerable airtime on the YE19 conference call in reassuring nervous investors that the company can absorb the covid-19 shock. We consider concerns of threatened covenants overblown. The KPIs communicated by the company provide plenty of headroom to sustain the downturn.

Table 2: EMTN (Euro Medium Term Note) program covenants and current KPIs

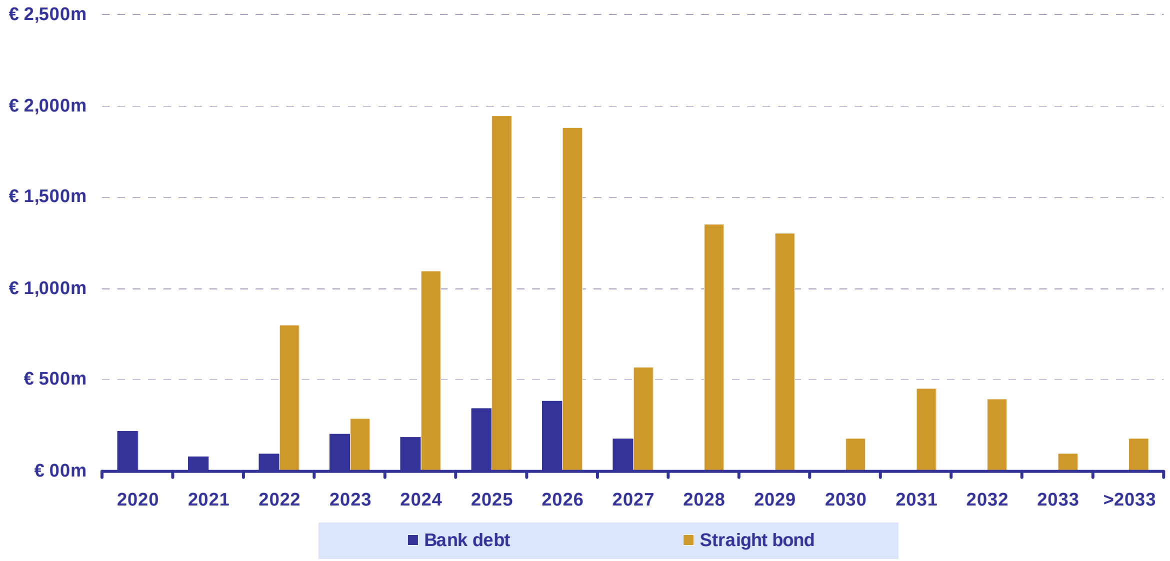
Type	Covenant	Current KPI
Debt limitation		
Debt / total assets	<= 60%	31%
Limitation of secured debt		
Secured debt / total assets	<= 45%	-9%
Maintenance of unencumbered assets		
Unencumbered assets / unsecured debt	>= 125%	294%
Maintenance of coverage ratios		
Adjusted EBITDA / interest	>= 1.8x	5.3x

Source: First Berlin Equity Research; Aroundtown

The capital structure (including TLG) features several other reassuring metrics: (1) €16.2bn in unencumbered assets equal to 73% of portfolio; (2) ample headroom with a 34% LTV; (3) a 6.8 year debt maturity; and (4) a 1.6% cost of debt.

Aroundtown's cash pile exceeds €2.8bn The company reported cash of around €2.8bn as of March. Aroundtown expects FFO cash flows of some €1.3bn over the next 24 months on a post TLG merger basis to boost total available liquidity to €4.1bn. This compares to same-period financial commitments of €1.6bn to cover debt repayments, dividend pay-outs to investors and note holders, plus committed acquisitions and CapEx. We note that the first major cluster of bond maturities is not until 2024 and 2025.

Figure 1: Debt maturity schedule including TLG



Source: First Berlin Equity Research; Aroundtown

2019 RESULTS

We acknowledge that historical performance currently takes a backseat to future concerns and provide a 2019 results review and KPIs merely as a reference. AT realised total like-for-like (LFL) rental growth of 4.2% in 2019 comprising 3.6% in-place rent and 0.6% occupancy increases. The KPI was in line with the >4% guidance. The residential landlord, Grand City Properties (39% AT stake), reported 3.4% LFL growth (3.1% in-place rent; 0.3% occupancy) last year.

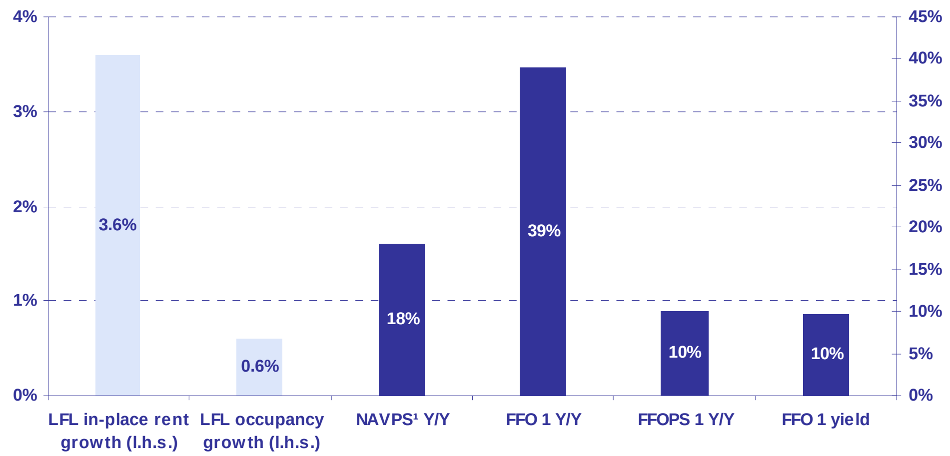
Table 3: 2019 results vs FBe and prior year

All figures in EURm	2019	2019E	*variance*	2018	*variance*	Q4/19	Q4/18	*variance*
Recurring LT net rental income	756	737	*2.6%*	614	*23%*	208	174	*20%*
Net rental income	766	750	*2.1%*	633	*21%*	211	177	*19%*
Adjusted EBITDA commercial, recurring LT	641	630	*1.7%*	497	*29%*	182	137	*33%*
Margin	*85%*	*85%*	*-*	*81%*	*-*	*88%*	*79%*	*-*
Adjusted EBITDA	773	747	*3.5%*	606	*28%*	216	166	*30%*
FFO 1	503	500	*0.6%*	406	*24%*	132	109	*21%*
FFOPS 1 (€)	0.43	0.43	*0.0%*	0.39	*10%*	0.11	0.10	*10%*

Source: First Berlin Equity Research; Aroundtown

Net rental income (NRI) rose 21% on an annualised basis to €766m (FBe: €750m), while recurring net rental income—excluding RI from properties earmarked for disposal—was up 23% Y/Y to €756m. On a quarterly basis, NRI of €211m rose 19% Y/Y and 7.7% sequentially, while recurring NRI was up 20% Y/Y to €208m. Annualised, recurring NRI stood at €823m as of December 2019.

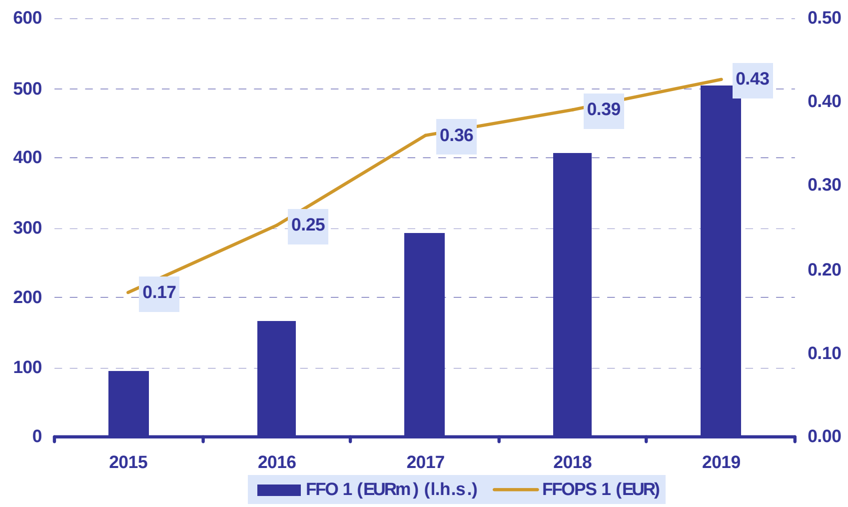
Figure 2: Operating KPI's in 2019



[1] *excludes perpetual note*

Source: First Berlin Equity Research; Aroundtown

Figure 3: FFO 1 and FFOPS 1 development

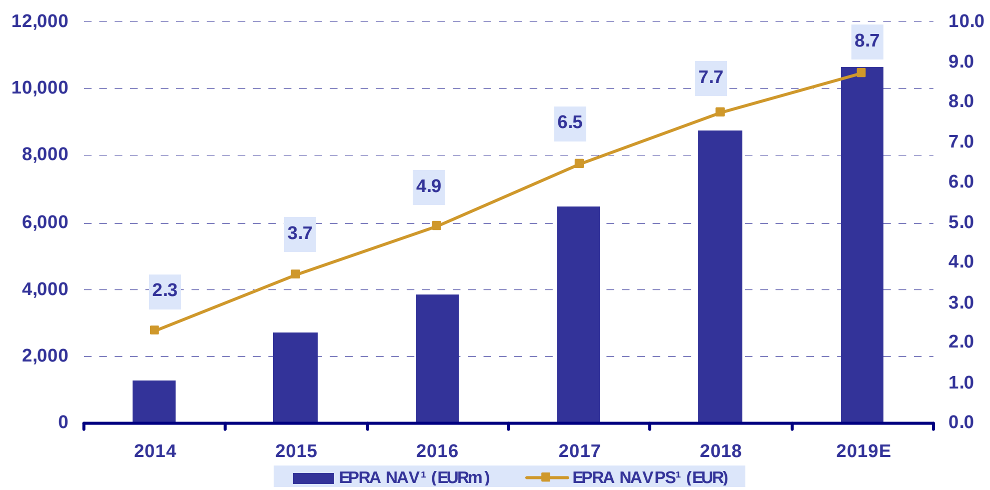


Source: First Berlin Equity Research; Aroundtown

FFO 1, the key industry indicator for recurring cash flow, climbed 24% Y/Y to €503m equating to FFOPS 1 of €0.43 (FBe: €0.43) and a 9.7% yield. Per share growth was partially negated by the larger share count traced to the equity raise last year. For the fourth quarter, FFO 1 totalled €132m (+21%) translating into FFOPS 1 of €0.11. Sequentially, FFO 1 matched the Q3 result (€132m). This owes chiefly to higher tax expense in Q4.

Earnings spur NAV growth As of 31 December, EPRA NAV totalled €10.6bn (€8.7 / share) compared to €8.7bn at year end 2018 (€7.7 / share, +18% Y/Y). NAV growth stems predominantly from the high growth pace, portfolio value extraction and the equity raise in last year. Including perpetual notes, which are classified as equity under IFRS, this KPI stood at €13.1bn or €10.7 / share (+18% Y/Y). EPRA earnings totalled €476m and €0.41 per share vs €403m and €0.38 / share in 2018.

Figure 4: EPRA NAV and NAV per share developments (excluding perpetual notes)



Source: First Berlin Equity Research; Aroundtown

Table 4: Financial highlights

All figures in EURm	2019	2018	*variance*
Cash and liquid assets	3,044	1,601	*90%*
Investment property	18,127	14,174	*28%*
Total assets	25,445	19,041	*34%*
Net debt	10,028	5,871	*71%*
Total equity	13,379	9,944	*35%*
Equity ratio	53%	52%	-
EPRA NAV	10,633	8,742	*22%*
EPRA NAV inc perpetual notes	13,117	10,290	*27%*
Loan-to-Value (LTV)	34%	35%	-

Source: First Berlin Equity Research; Aroundtown

ECONOMIC PROFIT VALUATION

Amid the current chaos one thing is clear: a few strong firms will gain more clout and strengthen their positions. It is easy to overlook the positives right now, but we think investors have an excellent opportunity to build positions in quality names. We regard AT as a top dog on Europe's property landscape and believe the company will emerge no worse for wear in the post-pandemic world.

The business combination with TLG yields 27% valuation upside vs stand-alone operations. Our overhauled model generates fair value of €17.2bn or €12.7 per share. We have attempted to reflect downside risk by adopting the base covid-19 scenario into our model. However, we cannot account for all the unknowns in this highly volatile environment. We concede that select write-downs could result. But we cannot estimate these with any precision. Therefore, to factor in any lurking black swans, we leave our price target unchanged at €10. Our Rating remains Buy.

in €m	2020E	2021E	2022E	2023E	TV
EBITDA	663	1,032	1,062	985	995
(+) Revaluations	487	1,053	851	743	466
(+) Investment income (GCP)	121	127	134	142	143
(-) Tax expense	59	87	90	84	85
NOPAT	**1,212**	**2,125**	**1,958**	**1,785**	**1,518**
Total assets	**31,897**	**34,231**	**36,027**	**37,343**	**37,343**
(-) Current liabilities	1,061	1,134	1,162	1,175	1,175
(+) Current financial debt	328	328	328	328	328
(-) Cash	1,433	1,577	1,588	2,243	2,243
(+) Deferred taxes	1,878	2,163	2,423	2,657	2,657
Capital employed (CE)	**31,609**	**34,011**	**36,028**	**36,909**	**36,909**
Average CE	31,604	32,810	35,020	36,469	36,909
ROCE	3.8%	6.5%	5.6%	4.9%	4.1%
WACC	4.0%	4.0%	4.0%	4.0%	4.0%
ROCE-WACC	-0.1%	2.5%	1.6%	0.9%	0.1%
Economic Profit	-44	822	566	336	52
NPV	**-43**	**768**	**509**	**290**	**1,831**
Fair value calculation					
Total return	**3,354**				
(+) NAV[1] (2019)	14,297				
(-) Dividend to be paid	431				
Equity value	**17,221**				
Diluted SO (m)[2]	1,352				
Fair value per share (€)	**12.70**				
Target price (€)	**12.70**				
Share price (€)	4.28				
Return potential	196.7%				
Dividend yield	5.2%				
Total return potential	**202.0%**				

[1] pro-forma including TLG, excluding perpetual notes; [2]share count excludes shares with suspended voting rights

INCOME STATEMENT

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
Net rent	**449**	**633**	**766**	**892**	**1,216**	**1,250**
Operating and other income	78	114	129	157	215	221
Rental and operating income (RI)	**527**	**747**	**895**	**1,049**	**1,431**	**1,470**
Capital gains, property revaluations & other	1,327	1,536	1,218	487	1,053	851
Result from equity-accounted investees	228	252	299	159	162	166
Property OpEx	-147	-219	-228	-343	-358	-370
Administration & other OpEx	-15	-23	-27	-44	-42	-41
Operating income (EBIT)	**1,920**	**2,294**	**2,156**	**1,307**	**2,245**	**2,077**
Net financial result	-70	-115	-142	-193	-201	-209
Other financial expenses	-15	-94	46	0	0	0
Pre-tax income (EBT)	**1,836**	**2,085**	**2,060**	**1,114**	**2,044**	**1,868**
Tax expense	-34	-44	-71	-71	-104	-108
Deferred tax	-263	-213	-280	-156	-286	-261
Tax result	**-297**	**-257**	**-351**	**-227**	**-391**	**-369**
Comprehensive net income	**1,539**	**1,828**	**1,709**	**888**	**1,654**	**1,499**
Minority interests	228	161	343	178	331	300
Perpetual notes	29	46	58	73	73	73
Net income to owners	**1,283**	**1,620**	**1,308**	**638**	**1,251**	**1,126**
Basic EPS (€)	1.56	1.54	1.12	0.51	0.66	0.64
Diluted EPS (€)	1.35	1.49	1.11	0.51	0.67	0.65
Adjusted EBITDA commercial	**339**	**509**	**641**	**663**	**1,032**	**1,062**
Ratios						
Adj EBITDA commercial margin	81.7%	80.9%	83.7%	74.4%	84.9%	85.0%
Tax rate	7.8%	7.3%	9.1%	9.0%	9.0%	9.0%
Expenses as % of revenues						
Property OpEx	27.9%	29.3%	25.5%	32.7%	25.1%	25.2%
Administration & other OpEx	2.8%	3.0%	3.1%	4.2%	3.0%	2.8%
Y/Y Growth						
Revenues	92.6%	41.7%	19.8%	17.2%	36.4%	2.8%
Operating income	73.5%	19.4%	-6.0%	-39.4%	71.8%	-7.5%
Adjusted EBITDA	74.3%	50.1%	25.9%	3.4%	55.7%	2.9%
Net income/ loss	76.1%	26.3%	-19.3%	-51.3%	96.2%	-9.9%
Funds from Operations (FFO)						
Adjusted EBITDA commercial portfolio	**339**	**509**	**641**	**663**	**1,032**	**1,062**
FFO 1 commercial (long-term recurring)	**237**	**339**	**415**	**344**	**671**	**689**
Adjustment for GCP contribution	56	67	89	101	102	107
FFO 1	**293**	**406**	**503**	**445**	**773**	**796**

**pro-forma forecasts include TLG*

BALANCE SHEET

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
Assets						
Current assets, total	**1,523**	**2,102**	**3,743**	**3,296**	**2,932**	**2,738**
Cash and cash equivalents	736	1,243	2,192	1,791	1,322	1,107
Short-term investments	99	366	878	918	919	920
Receivables	163	277	454	431	529	544
Other current assets	18	5	5	0	0	0
Assets held for sale	508	211	214	155	162	168
Non-current assets, total	**12,247**	**16,939**	**21,702**	**28,601**	**31,299**	**33,289**
Property, plant & equipment	26	33	20	20	21	21
Investment properties	9,804	14,174	18,127	24,821	27,374	29,225
Equity accounted investees	1,906	2,215	2,506	2,609	2,712	2,815
Other LT assets	512	517	1,049	1,151	1,192	1,228
Total assets	**13,770**	**19,041**	**25,445**	**31,897**	**34,231**	**36,027**
Shareholders' equity & debt						
Current liabilities, total	**566**	**606**	**857**	**1,061**	**1,134**	**1,162**
Short-term debt	17	27	246	328	328	328
Accounts payable	267	451	343	411	471	485
Provisions & other current liabilities	282	128	268	321	334	348
Long-term liabilities, total	**5,955**	**8,491**	**11,209**	**15,115**	**16,012**	**16,784**
Long-term debt	5,078	7,444	9,759	12,748	13,348	13,848
Deferred tax liabilities	752	882	1,107	1,961	2,247	2,508
Other LT liabilities	125	164	342	406	417	428
Minority interests	674	567	1,309	1,509	1,840	2,139
Shareholders' equity	**6,576**	**9,377**	**12,070**	**14,211**	**15,245**	**15,941**
Total consolidated equity and debt	**13,770**	**19,041**	**25,445**	**31,897**	**34,231**	**36,027**
Ratios						
ICR (x)	5.4	4.7	5.3	3.9	5.7	5.6
Equity ratio	52.6%	52.2%	52.6%	49.3%	49.9%	50.2%
EPRA NAV[1]	6,483	8,742	10,633	13,101	14,424	15,384
EPRA NAVPS[1] (€)	6.5	7.7	8.7	9.7	10.7	11.4
Net debt	4,400	5,871	6,985	10,368	11,436	12,151
Return on equity (ROE)	23.4%	19.5%	14.2%	6.2%	10.8%	9.4%
Loan-to-value (LTV)	35.9%	35.3%	33.5%	37.3%	37.5%	37.4%

*[1] excludes perpetual notes; *pro-forma forecasts include TLG*

CASH FLOW STATEMENT

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
Net income	**1,539**	**1,828**	**1,709**	**888**	**1,654**	**1,499**
Depreciation & amortisation	2	2	2	2	3	3
Capital gains, property revaluations & oth	-1,327	-1,536	-1,218	-487	-1,053	-851
Profit share from equity accounted investe	-228	-252	-299	-159	-162	-166
Shared based payment in a subsidiary	2	3	5	0	0	0
Net finance expenses	85	208	96	193	201	209
Tax result	297	257	351	227	391	369
Operating cash flow	**369**	**510**	**646**	**663**	**1,033**	**1,062**
Changes in working capital	-13	-39	-34	73	-68	-24
Provisions for other liabilities	-2	-3	-3	101	18	18
Dividend received	41	51	61	56	60	64
Tax paid	-33	-46	-57	-71	-104	-108
Net operating cash flow	**362**	**473**	**614**	**823**	**937**	**1,012**
CapEx/ intangibles	-9	-5	-3	-3	-3	-3
Disposal/ investment in investment properties, net	-615	-915	-538	-1,500	-1,500	-1,000
Acquisition/disposals of subsidiaries	-1,946	-1,829	-1,773	0	0	0
Proceeds from investments in financial as	-184	-175	-576	-43	-13	-13
Cash flow from investing	**-2,754**	**-2,924**	**-2,890**	**-1,546**	**-1,516**	**-1,016**
Debt financing, net	1,165	2,588	2,148	815	600	500
Equity financing, net	866	601	596	0	0	0
Dividends paid	-155	-226	-209	-300	-289	-503
Other financing activities	682	87	854	0	0	0
Net paid financing expenses	-66	-97	-161	-193	-201	-209
Cash flow from financing	**2,492**	**2,953**	**3,228**	**322**	**110**	**-212**
Net cash flows	**100**	**501**	**952**	**-401**	**-469**	**-215**
Assets held for sale - cash	-5	5	-3	0	0	0
Cash, start of the year	641	736	1,243	2,192	1,791	1,322
Cash, end of the year	**736**	**1,243**	**2,192**	**1,791**	**1,322**	**1,107**
Adjusted EBITDA commercial/share (€)	0.41	0.47	0.55	0.51	0.76	0.79
FFO 1 (inc. GCP contribution)	293	406	503	445	611	651
FFOPS 1 (€)	0.36	0.39	0.43	0.35	0.50	0.53
Y/Y Growth						
EBITDA/share		14.4%	15.5%	-5.5%	48.3%	2.9%
FFO 1		38.5%	24.1%	-11.6%	37.3%	6.6%
FFOPS 1 (€)		8.1%	11.0%	-19.3%	44.6%	6.6%

**pro-forma forecasts include TLG*

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...32	↓	↓	↓	↓
33	27 January 2020	€8.28	Buy	€10.00
34	4 March 2020	€7.82	Buy	€10.00
35	19 March 2020	€3.70	Buy	€10.00
36	Today	€4.28	Buy	€10.00

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

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