

Buy (old: Buy)

27.03.2024

EUR 19.00 (old: EUR 18.40)

FY '23 showing strong rental growth - Strategy update // chg.

S IMMO released FY '23 figures, showing strong operational results as well as a lower-than-expected devaluation of the real estate portfolio.

FY rental income came in at € 203m (eNuW: € 193m; eCons: € 191m), up 30% yoy thanks to acquisitions to the tune of € 1bn, mainly in Austria and the Czech Republic as well as an improved I-f-I rental level of the portfolio. Importantly, **revenues from hotel operations increased by 24% yoy to € 70m** (eNuW: € 65m; eCons: € 64m), thus significantly exceeding pre-pandemic levels (2019: € 59m). Overall revenues (incl. service charges) increased by 29% yoy to € 336m (eNuW: € 321m; eCons: € 323m).

Against this backdrop, **FFO grew by 52% yoy to € 99.7m** (eNuW: € 101m, eCons: € 84m), mainly driven by the improved top-line as well as operating leverage on the G&A level. Yet, despite the strong operations, the result from property valuations again came in negative at € -109m, which was however below market expectations (eNuW: € -148m, eCons: € -134m). Moreover, when taking a closer look at the regional split, one can see that especially the German portfolio saw a strong devaluation (€ -118m) while the CEE portfolio even gained value (€ 37m), although part of this was due to purchase price adjustments. Nonetheless, this once more supports management's decision to shift the strategic focus towards the higher yielding Eastern European office market.

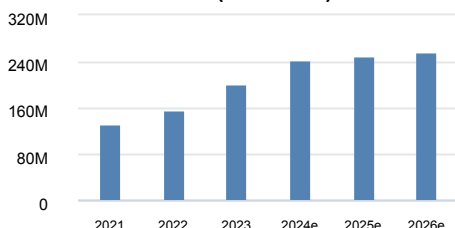
In fact, S IMMO recently published a strategy update, stating that the **whole German portfolio is now included in the disposal program**, which initially only included the German residential portfolio. On top of this, the company aims to gradually streamline the portfolio, focusing on the divestment of small and medium-sized office properties with limited development potential, possibly leading to a market exit in Croatia (€ 75m BV) and Slovakia (€ 150m BV). While management did not put a number on the disposal programs, we estimate it to **comprise properties worth c. € 750m** (incl. Zagreb tower), which are set to be disposed within the next three years (eNuW). The freed funds are seen to be merely invested into office and retail properties in Austria and the Czech Republic. Here the company, recently signed an LOI acquire an office and retail portfolio in the Czech Republic from parent company CPI (€ 495m BV).

Based on continued strong operations and metrics as well as the possibility of a delisting offer looming, S IMMO remains a **BUY with a new PT of € 19.00** (old: € 18.40) based on NTA and DDM.

Y/E 31.12 (EUR)	2021	2022	2023	2024e	2025e	2026e
Net rental income	131.3	155.7	202.6	245.1	251.1	257.1
Rental income growth	14.2%	18.1%	23.3%	40.9%	4.3%	2.4%
FFO	60.8	64.7	99.7	122.6	129.0	134.6
Net profit	230.7	18.9	-41.4	49.9	94.8	105.5
EPS	3.12	0.37	-0.44	0.66	1.27	1.42
FFO yield	5.2%	5.3%	8.1%	10.0%	10.5%	11.0%
FFO margin	46.3%	41.6%	49.2%	50.0%	51.4%	95.2%
NTA per share	29.1	26.1	25.0	26.0	28.1	28.6
Dividend yield	3.9%	0.0%	0.0%	2.1%	4.4%	5.7%
P/NTA premium/discount	-50.2%	-44.4%	-42.1%	-44.2%	-48.3%	-49.2%
P/FFO	19.1	18.9	12.3	10.0	9.5	9.1
Loan-to-value (LTV)	40.7%	45.0%	52.8%	58.4%	51.5%	48.1%
Implied yield	4.7%	6.2%	6.9%	8.6%	9.0%	9.3%

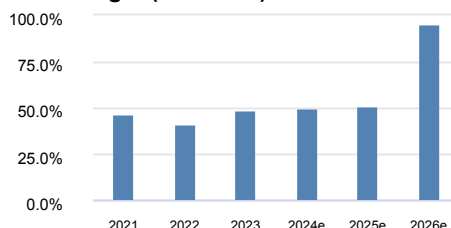
Source: Company data, NuWays, Close price as of 22.03.2024

Net rental income (2021-26e)



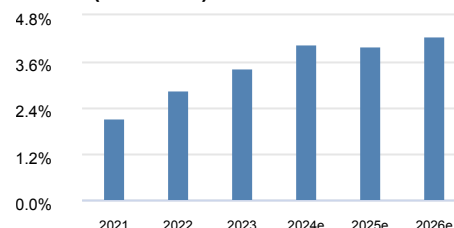
Source: NuWays Research

FFO margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



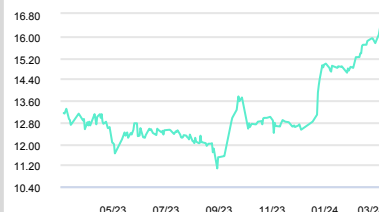
Source: NuWays Research

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 (€)	16.62 / 11.06
3m rel. performance	30.3%
6m rel. performance	32.0%
12m rel. performance	14.8%

Market data

Share price (in €)	16.62
Market cap (in € m)	1223.4
Number of shares (in m pcs)	73.6
Enterprise value (in € m)	2864.9
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

	2024e	2025e	2026e
Net rents	16%	15%	0.0
FFO	5%	5%	0.0
EPS	5%	5%	0.0

Comment on changes

- Changes reflect the release as well as the strategy update.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net rental income	131.3	155.7	202.6	245.1	251.1	257.1
Direct property expenses	66.8	79.5	108.7	112.8	113.0	115.7
Net operating income	64.5	76.2	94.0	132.4	138.1	141.4
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	65.7	104.8	133.8	117.0	115.2	118.4
Other operating income	3.2	2.2	4.2	3.2	3.2	3.2
Total revenues	200.2	262.7	340.7	365.3	369.5	378.6
Revaluation result from investment properties (net)	198.7	-78.4	-109.3	-48.1	0.0	0.0
Total income	398.9	184.3	231.3	317.2	369.5	378.6
Administrative expenses	13.6	13.4	14.0	14.5	14.5	14.5
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	23.7	43.0	52.7	47.6	45.5	46.9
Total operating expenses	51.9	77.2	89.4	91.1	87.7	90.1
EBITDA	280.2	27.7	33.3	113.4	168.9	172.9
EBITDA excl revaluation result (net)	81.5	106.1	142.6	161.5	168.9	172.9
Depreciation	9.6	9.7	9.2	9.2	9.2	9.2
EBITA	270.5	18.0	24.1	104.3	159.7	163.7
EBITA excl revaluation result (net)	71.8	96.4	133.4	152.4	159.7	163.7
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)	270.5	18.0	24.1	104.3	159.7	163.7
EBIT (excl revaluation net)	71.8	96.4	133.4	152.4	159.7	163.7
Interest income	25.3	59.2	8.6	8.9	5.9	7.4
Interest expenses	30.7	42.7	80.8	56.4	56.0	48.7
Depreciation of financial investment	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	6.2	0.3	1.7	2.0	2.0	2.0
Financial result	0.7	16.9	-70.4	-45.5	-48.2	-39.3
Earnings before taxes	271.2	34.8	-46.4	58.7	111.5	124.4
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	40.5	15.9	-5.0	8.9	16.7	18.9
Net income from continuing operations (incl reval. result)	230.7	18.9	-41.4	49.9	94.8	105.5
Net income from continuing operations (excl reval. result)	32.0	97.3	67.9	98.0	94.8	105.5
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)	230.7	18.9	-41.4	49.9	94.8	105.5
Net income (excl revaluation result net)	32.0	97.3	67.9	98.0	94.8	105.5
Minority interest	1.0	-8.3	-9.2	1.0	1.0	1.0
Net income (net of minority interest, incl reval. result)	229.7	27.2	-32.2	48.9	93.8	104.5
Net income (net of minority interest, excl reval. result)	31.0	105.6	77.1	97.0	93.8	104.5
Funds from operations (FFO)	60.8	64.7	99.7	122.6	129.0	134.6

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	50.9%	51.1%	53.6%	46.0%	45.0%	45.0%
Net operating income	49.1%	48.9%	46.4%	54.0%	55.0%	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	50.1%	67.3%	66.0%	47.7%	45.9%	46.1%
Other operating income	2.4%	1.4%	2.1%	1.3%	1.3%	1.2%
Total revenues	152.5%	168.7%	168.1%	149.0%	147.2%	147.3%
Revaluation result from investment properties (net)	151.3%	neg.	neg.	neg.	0.0%	0.0%
Total income	303.8%	118.4%	114.2%	129.4%	147.2%	147.3%
Administrative expenses	10.4%	8.6%	6.9%	5.9%	5.8%	5.6%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	2.4%	1.4%	2.1%	1.3%	1.3%	1.2%
Total operating expenses	39.6%	49.5%	44.1%	37.1%	34.9%	35.0%
EBITDA	213.4%	17.8%	16.4%	46.3%	67.2%	67.3%
EBITDA excl revaluation result (net)	62.1%	68.1%	70.4%	65.9%	67.2%	67.3%
Depreciation	7.3%	6.2%	4.5%	3.7%	3.6%	3.6%
EBITA	206.0%	11.5%	11.9%	42.5%	63.6%	63.7%
EBITA excl revaluation (net)	54.7%	61.9%	65.8%	62.2%	63.6%	63.7%

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
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)	206.0%	11.5%	11.9%	42.5%	63.6%	63.7%
EBIT (excl revaluation net)	54.7%	61.9%	65.8%	62.2%	63.6%	63.7%
Interest income	19.2%	38.0%	4.3%	3.6%	2.3%	2.9%
Interest expenses	23.4%	27.4%	39.9%	23.0%	22.3%	18.9%
Depreciation of financial investment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	4.7%	0.2%	0.8%	0.8%	0.8%	0.8%
Financial result	0.5%	10.8%	neg.	neg.	neg.	neg.
Earnings before taxes (incl revaluation result)	206.6%	22.4%	neg.	24.0%	44.4%	48.4%
Earnings before taxes (excl revaluation result)	55.2%	72.7%	31.1%	43.6%	44.4%	48.4%
Taxes	30.8%	10.2%	neg.	3.6%	6.7%	7.4%
Net income from continuing operations (incl reval. result)	175.7%	12.2%	neg.	20.3%	37.8%	41.0%
Net income from continuing operations (excl reval. result)	24.4%	62.5%	33.5%	40.0%	37.8%	41.0%
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)	175.7%	12.2%	neg.	20.3%	37.8%	41.0%
Net income (excl revaluation result net)	24.4%	62.5%	33.5%	40.0%	37.8%	41.0%
Minority interest	0.8%	neg.	neg.	0.4%	0.4%	0.4%
Net income (net of minority interest, incl reval. result)	174.9%	17.5%	neg.	19.9%	37.4%	40.6%
Net income (net of minority interest, excl reval. result)	24.4%	62.5%	33.5%	40.0%	37.8%	41.0%
Funds from operations (FFO)	46.3%	41.6%	49.2%	50.0%	51.4%	52.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	0.4	0.8	1.2	1.2	1.2	1.2
Investment properties	2,642.9	2,580.8	3,206.5	2,807.8	3,057.3	3,207.3
Property, plant and equipment	116.4	110.5	102.9	102.9	102.9	102.9
Financial assets	430.7	124.4	125.7	125.7	125.7	125.7
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	3,268.0	2,903.9	3,526.1	3,127.4	3,377.0	3,525.1
Properties held for sale	0.0	539.1	87.2	351.0	150.4	50.0
Accounts receivable	6.9	17.5	34.5	26.9	24.1	21.1
Other current assets	37.2	66.7	86.6	66.7	66.7	66.7
Liquid assets	376.0	246.9	445.1	326.3	459.6	316.9
CURRENT ASSETS	420.3	870.4	653.8	771.3	701.1	455.0
TOTAL ASSETS	3,688.3	3,774.4	4,179.9	3,898.6	4,078.1	3,980.1
Subscribed capital	256.2	256.2	255.6	255.6	255.6	255.6
Surplus capital	160.6	160.6	158.9	158.9	158.9	158.9
Additional paid-in capital	1,015.9	1,253.2	1,266.1	1,259.3	1,361.8	1,385.9
Net profit/loss	229.7	27.2	-32.2	48.9	93.8	104.5
SHAREHOLDER'S EQUITY	1,662.4	1,697.2	1,648.4	1,722.7	1,870.1	1,904.9
MINORITY INTEREST	4.1	83.0	53.5	54.5	55.5	56.5
PROVISIONS AND ACCRUED LIABILITIES	1.3	9.9	57.4	9.9	9.9	9.9
short-term liabilities to banks	138.6	82.1	183.3	40.0	150.0	40.0
Bonds (long-term)	646.8	544.2	618.8	608.1	692.2	642.2
long-term liabilities to banks	920.2	927.6	1,334.4	1,318.7	1,193.2	1,178.0
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Interest-bearing liabilities	1,705.6	1,553.9	2,136.5	1,966.7	2,035.3	1,860.1
Accounts payable	5.7	12.7	32.1	12.7	12.7	12.7
Current liabilities	61.9	225.2	137.7	12.7	12.7	12.7
Deferred income	0.0	0.0	0.6	0.0	0.0	0.0
Deferred taxes	253.0	205.1	145.8	132.1	94.6	136.0
LIABILITIES	2,020.6	1,984.1	2,420.6	2,111.5	2,142.6	2,008.8
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,688.3	3,774.4	4,179.9	3,898.6	4,078.1	3,980.1

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment properties	71.7%	68.4%	76.7%	72.0%	75.0%	80.6%
Property, plant and equipment	3.2%	2.9%	2.5%	2.6%	2.5%	2.6%
Financial assets	11.7%	3.3%	3.0%	3.2%	3.1%	3.2%
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	88.6%	76.9%	84.4%	80.2%	82.8%	88.6%
Properties held for sale	0.0%	14.3%	2.1%	9.0%	3.7%	1.3%
Accounts receivable	0.2%	0.5%	0.8%	0.7%	0.6%	0.5%
Other current assets	1.0%	1.8%	2.1%	1.7%	1.6%	1.7%
Liquid assets	10.2%	6.5%	10.6%	8.4%	11.3%	8.0%
CURRENT ASSETS	11.4%	23.1%	15.6%	19.8%	17.2%	11.4%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	6.9%	6.8%	6.1%	6.6%	6.3%	6.4%
Surplus capital	4.4%	4.3%	3.8%	4.1%	3.9%	4.0%
Additional paid-in capital	27.5%	33.2%	30.3%	32.3%	33.4%	34.8%
Net profit/loss	6.2%	0.7%	-0.8%	1.3%	2.3%	2.6%
SHAREHOLDERS EQUITY	45.1%	45.0%	39.4%	44.2%	45.9%	47.9%
MINORITY INTEREST	0.1%	2.2%	1.3%	1.4%	1.4%	1.4%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	3.8%	2.2%	4.4%	1.0%	3.7%	1.0%
Bonds (long-term)	17.5%	14.4%	14.8%	15.6%	17.0%	16.1%
long-term liabilities to banks	24.9%	24.6%	31.9%	33.8%	29.3%	29.6%
other interest-bearing liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest-bearing liabilities	46.2%	41.2%	51.1%	50.4%	49.9%	46.7%
Accounts payable	0.2%	0.3%	0.8%	0.3%	0.3%	0.3%
Current liabilities	1.7%	6.0%	3.3%	0.3%	0.3%	0.3%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	6.9%	5.4%	3.5%	3.4%	2.3%	3.4%
LIABILITIES	54.8%	52.6%	57.9%	54.2%	52.5%	50.5%
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)	2021	2022	2023	2024e	2025e	2026e
Net profit	271.2	34.8	-46.4	58.7	129.0	134.6
Other recurrent / non-recurrent items	-205.2	47.9	169.5	57.3	9.2	0.0
Increase/decrease in working capital	3.1	-18.9	30.7	-11.8	2.8	2.9
Cash flow from operating activities	69.1	63.9	153.8	104.2	140.9	137.6
CAPEX	0.0	1.5	1.7	1.7	1.8	1.9
Payment for acquisitions	-35.6	14.8	640.5	600.0	400.0	200.0
Financial investments	105.0	-89.3	18.1	0.0	0.0	0.0
Income from asset disposals	39.6	76.6	528.7	551.5	351.0	150.4
Cash flow from investing activities	109.0	0.5	-131.5	-50.2	-50.8	-51.5
Increase/decrease in debt position	314.5	-161.6	241.9	-169.8	68.6	-175.2
Dividends paid	-35.3	-45.8	0.0	0.0	25.5	53.6
Purchase of own shares	-16.4	0.0	2.4	3.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Others	-129.4	46.1	63.1	0.0	0.0	0.0
Cash flow from financing activities	133.3	-161.4	176.4	-172.8	43.1	-228.8
Cash flow from operating activities	69.1	63.9	153.8	104.2	140.9	137.6
Cash flow after maintenance capex	271.2	34.8	-46.4	58.7	129.0	134.6
Cash flow before financing	74.7	259.3	22.3	54.0	64.6	32.5
Increase/decrease in liquid assets	311.5	212.1	198.1	554.5	133.3	-142.7
Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
Return on Equity						
Net profit / Y/E equity	1.9%	6.2%	4.7%	5.6%	5.0%	5.5%
Recurring net profit / Y/E equity	3.7%	3.8%	6.0%	7.1%	6.9%	7.1%
Net profit / avg. equity	1.9%	6.2%	4.7%	5.6%	5.0%	5.5%
Recurring net profit / avg. equity	3.7%	3.8%	6.0%	7.1%	6.9%	7.1%
Security						
Net debt	1,329.6	1,307.0	1,691.4	1,640.4	1,575.8	1,543.2
Debt / equity	102.6%	91.6%	129.6%	114.2%	108.8%	97.6%
Net gearing	80.0%	77.0%	102.6%	95.2%	84.3%	81.0%
Interest cover	2.3	2.3	1.7	2.7	2.9	3.4
EBIDTA / interest paid	9.1	0.6	0.4	2.0	3.0	3.6
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	1.3	n.a.	n.a.	4.8	2.4	1.9
Loan-to-value (LTV)	40.7%	45.0%	52.8%	58.4%	51.5%	48.1%
Return on Net Asset Value	3.0%	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity						
Current ratio	0.9	1.7	1.4	4.2	2.7	2.4
Acid test ratio	0.9	1.7	1.4	4.2	2.7	2.4
Valuation metrics						
FFO	60.8	64.7	99.7	122.6	129.0	134.6
FFO per share	0.87	0.88	1.35	1.67	1.75	1.83
NTA per share	29.1	26.1	25.0	26.0	28.1	28.6

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	05.02.2024	Sennewald, Philipp	Buy	EUR 18.40	EUR 14.86
	30.03.2023	Sennewald, Philipp	Buy	EUR 17.00	EUR 13.10

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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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8. Miscellaneous

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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