

7 Mai 2019

Accentro Real Estate AG

Rating Buy
Share price (EUR) 8.20
Target price (EUR) 10.50

Bloomberg A4Y GY
Sector Real Estate

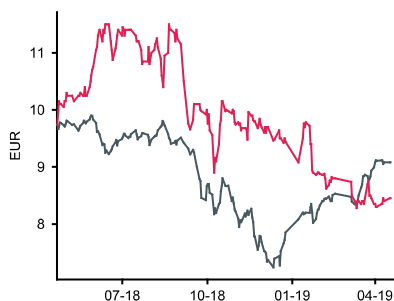
Share data

Shares out (m) 32.4
Daily volume shs (m) 0.0
Free float (%) 12.10
Market cap (EUR m) 274
EV (EUR m) 517
DPS (EUR) 0.16
Dividend yield (%) 1.7
Payout ratio (%) 32.8

Performance

ytd (%) -10.9
12 months (%) -12.0
12 months rel. (%) -6.2
Index SDAX

Share price performance



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

Source: Bloomberg

Next triggers

12 May – AGM
12 June – Quirin Champions Conference

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Slow start in Q1/19 - Growth confirmed

Q1/19 sales and profits came in largely below the previous year level. This was largely caused by extended lead times of projects and prologend settlement periods. The current FY 19 will be back end loaded with a significantly stronger H2 vs. H1/19. We stick to our forecast of slightly higher sales and profits for total FY 19. Accentro owns a highly valuable privatization portfolio which will drive profits in the next couple of years. The current valuation does not reflect the upcoming operational performance. We therefore stick to our Buy Rec. and the TP of EUR 10.50.

Slow start into the 2019: Q1/19 results sharply below record Q1/18 level.

Q1/19 Sales achieved EUR 14.8m (-48.1% yoy). Q1/19 EBIT of EUR 2.0m (-76.1% yoy.). EBIT margin declined to 13.5% (Q1/18: 27.4%). Results look pretty weak on first view but it needs to be considered, that until April 2019 highly profitable sales contracts of approx. EUR 30m have been signed. Due to extended project lead times which in include longer settlement periods those contracts will only materialize in the upcoming quarters, mainly in the second half of FY 19. A significantly stronger H2/19 might also be supported by the distribution start of larger privatization projects. The operational performance of Accentro in FY 19 will therefore be back end loaded.

Guidance for total FY 19 confirmed – Strong H2/2019 expected

Based on already contracted sales we stick to our forecast for the full FY19 sales of EUR 160m (-2.6% yoy. adj.). EBIT might grow by around 8.3% yoy. to EUR 35.2m. We assume this as a cautious forecast even slightly below the management guidance. Our assessment is backed by a rising inventory level which went up in Q1/19 by 5.6% to EUR 364.4m. Accentro has built up a highly profitable privatization portfolio, which will be transferred into sales within the next two years. We therefore stick to the ongoing high operational margin level of more than 20% to be achieved. We anticipate the side effect that working capital requirements to finance the privatization portfolio remain tight and might limit the ability to acquire new projects in the German residential market. We do not expect Accentro to extend either the Equity or the debt position via capital markets in FY 19e.

Valuation leaves headroom for higher stock price

We see Accentro's business as cash flow-driven. Our valuation is therefore mainly based on the DCF model, taking into account the current growth perspective. This is also largely backed by the international multiple based peer group comparison, which makes up the second part of our valuation. We confirm our Buy recommendation.

Key figures		2017	2018	2019e	2020e	2021e
Sales	EUR m	147	206	160	183	200
EBITDA	EUR m	37	33	36	41	47
EBIT	EUR m	36	33	35	40	46
EPS	EUR	0.63	0.56	0.52	0.62	0.77
Sales growth	%	17.8	39.5	-22.2	14.4	9.3
EBIT growth	%	7.3	-9.8	7.1	14.4	14.3
EPS growth	%	-0.9	-10.4	-7.5	19.8	23.6
EBITDA margin	%	24.8	16.2	22.3	22.3	23.3
EBIT margin	%	24.7	16.0	22.0	22.0	23.0
Net margin	%	13.8	8.8	10.5	11.0	12.5
EV/Sales	ratio	2.68	2.38	3.23	2.78	2.49
EV/EBITDA	ratio	10.8	14.7	14.5	12.5	10.7
EV/EBIT	ratio	10.9	14.9	14.7	12.7	10.8
P/E	ratio	14.1	17.1	16.3	13.6	11.0
P/BV	ratio	1.9	1.6	1.3	1.2	1.1
Dividend yield	%	1.9	1.7	2.0	1.8	2.3

Source: Bloomberg, Company data, Quirin Privatbank estimates

International Peer Group

Company	P/E 19	P/E 20e	EV/S 19e	EV/S 20e	P/B 19e	P/B 20e	EV/EBITDA 19e	EV/EBITDA 20e	EV/EBIT 19e	EV/EBIT 20e	EBIT margin 19e	EBIT margin 20e	SALES CAGR16-20e
	16.3x	13.6x	3.20x	2.8x	1.3x	1.2x	14.5x	12.5x	14.7x	12.7x	22.0%	22.0%	10.0%
INSTONE REAL ESTATE GROUP AG	12.1x	9.2x	1.54x	1.32x	2.7x	2.1x	11.1x	9.1x	11.0x	9.1x	17.6%	19.1%	36.5%
UBM DEVELOPMENT AG	8.3x	7.7x	1.62x	1.56x	0.7x	0.7x	14.1x	13.2x	15.5x	14.5x	10.8%	11.1%	2.6%
CORESTATE CAPITAL HOLDING S.	5.2x	5.0x	4.09x	3.94x	1.0x	0.9x	5.7x	5.1x	6.8x	5.9x	54.9%	57.2%	49.1%
PATRIZIA IMMOBILIEN AG	17.5x	16.1x	5.04x	4.92x	1.6x	1.5x	10.8x	9.8x	11.5x	10.4x	39.5%	41.9%	-16.1%
NORATIS AG	8.6x	6.5x	1.99x	1.53x	1.5x	1.2x	15.6x	13.0x	15.8x	13.1x	22.0%	21.9%	22.7%
IMMOFINANZ AG	18.6x	19.2x	14.23x	14.31x	0.8x	0.8x	28.6x	26.8x	27.8x	24.9x	51.7%	58.1%	8.8%
JONES LANG LASALLE INC	13.4x	12.1x	1.13x	1.08x	1.7x	1.5x	7.0x	6.2x	9.6x	8.5x	10.4%	10.5%	1.2%
ADLER REAL ESTATE AG	6.7x	7.4x	13.80x	13.00x	0.6x	0.6x	16.3x	19.3x	17.4x	20.2x	74.4%	59.8%	9.7%
CONSUS REAL ESTATE AG	16.3x	6.0x	2.17x	1.16x	0.9x	0.8x	5.4x	2.9x	5.9x	3.1x	16.9%	17.1%	
Peer average	11.8x	9.9x	5.07x	4.76x	1.3x	1.1x	12.7x	11.7x	13.5x	12.2x	33.1%	33.0%	14.3%
INS GY (QP est.) premium (discount) to average	38%	37%	-37%	-42%	2%	6%	14%	7%	9%	4%	-34%	-33%	-30%
Peer median	12.1x	7.7x	2.17x	1.56x	1.0x	0.9x	11.1x	9.8x	11.5x	10.4x	22.0%	21.9%	9.3%
INS GY (QP est.) premium (discount) to median	35%	77%	47%	78%	27%	30%	31%	27%	28%	22%	0%	0%	8%
Std. dev.	4.6x	4.6x	4.93x	4.93x	0.6x	0.5x	6.8x	7.1x	6.3x	6.5x	21.6%	19.9%	19.6%
25th Percentile	8.3x	6.5x	1.62x	1.32x	0.8x	0.8x	7.0x	6.2x	9.6x	8.5x	16.9%	17.1%	2.2%
75th Percentile	16.3x	12.1x	5.04x	4.92x	1.6x	1.5x	15.6x	13.2x	15.8x	14.5x	51.7%	57.2%	26.1%
Min	5.2x	5.0x	1.13x	1.08x	0.6x	0.6x	5.4x	2.9x	5.9x	3.1x	10.4%	10.5%	-16.1%
Max	18.6x	19.2x	14.23x	14.31x	2.7x	2.1x	28.6x	26.8x	27.8x	24.9x	74.4%	59.8%	49.1%

Source: Bloomberg, Quirin Privatbank Estimates

Profit & loss statement

Profit & loss statement (EUR m)	2017	YOY	2018	YOY	2019e	YOY	2020e	YOY	2021e	YOY
Sales	147.3	17.8 %	205.6	39.5 %	160.0	-22.2 %	183.0	14.4 %	200.0	9.3 %
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	3.3		1.7		-3.2		-3.6		-4.8	
Cost of goods	106.3		164.1		127.7		146.1		159.6	
Gross profit	44.3		43.2		29.1		33.3		35.6	
Personnel expenses	3.3		4.6		3.6		4.1		4.5	
Depreciation	0.1		0.3		0.5		0.5		0.5	
Other operating expenses	4.5		5.3		-10.2		-11.5		-15.4	
EBITDA	36.5	7.3 %	33.2	-9.1 %	35.7	7.5 %	40.8	14.2 %	46.5	14.1 %
EBITDA margin (%)	24.79		16.15		22.31		22.27		23.25	
EBIT	36.4	7.3 %	32.9	-9.8 %	35.2	7.1 %	40.3	14.4 %	46.0	14.3 %
EBIT margin (%)	24.72		15.98		22.00		22.00		23.00	
Net interest	-8.8		-8.9		-11.9		-12.3		-11.4	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-8.8		-8.9		-11.8		-12.3		-11.4	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	27.6	-1.6 %	24.0	-13.2 %	23.4	-2.5 %	28.0	19.8 %	34.6	23.6 %
Pretax margin (%)	18.76		11.66		14.61		15.30		17.30	
Taxes	7.3		5.7		6.5		7.8		9.7	
Tax rate (%)	26.47		23.67		28.00		28.00		28.00	
Earnings after taxes	20.3		18.3		16.8		20.2		24.9	
Minorities	0.0		0.1		0.0		0.0		0.0	
Group attributable income	20.3	-0.9 %	18.2	-10.4 %	16.8	-7.5 %	20.2	19.8 %	24.9	23.6 %
No. of shares (m)	32.4		32.4		32.4		32.4		32.4	
Earnings per share (EUR)	0.63	-0.9 %	0.56	-10.4 %	0.52	-7.5 %	0.62	19.8 %	0.77	23.6 %

Balance sheet

Balance sheet (EUR m)	2017	YOY	2018	YOY	2019e	YOY	2020e	YOY	2021e	YOY
Assets										
Cash and cash equivalents	7.9		15.5		4.8		12.4		21.3	
Accounts receivables	1.2		18.6		14.5		16.6		18.1	
Inventories	304.0		345.2		380.0		390.0		400.0	
Other current assets	11.6		12.7		12.7		12.7		12.7	
Tax claims	1.0		1.1		1.1		1.1		1.1	
Total current assets	325.6	25.3 %	393.1	20.7 %	413.1	5.1 %	432.8	4.8 %	453.2	4.7 %
Fixed assets	0.2		23.7		23.6		23.6		23.6	
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	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	0.2		0.7		0.7		0.7		0.7	
Other fixed assets	4.0		38.9		38.9		38.9		38.9	
Total fixed assets	22.2	17.4 %	81.1	265.7 %	81.0	-0.1 %	81.0	0.0 %	81.0	0.0 %
Total assets	347.8	24.7 %	474.2	36.3 %	494.1	4.2 %	513.8	4.0 %	534.2	4.0 %
Equity & Liabilities										
Subscribed capital	24.9		32.4		32.4		32.4		32.4	
Reserves & other	53.5		78.4		78.4		78.4		78.4	
Revenue reserves	73.6		86.3		97.6		112.7		131.4	
Accumulated other comprehensive	0.0		0.0		0.3		-0.2		1.0	
Shareholder's equity	153.7	12.3 %	199.1	29.5 %	210.7	5.8 %	225.4	6.9 %	245.3	8.8 %
Minorities	1.7		2.0		2.0		2.0		2.0	
Shareholder's equity incl. minorities	153.7	12.3 %	199.1	29.5 %	210.7	5.8 %	225.4	6.9 %	245.3	8.8 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	42.4		76.8		76.8		76.8		76.8	
Tax liabilities	1.0		1.1		0.8		1.0		1.1	
Other liabilities	0.0		0.0		0.0		0.0		0.0	
Total long-term debt	43.4	-33.4 %	176.4	306.3 %	176.2	-0.1 %	176.3	0.1 %	176.4	0.1 %
Short-term debt										
Other provisions	14.3		0.8		0.7		0.8		0.8	
Trade payables	2.2		4.8		3.7		4.3		4.7	
Financial debt	86.9		54.4		72.7		72.7		69.4	
Other liabilities	13.0		18.4		14.3		16.3		17.9	
Total short-term debt	150.7	63.2 %	98.7	-34.5 %	107.1	8.6 %	112.1	4.6 %	112.6	0.4 %
Total equity & liabilities	347.8	18.2 %	474.2	36.4 %	494.1	4.2 %	513.8	4.0 %	534.2	4.0 %

DCF valuation

DCF model (EUR m)	2018	2019e	2020e	2021e	2022e	2023e	TV
Sales	206	160	183	200	225	240	
YOY change (%)	39.6	-22.2	14.4	9.3	12.5	6.7	
EBIT	35	35	40	46	52	55	
EBIT margin (%)	16.0	22.0	22.0	23.0	23.0	23.0	
Depreciation	0	1	1	1	1	1	
Net working capital	359	391	402	413	435	456	
Taxes	6	7	8	10	11	12	
Tax rate (%)	23.7	28.0	28.0	28.0	28.0	28.0	
Free cash flow	-31	-6	17	22	16	19	0.0
WACC		4.7 %	4.8 %	4.9 %	5.0 %	5.1 %	5.9%
Discounted FCF		-6	16	19	13	15	0.0
Contribution to EV		-1.1 %	2.9 %	3.4 %	2.3 %	2.7 %	89.8 %
Discounted EV	556.5						
Net Financial debt	214.2						
Minorities	0.0						
Shareholder value	342.2						
Fair value per share	10.6						

Source: Quirin Privatbank estimates

WACC calculation

TV growth rate	1.0%
Risk free interest rate	1.5%
Risk premium	6.0%
Beta	0.8
Company interest rate	3.5%
Company tax rate	28.0%
Cost of equity	6.3 %
Cost of debt	2.5 %
WACC	4.7%

Financial key ratios

Key ratios	2017	2018	2019e	2020e	2021e
Per share data (EUR)					
EPS	0.63	0.56	0.52	0.62	0.77
Book value per share	4.7	6.1	6.5	6.9	7.6
Free cash flow per share	-1.9	-1.4	-0.7	0.1	0.2
Dividend per share	0.17	0.16	0.17	0.16	0.19
Valuation ratios					
EV/Sales	2.68	2.38	3.23	2.78	2.49
EV/EBITDA	10.8	14.7	14.5	12.5	10.7
EV/EBIT	10.9	14.9	14.7	12.7	10.8
P/E	14.1	17.1	16.3	13.6	11.0
P/B	1.9	1.6	1.3	1.2	1.1
Dividend yield (%)	1.9	1.7	2.0	1.8	2.3
Growth					
Sales growth (%)	17.8	39.5	-22.2	14.4	9.3
EBITDA growth (%)	7.3	-9.1	7.5	14.2	14.1
EBIT growth (%)	7.3	-9.8	7.1	14.4	14.3
EPS growth (%)	-0.9	-10.4	-7.5	19.8	23.6
Profitability ratios					
EBITDA margin (%)	24.8	16.2	22.3	22.3	23.3
EBIT margin (%)	24.7	16.0	22.0	22.0	23.0
Net margin (%)	13.8	8.8	10.5	11.0	12.5
ROCE (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Financial ratios					
Total equity (EUR m)	153.7	199.1	210.7	225.4	245.3
Equity ratio (%)	44.2	42.0	42.7	43.9	45.9
Net financial debt (EUR m)	121.4	214.2	243.2	235.5	223.5
Net debt/Equity	0.8	0.0	1.2	1.0	0.5
Interest cover	4.0	3.3	2.8	3.2	3.7
Net debt/EBITDA	3.3	6.5	6.8	5.8	4.8
Payout ratio (%)	27.1	28.5	32.8	25.0	25.0
Working Capital (EUR m)	174.9	294.4	305.9	320.7	340.7
Working capital/Sales	1.19	1.43	1.91	1.75	1.70

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
07.05.2019	10.50	Buy	
18.02.2019	10.50	Buy	
09.11.2018	13.40	Buy	
15.08.2018	13.50	Buy	
27.06.2018	12.25	Buy	
09.05.2018	12.50	Buy	09.05.2018

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