

2 | April | 2024

■ **Price (Euro)** **1.96**
52 weeks range 2.53 / 0.88

■ **Key Data**

ISIN LU1673108939
Ticker AT1
Bloomberg AT1 GR
Reporting standard IFRS
Market Cap (Euro million) 3,013
Number of shares (million) 1,537.0
Free Float 46.0%
Free Float Market Cap (Euro million) 1,386
CAGR Adj. EBITDA profit ('23-'26e) -3.3%

■ Multiples	2023	2024e	2025e	2026e
Market Cap/ Total revenues	1.9	1.9	1.9	1.8
PE-Ratio	-1.1	-40.2	6.1	5.4
Dividend Yield	0.0%	0.0%	11.2%	13.8%
Price-to-Book-Ratio	0.28	0.28	0.27	0.26
P/ NAV-ratio	0.27	0.27	0.27	0.26

■ Key Data per share (Euro)	2023	2024e	2025e	2026e
Earnings per share (EPS)	-1.82	-0.05	0.32	0.36
FFO I per share	0.30	0.28	0.29	0.31
Dividend per share (DPS)	0.00	0.00	0.22	0.27
EPRA NTA per share	7.36	7.17	7.27	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	-652.8	123.1	223.0
EBITDA profit	-2,449.7	317.3	1,117.5	1,245.5
Adj. EBITDA profit (cash driven)	1,002.9	857.0	880.4	907.6
Operating profit (EBIT)	-2,467.6	298.9	1,098.5	1,226.2
Net financial result	-244.5	-364.5	-377.2	-414.3
Pre-tax profit (EBT)	-2,849.1	-126.4	721.2	811.9
Taxation	422.7	24.0	-137.0	-154.3
Net profit after minorities	-1,987.6	-53.2	350.5	394.6
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%	-0.4%	2.3%	2.5%
Equity ratio (incl. equity minorities)	45.1%	45.1%	44.6%	44.4%

■ **Main Shareholders**

Treasury shares 29%
Avisco Group Plc. 15%
Stumpf Capital GmbH 10%

■ **Financial calendar**

1Q 2024 report 29 May 2024
AGM 2024 26 June 2024
1H 2024 report 28 August 2024

■ **Analyst**

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2023 numbers slightly on top of estimates and at the upper end of guidance – balance sheet remains solid with a high level of liquidity, no dividend as expected – Buy and Euro 3.50 affirmed

Last Wednesday, the firm published the 2023 annual report and held a conference call. The reported numbers were somewhat better than expected but still clearly impacted by the difficult market environment of the recent years. Revenues remained more or less unchanged to the previous year and amounted to Euro 1.60bn. Hereof, about Euro 1.18bn are recurring net rental income, which is slightly down from last year's Euro 1.20bn. While this decline reflects the effects from the about Euro 2.1bn of disposals, it also reflects the like-for-like rental increase of 3.2%. The share of profit from at-equity investments was at Euro -150m, down from last year's Euro 6m, driven by valuation losses in the investees assets. The firm's property portfolio also saw some significant decline in value. Property revaluations and capital gains amounted to Euro -3.22bn compared to about Euro -0.5bn last year. This represents a like-for-like value decline of 11%, largely driven by the hike in interest rates, which were only slightly offset by the rental increases in the portfolio. Property operating expenses came in at Euro 638m and thus improved to last year's number of Euro 695m. Here, extraordinary expenses for uncollected rent in the amount of Euro -33m are included (FY 2022: Euro -75m), which are expected to be eliminated completely in the current year, as a return of the hotel occupancies to a pre-pandemic level is expected. Administrative and other expenses only slightly increased from Euro 63m to Euro 65m. The firm's EBITDA all in all amounted to a loss of Euro 2.45bn and was clearly below last year's profit of Euro 382m. The adjusted EBITDA on the other hand remained exactly at the level of 2022 and amounted to Euro 1.0bn. The financial result came in at Euro -245m and thus improved to last year's number of Euro -379m. While finance expenses significantly hiked by 25% from Euro 185m to Euro 230m, driven by the higher interest rate environment, the financial result benefited from the improved other financial result of Euro -14m compared to Euro -194m last year. The bottom line after minorities stood at Euro -1.99bn after Euro -645m last year. This translates into a loss per share of Euro 1.82. The firm's FFO I amounted to Euro 332m, down 8% from last year's number of Euro 363m, driven by higher finance expenses and perpetual notes attribution, as well as the above mentioned disposals. Our expectation here was at only Euro 328m. The FFO per share amounts to 30 cents. As expected the management has decided to again suspend the dividend for 2023 in order to preserve liquidity and to further strengthen the balance sheet. We see this as reasonable given the prevailing bad market conditions and uncertainties and also stick to our expectation of no dividend payment for the current fiscal year. The firm remains in a healthy financial position with a current liquidity of Euro 3bn (Euro 3.85bn including expected liquidity inflow from disposals/vendor loans). The firm has also bought back about Euro 1.3bn of bonds at high discounts in 2023, strengthening its debt side and the maturity profile. The LTV stands at 43% and the EPRA LTV, taking into account the perpetual notes, stands at 61%. The EPRA NTA has declined by about 20% to Euro 7.4 per share at FY 2023 and remained on top of our expectation of Euro 7.22.

We are satisfied with the numbers of 2023 and the firm's guidance for the current fiscal year of an FFO between Euro 280m to Euro 310m or 26 cents to 28 cents per share respectively meets our most recent expectation, which we leave unchanged at Euro 306m for the time being. We confirm our Euro 3.50 target price and also stick to our Buy recommendation.

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
Frank Roseen Director	Jelena Afxentiou Director	Markus Kreuter Indep. Director
Markus Leininger Indep. Director	Simone Runge-Brandner Director	Ran Laufer Non-Exec. Director
Daniel Malkin Indep. Director		

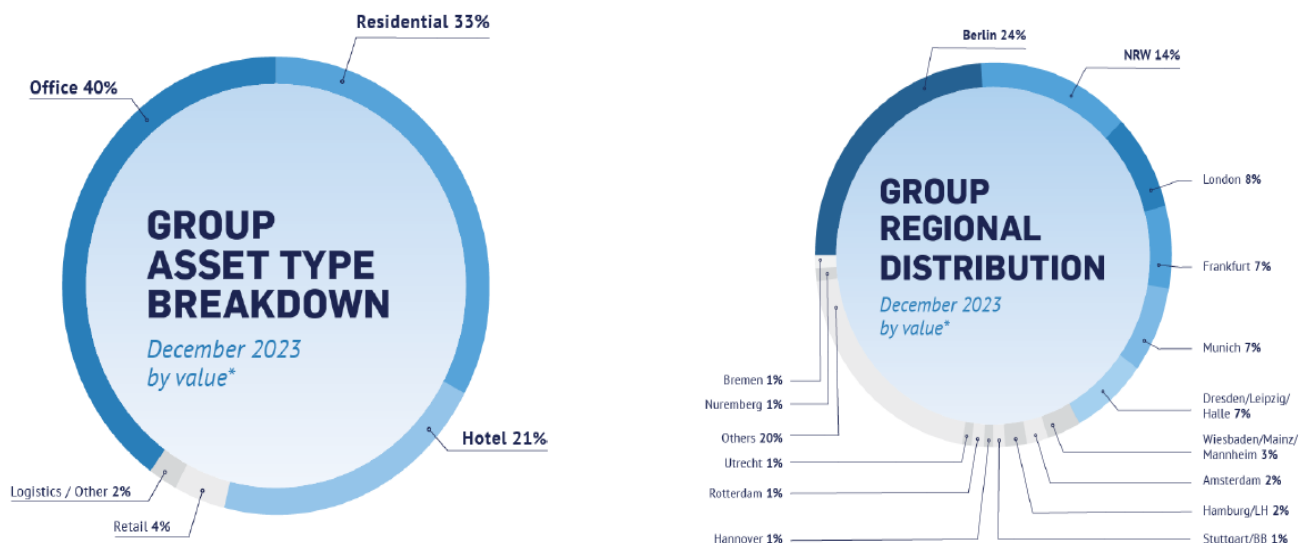
ADVISORY BOARD
Dr. Gerhard Cromme Chairman
Yakir Gabay
Claudio Jarczyk
David Maimon

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 40%, while the hotel share stands at 21%. 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 3bn 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

Significant revaluation loss in 2023, less pressure expected for 2024

The overall portfolio suffered from a valuation loss of about 11% on a like-for-like basis in FY 2023. The largest cut in valuation was seen in the development & invest segment, which stands for 6% of the total portfolio. Here, the value declined by 21%. In the largest portfolio segment, offices, which make up for 40% of the total portfolio, the valuation declined by 13%. The residential segment declined by 8% while the hotel segment came down 6%. Overall, a total value of the portfolio declined by Euro 3.17bn resulting from revaluations.

ASSET TYPE	LFL VALUE CHANGE DEC 23 vs DEC 22	ASSET TYPE	LFL VALUE CHANGE DEC 23 vs DEC 22
 OFFICE	<u>-13%</u>	 HOTEL	<u>-6%</u>
 RESIDENTIAL	<u>-8%</u>	 DEVELOPMENT & INVEST	<u>-21%</u>

Source: FY 2023 financial results presentation

This significant decline was driven by yield increases due to higher interest rates and economic uncertainties in 2023. While there is still a high level of uncertainties in the market, leading to almost no activity on the transaction side, we believe that interest rates should have reached a peak and should rather trend back down over the course of the year. Thus, for the current year we expect significantly less pressure on valuations and currently expect a revaluation result of about Euro -650m for the current year.

Dividend expectedly suspended again for 2023

The management has decided to not propose any dividend for the 2023 fiscal year at the AGM in June. As discussed in our update from November, we already expected that decision, as the management continues to put the focus on cash preservation to further strengthen the balance sheet. As the market conditions are still unfavourable and uncertainties for the coming years prevail, we clearly agree with the decision of the management. While we would not with full certainty rule out a distribution for the current year 2024, we believe that it will be rather unlikely and thus keep our estimate at our previous level of zero. However, as we also expect the conditions to become somewhat more favourable over the coming 12 to 18 months, we could well imagine a return to a dividend distribution for 2025, which is also reflected in our P&L.

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	-652.8	123.1	223.0	
Share in profit from investment in equity-accounted investees	193.4	5.9	-149.8	48.5	51.4	58.9	
Property-related operating expenses	-533.0	-694.9	-638.4	-604.7	-618.6	-632.3	
thereof depreciation and amortization	-15.9	-21.1	-17.9	-18.4	-19.0	-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	317.3	1,117.5	1,245.5	
Operating Profit (EBIT)	1,736.7	361.1	-2,467.6	298.9	1,098.5	1,226.2	
Impairment of goodwill	0.0	-404.3	-137.0	-60.7	0.0	0.0	
Finance expenses	-180.4	-184.8	-230.1	-310.6	-301.3	-316.4	
Other financial results	-162.1	-194.1	-14.4	-53.9	-75.9	-97.9	
Net financial result	-342.5	-378.9	-244.5	-364.5	-377.2	-414.3	
Pre-tax profit (EBT)	1,394.2	-422.1	-2,849.1	-126.4	721.2	811.9	
Tax (cash and deferred)	-316.1	-35.0	422.7	24.0	-137.0	-154.3	
Net profit before minorities	1,078.1	-457.1	-2,426.4	-102.3	584.2	657.6	
Minorities	-435.9	-188.0	438.8	49.1	-233.7	-263.1	
Net profit after minorities	642.2	-645.1	-1,987.6	-53.2	350.5	394.6	
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	-0.05	0.32	0.36	
Earnings per share (EPS, diluted)	0.53	-0.58	-1.82	-0.05	0.32	0.36	
Dividend per share (DPS)	0.23	0.00	0.00	0.00	0.22	0.27	
EBITDA	1,751.6	382.2	-2,449.7	317.3	1,117.5	1,245.5	-43.4%
Adjusted EBITDA	973.9	878.8	1,002.9	857.0	880.4	907.6	-3.3%
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	7,590.1	7,940.6	8,095.6	1.9%
Shareholders' Equity (including minorities)	19,156.4	17,823.4	15,149.7	15,014.1	15,676.1	15,950.0	
EPRA NTA	11,564.0	10,775.3	8,058.7	7,842.5	7,958.6	8,113.9	0.2%
Balance Sheet sum	39,383.1	37,347.1	33,559.3	33,278.9	35,123.1	35,945.6	
Equity Ratio	48.6%	47.7%	45.1%	45.1%	44.6%	44.4%	
RoE (after tax)	3.7%	-3.5%	-12.1%	-0.4%	2.3%	2.5%	
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	6.94	7.26	7.40	1.9%
EPRA NTA per share (Euro) - undiluted	10.21	9.85	7.36	7.17	7.27	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	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 €
Aroundtown	May 25, 2022	Buy	4.46 €	7.50 €
Aroundtown	March 30, 2022	Buy	5.44 €	7.50 €

Please note:

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

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