

# Aroundtown SA

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

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 8.60**

Return Potential 120.9%  
 Risk Rating Medium

## DISPOSALS ON TRACK; MORE IN THE WORKS

Aroundtown updated on its ongoing disposal activities announcing signed deals of ~€1.9bn with another €0.5bn in advanced negotiations AT is thus on track to hit the €2bn target communicated in the H1/20 report. Redeployed proceeds continue to bolster the share buyback program, boost liquidity reserves, and support debt servicing. We still believe AT's robust capital structure can handle the effects of the pandemic including Germany's planned November lockdown. We remain Buy-rated on Aroundtown with an unchanged €8.6 price target.

**Disposal update is encouraging** Fears that the transaction market could come to a standstill during the pandemic have thus far proven to be overblown. AT has YTD signed numerous deals totalling €1.9bn. Recent deals were executed above book value and at an 18x net rent multiple. This is up from 17x reported at H1. The company is selling off non-core (mostly retail) assets inherited from TLG. Aside from improving overall portfolio quality, the proceeds have supported the ongoing share buyback program allowing management to capitalise on the sizable share price discount to NAV (~56%) to create shareholder value. AT hinted that another €0.5bn is in the works, although timing for further signings and closings remains open. We continue to factor €2bn into 2020 FBe.

**Lockdowns back in fashion** The covid-19 resurgence has triggered a wave of lockdowns across the globe. Chancellor Angela Merkel announced a "lockdown-light" on Wednesday. Germany's restaurants, pubs, and hotels (for tourists) will shut down on 2 November. We believe the summer uptick in room bookings had already started to fade in recent weeks with the resurgence in covid-19. Plus, AT has already provisioned for roughly 50% of deferred hotel rents. Our 2020 estimates also factor in provisions of €110m. The new wave of lockdowns will likely rattle investors over the near term. However, crises are a good sorting mechanism, and AT's crisis-tested management are well equipped to pilot the company through the pandemic. We thus expect Aroundtown to emerge among the winners. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Net rent (€m)	448.98	633.00	765.70	953.25	1,132.37	1,178.46
Adj. EBITDA (€m)	339.0	508.9	641.0	761.2	932.2	986.8
Net income (€m)	1,539.00	1,827.80	1,709.10	982.71	1,133.10	1,244.07
EPS (diluted) (€)	1.35	1.49	1.11	0.54	0.60	0.67
EPRA NAV <sup>1</sup> (€m)	7,656.28	10,290.10	13,117.48	15,237.61	15,742.36	16,253.09
NAVPS <sup>1</sup> (€m)	7.63	9.11	10.72	11.27	11.64	12.02
DPS (€)	0.23	0.25	0.28	0.28	0.34	0.36
FFO 1 (€m)	293.00	405.74	503.40	560.81	709.85	752.32
FFOPS 1 (€)	0.36	0.39	0.43	0.44	0.52	0.56
Liquid assets (€m)	852.44	1,613.90	3,074.70	3,405.60	3,155.63	2,483.08

<sup>1</sup> includes perpetual notes

### RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and the departure of key personnel.

### COMPANY PROFILE

Aroundtown 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.

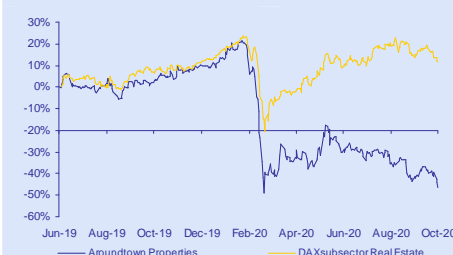
### MARKET DATA

As of 28 Oct 2020

Closing Price	€ 3.89
Shares outstanding	1537.02m
Market Capitalisation	€ 5985.16m
52-week Range	€ 3.70 / 8.84
Avg. Volume (12 Months)	5,194,838

Multiples	2019	2020E	2021E
P/FFO 1	9.1	8.9	7.4
P/EPRA NAV	0.4	0.3	0.3
FFO 1 Yield	11.0%	11.2%	13.5%
Div. Yield	7.1%	7.3%	8.8%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2020

Liquid Assets	€ 2,711.00m
Current Assets	€ 4,245.00m
EPRA NAV <sup>1</sup>	€ 15,508.00m
Investment properties	€ 22,648.00m
Current Liabilities	€ 1,120.00m
Total Equity	€ 16,445.00m

<sup>1</sup> including perpetual notes

### SHAREHOLDERS

Treasury shares*	25.0%
Avisco Group	10.0%
Blackrock	5.1%
Free Float	59.9%

\* 12% are held through TLG Immobilien AG, voting rights suspended



## VALUATION MODEL

in €m	2020E	2021E	2022E	2023E	TV
<b>EBITDA</b>	761	932	987	1,060	1,071
(+) Revaluations	659	364	460	686	202
(+) Investment income (GCP)	105	115	120	125	126
(-) Tax expense	65	79	83	89	90
<b>NOPAT</b>	<b>1,460</b>	<b>1,333</b>	<b>1,483</b>	<b>1,782</b>	<b>1,309</b>
<b>Total assets</b>	<b>30,879</b>	<b>32,462</b>	<b>33,198</b>	<b>34,411</b>	<b>34,411</b>
(-) Current liabilities	1,130	1,123	1,143	1,172	1,172
(+) Current financial debt	328	328	328	328	328
(-) Cash	3,082	2,832	2,159	2,104	2,104
(+) Deferred taxes	1,219	1,267	1,330	1,426	1,426
<b>Capital employed (CE)</b>	<b>28,214</b>	<b>30,103</b>	<b>31,554</b>	<b>32,890</b>	<b>32,890</b>
Average CE	25,942	29,159	30,828	32,222	32,890
ROCE	5.6%	4.6%	4.8%	5.5%	4.0%
WACC	4.0%	4.0%	4.0%	4.0%	4.0%
ROCE-WACC	1.6%	0.6%	0.8%	1.5%	0.0%
Economic Profit	427	171	255	498	-1
<b>NPV</b>	<b>424</b>	<b>164</b>	<b>235</b>	<b>440</b>	<b>-39</b>
<b>Fair value calculation</b>					
<b>Total return</b>	<b>1,224</b>				
(+) NAV <sup>1</sup> (2019)	10,633				
(-) Dividend to be paid	431				
<b>Equity value</b>	<b>11,427</b>				
<b>Fair value per share (€)</b>	<b>8.60</b>				
<small><sup>1</sup> excluding perpetual notes; <sup>2</sup> share count excludes shares with suspended voting rights</small>					
<b>Target price (€)</b>	<b>8.60</b>				
Share price (€)	3.89				
Return potential	120.9%				
Dividend yield	7.3%				
<b>Total return potential</b>	<b>128.1%</b>				



## INCOME STATEMENT

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
<b>Net rent</b>	<b>449</b>	<b>633</b>	<b>766</b>	<b>953</b>	<b>1,132</b>	<b>1,178</b>
Operating and other income	78	114	129	168	200	208
<b>Rental and operating income (RI)</b>	<b>527</b>	<b>747</b>	<b>895</b>	<b>1,121</b>	<b>1,332</b>	<b>1,386</b>
Capital gains, property revaluations & other	1,327	1,536	1,218	659	364	460
Result from equity-accounted investees	228	252	299	199	167	170
Property OpEx	-147	-219	-228	-416	-360	-360
Administration & other OpEx	-15	-23	-27	-56	-43	-42
<b>Operating income (EBIT)</b>	<b>1,920</b>	<b>2,294</b>	<b>2,156</b>	<b>1,508</b>	<b>1,461</b>	<b>1,614</b>
Net financial result	-70	-115	-142	-188	-183	-195
Other financial expenses	-15	-94	46	-55	10	0
<b>Pre-tax income (EBT)</b>	<b>1,836</b>	<b>2,085</b>	<b>2,060</b>	<b>1,265</b>	<b>1,288</b>	<b>1,419</b>
Tax expense	-34	-44	-71	-84	-100	-106
Deferred tax	-263	-213	-280	-198	-55	-69
<b>Tax result</b>	<b>-297</b>	<b>-257</b>	<b>-351</b>	<b>-282</b>	<b>-155</b>	<b>-175</b>
<b>Comprehensive net income</b>	<b>1,539</b>	<b>1,828</b>	<b>1,709</b>	<b>983</b>	<b>1,133</b>	<b>1,244</b>
Minority interests	228	161	343	197	227	249
Perpetual notes	29	46	58	90	90	90
<b>Net income to owners</b>	<b>1,283</b>	<b>1,620</b>	<b>1,308</b>	<b>697</b>	<b>817</b>	<b>906</b>
Basic EPS (€)	1.56	1.54	1.12	0.54	0.60	0.67
Diluted EPS (€)	1.35	1.49	1.11	0.54	0.60	0.67
<b>Adjusted EBITDA commercial</b>	<b>339</b>	<b>509</b>	<b>641</b>	<b>761</b>	<b>932</b>	<b>987</b>
<b>Ratios</b>						
Adj EBITDA commercial margin	81.7%	80.9%	83.7%	79.9%	82.3%	83.7%
Tax rate	7.8%	7.3%	9.1%	9.5%	9.5%	9.5%
<b>Expenses as % of revenues</b>						
Property OpEx	27.9%	29.3%	25.5%	37.1%	27.0%	26.0%
Administration & other OpEx	2.8%	3.0%	3.1%	5.0%	3.2%	3.0%
<b>Y/Y Growth</b>						
Revenues	92.6%	41.7%	19.8%	25.3%	18.8%	4.1%
Operating income	73.5%	19.4%	-6.0%	-30.1%	-3.1%	10.4%
Adjusted EBITDA	74.3%	50.1%	25.9%	18.7%	22.5%	5.9%
Net income/ loss	76.1%	26.3%	-19.3%	-46.7%	17.3%	10.9%
<b>Funds from Operations (FFO)</b>						
<b>Adjusted EBITDA commercial portfolio</b>	<b>339</b>	<b>509</b>	<b>641</b>	<b>761</b>	<b>932</b>	<b>987</b>
Finance expense	-70	-115	-142	-188	-183	-195
Tax expense	-34	-44	-71	-84	-100	-106
Minority adjustment	-9	-7	-17	-37	-57	-57
Other adjustments	10	8	3	4	4	4
<b>FFO 1 commercial (long-term recurring)</b>	<b>237</b>	<b>339</b>	<b>415</b>	<b>456</b>	<b>595</b>	<b>632</b>
Adjustment for GCP & other contributions	56	67	89	105	115	120
<b>FFO 1</b>	<b>293</b>	<b>406</b>	<b>503</b>	<b>561</b>	<b>710</b>	<b>752</b>
<b>FFO 1 (after perpetuals)</b>	<b>264</b>	<b>360</b>	<b>446</b>	<b>471</b>	<b>620</b>	<b>663</b>



## BALANCE SHEET

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>1,523</b>	<b>2,102</b>	<b>3,743</b>	<b>3,976</b>	<b>3,804</b>	<b>3,151</b>
Cash and cash equivalents	736	1,243	2,192	3,082	2,832	2,159
Short-term investments	99	366	878	318	318	318
Receivables	163	277	454	415	493	513
Other current assets	18	5	5	5	5	5
Assets held for sale	508	211	214	155	155	155
<b>Non-current assets, total</b>	<b>12,247</b>	<b>16,939</b>	<b>21,702</b>	<b>26,904</b>	<b>28,658</b>	<b>30,047</b>
Property, plant & equipment	26	33	20	20	21	21
Investment properties	9,804	14,174	18,127	23,030	24,642	25,902
Equity accounted investees	1,906	2,215	2,506	2,828	2,939	3,050
Other LT assets	512	517	1,049	1,026	1,056	1,074
<b>Total assets</b>	<b>13,770</b>	<b>19,041</b>	<b>25,445</b>	<b>30,879</b>	<b>32,462</b>	<b>33,198</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>566</b>	<b>606</b>	<b>857</b>	<b>1,130</b>	<b>1,123</b>	<b>1,143</b>
Short-term debt	17	27	246	328	328	328
Accounts payable	267	451	343	480	460	467
Provisions & other current liabilities	282	128	268	321	334	348
<b>Long-term liabilities, total</b>	<b>5,955</b>	<b>8,491</b>	<b>11,209</b>	<b>13,654</b>	<b>14,565</b>	<b>14,588</b>
Long-term debt	5,078	7,444	9,759	11,998	12,845	12,789
Deferred tax liabilities	752	882	1,107	1,305	1,360	1,429
Other LT liabilities	125	164	342	351	361	370
Minority interests	674	567	1,309	2,152	2,378	2,627
<b>Shareholders' equity</b>	<b>6,576</b>	<b>9,377</b>	<b>12,070</b>	<b>13,943</b>	<b>14,396</b>	<b>14,840</b>
<b>Total consolidated equity and debt</b>	<b>13,770</b>	<b>19,041</b>	<b>25,445</b>	<b>30,879</b>	<b>32,462</b>	<b>33,198</b>
<b>Ratios</b>						
ICR (x)	5.4	4.7	5.3	4.6	5.6	5.6
Equity ratio	52.6%	52.2%	52.6%	52.1%	51.7%	52.6%
EPRA NAV <sup>1</sup>	6,483	8,742	10,633	12,129	12,633	13,144
EPRA NAVPS <sup>1</sup> (€)	6.5	7.7	8.7	9.0	9.3	9.7
Net debt	4,400	5,871	6,985	8,920	10,017	10,634
Return on equity (ROE)	23.4%	19.5%	14.2%	7.0%	7.9%	8.4%
Loan-to-value (LTV)	35.9%	35.3%	33.5%	34.0%	35.8%	36.2%
Dividend cover	1.5	1.5	1.5	1.5	1.5	1.5

<sup>1</sup> excludes perpetual notes



## CASH FLOW STATEMENT

All figures in EURm	2017	2018	2019	2020E	2021E	2022E
<b>Net income</b>	<b>1,539</b>	<b>1,828</b>	<b>1,709</b>	<b>959</b>	<b>1,649</b>	<b>1,493</b>
Depreciation & amortisation	2	2	2	2	3	3
Capital gains, property revaluations & other	-1,327	-1,536	-1,218	-659	-364	-460
Profit share from equity accounted investee	-228	-252	-299	-199	-167	-170
Shared based payment in a subsidiary	2	3	5	0	0	0
Net finance expenses	85	208	96	243	173	195
Tax result	297	257	351	282	155	175
<b>Operating cash flow</b>	<b>369</b>	<b>510</b>	<b>646</b>	<b>628</b>	<b>1,448</b>	<b>1,236</b>
Changes in working capital	-13	-39	-34	151	-113	-24
Provisions for other liabilities	-2	-3	-3	53	12	13
Dividend received	41	51	61	55	56	60
Tax paid	-33	-46	-57	-84	-100	-106
<b>Net operating cash flow</b>	<b>362</b>	<b>473</b>	<b>614</b>	<b>803</b>	<b>1,303</b>	<b>1,178</b>
CapEx/ intangibles	-9	-5	-3	-3	-3	-3
Disposal/ investment in investment properties, net	-615	-915	-538	689	-1,247	-801
Acquisition/disposals of subsidiaries	-1,946	-1,829	-1,773	0	0	0
Proceeds from investments in financial assets	-184	-175	-576	563	4	4
<b>Cash flow from investing</b>	<b>-2,754</b>	<b>-2,924</b>	<b>-2,890</b>	<b>1,249</b>	<b>-1,247</b>	<b>-800</b>
Debt financing, net	1,165	2,588	2,148	-591	847	-56
Equity financing, net	866	601	596	-500	0	0
Dividends paid	-155	-226	-209	-327	-365	-461
Other financing activities	682	87	854	-90	-90	-90
Net paid financing expenses	-66	-97	-161	-188	-183	-195
<b>Cash flow from financing</b>	<b>2,492</b>	<b>2,953</b>	<b>3,228</b>	<b>-1,696</b>	<b>209</b>	<b>-801</b>
<b>Net cash flows</b>	<b>100</b>	<b>501</b>	<b>952</b>	<b>357</b>	<b>266</b>	<b>-424</b>
Assets held for sale - cash	-5	5	-3	0	0	0
Fx effects	0	-1	1	0	0	0
Cash & equivalents from TLG	0	0	0	510	0	0
<b>Cash, start of the year</b>	<b>641</b>	<b>736</b>	<b>1,243</b>	<b>2,192</b>	<b>3,082</b>	<b>2,832</b>
<b>Cash, end of the year</b>	<b>736</b>	<b>1,242</b>	<b>2,193</b>	<b>3,058</b>	<b>3,348</b>	<b>2,408</b>
Adj. EBITDA commercial / share (€)	0.41	0.47	0.55	0.59	0.69	0.73
FFO 1	293	406	503	561	710	752
FFOPS 1 (€)	0.36	0.39	0.43	0.44	0.52	0.56
FFOPS 1 after perpetuals (€)	0.32	0.34	0.38	0.35	0.44	0.47
<b>Y/Y Growth</b>						
EBITDA/share		14.4%	15.5%	8.4%	16.6%	5.9%
FFO 1		38.5%	24.1%	11.4%	26.6%	6.0%
FFOPS 1 (€)		8.1%	11.0%	1.7%	20.5%	6.0%

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**PRICE TARGET DATES**

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**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:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	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%

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

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

**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.

**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...33	↓	↓	↓	↓
34	4 March 2020	€7.82	Buy	€10.00
35	19 March 2020	€3.70	Buy	€10.00
36	6 April 2020	€4.28	Buy	€10.00
37	31 May 2020	€4.81	Buy	€10.00
38	28 May 2020	€5.17	Buy	€10.00
39	2 June 2020	€5.17	Buy	€10.00
40	1 September 2020	€4.61	Buy	€8.60
41	22 September 2020	€4.23	Buy	€8.60
42	Today	€3.89	Buy	€8.60

**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.

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**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: <https://firstberlin.com/disclaimer-english-link/>

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