

Aroundtown SA

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 3.40

89.5%
 Medium

PERPETUAL NOTES RESHUFFLED

Aroundtown announced results of the exchange and tender offers of four series of its perpetual notes alongside two series of its subsidiary's (Grand City) perpetual notes. The aim was restore the notes' equity component according to S&P methodology, since non-called notes are regarded as debt by the ratings agency. Some 74% of noteholders accepted the offers equal to a nominal value of ~€1.8bn. The landlord will also issue €1.6bn in new notes and repurchase €136m of perpetual notes via the tender offer. Aside from shoring up the S&P metrics, AT will save around €10m in coupon payments starting in 2025, thereby positively impacting bottom line FFO 1. We are Buy-rated on Aroundtown with an unchanged €3.4 TP.

Positive FFO 1 impact starting in 2025 To date, nearly €2bn of notes have not been called, while two more first call dates are looming in September 2024 and January 2025. But holders of some 72% of the nominal value of these two series opted for the exchange thus reducing their nominal value to around €311m (old: €1.1bn). This will help AT avoid a further €9m hit to FFO 1 at their pending reset (table 1 overleaf). We have now factored the reset of the non-exchanged notes into FBe. The combined net effect of the reshuffled hybrid note portfolio and new issuances means coupon payments will rise in 2024 but decline starting in 2025. In our view, the successful exchange confirms management's recent comments that the financial markets are indeed warming. This should cheer investors still recovering from a year plus of interest rate shock.

Perpetual notes reshuffled The successful swap and buyback will also substantially shore up AT's balance sheet metrics in the eyes of S&P. The ratings agency counts perpetual notes as 100% debt when they are not called. The new notes will restore or extend the 50% equity component according to S&P, and all perpetual notes will continue to be regarded as equity according to IFRS as well as for all bond covenants. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Rental income (€m)	1,003.0	1,085.7	1,222.1	1,192.8	1,198.8	1,218.7
Y/Y growth	31.0%	8.2%	12.6%	-2.4%	0.5%	1.7%
Adj. EBITDA (€m)	944.1	974.9	1,002.3	1,002.9	1,017.2	1,043.5
Net income (€m)	1,709.1	906.4	1,078.1	-457.1	-2,426.4	186.7
EPRA NTA (€m)	11,186.9	11,564.0	10,122.0	8,058.7	7,976.2	8,382.5
EPRA NTAPS (€)	9.5	10.2	9.3	7.4	7.3	7.7
DPS (€)	0.22	0.23	0.00	0.00	0.19	0.17
FFO 1 (€m)	357.8	353.2	362.5	330.6	279.1	250.9
FFOPS 1 (€)	0.27	0.30	0.33	0.30	0.25	0.22
Liquid assets (€m)	3,287.1	3,276.6	2,756.2	3,026.0	3,498.2	2,386.9

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.

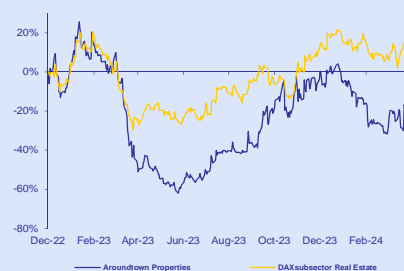
MARKET DATA

As of 11 Apr 2024

Closing Price	€ 1.79
Shares outstanding	1537.02m
Market Capitalisation	€ 2,758.18m
52-week Range	€ 0.90 / 2.48
Avg. Volume (12 Months)	6,900,636

Multiples	2023	2024E	2025E
P/FFO 1	5.9	7.2	8.0
P/NTA	3.0	4.0	5.0
FFO 1 Yield	16.9%	13.9%	12.5%
Div. Yield	0.0%	10.4%	9.4%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 3,025.8m
Current Assets	€ 4,691.8m
Intangible Assets	€ 8,058.7m
Total Assets	€ 24,632.4m
Current Liabilities	€ 1,539.4m
Shareholders' Equity	€ 15,149.7m

SHAREHOLDERS

Treasury shares*	29.0%
Avisco Group / Vergoport	15.0%
Stumpf Capital	10.0%
Free Float	46.0%

* 12% held through TLG Immo AG, voting rights suspended



IMPACT OF EXCHANGE OFFERS AND ISSUANCES

Table 1: Estimated 2025 coupon based on current situation and reset

Issuer	Outstanding Volume (m)	Coupon (%)	Current coupon (€m)	Coupon after reset (%)	Current after reset (€m)
EUR (AT)	369	7.078	26	7.078	26
EUR (AT)	600	3.375	20	6.689	40
EUR (AT)	400	4.542	18	4.542	18
EUR (AT)	500	2.875	14	6.169	31
EUR (GCP)	200	6.332	13	6.332	13
EUR (GCP)	350	5.901	21	5.901	21
Totals	2,419	4.639	112	6.142	149

Source: First Berlin Equity Research; Aroundtown

Table 2: Estimated 2025 coupon payments for non-exchanged bonds

Issuer	Pre-exchange volume (m)	Exchanged volume (€m)	Volume not exchanged (m)	Coupon (%)	Coupon (€m)
EUR (AT)	369	262	107	7.078	8
EUR (AT)	600	391	209	6.689	14
EUR (AT)	400	282	118	4.542	5
EUR (AT)	500	399	101	6.169	6
EUR (GCP)	200	152	48	6.332	3
EUR (GCP)	350	298	53	5.901	3
Totals	2,419	1,784	636	6.182	39

Source: First Berlin Equity Research; Aroundtown

Table 3: New instruments + non-exchanged coupons vs current reset scenario

New notes	Volume (m)	Coupon (%)	New coupon (€m)	Not exchanged coupon (€m)	Current situation on reset (€m)	2025 Saved coupon (€m)
EUR (AT)	248	7.125	18	8	26	1
EUR (AT)	359	7.125	26	14	40	1
EUR (AT)	262	5.000	13	5	18	0
EUR (AT)	356	5.000	18	6	31	7
EUR (GCP)	138	6.125	8	3	13	1
EUR (GCP)	271	6.125	17	3	21	1
Totals	1,634	6.071	99	39	149	10

Source: First Berlin Equity Research; Aroundtown



VALUATION MODEL

After updating the perpetual note portfolio, our 2024 FFO 1 target declines to €279m (old: €287m) but remains within spitting distance of the low end of the 2024 FFO 1 guide (table 5). We increase the 2025 KPI to €251m (old: €241m) on the effects outlined in the prior tables. Our TP remains unchanged at €3.4 and we maintain our Buy rating.

Table 4: Change to FBe and TP

	old	new	revision	upside	dividend yield	total upside
Target price (€)	3.4	3.4	0%	89%	10%	100%
2024E						
in €m	Old	New	variance	Old	New	variance
Net rent (NRI)	1,199	1,199	0.0%	1,219	1,219	0.0%
AEBITDA	1,017	1,017	0.0%	1,043	1,043	0.0%
margin	85%	85%	-	86%	86%	-
FFO 1	282*	279	-1.0%	241*	251	4.1%
Margin	24%	23%	-	20%	21%	-
FFOPS 1 (€)	0.25	0.25	-1.0%	0.22	0.22	4.1%

*factors reset of Septemeber 2024 notes

Source: First Berlin Equity Research estimates

Table 5: Guidance

	Unit	2024 Guidance	FBe 2024	2023A
FFO 1	€m	280 -310	279	332
FFOPS 1	€	0.26 -0.28	0.25	0.30

Source: First Berlin Equity Research estimates

Table 6: DCF model

All figures in EURm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
AEBITDA	1,017	1,043	1,085	1,127	1,167	1,210	1,254	1,299
(-) Tax	-153	-157	-163	-169	-175	-181	-188	-195
(=) Net operating cash flow	865	887	923	958	992	1,028	1,066	1,104
(-) Total investments (CapEx and WC)	-17	-600	-537	-417	-433	-452	-456	-476
(-) Capital expenditures	99	-588	-518	-398	-415	-433	-436	-455
(-) Working capital	-116	-12	-19	-19	-18	-19	-20	-21
(=) Free cash flows (FCF)	847	287	385	541	559	576	609	628
PV of FCF's	817	264	337	451	443	435	439	431

All figures in EUR '000	
PV of FCFs in explicit period	4,457
PV of FCFs in terminal period	10,507
Enterprise value (EV)	14,964
+ Net cash / - net debt (2023)	-11,216
+ Investments / minority interests	0
Shareholder value	3,748
Fair value per share in EUR	3.4

WACC		Terminal growth rate						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
4.4%	4.4%	2.1	3.0	4.2	5.8	7.9	10.9	15.4
4.6%	4.6%	1.6	2.4	3.5	4.9	6.7	9.2	13.0
4.8%	4.8%	1.1	1.9	2.9	4.1	5.7	7.9	11.0
5.0%	5.0%	0.7	1.4	2.3	3.4	4.8	6.6	9.3
5.2%	5.2%	0.3	0.9	1.7	2.7	4.0	5.6	7.8
5.4%	5.4%	-0.1	0.5	1.2	2.1	3.2	4.7	6.6
5.6%	5.6%	-0.4	0.1	0.8	1.6	2.6	3.8	5.5

WACC		Terminal AEBITDA margin						
		88.0%	89.0%	90.0%	91.0%	92.0%	93.0%	94.0%
4.4%	4.4%	5.0	5.3	5.5	5.8	6.1	6.3	6.6
4.6%	4.6%	4.1	4.4	4.6	4.9	5.1	5.4	5.6
4.8%	4.8%	3.4	3.6	3.9	4.1	4.3	4.6	4.8
5.0%	5.0%	2.7	2.9	3.2	3.4	3.6	3.8	4.0
5.2%	5.2%	2.1	2.3	2.5	2.7	2.9	3.1	3.3
5.4%	5.4%	1.6	1.7	1.9	2.1	2.3	2.5	2.7
5.6%	5.6%	1.0	1.2	1.4	1.6	1.8	1.9	2.1

*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EURm	2020	2021	2022	2023	2024E	2025E
Net rent	1,003	1,086	1,222	1,193	1,199	1,219
Operating and other income	177	238	388	410	413	419
Rental and operating income (RI)	1,180	1,323	1,610	1,603	1,611	1,638
Capital gains, property revaluations & other	769	810	-497	-3,218	-449	500
Result from equity-accounted investees	196	193	6	-150	6	6
Property OpEx	-443	-533	-695	-638	-603	-606
Other income	0	0	0	0	0	0
Administration & other OpEx	-51	-57	-63	-65	-64	-64
Operating income (EBIT)	1,652	1,737	361	-2,468	502	1,473
Net financial result	-201	-180	-185	-230	-265	-285
Other financial expenses	-168	-162	-194	-14	0	0
Impairment of goodwill	0	0	-404	-137	0	0
Pre-tax income (EBT)	1,283	1,394	-422	-2,849	237	1,188
Tax expense	-89	-100	-117	-120	-122	-125
Deferred tax	-287	-216	82	543	72	-80
Tax result	-377	-316	-35	423	-50	-205
Comprehensive net income	906	1,078	-457	-2,426	187	983
Minority interests	165	330	83	-592	-84	189
Perpetual notes	90	106	118	153	211	238
Net income to owners	652	642	-658	-1,988	60	557
Basic EPS (€)	0.50	0.55	-0.59	-1.82	0.05	0.50
AEBITDA	944	975	1,002	1,003	1,017	1,043
Ratios						
AEBITDA before JV contributions (NRI)	77.5%	80.2%	77.2%	79.3%	79.9%	80.5%
FFO 1 margin (NRI)	35.7%	32.5%	29.7%	27.7%	23.3%	20.6%
Expenses as % of revenues						
Property OpEx	37.5%	40.3%	43.2%	39.8%	37.4%	37.0%
Administration & other OpEx	4.3%	4.3%	3.9%	4.0%	4.0%	3.9%
Y/Y Growth						
Net rent	31.0%	8.2%	12.6%	-2.4%	0.5%	1.7%
Operating income	-23.4%	5.1%	-79.2%	n.m.	n.m.	193.6%
Adjusted EBITDA	22.2%	3.3%	2.8%	0.1%	1.4%	2.6%
Net income/ loss	-50.2%	-1.5%	n.m.	n.m.	n.m.	831.8%
Funds from Operations (FFO)						
AEBITDA before JV contribution	777	871	944	946	957	981
Finance expense	-201	-180	-185	-230	-265	-285
Tax expense	-89	-100	-117	-120	-122	-125
Minority adjustment	-36	-82	-136	-126	-129	-131
Other adjustments	9	7	5	5	5	5
Perpetual attribution	-90	-106	-118	-153	-211	-238
FFO 1 before JV contribution	371	409	391	320	235	206
JV FFO 1 contributions	107	69	46	43	44	45
Extraordinary provision for uncollected rents	-120	-125	-75	-33	0	0
FFO 1	358	353	362	331	279	251
FFOPS 1 (€)	0.27	0.30	0.33	0.30	0.25	0.22



BALANCE SHEET

All figures in EURm	2020	2021	2022	2023	2024E	2025E
Assets						
Current assets, total	4,781	5,529	4,856	4,692	4,894	3,801
Cash and cash equivalents	2,692	2,873	2,305	2,641	3,110	1,993
Short-term investments	454	376	313	506	506	506
Receivables	617	1,219	1,168	1,008	1,148	1,167
Other current assets	141	28	138	127	131	135
Assets held for sale	877	1,033	931	410	0	0
Non-current assets, total	26,241	33,854	32,492	28,868	28,783	29,813
Property, plant & equipment	877	1,849	1,508	1,379	1,383	1,387
Investment properties	21,172	29,116	27,981	24,632	24,493	25,581
Equity accounted investees	3,177	1,223	1,292	1,087	1,093	1,019
Other LT assets	1,014	1,667	1,711	1,769	1,814	1,825
Total assets	31,022	39,383	37,347	33,559	33,677	33,613
Shareholders' equity & debt						
Current liabilities, total	1,074	1,607	1,289	1,539	1,241	1,267
Short-term debt	181	544	123	420	80	80
Accounts payable	435	621	666	672	695	703
Provisions & other current liabilities	458	442	500	448	466	485
Long-term liabilities, total	14,364	18,620	18,235	16,870	17,401	16,744
Long-term debt	11,680	15,026	14,573	13,822	14,397	13,631
Deferred tax liabilities	2,026	2,766	2,662	2,107	2,035	2,115
Other LT liabilities	659	828	999	942	970	999
Minority interests	2,025	3,875	3,503	2,749	2,665	2,854
Shareholders' equity	13,558	15,281	14,320	12,400	12,370	12,748
Total consolidated equity and debt	31,022	39,383	37,347	33,559	33,677	33,613
Ratios						
ICR (x)	4.3	4.9	4.9	4.0	3.2	3.1
Net debt / adj. EBITDA (x)	11.1	14.2	12.8	11.9	11.2	11.3
Equity ratio	50.2%	48.6%	47.7%	45.1%	44.6%	46.4%
Financial leverage	63.4%	80.8%	84.4%	90.5%	86.7%	86.9%
EPRA NTA	11,187	11,564	10,122	8,059	7,978	8,386
EPRA NTAPS (€)	9.5	10.2	9.3	7.4	7.3	7.7
Net debt	8,598	12,344	12,087	11,216	10,731	11,077
Return on equity (ROE)	6.7%	7.1%	-3.2%	-19.6%	1.5%	7.7%
Loan-to-value (LTV)	34%	39%	40%	43%	42%	42%



CASH FLOW STATEMENT

All figures in EURm	2020	2021	2022	2023	2024E	2025E
Net income	906	1,078	-457	-2,426	187	983
Depreciation & amortisation	4	16	21	18	18	18
Capital gains, property revaluations & other	-769	-810	497	3,218	449	-500
Profit share from equity accounted investees	-196	-193	-6	150	-6	-6
Goodwill impairment	0	0	404	137	0	0
Shared based payment in a subsidiary	3	6	5	5	0	0
Net finance expenses	369	343	379	245	265	285
Tax result	377	316	35	-423	50	205
Operating cash flow	694	755	879	923	962	986
Changes in working capital	-36	-57	-27	-54	-159	-22
Provisions for other liabilities	-3	-4	-2	-5	26	27
Dividend received	43	24	35	19	0	80
Tax paid	-83	-93	-97	-111	-122	-125
Net operating cash flow	616	626	788	772	707	945
CapEx/ intangibles	-36	23	-26	-16	-22	-22
Disposal / investment in investment properties, net	1,427	1,179	556	575	99	-588
Acquisition / disposals of subsidiaries	0	0	0	0	0	0
Proceeds from investments in financial assets	-377	-124	-121	50	15	16
Cash flow from investing	1,014	1,078	409	608	92	-594
Debt financing, net	-493	-1,320	-629	-338	235	-766
Equity financing, net	0	0	0	0	0	0
Payments for own shares	-1,001	-444	-255	0	0	0
Share buy-back in a subsidiary	0	-270	0	0	0	0
Dividends paid	-22	-252	-169	0	0	-204
Other financing activities	94	-120	-506	-499	-300	-211
Net paid financing expenses	-212	-201	-204	-214	-265	-285
Cash flow from financing	-1,634	-2,607	-1,764	-1,052	-331	-1,467
Net cash flows	-5	-903	-567	329	468	-1,116
Assets held for sale - cash	-3	-2	-6	9	0	0
Fx effects	-1	16	5	-2	0	0
Cash & equivalents from TLG	509	1070	0	0	0	0
Cash, start of the year	2,192	2,692	2,873	2,305	2,641	3,110
Cash, end of the year	2,692	2,873	2,305	2,641	3,110	1,993
FFO 1 before JV contribution	371	409	391	320	235	206
FFO 1	358	353	362	331	279	251
FFOPS 1 (€)	0.27	0.30	0.33	0.30	0.25	0.22

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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.

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...52	↓	↓	↓	↓
53	26 August 2022	€2.99	Buy	€7.30
54	2 November 2022	€2.02	Buy	€5.10
55	7 December 2022	€2.32	Buy	€4.60
56	5 April 2023	€1.25	Buy	€3.50
57	2 June 2023	€0.96	Buy	€3.50
58	4 September 2023	€1.51	Buy	€3.50
59	4 December 2023	€2.24	Buy	€3.30
60	4 April 2024	€1.88	Buy	€3.40
61	Today	€1.79	Buy	€3.40

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/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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