

Price (Euro)	9.45			
52 weeks range	11.20 / 6.95			
Key Data				
ISIN	DE000A0KFKB3			
Bloomberg	E7S:GR			
Reporting standard	IFRS			
Market Cap (Euro million)	307			
Number of shares (million)	32.4			
Free Float	12.1%			
Free Float Market Cap (Euro million)	37			
CAGR EBIT ('19 -'22e)	17.0%			
Multiples				
	2019	2020e	2021e	2022e
Market Cap / Total revenues	10.3	8.5	6.5	5.9
PE-Ratio	11.7	21.4	8.7	7.3
Dividend Yield	0.0%	1.7%	2.1%	2.3%
Price-to-Book-Ratio	1.39	1.30	1.16	1.02
Key Data per share (Euro)				
	2019	2020e	2021e	2022e
Earnings per share (EPS)	0.81	0.44	1.09	1.29
Dividend per share (DPS)	0.00	0.16	0.20	0.22
Book Value per Share (BVPS)	6.81	7.25	8.18	9.28
Financial Data (Euro '000)				
	2019	2020e	2021e	2022e
Capital gains from property sales	29,842	36,064	46,842	51,995
Net rental income	6,518	7,403	8,597	9,676
Net service income	2,363	3,222	4,014	5,034
Operating profit (EBIT)	39,805	38,333	55,889	63,726
Net interest income	-7,353	-19,026	-11,482	-11,976
Pre-tax profit (EBT)	32,488	19,346	44,458	51,797
Income taxes	-6,189	-5,014	-9,054	-9,843
Net profit after Minorities	26,467	14,338	35,443	42,026
Shareholders' equity (Euro million)	474	581	726	807
Privatization Portfolio (Euro million)	389	418	512	584
RoE (after tax)	12.6%	6.3%	14.2%	14.8%
Equity ratio	38.0%	32.4%	32.9%	33.9%
Main Shareholders				
Brookline Real Estate S.a.r.l.	83.1%			
Adler Real Estate AG	4.8%			
Financial calendar				
SRC Forum Financials & Real Estate			10 September 2020	
9M 2020 report			12 November 2020	
Analysts				
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1H numbers coined by one-offs and corona effects, but second half should help ACCENTRO to reach its full-year targets – rating up to Buy as share price came down, Euro 12.00 target affirmed

Today, the company released the report for the first half of 2020. The numbers showed a similar picture as the 1Q numbers with a decent top line but a negative bottom line coined by one-offs some effects due to corona. Total revenues were at Euro 37.4m on top of last year's number of Euro 34.5m despite a significant impact on the sales volume between the middle of March and the end of May as e.g. about Euro 27m of sales in the first half of 2020 could not be transferred due to corona related bottlenecks at the land registries. Capital gains from property sales were at Euro 5.4m below last year's number of Euro 7.4m as the margin was lowered by e.g. marketing costs related to different projects that are being marketed now. We expect the margin to increase again for the full year however. Net rental income was at Euro 2.4m and net service income came in at Euro 0.4m, leading to an interim result of Euro 8.7m (1H 2019: Euro 11.8m). With increased personnel cost, which hiked from Euro 2.6m to Euro 4.2m due to an increased number of employees, as well as the one-off costs related to the management changes, the firm's EBIT after the first six months was at Euro 1.2m, significantly below last year's number of Euro 6.6m. As interest costs are significantly impacted by one-off effects due to the premature repayment of the 2017/2021 bond as well as a larger amount of debt following the placement of the Euro 250m bond in February, the pre-tax profit came in at Euro -8.7m compared to Euro 3.5m last year. The bottom line stood at Euro -11.6m.

For the second half of the year we expect a significantly higher sales volume as in the first six months at an improved margin. This should be driven by further retail sales but also by a large amount of block sales to institutional investors in our opinion. One of these block trades was already reported today, with the sale of a portfolio with 43 units and more than 3,800 sqm in Rostock. The portfolio was acquired less than two years ago and now sold to a family office. While the sales price was not disclosed, we expect that ACCENTRO has realized a lucrative margin on the sale.

All in all, we believe the numbers of the second half will be more decisive than the first half and will be strong enough to reach the firm's guidance. Thus, we keep our estimates more or less unchanged in that regard. The management reaffirmed the guidance for the full-year as well. We also believe that the bottom line should turn back to black at full-year. The current portfolio increased to more than Euro 470m at 1H and has hidden reserves of about Euro 150m. We further are optimistic that we will see a significant expansion of the business in the coming quarters and years and a corresponding growth of the numbers, as already mentioned in our update at 1Q. We confirm our current target price of Euro 12.00. As the share price has come down since our last update and now offers an upside of about 27% to our target, we lift the rating from Accumulate to Buy.

SWOT Analysis

Strengths

- The new CEO, Lars Schriewer, has a long-lasting experience in the real estate industry with a high know-how and a very good network
- ACCENTRO has a leading position and a strong network in the market of residential privatization, on which they can built over the coming years
- Next to its core business of privatization, ACCENTRO offers services in the form of marketing- and sales-cooperation for other real estate companies and has entered into cooperations with renowned partners such as Vonovia and TAG. These partnerships are a good revenue addition to the revenues and should also further increase in the coming years
- The firm benefits from the rental income of the objects in the portfolio between the purchase and sale of these assets. With the intended buildup of the portfolio, the rental income will also climb.

Weaknesses

- ACCENTRO still lacks reputation in the market, which leads to a discount in their share price. As the firm gains more popularity and awareness with investors we see this current weakness turning into an opportunity for shareholders. The announced implementation of an Investor Relations department should help in that matter.
- The firm's free float is at only 12.1% still low. This clearly brings down the liquidity of the share and could lead to a higher volatility of the share. The recent capital hike was a first step to a more attractive capital markets profile, however.

Opportunities

- With the major shareholder Brookline Real Estate, ACCENTRO will be able to push their strategic goals faster. We believe that Brookline will support ACCENTRO to realize their organic growth potential in the privatization business and also make use of the further potential in regards to marketing- and sales cooperation with large developers and investors.
- The continued supply shortage in the market offers an opportunity to ACCENTRO to leverage their position and increase their numbers over the coming years. The good network of the company should allow ACCENTRO to continue to find lucrative objects on the market and also off-market, which can then be privatized and sold at a good margin as the demand continues to be high.
- ACCENTRO's main focus is currently on the city of Berlin, where about 73% (as of FY 2019) of the privatization portfolio is located. Recently the company has already expanded to other locations such as the currently strong growing region of Leipzig. We also see other locations in Germany that fit in the acquisition profile of the company and that offer further potential for expansion and diversification.

Threats

- As 73% of the portfolio is currently located in the city of Berlin (as of FY 2019), a declining Berlin market demand may result from economic factors or due to political risks such as the current Berlin Senate decision for a Rent Cap. The company has already expanded to other locations, such as Leipzig and North Rhine Westphalia and Bavaria to dilute this threat.
- A general downturn of the Germany residential market conditions, the economy or a change in demographics could negatively impact ACCENTRO's sales of the privatization portfolio. This could currently be the case with the Corona pandemic. Worst case, however, the company can still keep the objects in the portfolio and create cash flow from renting the apartments in times of weaker market conditions.
- The company's business could be negatively affected if ACCENTRO fails to find new deals to add to their privatization portfolio.
- Brookline Real Estate holds about 83% of all shares, thereby holding the large majority and has enough voting rights at the firm's annual meeting to decide on almost all of the matters of the company.
- A change in European monetary policy by the ECB regarding the termination of the currently all-time low-interest period could result in a relatively high increase of interest expenses and might also lead to higher expenses for ACCENTRO. We currently do not see any drastic changes in the near future however and the company has also already locked in some long term financing at good rates.

ACCENTRO Real Estate AG

Industry:	Real Estate	Management Board of ACCENTRO:
Sub-segment:	Residential	Lars Schriewer (CEO/CFO)
Region:	Germany	
Headquarter:	Berlin	
Foundation	2006	
Employees:	60	Supervisory Board of ACCENTRO:
		Axel Harloff
IR Contact:		Carsten Wolff
Thomas Eisenlohr		Natig Ganiyev
Eisenlohr@accentro.de		

ACCENTRO Real Estate AG is a leading company for privatization of residential properties in economically strong regions in Germany, as well as for the marketing and sales for property investors and project developers. The company's strongest focus is on the city of Berlin, where as of FY 2019 almost 73% of the firm's inventory portfolio is located. Furthermore, ACCENTRO has recently expanded in growth markets such as the Leipzig area or Hamburg.

Accentro GmbH was founded in 1999 and in 2011 became a subsidiary of Estavis AG, which was formed in 2006 and was renamed to ACCENTRO Real Estate AG in 2015. The firm has a focus on the German residential market since more than 15 years. Over the recent years ACCENTRO managed to build up a strong track record. For example, a total of about 4,900 apartments with a volume of almost Euro 610m have been sold since 2015 (830 Units in 2019) and the inventory portfolio has significantly been expanded from Euro 155m book value in 2015 to Euro 470m at 1H 2020. Currently more than 2,100 units are on the firm's balance sheet. Furthermore, the strong sales cooperations with investors and developers offer the company further potential for a rise in revenues in the coming years.

The financial position of the company is solid. The firm has an LTC of about 49,9% and an equity ratio of 29.2% at 1H 2020. The results of the recent 2019 FY showed a hike in the operating profit on EBIT basis from Euro 33m to Euro 40m and the bottom line from more than Euro 18m to more than Euro 26m. The firm delivered a lucrative gross margin from sales of 29.9% in 2019.

In terms of financing the company has strengthened its financing structure due to the early repurchase of a bond in early 2020 combined with the placement of a now, larger bond. An equity capital hike with a volume of Euro 20m was completed in October 2018.

Inventories portfolio as of 31 December 2019

Location	Book value/purchase price (in mEUR)	Units	sqm	Selling prices (EUR/sqm)
Berlin	302.1	1,218	90,641	4,486
Bavaria (Bayreuth, Garmisch-Partenkirchen)	64.0	435	26,745	3,194
Leipzig and Greater Leipzig	18.6	252	15,644	1,581
Rostock and Usedom	16.9	118	8,707	2,594
Rhine-Ruhr area (Cologne, Düsseldorf, Ratingen)	11.7	81	5,113	3,198
Others (Hamburg, Hanover)	2.8	12	1,317	2,602
Total	416.1	2,116	148,166	3,774

Source: Company Data, SRC Research

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues from sales of inventory properties	116,920	137,859	194,009	129,503	139,213	184,321	204,596	
Expenses from sales of inventory properties	-80,543	-103,167	-160,924	-99,661	-103,149	-137,479	-152,602	
Capital gains from property sales	36,377	34,692	33,085	29,842	36,064	46,842	51,995	20.3%
Letting revenues	6,597	7,769	8,806	10,261	11,595	13,334	14,934	
Letting expenses	-2,032	-2,335	-2,676	-3,743	-4,192	-4,737	-5,258	
Net rental income	4,565	5,434	6,130	6,518	7,403	8,597	9,676	14.1%
Revenues from services	1,588	1,714	2,794	3,510	4,247	5,097	6,116	
Expenses from services	-979	-766	-511	-1,147	-1,025	-1,083	-1,082	
Net service income	609	948	2,283	2,363	3,222	4,014	5,034	28.7%
Other operating income	997	3,260	1,663	1,207	2,687	2,425	2,426	
Gross profit or loss	42,548	44,334	43,161	39,930	49,376	61,878	69,130	20.1%
Net revaluation result	0	0	0	11,399	2,286	5,788	7,842	
Total payroll and benefit costs	-2,986	-3,339	-4,613	-5,835	-7,634	-7,234	-7,528	
Depreciation and amortisation	-114	-114	-349	-731	-812	-856	-902	
Impairments of inventories and accounts receivable	-951	0	-205	-123	-147	-153	-167	
Other operating expenses	-4,561	-4,465	-5,131	-6,079	-5,147	-4,987	-5,224	
Net income from associates	514	-14	2	1,244	411	1,453	575	
Earnings before interest and taxes (EBIT)	34,450	36,402	32,865	39,805	38,333	55,889	63,726	17.0%
Other income from investments	18	35	36	36	39	51	47	
Interest income	298	304	944	4,854	2,547	1,741	1,887	
Interest expenses	-6,695	-9,107	-9,869	-12,207	-21,573	-13,223	-13,863	
Net interest income	-6,397	-8,803	-8,925	-7,353	-19,026	-11,482	-11,976	
Profit/loss before taxes (EBT)	28,071	27,634	23,976	32,488	19,346	44,458	51,797	16.8%
Income taxes	-7,390	-7,316	-5,675	-6,189	-5,014	-9,054	-9,843	
Consolidated income from Continuing Operation	20,681	20,318	18,301	26,299	14,332	35,404	41,954	16.8%
Earnings after taxes of Discontinued Operation	5,792	-197	0	0	0	0	0	
Consolidated income	26,473	20,121	18,301	26,299	14,332	35,404	41,954	16.8%
Minorities	-181	24	-103	168	6	39	72	
Net profit/loss after minorities	26,292	20,145	18,198	26,467	14,338	35,443	42,026	16.7%
Number of shares ('000)	24,734	24,925	32,438	32,438	32,438	32,438	32,438	
Earnings per share (EPS)	1.07	0.81	0.56	0.81	0.44	1.09	1.29	
Dividend per share (DPS)	0.15	0.17	0.16	0.00	0.16	0.20	0.22	
Shareholders' Equity	136,836	153,697	199,104	220,811	235,149	265,401	300,940	10.9%
Balance Sheet sum	300,546	347,785	474,205	580,757	725,946	807,252	887,977	
Equity Ratio	45.5%	44.2%	42.0%	38.0%	32.4%	32.9%	33.9%	
RoE (after tax)	21.4%	13.9%	10.3%	12.6%	6.3%	14.2%	14.8%	5.6%
Privatisation Portfolio (Euro million)	216	302	344	389	418	512	584	
Book Value per share (Euro)	5.53	6.17	6.14	6.81	7.25	8.18	9.28	10.9%

SRC Research

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Rating chronicle:

Company	Date	Rating	former share price	former target
ACCENTRO	4 June 2020	Accumulate	11.00 €	12.00 €
ACCENTRO	30 March 2020	Buy	7.75 €	9.50 €
ACCENTRO	20 December 2019	Buy	7.70 €	10.00 €
ACCENTRO	7 November 2019	Buy	7.05 €	10.00 €
ACCENTRO	9 August 2019	Buy	8.30 €	12.00 €
ACCENTRO	6 May 2019	Buy	8.45 €	12.00 €
ACCENTRO	25 March 2019	Buy	8.50 €	12.00 €
ACCENTRO	11 February 2019	Buy	8.90 €	13.00 €
ACCENTRO	6 November 2018	Buy	9.98 €	13.00 €
ACCENTRO	23 October 2018	Buy	9.56 €	13.00 €

Please note:

The share price mentioned in this report is from 12 August 2020. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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