

AROUNDTOWN

Buy (unchanged) **Target: Euro 3.50** (unchanged)



Der Spezialist für Finanzaktien

29 | August | 2024

■ Price (Euro)	2.39			
52 weeks range	2.53 / 1.39			
■ Key Data				
ISIN	LU1673108939			
Ticker	AT1			
Bloomberg	AT1 GR			
Reporting standard	IFRS			
Market Cap (Euro million)	3,673			
Number of shares (million)	1,537.0			
Free Float	46.0%			
Free Float Market Cap (Euro million)	1,690			
CAGR Adj. EBITDA profit ('23-'26e)	0.4%			
■ Multiples				
	2023	2024e	2025e	2026e
Market Cap/ Total revenues	2.3	2.3	2.3	2.2
PE-Ratio	-1.3	-29.3	7.1	6.3
Dividend Yield	0.0%	0.0%	9.2%	11.9%
Price-to-Book-Ratio	0.34	0.35	0.33	0.32
P/ NAV-ratio	0.32	0.34	0.33	0.32
■ Key Data per share (Euro)				
	2023	2024e	2025e	2026e
Earnings per share (EPS)	-1.82	-0.08	0.34	0.38
FFO I per share	0.30	0.28	0.29	0.31
Dividend per share (DPS)	0.00	0.00	0.22	0.29
EPRA NTA per share	7.36	7.13	7.26	7.42
■ Financial Data (Euro Millions)				
	2023	2024e	2025e	2026e
Revenues (rental income)	1,602.8	1,570.7	1,606.9	1,642.2
Capital gains, Prop. Revaluations	-3,217.5	-732.3	123.1	223.0
EBITDA profit	-2,449.7	157.1	1,117.5	1,245.5
Adj. EBITDA profit (cash driven)	1,002.9	965.5	990.9	1,015.5
Operating profit (EBIT)	-2,467.6	138.7	1,098.5	1,226.2
Net financial result	-244.5	-324.4	-338.3	-373.4
Pre-tax profit (EBT)	-2,849.1	-210.9	760.2	852.8
Taxation	422.7	40.1	-144.4	-162.0
Net profit after minorities	-1,987.6	-88.8	369.4	414.4
FFO I	332.0	306.2	319.5	332.8
Shareholders' equity (Euro billion)	7.6	7.6	7.9	8.1
Property portfolio (Euro billion)	24.6	23.9	24.4	25.1
RoE (after tax)	-12.1%	-0.6%	2.4%	2.6%
Equity ratio (incl. equity minorities)	45.1%	45.2%	44.7%	44.4%
■ Main Shareholders				
Treasury shares	29%			
Avisco Group Plc.	15%			
Stumpf Capital GmbH	10%			
■ Financial calendar				
9M 2024 report			27 November 2024	
■ Analyst				
	Dipl.-Kfm. Stefan Scharff, CREA			
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1H numbers fully met our expectations – Full year guidance slightly lifted – high refinancing activity further improves the financial position - Buy rating and Euro 3.50 target affirmed

Yesterday, Aroundtown released the report for the first half of 2024 and held a conference call. The numbers and developments of the first six months of 2024 were in line with our expectations and the management decided to lift the guidance for the full year. Revenues expectedly came down by about 5% from Euro 815m to Euro 771m. This was on the one hand due to slightly lower net rental income, which came down by 1% due to disposals of about Euro 1.3bn, which were mostly offset by a 2.9% like-for-like rental growth, and on the other hand due to a decline in operating and other income of 16%. Property revaluations and capital gain were at Euro -593m after the first six months. Here, the full portfolio was revalued at the reporting date, resulting in a like-for-like decline of 2.4%. While we expect another decline in values for the second half of the year, we believe that the majority of the value decline was already recorded at 1H. Property operating expenses amounted to Euro 276m and thus improved by about 20% compared to last year's number of Euro 344m. The firm's EBITDA all in all amounted to Euro -163.1m and was clearly on top of last year's number of Euro -1.36bn. The adjusted EBITDA showed a slight year-over-year improvement from Euro 498m to Euro 502m. The total financial result stood at Euro -145.8m (1H 2023: Euro -14.7m). While finance expenses hiked by 13% from Euro 105m to Euro 120m, driven by the higher interest rate environment reflected in the debt instruments, the other financial result came in at Euro -26m compared to Euro 91m last year, as last year's number was coined by bond buybacks at discounts. The bottom line after minorities stood at Euro -325m after Euro -1.04bn last year. The firm's FFO I amounted to Euro 154m, down by about 12% from last year's number of Euro 175m, driven by higher finance expenses and perpetual notes attribution, as well as the above mentioned disposals. The FFO per share amounts to 14 cents.

Year to date, the firm has remained in a healthy financial position and even managed to deliver some improvements with a good capital markets activity. Until the reporting date, about Euro 330m in debt were repaid and about Euro 240m in bank debt were drawn. Furthermore, the firm issued five new perpetuals with an amount of Euro 2.5bn in a voluntary exchange offer and the total perpetual notes balance was reduced by about Euro 230m, that will lead to coupon reductions of about Euro 35m annually. In the current third quarter, AT already issued Euro 1.15bn of new bonds, of which about Euro 800m were used to buy back short-term debt at a slight discount. The current liquidity of the firm as of the reporting date stood at Euro 2.7bn. The LTV stands at 45% and the EPRA LTV, taking into account the perpetual notes, stands at 62%.

The numbers of the first six months met our expectations and we are satisfied with the progress achieved in 1H 2024. The management decided to lift its full-year FFO guidance from a range of Euro 280m to Euro 310m to now Euro 290m to Euro 320m. As our FFO estimate was already at the upper end of the previous range, we keep it unchanged at Euro 306m. Supported by a somewhat brightening overall market environment, we clearly stick to our Buy recommendation and confirm our Euro 3.50 target price.

Aroundtown SA

Industry:	Real Estate
Sub-segments:	Commercial (incl. Hotel)/ Residential
Target Countries:	Germany
Registered Office:	Luxembourg
German Office:	Berlin
Foundation:	2004
Employees:	1706
IR Contact:	Timothy Wright
Email:	info@aroundtownholdings.com
Credit Rating:	BBB+ by S&P (Investment Grade)
Stock exchange:	Prime Standard Frankfurt
ISIN:	LU1673108939
Bloomberg:	AT1 GR

MANAGEMENT			
Barak Bar-Hen Co-CEO & COO	Eyal Ben David CFO	Oschrie Massatschi CCMO	Limor Bermann CSO
Frank Roseen Director	Jelena Afxentiou Director	Markus Kreuter Indep. Director	
Markus Leininger Indep. Director	Simone Runge-Brandner Indep. Director	Ran Laufer Non-Exec. Director	
Daniel Malkin Indep. Director			

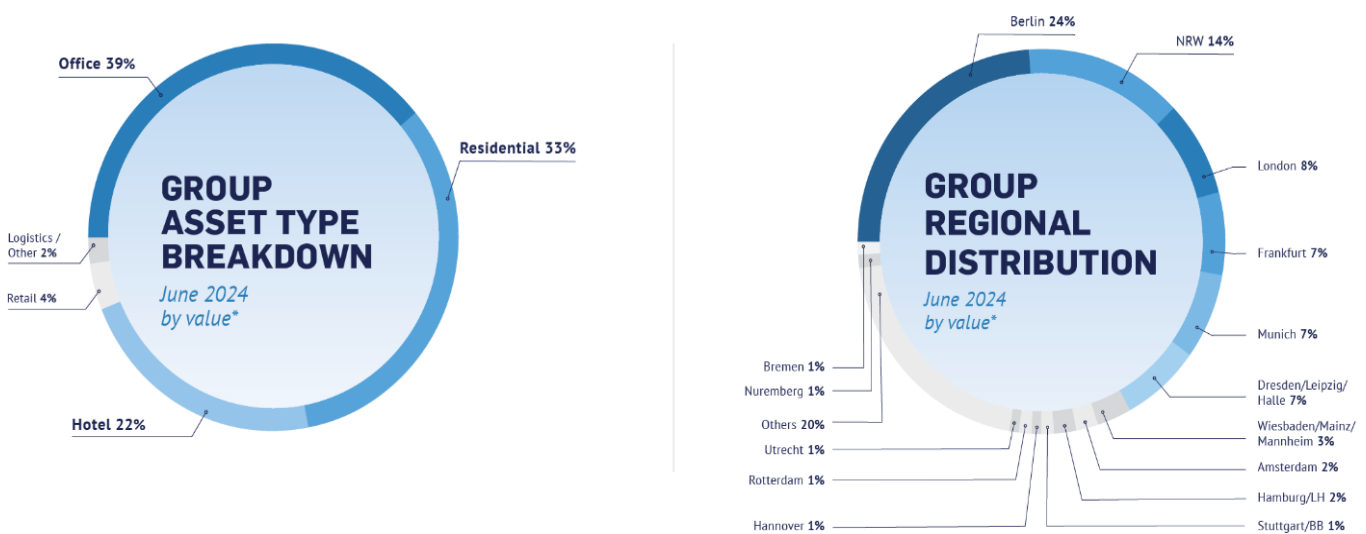
ADVISORY BOARD
Dr. Gerhard Cromme Chairman
Yakir Gabay
Claudio Jarczyk
David Maimon

Founded in 2004, AROUNDTOWN SA ("AT1") is a real estate investment company specializing in identifying and investing in value-add and income generating properties. Aroundtown SA is listed in the German Prime Standard since June 2017 and member of German MDax index.

AT's primary real estate target markets are economically attractive and densely populated regions in Germany. The company is active in both the commercial as well as the residential real estate sector. Nonetheless, it more plays an active role in the commercial sector since the residential exposure within the portfolio is represented by an interest in the publicly listed company Grand City Properties ("GCP") with a stake of 63% as of FY 2023, which is being fully consolidated since 1 July 2021. The firm's total portfolio currently amounts to about Euro 25bn. Commercial properties have a share of 67% relatively to the total portfolio of investment properties based on appraisal values and logically residential properties cover the remaining share of 33%. Office properties make up for 39%, while the hotel share stands at 22%. Retail, logistics and other assets comprise the remaining 6%.

AT comes along with a well-experienced management team where each member supplements the team with a distinctive professional background in various fields like investment banking, real estate investment and asset management and project development for instance. AROUNDTOWN targets turnaround opportunities of distressed and/or mismanaged properties and has a strong track record with regard to property turnaround by working out sound individual business plans. Detailed property-related data are deliberately not disclosed. AT argues that they are doing so in order to direct investors' attention on the bottom line on company level rather than being monitored on the performance of each individual property. Currently, the firm is more acting as a net seller however, as the market has turned and the focus of the company is prudently on cash preservation. With a high cash balance of Euro 2.7bn and a solid balance sheet, we see the firm in a decent position despite the rough market and believe that once the conditions are more favourable again, the firm will return to selectively buying properties as it has successfully done before.

Aroundtown is part of the DAX ESG Index and ranked as the highest ESG ranked real estate constituent of the index.



Source: Company Data, SRC Research

AROUNDTOWN SA 31/12 IFRS (Euro Millions)	2021	2022	2023	2024e	2025e	2026e	CAGR '23 - '26e
Revenues	1,323.2	1,609.9	1,602.8	1,570.7	1,606.9	1,642.2	0.8%
Capital gains, property revaluations and others	809.7	-497.3	-3,217.5	-732.3	123.1	223.0	
Share in profit from investment in equity-accounted investees	193.4	5.9	-149.8	-32.2	51.4	58.9	
Property-related operating expenses thereof depreciation and amortization	-533.0 -15.9	-694.9 -21.1	-638.4 -17.9	-604.7 -18.4	-618.6 -19.0	-632.3 -19.3	
Administrative and other expenses	-56.6	-62.5	-64.7	-62.8	-64.3	-65.7	
Operating profit (EBITDA)	1,751.6	382.2	-2,449.7	157.1	1,117.5	1,245.5	
Operating Profit (EBIT)	1,736.7	361.1	-2,467.6	138.7	1,098.5	1,226.2	
Impairment of goodwill	0.0	-404.3	-137.0	-25.2	0.0	0.0	
Finance expenses	-180.4	-184.8	-230.1	-270.5	-262.4	-275.5	
Other financial results	-162.1	-194.1	-14.4	-53.9	-75.9	-97.9	
Net financial result	-342.5	-378.9	-244.5	-324.4	-338.3	-373.4	
Pre-tax profit (EBT)	1,394.2	-422.1	-2,849.1	-210.9	760.2	852.8	
Tax (cash and deferred)	-316.1	-35.0	422.7	40.1	-144.4	-162.0	
Net profit before minorities	1,078.1	-457.1	-2,426.4	-170.8	615.7	690.7	
Minorities	-435.9	-188.0	438.8	82.0	-246.3	-276.3	
Net profit after minorities	642.2	-645.1	-1,987.6	-88.8	369.4	414.4	
Number of shares (weighted average, excl. treasury shares)	1,168.2	1,109.9	1,093.0	1,090.5	1,090.5	1,090.5	
Earnings per share (EPS, basic)	0.55	-0.58	-1.82	-0.08	0.34	0.38	
Earnings per share (EPS, diluted)	0.53	-0.58	-1.82	-0.08	0.34	0.38	
Dividend per share (DPS)	0.23	0.00	0.00	0.00	0.22	0.29	
EBITDA	1,751.6	382.2	-2,449.7	157.1	1,117.5	1,245.5	
Adjusted EBITDA	973.9	878.8	1,002.9	965.5	990.9	1,015.5	0.4%
FFO I	353.2	362.7	332.0	306.2	319.5	332.8	0.1%
FFO I per share	0.30	0.33	0.30	0.28	0.29	0.31	0.2%
Shareholders' Equity (without minorities)	10,533.6	9,585.3	7,643.3	7,554.5	7,923.9	8,098.7	1.9%
Shareholders' Equity (including minorities)	19,156.4	17,823.4	15,149.7	14,943.7	15,643.1	15,956.3	
EPRA NTA	11,564.0	10,775.3	8,058.7	7,805.7	7,941.8	8,117.1	0.2%
Balance Sheet sum	39,383.1	37,347.1	33,559.3	33,091.2	35,033.2	35,960.7	
Equity Ratio	48.6%	47.7%	45.1%	45.2%	44.7%	44.4%	
RoE (after tax)	3.7%	-3.5%	-12.1%	-0.6%	2.4%	2.6%	
Property portfolio (including equity-accounted investees)	29,115.9	27,981.0	24,632.4	23,893.4	24,371.3	25,102.4	
Book Value per share (Euro) - undiluted	9.30	8.76	6.99	6.90	7.24	7.40	1.9%
EPRA NTA per share (Euro) - undiluted	10.21	9.85	7.36	7.13	7.26	7.42	0.2%

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
Aroundtown	May 29, 2024	Buy	2.20 €	3.50 €
Aroundtown	April 2, 2024	Buy	1.96 €	3.50 €
Aroundtown	November 29, 2023	Buy	2.30 €	3.50 €
Aroundtown	September 4, 2023	Buy	1.52 €	3.50 €
Aroundtown	May 31, 2023	Buy	0.93 €	4.50 €
Aroundtown	March 29, 2023	Buy	1.36 €	4.50 €
Aroundtown	November 29, 2022	Buy	2.53 €	4.50 €
Aroundtown	August 25, 2022	Buy	3.01 €	6.00 €

Please note:

The share price mentioned in this report is from 28 August 2024. AROUNDTOWN SA mandated SRC Research for covering the share.

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