

Buy (old: Buy)

15.01.2024

EUR 17.00 (old: EUR 17.00)

Appealing risk/reward profile makes S IMMO a clear BUY

It seems like management shares this view, as the company announced yet another **share buy-back program** after having already bought back shares worth € 2.4m in Q4. In detail:

Last week, the management of S IMMO resolved another repurchase program of up to 365,340 shares (c. 0.5% of share capital; € 5.1m given an avg. price of € 14 per share). Shares are going to be bought back over the stock exchange at a maximum 15% premium to the 10-day VWAP while the price must not exceed € 15 per share. The program starts today and will run until March 31st.

Although the scope of the program is rather small, it is a reasonable step which points towards the undemanding valuation of the shares. In fact, S IMMO is offering **one of the most appealing risk/reward profile in the industry**:

- **Loan-to-value:** As of Q3'23 S IMMO is providing an LTV ratio of 38.1% which compares to our peer group's average of > 40% (e.g.: Vonovia: 46.8%; LEG: 46.8%; Aroundtown: 41.3%).
- **Equity ratio:** A similar picture emerges when looking at the equity ratio which stood at 46.0% at S IMMO as of Q3'23 (e.g.: Vonovia: 32.8%; LEG: 40.4%; Aroundtown: 46.6%).

Furthermore, S IMMO continues to create shareholder value by scaling up its engagement in the high yielding CEE region. Just recently the company acquired another portfolio with a 6% yield (€ 29m annual rental income) in the Czech Republic. To fund the expansion in CEE, S IMMO continuously disposes a significant portion of its residential portfolio in Germany. While € 621m have been already sold here, another € 400m are still in the pipeline (€ 250m in Germany). The ongoing rebalancing of the portfolio (e.g. selling in Germany & buying in CEE) is seen to significantly increase rental income (eNuW: +26% in '24e) and FFO (+16% in '24).

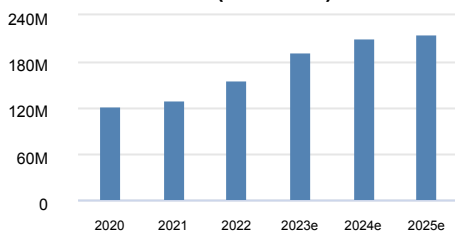
Despite best-in-class metrics and a strong YTD performance, S IMMO is yet trading on an NTA-discount similar to the peer group (-43% as of Friday's close price).

Stock hence remains a strong **BUY with an unchanged PT of € 17.00** based on NTA and DDM.

Y/E 31.12 (EUR)	2020	2021	2022	2023e	2024e	2025e
Net rental income	123.3	131.3	155.7	193.3	212.2	217.7
Rental income growth	-3.3%	14.2%	18.1%	19.5%	25.8%	4.5%
FFO	42.9	60.8	64.7	101.0	117.1	122.3
Net profit	56.9	230.7	18.9	-51.1	40.3	84.8
EPS	0.77	3.12	0.37	-0.71	0.53	1.14
FFO yield	4.1%	6.0%	6.1%	9.5%	11.1%	11.6%
FFO margin	34.8%	46.3%	41.6%	52.3%	55.2%	56.2%
NTA per share	23.8	29.1	26.1	23.9	24.9	25.9
Dividend yield	3.5%	4.5%	0.0%	0.0%	3.9%	5.8%
P/NTA premium/discount	-39.1%	-50.2%	-44.4%	-39.3%	-41.8%	-44.0%
P/FFO	24.7	16.6	16.4	10.5	9.0	8.7
Loan-to-value (LTV)	47.7%	40.7%	45.0%	55.9%	50.7%	48.7%
Implied yield	4.6%	4.7%	6.6%	7.2%	7.9%	8.1%

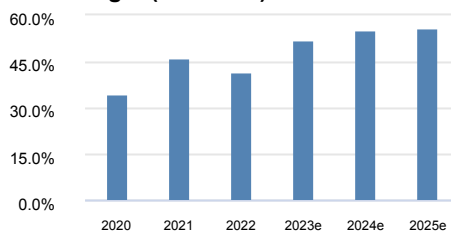
Source: Company data, NuWays, Close price as of 12.01.2024

Net rental income (2020-25e)



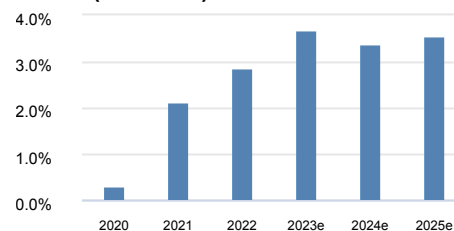
Source: NuWays Research

FFO margin (2020-25e)



Source: NuWays Research

ROCE (2020-25e)



Source: NuWays Research

Company description

S IMMO Group is an international real estate group that engages in buying, selling and developing real estate projects, asset management, operating hotels and shopping centers. In addition, the company revitalizes and renovates properties.

Guidance

Share Performance



High/low 52 weeks (€)	15.46 / 11.06
3m rel. performance	-1.9%
6m rel. performance	7.7%
12m rel. performance	13.2%

Market data

Share price (in €)	14.38
Market cap (in € m)	1058.5
Number of shares (in m pcs)	73.6
Enterprise value (in € m)	2681.3
Ø trading volume (6 months)	48,895

Identifier

Bloomberg	SPI AV
Reuters	SIAG
WKN	902388
ISIN	AT0000652250

Key shareholders

CPI Property Group SA	88.4%
Free Float	11.6%

Estimates changes

	2023e	2024e	2025e
Net rents	0%	0%	0%
FFO	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net rental income	123.3	131.3	155.7	193.3	212.2	217.7
Direct property expenses	66.8	66.8	79.5	102.2	97.6	97.9
Net operating income	56.5	64.5	76.2	91.0	114.6	119.7
Earnings from property disposals	0.0	0.0	0.0	0.0	0.0	0.0
Earnings from project developments	0.0	0.0	0.0	0.0	0.0	0.0
Earnings from other property activities	50.7	65.7	104.8	127.3	104.1	105.0
Other operating income	2.5	3.2	2.2	2.8	3.2	3.2
Total revenues	176.4	200.2	262.7	323.3	319.4	325.8
Revaluation result from investment properties (net)	39.1	198.7	-78.4	-147.8	-47.9	0.0
Total income	215.5	398.9	184.3	175.5	271.5	325.8
Administrative expenses	8.1	13.6	13.4	14.0	14.5	14.5
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	18.1	23.7	43.0	47.6	47.6	44.2
Total operating expenses	38.5	51.9	77.2	79.9	85.5	81.3
EBITDA	110.2	280.2	27.7	-6.6	88.3	146.6
EBITDA excl revaluation result (net)	71.1	81.5	106.1	141.2	136.3	146.6
Depreciation	9.2	9.6	9.7	9.8	12.0	12.0
EBITA	101.0	270.5	18.0	-16.4	76.3	134.6
EBITA excl revaluation result (net)	61.9	71.8	96.4	131.4	124.3	134.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (incl revaluation net)	101.0	270.5	18.0	-16.4	76.3	134.6
EBIT (excl revaluation net)	8.8	71.8	96.4	131.4	124.3	134.6
Interest income	8.8	25.3	59.2	27.2	28.0	28.0
Interest expenses	43.2	30.7	42.7	57.4	58.6	64.5
Depreciation of financial investment	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	5.0	6.2	0.3	0.4	2.0	2.0
Financial result	-29.4	0.7	16.9	-29.9	-28.6	-34.5
Earnings before taxes	71.6	271.2	34.8	-46.2	47.7	100.1
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	14.7	40.5	15.9	4.9	7.4	15.3
Net income from continuing operations (incl reval. result)	56.9	230.7	18.9	-51.1	40.3	84.8
Net income from continuing operations (excl reval. result)	-35.2	32.0	97.3	96.7	88.2	84.8
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative effect of accounting changes (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (incl revaluation result net)	56.9	230.7	18.9	-51.1	40.3	84.8
Net income (excl revaluation result net)	-35.2	32.0	97.3	96.7	88.2	84.8
Minority interest	0.4	1.0	-8.3	1.0	1.0	1.0
Net income (net of minority interest, incl reval. result)	56.5	229.7	27.2	-52.1	39.3	83.8
Net income (net of minority interest, excl reval. result)	-35.6	31.0	105.6	95.7	87.2	83.8
Funds from operations (FFO)	42.9	60.8	64.7	101.0	117.1	122.3

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	54.2%	50.9%	51.1%	52.9%	46.0%	45.0%
Net operating income	45.8%	49.1%	48.9%	47.1%	54.0%	55.0%
Earnings from property disposals	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings from projects developments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings from other property activities	41.1%	50.1%	67.3%	65.9%	49.1%	48.2%
Other operating income	2.0%	2.4%	1.4%	1.4%	1.5%	1.5%
Total revenues	143.1%	152.5%	168.7%	167.3%	150.5%	149.7%
Revaluation result from investment properties (net)	31.7%	151.3%	neg.	neg.	neg.	0.0%
Total income	174.8%	303.8%	118.4%	90.8%	128.0%	149.7%
Administrative expenses	6.6%	10.4%	8.6%	7.2%	6.8%	6.7%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	2.0%	2.4%	1.4%	1.4%	1.5%	1.5%
Total operating expenses	31.3%	39.6%	49.5%	41.3%	40.3%	37.4%
EBITDA	89.4%	213.4%	17.8%	neg.	41.6%	67.3%
EBITDA excl revaluation result (net)	57.7%	62.1%	68.1%	73.1%	64.2%	67.3%
Depreciation	7.5%	7.3%	6.2%	5.1%	5.7%	5.5%
EBITA	81.9%	206.0%	11.5%	neg.	36.0%	61.8%
EBITA excl revaluation (net)	50.2%	54.7%	61.9%	68.0%	58.6%	61.8%

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (incl revaluation net)	81.9%	206.0%	11.5%	neg.	36.0%	61.8%
EBIT (excl revaluation net)	7.2%	54.7%	61.9%	68.0%	58.6%	61.8%
Interest income	7.2%	19.2%	38.0%	14.1%	13.2%	12.9%
Interest expenses	35.1%	23.4%	27.4%	29.7%	27.6%	29.6%
Depreciation of financial investment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	4.1%	4.7%	0.2%	0.2%	0.9%	0.9%
Financial result	neg.	0.5%	10.8%	neg.	neg.	neg.
Earnings before taxes (incl revaluation result)	58.1%	206.6%	22.4%	neg.	22.5%	46.0%
Earnings before taxes (excl revaluation result)	neg.	55.2%	72.7%	52.6%	45.1%	46.0%
Taxes	11.9%	30.8%	10.2%	2.5%	3.5%	7.0%
Net income from continuing operations (incl reval. result)	46.2%	175.7%	12.2%	neg.	19.0%	39.0%
Net income from continuing operations (excl reval. result)	neg.	24.4%	62.5%	50.0%	41.6%	39.0%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Extraordinary items (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cumulative effect of accounting changes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income (incl revaluation result net)	46.2%	175.7%	12.2%	neg.	19.0%	39.0%
Net income (excl revaluation result net)	neg.	24.4%	62.5%	50.0%	41.6%	39.0%
Minority interest	0.3%	0.8%	neg.	0.5%	0.5%	0.5%
Net income (net of minority interest, incl reval. result)	45.9%	174.9%	17.5%	neg.	18.5%	38.5%
Net income (net of minority interest, excl reval. result)	neg.	24.4%	62.5%	50.0%	41.6%	39.0%
Funds from operations (FFO)	34.8%	46.3%	41.6%	52.3%	55.2%	56.2%

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	0.3	0.4	0.8	0.8	0.8	0.8
Investment properties	2,316.7	2,642.9	2,580.8	2,894.0	3,198.2	3,348.2
Property, plant and equipment	124.0	116.4	110.5	110.5	110.5	110.5
Financial assets	526.7	430.7	124.4	124.4	124.4	124.4
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	3,007.0	3,268.0	2,903.9	3,217.1	3,521.3	3,671.3
Properties held for sale	4.3	0.0	539.1	300.0	50.0	0.0
Accounts receivable	4.3	6.9	17.5	17.5	17.5	17.5
Other current assets	42.3	37.2	66.7	66.7	66.7	66.7
Liquid assets	64.5	376.0	246.9	219.0	289.0	399.9
CURRENT ASSETS	115.6	420.3	870.4	603.4	423.4	484.3
TOTAL ASSETS	3,122.6	3,688.3	3,774.4	3,820.5	3,944.8	4,155.6
Subscribed capital	259.4	256.2	256.2	256.2	256.2	256.2
Surplus capital	173.9	160.6	160.6	160.6	160.6	160.6
Additional paid-in capital	890.8	1,015.9	1,253.2	1,280.4	1,187.3	1,165.4
Net profit/loss	56.5	229.7	27.2	-52.1	39.3	83.8
SHAREHOLDER'S EQUITY	1,380.6	1,662.4	1,697.2	1,645.1	1,643.4	1,666.1
MINORITY INTEREST	3.3	4.1	83.0	83.0	83.0	83.0
PROVISIONS AND ACCRUED LIABILITIES	1.3	1.3	9.9	9.9	9.9	9.9
short-term liabilities to banks	99.3	138.6	82.1	150.0	40.0	60.0
Bonds (long-term)	525.7	646.8	544.2	608.1	608.1	692.2
long-term liabilities to banks	873.8	920.2	927.6	1,077.6	1,262.6	1,277.6
other interest-bearing liabilities	n.a.	0.0	0.0	0.0	0.0	0.0
Interest-bearing liabilities	1,498.8	1,705.6	1,553.9	1,835.7	1,910.7	2,029.8
Accounts payable	3.6	5.7	12.7	12.7	12.7	12.7
Current liabilities	42.7	61.9	225.2	12.7	12.7	12.7
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	195.9	253.0	205.1	234.1	285.0	354.1
LIABILITIES	1,737.4	2,020.6	1,984.1	2,082.5	2,208.3	2,396.5
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,122.6	3,688.3	3,774.4	3,820.5	3,944.8	4,155.6

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment properties	74.2%	71.7%	68.4%	75.7%	81.1%	80.6%
Property, plant and equipment	4.0%	3.2%	2.9%	2.9%	2.8%	2.7%
Financial assets	16.9%	11.7%	3.3%	3.3%	3.2%	3.0%
Other non-current assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	96.3%	88.6%	76.9%	84.2%	89.3%	88.3%
Properties held for sale	0.1%	0.0%	14.3%	7.9%	1.3%	0.0%
Accounts receivable	0.1%	0.2%	0.5%	0.5%	0.4%	0.4%
Other current assets	1.4%	1.0%	1.8%	1.7%	1.7%	1.6%
Liquid assets	2.1%	10.2%	6.5%	5.7%	7.3%	9.6%
CURRENT ASSETS	3.7%	11.4%	23.1%	15.8%	10.7%	11.7%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	8.3%	6.9%	6.8%	6.7%	6.5%	6.2%
Surplus capital	5.6%	4.4%	4.3%	4.2%	4.1%	3.9%
Additional paid-in capital	28.5%	27.5%	33.2%	33.5%	30.1%	28.0%
Net profit/loss	1.8%	6.2%	0.7%	-1.4%	1.0%	2.0%
SHAREHOLDERS EQUITY	44.2%	45.1%	45.0%	43.1%	41.7%	40.1%
MINORITY INTEREST	0.1%	0.1%	2.2%	2.2%	2.1%	2.0%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	3.2%	3.8%	2.2%	3.9%	1.0%	1.4%
Bonds (long-term)	16.8%	17.5%	14.4%	15.9%	15.4%	16.7%
long-term liabilities to banks	28.0%	24.9%	24.6%	28.2%	32.0%	30.7%
other interest-bearing liability	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
Interest-bearing liabilities	48.0%	46.2%	41.2%	48.0%	48.4%	48.8%
Accounts payable	0.1%	0.2%	0.3%	0.3%	0.3%	0.3%
Current liabilities	1.4%	1.7%	6.0%	0.3%	0.3%	0.3%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	6.3%	6.9%	5.4%	6.1%	7.2%	8.5%
LIABILITIES	55.6%	54.8%	52.6%	54.5%	56.0%	57.7%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit	71.6	271.2	34.8	-46.2	47.7	122.3
Other recurrent / non-recurrent items	-7.2	-205.2	47.9	157.6	59.9	12.0
Increase/decrease in working capital	-9.0	3.1	-18.9	0.0	0.0	0.0
Cash flow from operating activities	55.4	69.1	63.9	111.4	107.7	134.3
CAPEX	0.1	0.0	1.5	28.9	32.0	33.5
Payment for acquisitions	-76.6	-35.6	14.8	-855.0	-450.0	150.0
Financial investments	-73.6	105.0	-89.3	205.0	5.4	0.0
Income from asset disposals	36.1	39.6	76.6	200.0	300.0	0.0
Cash flow from investing activities	-114.2	109.0	0.5	-421.1	-112.6	-183.5
Increase/decrease in debt position	-26.9	314.5	-161.6	281.8	75.0	119.1
Dividends paid	-50.2	-35.3	-45.8	0.0	0.0	-41.0
Purchase of own shares	-22.4	-16.4	0.0	0.0	0.0	0.0
Capital measures	146.5	0.0	0.0	0.0	0.0	0.0
Others	-35.3	-129.4	46.1	0.0	0.0	0.0
Cash flow from financing activities	11.7	133.3	-161.4	281.8	75.0	160.1
Cash flow from operating activities	55.4	69.1	63.9	111.4	107.7	134.3
Cash flow after maintenance capex	71.6	271.2	34.8	-46.2	47.7	122.3
Cash flow before financing	291.8	74.7	259.3	932.4	820.3	-8.2
Increase/decrease in liquid assets	-47.1	311.5	212.1	-28.0	554.5	110.9
Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
Return on Equity						
Net profit / Y/E equity	-2.6%	1.9%	6.2%	5.8%	5.3%	5.0%
Recurring net profit / Y/E equity	3.1%	3.7%	3.8%	6.1%	7.1%	7.3%
Net profit / avg. equity	-2.6%	1.9%	6.2%	5.8%	5.3%	5.0%
Recurring net profit / avg. equity	3.1%	3.7%	3.8%	6.1%	7.1%	7.3%
Security						
Net debt	1,434.4	1,329.6	1,307.0	1,616.7	1,621.7	1,629.9
Debt / equity	108.6%	102.6%	91.6%	111.6%	116.3%	121.8%
Net gearing	103.9%	80.0%	77.0%	98.3%	98.7%	n.a.
Interest cover	0.2	2.3	2.3	2.3	2.1	2.1
EBIDTA / interest paid	2.5	9.1	0.6	-0.1	1.5	2.3
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	1.2	1.3	n.a.	n.a.	2.9	2.0
Loan-to-value (LTV)	47.7%	40.7%	45.0%	55.9%	50.7%	48.7%
Return on Net Asset Value	2.4%	3.0%	4.0%	6.6%	n.a.	n.a.
Liquidity						
Current ratio	0.3	0.9	1.7	1.5	1.3	1.1
Acid test ratio	0.3	0.9	1.7	1.5	1.3	1.1
Valuation metrics						
FFO	42.9	60.8	64.7	101.0	117.1	122.3
FFO per share	0.58	0.87	0.88	1.37	1.59	1.66
NTA per share	23.8	29.1	26.1	23.9	24.9	25.9

Source: Company data, NuWays

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Company	Disclosures
S Immo AG	2

Historical target price and rating changes for S Immo AG

Company	Date	Analyst	Rating	Target Price	Close
S Immo AG	30.03.2023	Sennewald, Philipp	Buy	EUR 17.00	EUR 13.10
	01.03.2023	Sennewald, Philipp	Hold	n.a.	EUR 15.22

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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Contacts

NuWays AG

Mittelweg 16-17
20148 Hamburg
Germany

+49 170 119 8648
info@nuways-ag.com
www.nuways-ag.com



Christian Sandherr

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



Frederik Jarchow

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



Philipp Sennewald

Analyst

philipp.sennewald@nuways-ag.com



Henry Wendisch

Analyst

henry.wendisch@nuways-ag.com



Mark Schüssler

Analyst

mark-hendrik.schuessler@nuways-ag.com



Konstantin Völk

Analyst

konstantin.voelk@nuways-ag.com

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