

Aroundtown SA

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

Update

RATING
BUY

PRICE TARGET
€ 8.60

Return Potential 41.9%
 Risk Rating Medium

BOND BUYBACK IN THE WORKS

Aroundtown has launched a cash tender offer for several bonds in its debt portfolio. The bonds are denominated in EUR, CHF and GBP and have an outstanding principal amount of some €1.1bn. AT exited H1/21 with roughly €3.2bn in the treasury, thanks in part to around €11bn in disposals above book value during the first six months. The outstanding bonds represent ~€23m in annual interest expense; however, a full-acceptance scenario is unlikely given the attractive coupons and financial markets still largely flush with cash. We maintain our Buy rating and €8.6 price target.

Plenty of options for strong liquidity position The share buyback program started earlier this year continues to take advantage of the substantial stock price discount to NTA (net tangible value), which widened to ~35% during this week's market downturn. Given daily trading volume restrictions, we reckon it will take Aroundtown another 15 to 20 weeks to exhaust the current €500m program. AT management noted on the Q2 conference call that this year's AGM approved a potential expansion of the share buyback, and this remains an option should market conditions remain suitable. We think the company has a strong liquidity position to execute the bond and share buybacks, while also keeping adequate financial firepower for new properties, although acquisition growth still largely continues to idle.

What else has changed? Hotel bookings enjoyed a summer uptick, but we expect the travel environment to remain volatile with winter months around the corner. Even if Germany can avoid another lockdown, market watchers continue to remain conservative on travel-recovery predictions. This prudent view is already built into our forecasts and company guidance. And we remain confident in Aroundtown's ability to manage the pandemic storm with its hotel operators. Meanwhile, the collapse of Chinese property developer, Evergrande, roiled global markets and dragged down property stocks this week. However, market analysts think severe contagion can be ring-fenced to Evergrande's backers and other Chinese property developers. We thus see no potential fallout for AT. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Net rent (€m)	448.98	633.00	765.70	1,003.00	888.98	921.48
Adj. EBITDA (€m)	339.0	508.9	641.0	777.4	694.8	796.2
Net income (€m)	1,539.00	1,827.80	1,709.10	906.40	1,078.32	1,534.30
EPS (diluted) (€)	1.56	1.58	1.12	0.50	0.61	0.90
EPRA NTA ¹ (€m)	n.a.	n.a.	10,633.48	11,511.81	12,256.07	13,462.55
NTAPS ¹ (€m)	n.a.	n.a.	8.60	9.51	9.93	10.97
DPS (€)	0.23	0.25	0.14	0.22	0.22	0.35
FFO 1 ² (€m)	264.20	359.64	445.58	357.80	340.15	556.58
FFOPS 1 ² (€)	0.32	0.34	0.38	0.27	0.29	0.47
Liquid assets (€m)	852.44	1,613.90	3,074.70	3,287.09	3,202.84	2,196.43

¹ No NTA data reported prior to 2019 ² after perpetual and covid-19 adjustments

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 22 Sep 2021

Closing Price	€ 6.00
Shares outstanding	1537.02m
Market Capitalisation	€ 9314.34m
52-week Range	€ 3.89 / 7.08
Avg. Volume (12 Months)	3,165,907

Multiples	2020	2021E	2022E
P/FFO 1	22.1	21.0	12.8
P/NTA	0.6	0.6	0.6
FFO 1 Yield	4.5%	4.8%	7.8%
Div. Yield	3.7%	3.6%	5.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 3,244.00m
Current Assets	€ 4,401.00m
EPRA NTA	€ 11,222.00m
Investment properties	€ 20,899.00m
Current Liabilities	€ 1,271.00m
Total Equity	€ 15,718.00m

SHAREHOLDERS

Treasury shares*	27.0%
Avisco Group	10.0%
Blackrock	5.7%
Free Float	57.3%

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



VALUATION MODEL

in €m	2021E	2022E	2023E	2024E	TV
EBITDA	695	796	873	926	940
(+) Revaluations	649	900	972	899	467
(+) Investment income (GCP)	119	128	134	142	144
(-) Tax expense	77	88	96	101	103
NOPAT	1,386	1,737	1,883	1,865	1,448
Total assets	30,714	31,742	34,433	35,400	35,400
(-) Current liabilities	876	804	824	861	861
(+) Current financial debt	100	100	100	100	100
(-) Cash	2,604	1,593	2,231	1,702	1,702
(+) Deferred taxes	1,919	2,040	2,171	2,289	2,289
Capital employed (CE)	29,253	31,485	33,649	35,226	35,226
Average CE	29,262	30,369	32,567	34,437	35,226
ROCE	4.7%	5.7%	5.8%	5.4%	4.1%
WACC	4.1%	4.1%	4.1%	4.1%	4.1%
ROCE-WACC	0.7%	1.7%	1.7%	1.4%	0.0%
Economic profit	197	504	561	467	18
NPV	195	479	512	410	609

Fair value calculation	
Total return	2,206
(+) NTA ¹ (2020)	11,187
(-) Dividend to be paid	233
Equity value	13,160
Fair value per share (€)	8.60

¹ net tangible assets

Target price (€)	8.60
Share price (€)	6.06
Return potential	41.9%
Dividend yield	3.7%
Total return potential	45.6%



INCOME STATEMENT

All figures in EURm	2017	2018	2019	2020	2021E	2022E
Net rent	449	633	766	1,003	889	921
Operating and other income	78	114	129	177	157	163
Rental and operating income (RI)	527	747	895	1,180	1,046	1,084
Capital gains, property revaluations & other	1,327	1,536	1,218	769	649	900
Result from equity-accounted investees	228	252	299	196	160	194
Property OpEx	-147	-219	-228	-443	-402	-293
Other income	0	0	0	0	0	70
Administration & other OpEx	-15	-23	-27	-51	-37	-33
Operating income (EBIT)	1,920	2,294	2,156	1,652	1,416	1,923
Net financial result	-70	-115	-142	-201	-160	-162
Other financial expenses	-15	-94	46	-168	0	0
Pre-tax income (EBT)	1,836	2,085	2,060	1,283	1,255	1,762
Tax expense	-34	-44	-71	-89	-80	-92
Deferred tax	-263	-213	-280	-287	-97	-135
Tax result	-297	-257	-351	-377	-177	-227
Comprehensive net income	1,539	1,828	1,709	906	1,078	1,534
Minority interests	228	161	343	165	32	46
Perpetual notes	29	46	58	90	95	95
Net income to owners	1,283	1,620	1,308	652	951	1,393
Basic EPS (€)	1.56	1.58	1.12	0.50	0.61	0.90
Adjusted EBITDA commercial	339	509	641	777	695	796
Ratios						
Adj EBITDA commercial margin	81.7%	80.9%	83.7%	77.5%	78.2%	86.4%
Tax rate	7.8%	7.3%	9.1%	9.5%	9.8%	10.0%
Expenses as % of revenues						
Property OpEx	27.9%	29.3%	25.5%	37.5%	38.5%	27.0%
Administration & other OpEx	2.8%	3.0%	3.1%	4.3%	3.5%	3.0%
Y/Y Growth						
Revenues	92.6%	41.7%	19.8%	31.9%	-11.4%	3.7%
Operating income	73.5%	19.4%	-6.0%	-23.4%	-14.3%	35.9%
Adjusted EBITDA	74.3%	50.1%	25.9%	21.3%	-10.6%	14.6%
Net income/ loss	76.1%	26.3%	-19.3%	-50.2%	45.9%	46.5%
Funds from Operations (FFO)						
Adjusted EBITDA commercial portfolio	339	509	641	777	695	796
Finance expense	-70	-115	-142	-201	-160	-162
Tax expense	-34	-44	-71	-89	-80	-92
Minority adjustment	-9	-7	-17	-36	-28	-28
Other adjustments	10	8	3	9	9	9
FFO 1 commercial (long-term recurring)	237	339	415	461	436	523
Adjustment for GCP & other contributions	56	67	89	107	119	128
FFO 1 (before perpetuals)	293	406	503	567	555	651
Perpetual attribution	-29	-46	-58	-90	-95	-95
FFO 1	264	360	446	478	460	557
Extraordinary covid-19 provision	0	0	0	-120	-120	0
FFO 1 (covid-19 adjusted)	264	360	446	358	340	557



BALANCE SHEET

All figures in EURm	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	1,523	2,102	3,743	4,781	3,906	2,919
Cash and cash equivalents	736	1,243	2,192	2,692	2,604	1,593
Short-term investments	99	366	878	454	454	454
Receivables	163	277	454	617	516	535
Other current assets	18	5	5	141	145	149
Assets held for sale	508	211	214	877	188	188
Non-current assets, total	12,247	16,939	21,702	26,241	26,807	28,823
Property, plant & equipment	26	33	20	877	880	882
Investment properties	9,804	14,174	18,127	21,172	21,570	23,405
Equity accounted investees	1,906	2,215	2,506	3,177	3,284	3,431
Other LT assets	512	517	1,049	1,014	1,073	1,104
Total assets	13,770	19,041	25,445	31,022	30,714	31,742
Shareholders' equity & debt						
Current liabilities, total	566	606	857	1,074	876	804
Short-term debt	17	27	246	181	100	100
Accounts payable	267	451	343	435	460	374
Provisions & other current liabilities	282	128	268	458	317	329
Long-term liabilities, total	5,955	8,491	11,209	14,364	13,736	13,741
Long-term debt	5,078	7,444	9,759	11,680	10,929	10,772
Deferred tax liabilities	752	882	1,107	2,026	2,123	2,258
Other LT liabilities	125	164	342	659	684	711
Minority interests	674	567	1,309	2,025	1,838	1,884
Shareholders' equity	6,576	9,377	12,070	13,558	14,263	15,313
Total consolidated equity and debt	13,770	19,041	25,445	31,022	30,714	31,742
Ratios						
ICR (x)	5.4	4.7	4.8	4.3	4.5	5.1
Net debt / adj. EBITDA (x)	13.0	11.8	10.9	11.1	11.3	10.9
Equity ratio	52.6%	52.2%	52.6%	50.2%	52.4%	54.2%
Financial leverage	66.9%	62.6%	57.9%	63.4%	54.9%	56.7%
EPRA NAV	6,483	8,742	10,633	11,512	12,256	13,463
EPRA NAVPS (€)	6.8	7.7	8.7	9.8	10.1	11.1
EPRA NTA	n.a.	n.a.	10,523	11,187	11,682	12,913
EPRA NTAPS (€)	n.a.	n.a.	8.6	9.5	9.9	11.0
Net debt	4,400	5,871	6,985	8,598	7,826	8,676
Return on equity (ROE)	23.4%	19.5%	14.2%	6.7%	7.6%	10.0%
Loan-to-value (LTV)	36%	35%	34%	34%	31%	32%



CASH FLOW STATEMENT

All figures in EURm	2017	2018	2019	2020	2021E	2022E
Net income	1,539	1,828	1,709	906	1,078	1,534
Depreciation & amortisation	2	2	2	4	2	2
Capital gains, property revaluations & other	-1,327	-1,536	-1,218	-769	-649	-900
Profit share from equity accounted investees	-228	-252	-299	-196	-160	-194
Shared based payment in a subsidiary	2	3	5	3	0	0
Net finance expenses	85	208	96	369	160	162
Tax result	297	257	351	377	177	227
Operating cash flow	369	510	646	694	609	831
Changes in working capital	-13	-39	-34	-36	75	-125
Provisions for other liabilities	-2	-3	-3	-3	-150	3
Dividend received	41	51	61	43	53	47
Tax paid	-33	-46	-57	-83	-80	-92
Net operating cash flow	362	473	614	616	507	664
CapEx/ intangibles	-9	-5	-3	-36	-5	-5
Disposal/ investment in investment properties, net	-615	-915	-2,311	1,427	941	-935
Acquisition/disposals of subsidiaries	-1,946	-1,829	0	0	0	0
Proceeds from investments in financial assets	-184	-175	-576	-377	20	21
Cash flow from investing	-2,754	-2,924	-2,890	1,014	957	-918
Debt financing, net	1,165	2,588	2,148	-493	-832	-157
Equity financing, net	866	601	596	0	0	0
Payments for own shares	0	0	0	-1,001	-500	0
Share buy-back in a subsidiary	0	0	0	0	-220	0
Dividends paid	-155	-226	-209	-22	-351	-343
Other financing activities	682	87	854	94	510	-95
Net paid financing expenses	-66	-97	-161	-212	-160	-162
Cash flow from financing	2,492	2,953	3,228	-1,634	-1,553	-757
Net cash flows	100	501	952	-5	-88	-1,011
Assets held for sale - cash	-5	6	-4	-3	0	0
Fx effects	0	-1	1	-1	0	0
Cash & equivalents from TLG	0	0	0	509	0	0
Cash, start of the year	641	736	1,243	2,192	2,692	2,604
Cash, end of the year	736	1,243	2,192	2,692	2,604	1,593
AEBITDA commercial / share (€)	0.41	0.47	0.55	0.60	0.45	0.51
FFO 1 (after perpetuals)	264	360	446	478	460	557
FFO 1 (after perpetuals, covid adjusted)	264	360	446	358	340	557
FFOPS 1 (after perpetuals) (€)	0.32	0.34	0.38	0.37	0.39	0.47
FFOPS 1 (after perpetuals, covid adj.) (€)	0.32	0.34	0.38	0.27	0.29	0.47

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PRICE TARGET DATES

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

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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:

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.

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.

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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...40	↓	↓	↓	↓
41	22 September 2020	€4.23	Buy	€8.60
42	29 October 2020	€3.89	Buy	€8.60
43	27 November 2020	€5.97	Buy	€8.60
44	28 January 2021	€5.67	Buy	€8.60
45	31 March 2021	€6.07	Buy	€8.60
46	15 April 2021	€6.34	Buy	€8.60
47	31 May 2021	€6.89	Buy	€8.60
48	30 August 2021	€6.47	Buy	€8.60
49	Today	€6.06	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

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