

13 October 2021

Accentro Real Estate AG

Rating Buy
Share price (EUR) 6.75
Target price (EUR) 12.55

Bloomberg A4Y GY
Sector Real Estate

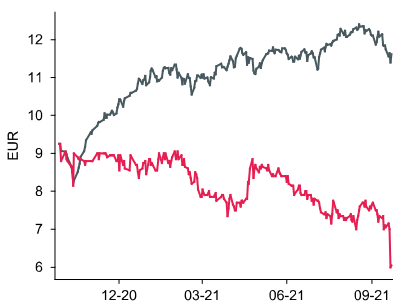
Share data

Shares out (m) 32.4
Daily volume shs (m) 0.0
Free float (%) 12.00
Market cap (EUR m) 196
EV (EUR m) 780
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -14.6
12 months (%) -18.3
12 months rel. (%) -55.5
Index SDAX

Share price performance



— Accentro Real Estate AG
— Price rel. to SDAX - Price Index

Source: Bloomberg

Next triggers

9 November - Q3 results

Analysts

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Strong 9M 2021 sales volume - Guidance achievable

As of 9M 2021 Accentro sold 614 units (+132.6% yoy) and the notarised sales volume significantly increased by 155.2% yoy to EUR 188.6m. Due to the strong sales of recent months the company sticks to its FY 2021 guidance and still expects revenues of EUR 170-200m and EBIT in the range of EUR 45-50m. We expect the reported sales figures to translate into revenue and EBIT growth after 9M 2021. After having reached revenues of EUR 73.0m and EBIT of EUR 19.1m as of H1 2021 we are confident that Accentro will be able to reach its FY 2021 targets. We confirm our Buy rating with an unchanged TP of EUR 12.55. With this report we transfer coverage from Klaus Soer to Katharina Schmenger.

Strong figures ytd

As of 9M 2021 Accentro sold 614 units (+132.6% yoy) and the notarised sales volume significantly increased by 155.2% yoy to EUR 188.6m. Q3 2021 was strong as 254 units were sold (+149% yoy, Q3 2020: 102 units), of which 123 units were sold in September and was thus the best selling month since 2013. The notarised volume of property sales increased by 156.4% yoy to EUR 72.3m in Q3 2021. As a reminder, Q2 2021 was also strong as revenues more than doubled from EUR 22.5m in Q2 2020 to EUR 45.4m. Main drivers were a strong performance from its privatization business as well as higher rental revenues. EBIT significantly improved from EUR 0.8m in Q2 2020 to EUR 16.8m in Q2 2021. Main reason for the strong performance was the valuation gain of EUR 16.3m (vs. Q2 2020: EUR 0m) as a result of its portfolio growth.

FY 2021 targets confirmed

Accentro sticks to its FY 2021 targets of revenues in the range of between EUR 170m and EUR 200m (vs. FY 2020: EUR 125.2m) and EBIT between EUR 45m and EUR 50m (vs. FY 2020: EUR 34.8m). For 2021e we estimate revenues of EUR 198m and EBIT of EUR 48.6m. Main drivers in H2 2021 should be valuation gains, positive contributions from the privatization business as well as from rental revenues. The company has set its target to further expand the privatization as well as the property portfolio. Note that Accentro has a very well filled sales pipeline of c. EUR 522m ensuring growth in upcoming years. The assets are already lawfully partitioned and exempt from Development Land Release Act.

TP and rating confirmed Buy, TP EUR 12.55

We have derived a TP of EUR 12.55 (DCF model valuation) and stick to our Buy rating.

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	143	125	198	225	245
EBITDA	EUR m	41	36	50	55	59
EBIT	EUR m	40	35	49	54	58
EPS	EUR	0.82	0.51	0.56	0.67	0.76
Sales growth	%	n.a.	-12.6	58.2	13.6	8.7
EBIT growth	%	n.a.	-12.7	39.9	11.1	7.9
EPS growth	%	n.a.	-37.4	10.2	19.5	13.2
EBITDA margin	%	28.3	28.5	25.0	24.4	24.2
EBIT margin	%	27.8	27.8	24.6	24.0	23.8
Net margin	%	18.5	13.2	9.2	9.7	10.1
EV/Sales	ratio	3.77	6.37	3.94	3.49	2.43
EV/EBITDA	ratio	13.3	22.4	15.7	14.3	10.0
EV/EBIT	ratio	13.6	22.9	16.0	14.5	10.2
P/E	ratio	7.4	11.8	10.8	9.0	8.0
P/BV	ratio	0.9	0.8	0.8	0.7	0.7
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Strong results ytd

Strong sales performance as of 9M 2021

Strong sales volume as of 9M 2021: 155% yoy

On 7 October 2021 Accentro announced a strong performance after the first 9 months in 2021 as the company sold 614 units (+132.6% yoy) and the notarised sales volume significantly increased by 155.2% yoy to EUR 188.6m. Q3 2021 was strong as 254 units were sold (+149% yoy, Q3 2020: 102 units). The notarised volume of property sales increased by 156.4% yoy to EUR 72.3m. Final 9M 2021 results will be published on 9 November 2021.

Overview of sales figures

	2020	Q1 2021	Q2 2021	H1 2021	Q3 2021	9M 2021
Units sold	420	135	225	360	254	614
Notarised sales volume (EUR m)	119	51.4	64.9	116.3	72.3	188.6
Transfer of benefits and burdens (EUR m)	n.a.	n.a.	n.a.	61.0	n.a.	n.a.

Source: Accentro, Quirin Privatbank AG

Q2 2021 results in detail

In Q2 2021 revenues more than doubled from EUR 22.5m in Q2 2020 to EUR 45.4m. Main drivers were a strong performance from its privatization business as well as higher rental revenues. Revenues from sales of inventory properties increased by c. 91% yoy to EUR 36.7m which shows the strong demand for residential properties. As a result of the expansion of its real estate portfolio rental revenues more than doubled in Q2 2021 from EUR 2.8m to EUR 7.8m. Revenues from services were EUR 0.8m (vs. Q2 2020: EUR 0.4m). After the first six months revenues reached EUR 73.0m (vs. H1 2020: EUR 37.4m), of which EUR 61.0m relate to revenues from sales of inventory properties and EUR 10.8m relate to rental revenues. As of H1 2021 Accentro sold 360 units to tenants, owner-occupiers and private investors (vs. H1 2020: 162 units) which is an increase of +122% yoy. The notarised volume of property sales increased by 155% yoy from EUR 45.6m in H1 2020 to EUR 116.3m in H1 2021 (360 units). In H1 2021 transfers of benefits and burdens concerned 239 of the 360 units with a sales volume of around EUR 61m.

EBIT significantly improved from EUR 0.8m in Q2 2020 to EUR 16.8m in Q2 2021 and reached EUR 19.1m in H1 2021 (vs. H1 2020: EUR 1.2m). Main reason for the strong performance was the valuation gain of EUR 16.3m (vs. Q2 2020: EUR 0m).

Net Profit (after minorities) amounted to EUR 6.4m in Q2 2021 (vs. Q2 2020: EUR -3.7m). As of H1 2021 Net Profit reached EUR 3.4m (vs. H1 2020: EUR -11.7m).

Accentro results and targets vs. Quirin estimates

EUR m	Q2 2021	Q2 2020	yoy	H1 2021	Guidance	Quirin est.	consensus
Revenues	45.4	22.5	102%	73.0	170-200	198.0	193.0
Revenues from sale of inventory properties	36.7	19.3	91%	61.0	n.a.	180.0	n.a.
Rental revenues	7.8	2.8	179%	10.8	n.a.	15.0	n.a.
Service revenues	0.8	0.4	124%	1.3	n.a.	3.0	n.a.
EBIT	16.8	0.8	2007%	19.1	45-50	48.6	48.8
Net profit after minorities	6.4	-3.7	n.m.	3.4	n.a.	18.3	22.4
EBIT margin	37.0%	3.5%	3342 BP	26.1%	n.a.	24.6%	25.3%

Source: Accentro, Bloomberg, Quirin Privatbank AG

Fy 2021 targets confirmed

Accentro confirmed its FY 2021 targets and still expects to reach revenues in the range of between EUR 170m and EUR 200m (vs. FY 2020: EUR 125.2m) and EBIT between EUR 45m and EUR 50m (vs. FY 2020: EUR 34.8m). Main drivers in H2 2021 should be valuation gains, positive contributions from the privatization business as well as from rental revenues. The company has set its target to further expand the privatization as well as the property portfolio. Note that Accentro has a very well filled sales pipeline of c. EUR 522m ensuring growth in upcoming years. We see further upside of its rental revenues due to active asset management activities, i.e. rent increases, and vacancy reduction which should also positively contribute to the value of the properties.

Equity ratio and LTV

Balance sheet remained strong even after the investment into the property portfolio. Equity ratio accounted to 26.1% in Q2 2021 (vs. Q1 2021: 25%). LTV remained broadly stable qoq at a level of around 56%. (vs. Q1 2021: 57%).

As of 30 June 2021 Accentro's financial debt amounted to EUR 662.4m (vs. 30 June 2020: EUR 457.2m) of which EUR 312.4m relates to unsecured bonds (vs. 30 June 2020: EUR 207m) and EUR 350m relates to loan debt from the real estate portfolio (vs. 30 June 2020: EUR 250m). Average funding costs were at 3.2% (vs. 30 June 2020: 2.9%) with an average maturity of 2.5 years.

Recent bond issuances to foster Accentro expansion strategy

In February 2020 Accentro issued a new corporate bond as a private placement of EUR 250m with a coupon of 3.625% of which approx. EUR 100m were used to repay the old EUR 100m bond (coupon: 3.75%) from 2018. Accentro planned to use the new EUR 150m for further real estate acquisitions. In March 2021 Accentro successfully placed a EUR 100m corporate bond (coupon: 4.125% and term of 5 years) to refinance recent acquisitions.

Current privatization and property portfolio

As of June 2021 the privatization portfolio comprised of 1,811 units with a book value of EUR 406.1m (vs. Dec. 2020: EUR 409.5m). As the expected sales price amounts to EUR 522m (lawfully partitioned) hidden reserves are c. EUR 115.9m. Note that the sales process for EUR 355m of the expected sales volume of EUR 522m already started of which EUR 34m are expected to be realized as a block sale to institutional investors and EUR 321m should be sold to retail investors, i.e. owner-occupiers and private buy-to-let investors.

As of 30 June 2021 the value of Accentro's property portfolio reached EUR 289.8m (vs. Dec. 2020: EUR 215.0m). Property gains amounted to EUR 16.3m in Q2 2021. The property portfolio consisted of 3,258 units at the end of June 2021 with a value of 289.8m. In 2020 Accentro successfully acquired West and East portfolio. The West portfolio is dominantly located in Essen and Duisburg and comprises of 30 commercial and 237 residential units with a total lettable area of 20,202 sqm. The residential vacancy rate amounted to 7.6%. Minor renovation measures are planned and Accentro expect an increase of the rental potential to be realized in the short term. The East portfolio is located in Eastern German in cities such as Halle and Gera and in metropolitan areas and comprises 10 commercial and 2,594 residential units with a total lettable area of 153,450 sqm. The vacancy rate of the residential portfolio stands at 40.8%. Compared to the West Portfolio extensive renovation measures are planned for the East Portfolio, i.e. refurbishment of vacant flats which offers strong rental potential if Accentro will manage to decrease the vacancy rate in the mid-term.

Accentro targets to further expand the property portfolio with a focus on B- and C-locations in densely populated metropolitan areas with attractive rental yields. Further growing rental income should ensure stable cash flows. On the other side the build-up of a portfolio could make the portfolio interesting for other real estate investors as an acquisition target.

Recent property portfolio growth

In July 2021 Accentro further expanded its property portfolio in North Rhine-Westphalia as the company acquired 150 units with a floor area of 9,525 sqm in Essen, Neuss, Duisburg and Wuppertal. Last year, Accentro acquired around 270 units mainly located in Essen and Duisburg. 126 units of the newly acquired portfolio should be held in its property portfolio. Following the transaction the rental portfolio in NRW will increase to 395 units with 28,000 sqm. Note that the NRW portfolio is almost fully occupied.

FY21 outlook: Record year in sales and profits likely

The increased portfolio of housing privatization units as well as the investment into larger residential projects to be kept for a longer time period form a unique platform for growth in the current FY 21. We assume revenues out of the housing privatization to grow by 58% to around EUR 180m. Rental income might grow due to the first time full consolidation of the acquired portfolios in east and west Germany by 45% to EUR 15m. In total we estimate group revenues of EUR 198m (+58% yoy.) which is at the upper end of the management guidance (EUR 170-200m). Operational profits will get support from the

Total portfolio comprises 5,069 units

Ongoing high gross margin confirms business concept

expected ongoing high gross margin of the privatization business. Note that the recently acquired 150 units in NRW will partly contribute to FY 2021 results and will have a full impact on rental income from FY 2022 onwards. For 2022e we forecast group revenues of EUR 225.0m of which EUR 202.0m are expected to result from the sale of inventory properties and EUR 20.0m should result from rental revenues. We expect Accentro to be able to reduce the vacancy rate of the East portfolio which had a vacancy of 40.8% which should further drive rental revenues.

Furthermore we expect EBIT to increase by 40% yoy to EUR 48.6m (company guidance: EUR 45-50m) and to EUR 54.0m in 2022e. Our estimates include valuation gains of EUR 30m in 2021e and EUR 25m in 2022e.

We forecast Net profit after minorities of EUR 18.3m (vs. EUR 16.6m in 2020) and EUR 21.8m in 2022e. Compared to FY 2020 we expect higher financial expenses as a result of recent bond issuances.

Accentro results and targets vs. Quirin estimates

EUR m	2020	2021e	yoy	Guidance	consensus	2022e	consensus
Revenues	125.2	198.0	58%	170-200	193.0	225.0	215.7
Revenues from sale of inventory properties	112.4	180.0	60%	n.a.	n.a.	202.0	n.a.
Rental revenues	10.4	15.0	45%	n.a.	n.a.	20.0	n.a.
Service revenues	2.4	3.0	23%	n.a.	n.a.	3.0	n.a.
EBIT	34.8	48.6	40%	45-50	48.8	54.0	50.3
Net profit after minorities	16.6	18.3	10%	n.a.	22.4	21.8	22.6
EBIT margin	27.8%	24.6%	321 BP	n.a.	25.3%	24.0%	23.3%

Source: Accentro, Bloomberg, Quirin Privatbank AG

Tighter regulation

To limit rising rents the rent brake (increase of rents to a maximum of 10% above the local rent in case of re-letting) and the rent cap in Berlin (freeze of rents from 18 June 2019 until 2022) were introduced. Note that the rent cap has been declared unconstitutional. As the residential real estate market is faced by a tighter regulation as a result of still rising rents and the housing shortage it is likely that stricter laws to support tenants will be introduced post the German elections which could have a negative impact on the housing market. As we expect a tighter regulation to be rather introduced in strained rental markets we expect Accentro to be less affected as the company is focused on B- and C-locations. As Accentro also sales its apartments to owner-occupiers the introduction of a rent cap or rent freeze will not have a negative impact for mentioned group of investors.

The recently passed Development Land Release Act prohibits the conversion of rental apartments into condominiums which is limited until 2025 and only active in areas with a tight housing market. Accentro's expected sales volume of around EUR 522m is already lawfully partitioned into condominiums. The company also plans to further diversify its regional investments.

Around 56% of Berlin locals voted for the expropriating of big landlords owning more than 3,000 rental units to stop rising rents in Berlin. This measure should affect 240,000 rental units, around 15% of rental units in Berlin. It is also expected that investments and modernizations into real estate units will also be limited. The expropriating does not create further apartments to satisfy the high demand for housing. Overall the measure is not legally binding as the Berlin senate has to draft a law. This is still open and depends on the political composition of the new state government. While SPD, CDU, AfD and FDP are against expropriations the left party favors it and the green party see expropriations as a possible last resort. In case of a legally binding expropriating of big landlords reimbursements are estimated to reach between EUR 29bn and EUR 36bn and would increase liquidity of housing companies. As Accentro owns less than 3,000 units in Berlin the expropriating will not affect Accentro.

Valuation

DCF model

DCF model: fair value per share of EUR 12.55

We have based our valuation upon a DCF model valuation as the business is cash-flow driven. We have derived a target price of EUR 12.55 from a DCF model valuation. The key parameters of the model are as follows:

- Our calculation includes the realization of hidden reserves of more than EUR 100m. We expect rising sales and EBIT from 2021e onwards, mainly driven by the privatization business as well as positive contribution of its property portfolio.
- We forecast EBIT margin to reach 24.6% in 2021e which should come down to c. 20.5% as we expect lower valuation gains.
- As we do not expect further acquisitions for the property portfolio we do not assume any CAPEX from 2022e onwards.
- Tax rate of 26%
- Our terminal value is based on the assumption of a growth rate of 1.1% consistently.
- We calculated a WACC of around 5.07% (Equity ratio: 40%; financial debt cost: 3.5% and company beta: 1.2). The model results to an equity value of c. 407m (EUR 12.55 per share).

DCF model for ACCENTRO

(EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
Sales	198	225	245	260	271	283	296	308	320	333	
growth yoy	58.2%	13.6%	8.7%	6.3%	4.9%	4.7%	4.4%	4.2%	4.0%	3.8%	
EBIT	49	54	58	57	58	59	62	64	66	68	
EBIT margin	24.6%	24.0%	23.8%	22.0%	21.5%	21.0%	20.8%	20.7%	20.6%	20.5%	
Taxes	-12.6	-14.0	-15.2	-14.9	-15.1	-15.5	-16.0	-16.6	-17.2	-17.7	
Tax rate	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	
Depreciation	0.9	0.9	0.9	0.9	0.9	0.1	0.1	0.0	0.0	0.0	
% of sales	0.5%	0.4%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
Capex	-60.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of sales	30.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Δ NWC	26.7	-4.1	-7.1	-7.6	-7.9	-8.2	-8.6	-8.9	-9.3	-9.7	
% of sales	-13.5%	18%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
FCF	2.8	36.8	37.0	35.7	36.2	35.9	37.0	38.3	39.6	40.8	1,027.9
growth yoy	nm	nm	0.4%	-3.4%	13%	-0.7%	3.0%	3.5%	3.3%	3.1%	1.1%
PV FCF	2.8	34.6	33.1	30.4	29.4	27.8	27.2	26.8	26.4	25.9	651.9

PV Forecast Period	264
PV Terminal Value	652

Enterprise value	916
- Net Debt / Net Cash	509
- Pension Provisions	0
Equity value	407
Number of shares	32.4
Value per share (€)	12.55

Sensitivity Analysis	Terminal growth rate				
	0.1%	0.6%	1.1%	1.6%	2.1%
4.56%	11.18	13.60	16.70	20.85	26.64
4.81%	9.71	11.82	14.49	17.98	22.74
WACC 5.07%	8.38	10.24	12.55	15.53	19.49
5.32%	7.19	8.83	10.85	13.41	16.75
5.57%	6.11	7.56	9.34	11.56	14.41

Risk free rate	1.50%	Equity ratio	40%
Cost of debt	3.50%	Company beta	1.2
Market Premium	7.00%	WACC	5.07%

Source: Quirin Privatbank

Peer group valuation

We have based our valuation upon a DCF model valuation as the business is cash-flow driven. We included below a peer group analysis. Besides The Grounds all peers are not active in the privatization business and are project development companies and/or hold a property portfolio. Thus, we do not base our valuation upon a peer group analysis as peers have a different business focus.

Our Peer Group Analysis is based upon a multiples comparison of Accentro with other companies with a similar business focus, only taking into account P/E multiples as well as EV multiples (EV/Sales and EV/EBIT). Our peer group consists of EYEMAXX Real Estate, Helma Eigenheimbau, Instone Real Estate, Noratis, The Grounds Real Estate Development and UBM Development. We excluded Gateway Real Estate as the company owns a very low freefloat.

Peer group

EYEMAXX Real Estate (Market Cap: EUR 26m) is a real estate development company and holds a small portfolio of real estate assets. The company develops and sells residential and commercial properties with a geographical focus on Germany and Austria. Its current project pipeline amounts to around EUR 1.2bn.

Helma Eigenheimbau (Market Cap: EUR 260m) is a building services-provider with a focus on the development, planning, sale and construction management of turnkey or partially completed detached and semi-detached houses.

Instone Real Estate (Market Cap: EUR 1.1bn) is a project developer of residential real estate properties in Germany. The company is specialized in developing residential buildings and apartment complexes and also operates in the publicly subsidized residential construction sector. As of Q1 2021 GDV amounted to EUR 6.1bn.

Noratis (Market Cap: EUR 100m) is a portfolio developer of residential assets in Germany. Post a successful development the properties are sold to investors and/or individually to existing tenants, capital investors and owner-occupiers or remain in the portfolio. As of March 2021 the portfolio consisted of 3,650 residential units.

The Grounds Real Estate Development (Market Cap: EUR 36m): The business activities of The Grounds comprise three core areas: project development, privatization and holding a residential real estate portfolio. The geographical focus is Germany (mainly on Berlin's affluent suburbs). The project pipeline amounts to more than EUR 400m and the property portfolio consists of 410 units.

UBM Development (Market Cap: EUR 323m) is specialized in project developments of hotel, office and residential properties in Germany, Austria and Poland. The project pipeline (based on current and forecasted sales proceeds for acquired projects) amounts to EUR 1.8bn.

Accentro trades at a discount between 6% and 15% to the median on 2021e multiples (P/E, EV/Sales and EV/EBIT) to its peer group and with a premium between 14% and 41% on P/E 2022e and EV/Sales 2022e. This can be explained by the ongoing high-margin privatization business.

Peer Group Valuation

Company	Price	Market Cap (EUR m)	P/E 21e	P/E 22e	P/E 23e	EV/Sales 21e	EV/Sales 22e	EV/Sales 23e	EV/EBIT 21e	EV/EBIT 22e	EV/EBIT 23e
EYEMAXX REAL ESTATE AG	3.5	25.9	6.5x	3.7x	n.a.	11.0x	9.4x	n.a.	18.6x	14.8x	n.a.
HELMA EIGENHEIMBAU AG	64.8	259.2	14.0x	11.7x	10.2x	1.4x	1.3x	1.2x	17.4x	14.7x	13.0x
INSTONE REAL ESTATE GROUP SE	23.8	1118.3	13.1x	13.4x	12.6x	1.7x	1.4x	1.0x	11.2x	11.8x	11.2x
NORATIS AG	20.9	100.7	16.1x	9.9x	9.2x	5.1x	3.5x	3.1x	28.4x	20.5x	21.7x
GROUNDS REAL ESTATE DEV/THE	2.0	36.3	12.8x	4.6x	5.0x	3.8x	1.5x	1.0x	n.a.	n.a.	n.a.
UBM DEVELOPMENT AG	43.3	323.5	9.0x	7.1x	6.5x	3.9x	3.1x	3.2x	15.4x	14.2x	13.5x
Median			12.9x	8.5x	9.2x	3.9x	2.3x	1.2x	17.4x	14.7x	13.3x
ACCENTRO REAL ESTATE AG	6.5	210.8	11.6x	9.7x	8.5x	3.6x	3.2x	2.9x	14.8x	13.3x	12.3x
Relative to median			-11%	14%	-8%	-6%	41%	148%	-15%	-10%	-7%

Source: Bloomberg, Quirin Privatbank

Market environment

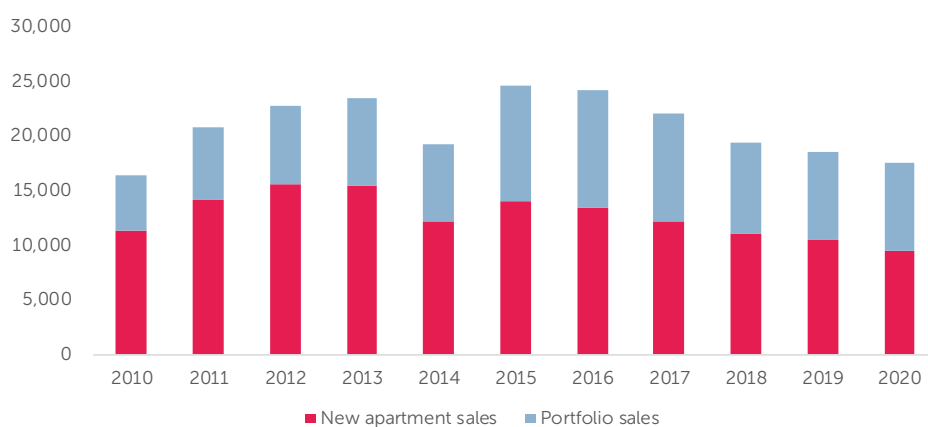
Real Estate market in Berlin

As Accentro's geographical focus in terms of condominium sales still lies on Berlin we first give an overview of the Berlin real estate market before we concentrate on the German residential real estate market. As a reminder, in 2020 Accentro sold 420 condominiums of which 65% were located in Berlin.

Like the housing market in Germany the Berlin real estate market is also characterized by a lack of supply. Flat sales in Berlin have been declining in the recent years as around 24,600 sales contracts were notarised in 2015 and the figure declined to around 17,500 in 2020. During the last 10 years real estate prices in Berlin increased from EUR 1,620 per sqm to a median portfolio asking price of EUR 4,900/sqm in 2020 and 5,180 EUR/sqm in 2021. In the new building segment the median offer price reached EUR 7,850/sqm in August 2021 (c. +20% yoy).

Berlin real estate price significantly increased during the last 10 years

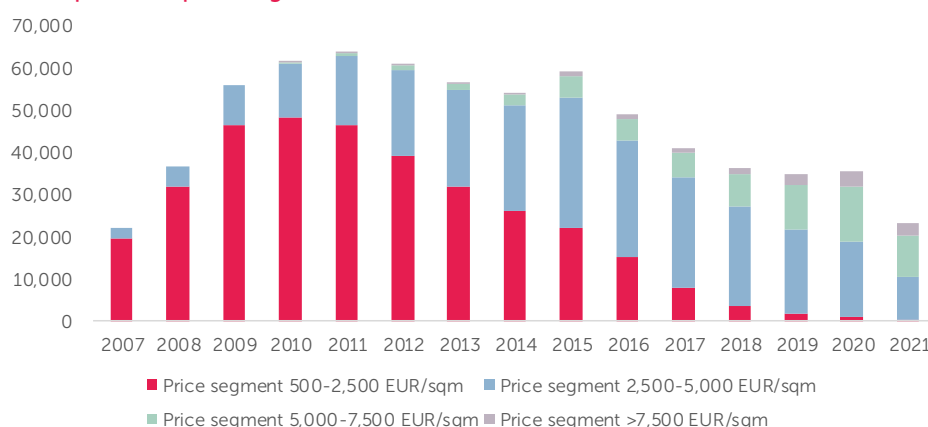
Number of flats sold in Berlin



Source: Guthmann, Quirin Privatbank AG

In line with the price increase for real estate assets in Berlin there has been a reduction in the number of offers and a shift from the lower price segment (500-2,500 EUR/sqm) to middle price segments (2,500-5,000 EUR/sqm and 5,000-7,500 EUR /sqm).

Development of price segments in Berlin



Source: Guthmann, Quirin Privatbank AG

German Real Estate market%

We are confident that the positive market environment for residential real estate will continue for the following reasons:

- **Low mortgage rates make investments into residential real estate attractive for many investors**

Due to the low interest rate environment real estate remains an attractive asset class for investors. The effective interest rate for new housing loans to private investors was on average 1.27% in May 2021. The lowest level was reached in December 2021 with 1.16%.

Effective interest for private property loans in %



Source: Bundesbank, Quirin Privatbank AG

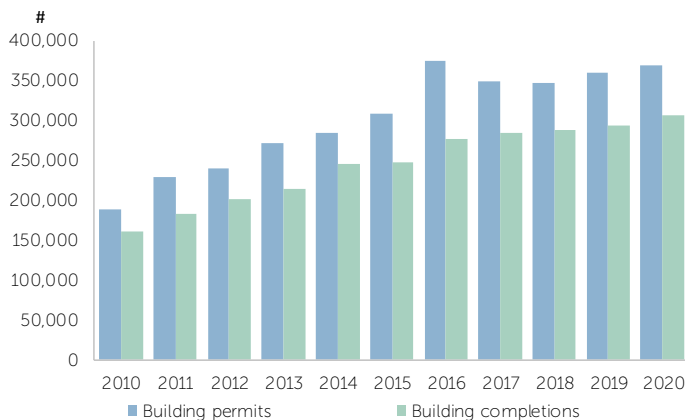
- **Construction activity remains low, i.e. demand should remain above the supply**

Despite the Corona pandemic the number of building permits did not decrease in 2020. In 2020 building permits amounted to 368,589 (+2% yoy) while 306,376 (+5% yoy) new apartments were completed. Despite an increased construction of new apartments in Germany in recent years, the construction activity does not cover the high demand. This means that the housing market in Germany is characterized by a lack of supply. We see the following reasons for the low construction activity: limited available land plots as well as long approval processes. According to empirica 300,000-400,000 new apartments are needed per year to cover the high demand for housing. Construction prices of new apartments increased by 6.4% yoy in May 2021 (source: Destatis), the highest increase yoy since May 2007 (+7.1% yoy).

Low interest rate environment leaves real estate investments attractive

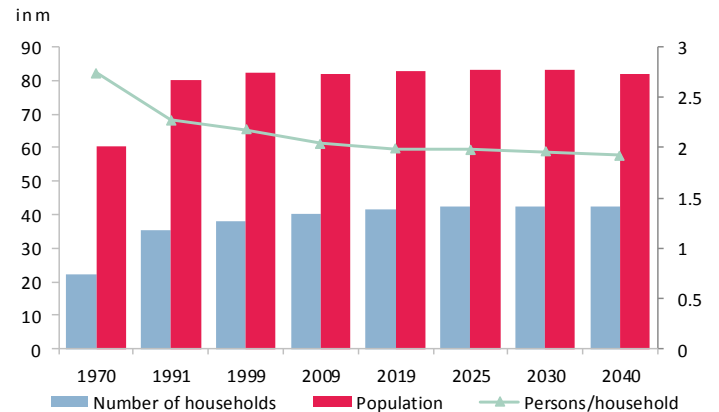
Under-supply of housing

Building permits and completions



Source: Destatis, Quirin Privatbank

Development of population and households



Source: Destatis, Quirin Privatbank

Overall, we expect under-supply of housing to continue. During the recent years the number of households in Germany increased faster than the population. There is also a trend towards smaller households. The number of households is expected to decrease

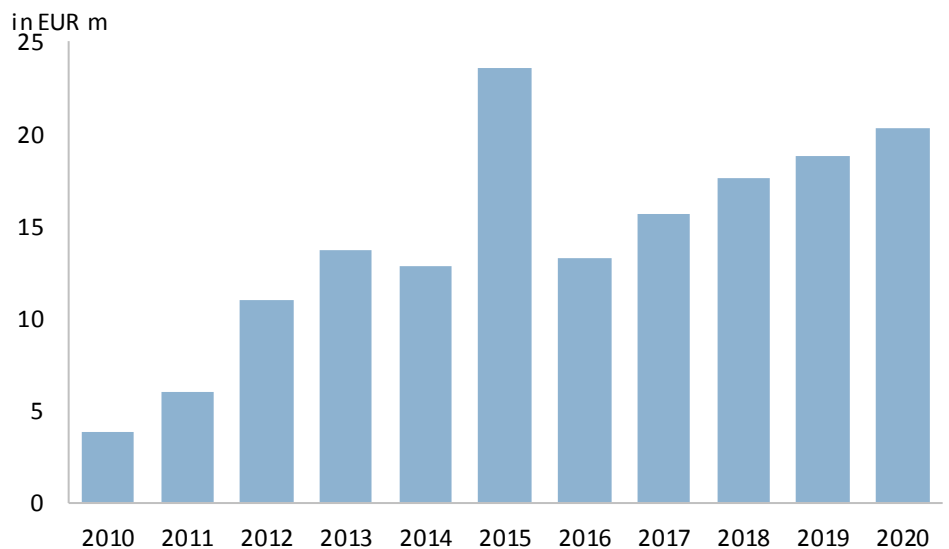
from 2.04 persons per household in 2019 to 1.92 in 2040 and the population should decrease from 82.8m in 2019 to 81.7m in 2040.

- **Prices for real estate properties should further increase**

The development on the residential investment market shows that the sector is more crisis resistant than the commercial real estate market which suffered from the Corona pandemic. With a transaction volume of EUR 20.3bn in 2020 (+8% yoy) the second best result ever has been achieved. As of Q2 2020 the transaction volume reached nearly EUR 9.9bn which was a decline of 16% compared to last year. Note that a direct comparison is not very meaningful as the transaction volume in Q1 2020 was mainly driven by the takeover of ADLER Real Estate AG by ADO Properties.

For 2021e BNP Paribas Real Estate expects residential real estate prices to remain broadly stable or increase slightly. The transaction volume could achieve EUR 45-50bn as the takeover of Deutsche Wohnen by Vonovia is likely to be closed in H2 2021.

Residential transaction volume development



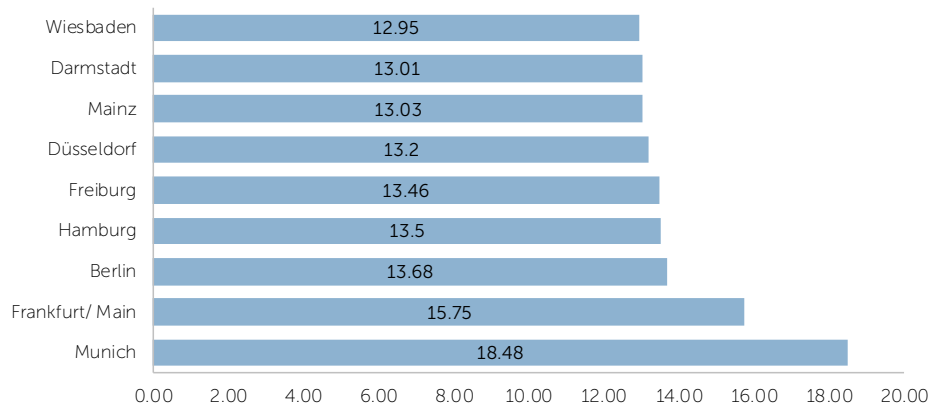
Source: E&Y, Quirin Privatbank AG

Despite the Corona pandemic rents and apartment prices further followed its upward trend. As of Q2 2021 rents in Germany increased by c. 4% yoy to EUR 8.67 per sqm. Compared to Q2 2011 rents have grown by 40%. The price development on the German residential real estate market show that prices have increased faster than rents. Prices for condominiums reached EUR 3,178 per sqm (+14% yoy) in Q2 2021 and showed an increase of more than 130% compared to 10 years ago. According to empirica rent and price increases were initially higher in metropolitan areas and can now be more seen in rural areas which can be explained by the fact that more and more people are working from home as a result of the Corona pandemic. In Q1 2021 rents reached EUR 18.48 per sqm in Munich, followed by Frankfurt (EUR 15.75 per sqm) and Berlin (EUR 13.68 per sqm).

Residential real estate market to be less affected by the Corona pandemic...

...as rents and prices further followed its upward trend

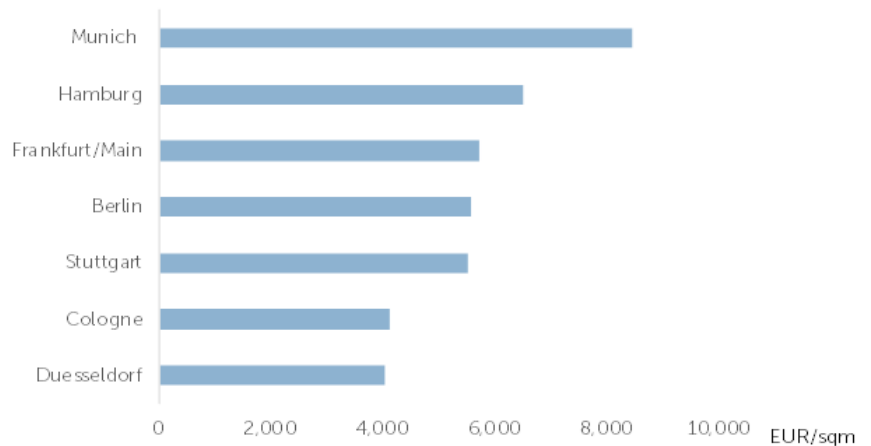
Cities with highest rents (EUR per sqm) in Germany as of Q1 2021



Source: Statista, Quirin Privatbank AG

In 2020 selling prices per sqm in the German Top-7 cities ranged from EUR 4,010 per sqm in Duesseldorf to EUR 8,411 per sqm in Munich.

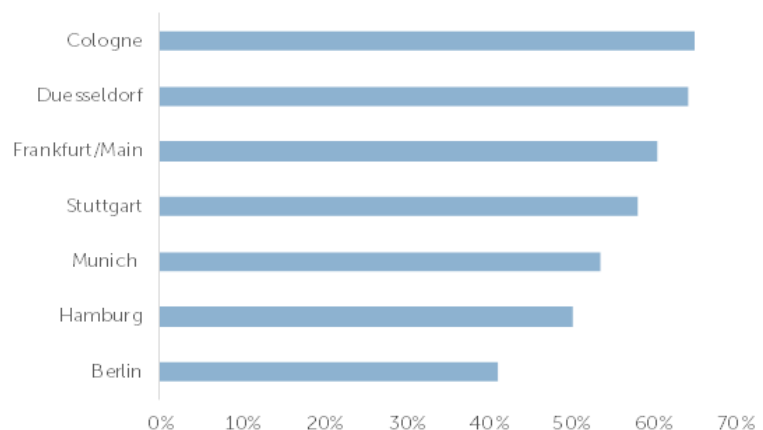
Selling prices per sqm in German Top-7 cities



Source: IW Economic Institute, vdp Research, Quirin Privatbank AG

The cost advantage of owner occupancy was calculated at 41.1% in Berlin and thus reached the lowest level compared to the other Top-7 cities in Germany as the cost advantage of owner occupancy was at 65.1% in Cologne. Note that rents in Berlin remained broadly stable in Berlin as a result of the introduced rent cap while prices further increased.

Cost advantage of owner occupancy in Top-7 cities



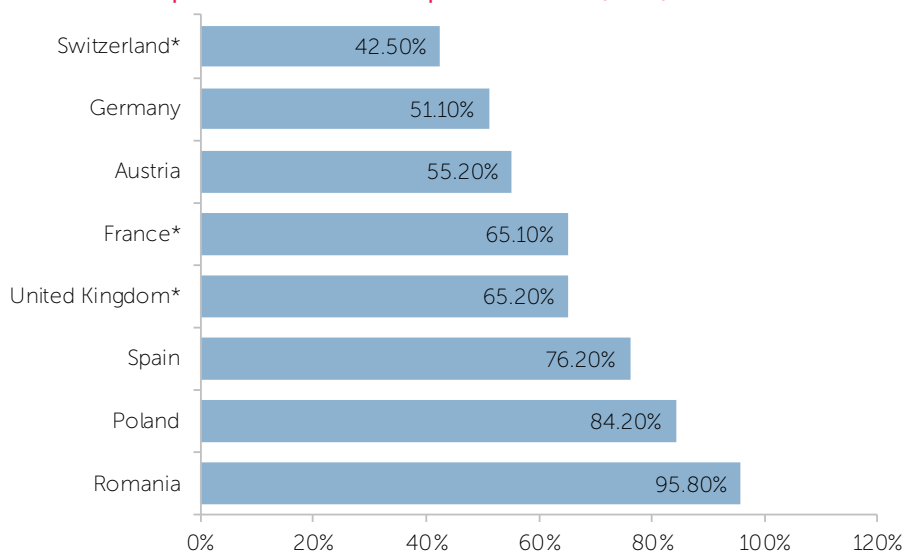
Source: IW Economic Institute, vdp Research, Quirin Privatbank AG

Low home ownership ratio compared to other European countries

- **Low home ownership ratio**

Compared to other European countries home ownership in Germany is still relatively low with 51% in 2019 compared to other European countries like Romania (95.8%), Poland (84.2%) or Spain (76.2%) for example. Looking closer into the federal states of Germany home ownership ratio ranged from c. 17% in Berlin to c. 65% in Saarland in 2018 (source: Destatis). This comparably low home ownership ratio in Germany can be explained by high transaction costs for real estate purchases and stringent requirements. We do not think that the home ownership ratio will increase significantly in the coming years but it may gradually move upwards. Statista expects the home ownership ratio in Germany to reach 50.1% in 2030.

Home ownership ratio in selected European countries (2019)



Source: Eurostat, Quirin Privatbank AG

*preliminary figures

Profit & loss statement

Profit & loss statement (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	143.3	n.a.	125.2	-12.6 %	198.0	58.2 %	225.0	13.6 %	244.5	8.7 %
Unfinished Goods	0.0		0.0		0.0		0.0		0.0	
Other own work capitalized	0.0		0.0		0.0		0.0		0.0	
Other operating earnings	1.2		1.7		1.6		1.6		1.6	
Cost of goods	n.a.		n.a.		n.a.		n.a.		n.a.	
Gross profit	144.5		126.9		199.6		226.6		246.1	
Personnel expenses	-5.8		-9.0		-10.0		-10.3		-10.5	
Depreciation	n.a.		n.a.		n.a.		n.a.		n.a.	
Other operating expenses	-6.1		-10.7		-12.0		-12.0		-12.0	
EBITDA	40.5	n.a.	35.6	-12.1 %	49.5	39.0 %	54.9	10.9 %	59.2	7.8 %
EBITDA margin (%)	28.29		28.46		25.02		24.42		24.22	
EBIT	39.8	n.a.	34.8	-12.7 %	48.6	39.9 %	54.0	11.1 %	58.3	7.9 %
EBIT margin (%)	27.78		27.77		24.56		24.02		23.85	
Net interest	-7.4		-10.5		-22.0		-22.6		-23.0	
Income from Participations	n.a.		n.a.		n.a.		n.a.		n.a.	
Net financial result	n.a.		n.a.		n.a.		n.a.		n.a.	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	32.5	n.a.	24.3	-25.2 %	26.7	9.7 %	31.5	18.0 %	35.3	12.3 %
Pretax margin (%)	22.68		19.42		13.47		13.99		14.46	
Taxes	-6.2		-6.3		-6.9		-8.2		-9.2	
Tax rate (%)	19.05		25.74		26.00		26.00		26.00	
Earnings after taxes	26.3		18.1		19.7		23.3		26.2	
Minorities	-0.2		1.5		1.5		1.5		1.5	
Group attributable income	26.5	n.a.	16.6	-37.4 %	18.3	10.2 %	21.8	19.5 %	24.7	13.2 %
No. of shares (m)	32.4		32.4		32.4		32.4		32.4	
Earnings per share (EUR)	0.82	n.a.	0.51	-37.4 %	0.56	10.2 %	0.67	19.5 %	0.76	13.2 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Assets										
Cash and cash equivalents	24.2		56.5		77.1		69.9		64.6	
Accounts receivables	10.6		51.8		26.8		21.8		19.8	
Inventories	416.6		409.5		418.6		427.7		436.8	
Other current assets	26.1		31.1		65.1		65.1		65.1	
Tax claims	0.9		1.7		1.7		1.7		1.7	
Total current assets	478.3	n.a.	550.6	15.1 %	589.3	7.0 %	586.2	-0.5 %	588.0	0.3 %
Fixed assets	0.9		1.8		2.6		2.6		2.6	
Goodwill	17.8		17.8		17.8		17.8		17.8	
Other intangible assets	0.0		0.0		0.0		0.0		0.0	
Financial assets	34.5		215.0		305.0		330.0		353.0	
Deferred taxes	1.3		1.1		1.1		1.1		1.1	
Other fixed assets	48.1		75.6		71.6		71.8		71.9	
Total fixed assets	102.5	n.a.	311.3	203.7 %	398.2	27.9 %	423.3	6.3 %	446.4	5.5 %
Total assets	580.8	n.a.	862.0	48.4 %	987.5	14.6 %	1,009.5	2.2 %	1,034.4	2.5 %
Equity & Liabilities										
Subscribed capital	32.4		32.4		32.4		32.4		32.4	
Reserves & other	78.7		79.7		79.7		79.7		79.7	
Revenue reserves	0.0		0.0		0.0		0.0		0.0	
Accumulated other comprehensive	107.6		124.1		142.3		164.1		188.8	
Shareholder's equity	218.7	n.a.	236.2	8.0 %	254.4	7.7 %	276.2	8.6 %	300.9	8.9 %
Minorities	2.1		10.9		12.4		13.9		15.4	
Shareholder's equity incl. minorities	220.8	n.a.	247.1	11.9 %	266.8	8.0 %	290.1	8.7 %	316.3	9.0 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	213.7		393.3		488.3		487.6		486.9	
Tax liabilities	2.2		9.1		9.1		9.1		9.1	
Other liabilities	0.0		0.0		0.0		0.0		0.0	
Total long-term debt	215.9	n.a.	402.4	86.4 %	497.4	23.6 %	496.7	-0.1 %	496.0	-0.1 %
Short-term debt										
Other provisions	0.9		1.9		1.9		2.0		2.0	
Trade payables	6.2		7.1		7.1		7.1		7.1	
Financial debt	103.9		172.2		172.2		171.6		171.0	
Other liabilities	33.0		31.2		42.0		42.0		42.0	
Total short-term debt	144.0	n.a.	212.4	47.5 %	223.3	5.1 %	222.7	-0.2 %	222.1	-0.3 %
Total equity & liabilities	580.8	n.a.	862.0	48.4 %	987.5	14.6 %	1,009.6	2.2 %	1,034.5	2.5 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
Per share data (EUR)					
EPS	0.82	0.51	0.56	0.67	0.76
Book value per share	6.7	7.3	7.8	8.5	9.3
Free cash flow per share	-2.4	-3.2	-2.3	-0.2	-0.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	3.77	6.37	3.94	3.49	2.43
EV/EBITDA	13.3	22.4	15.7	14.3	10.0
EV/EBIT	13.6	22.9	16.0	14.5	10.2
P/E	7.4	11.8	10.8	9.0	8.0
P/B	0.9	0.8	0.8	0.7	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.a.	-12.6	58.2	13.6	8.7
EBITDA growth (%)	n.a.	-12.1	39.0	10.9	7.8
EBIT growth (%)	n.a.	-12.7	39.9	11.1	7.9
EPS growth (%)	n.a.	-37.4	10.2	19.5	13.2
Profitability ratios					
EBITDA margin (%)	28.3	28.5	25.0	24.4	24.2
EBIT margin (%)	27.8	27.8	24.6	24.0	23.8
Net margin (%)	18.5	13.2	9.2	9.7	10.1
ROCE (%)	9.1	5.4	6.4	6.9	7.2
Financial ratios					
Total equity (EUR m)	218.7	236.2	254.4	276.2	300.9
Equity ratio (%)	37.7	27.4	25.8	27.4	29.1
Net financial debt (EUR m)	293.5	509.0	583.4	589.3	593.4
Net debt/Equity	0.4	0.3	0.3	0.3	0.3
Interest cover	3.3	1.6	1.9	2.1	2.2
Net debt/EBITDA	7.2	14.3	11.8	10.7	10.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	414.0	445.0	418.2	422.3	429.4
Working capital/Sales	2.89	3.55	2.11	1.88	1.76

Source: Company data, Quirin Privatbank estimates

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HOLD <=-10% and < = +10%

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Date	Price target-EUR	Rating	Initiation
13.10.2021	12.55	Buy	09.05.2018
27.11.2020	12.55	Buy	

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