

Excellent first six months – EBIT and bottom line more than tripled, EPRA NAV rockets to over 24 Euros, FFO I steeply up +13%, Rating up to Buy, Target up to € 24.00

Today, S IMMO released the 1H 2019 report and invited for a conference call in the afternoon to explain strategy and numbers.

The numbers have been excellent in all key performance indicators. That speaks a clear language for a prudent cycle management to buy and develop or sell the right things at the right time.

The total revenues were up 11%, from Euro 91m to Euro 101m. The rental income was even up 15% from Euro 50m to Euro 58m.

We also welcome the decent 11% hike in the hotel revenues of the first six months, after they already steeply increased +19% in 2018.

With regards to the FFO I, the picture was also impressive, with a steep 13% increase from Euro 34.4m to Euro 39.0m. With regards to the P & L, the operating EBIT profit more than tripled from Euro 54m to more than Euro 173m. This result was supported by a very good revaluation result of Euro 134m (1H 2018: Euro 19m) coming from the prosperous German market (70%) but also some mark-ups in Austria (10%) and CEE (20%).

The good revenues situation and the mark-ups in valuation are a part of the story. The admin expenses are more or less unchanged at only slightly above Euro 9m. The Cost of Funding without the bonds remained on a low 2.26% level (after 2.28% in 1Q and in 2018). All in all, the excellent KPIs helped to more than triple the bottom line as well the EBIT. The net profit after minorities was up to Euro 148m, after Euro 48m in the previous year.

With regards to the portfolio size, it rocketed from Euro 2.12bn at year-end 2018 to Euro 2.30bn in only 6 months, a Plus of 8.5%, due to some transactions, primarily in the German market, for instance B cities like Leipzig, Halle, Kiel and the capital of the German state of Thuringia, Erfurt, where the company managed to acquire 33 properties in the last 18 months, mainly residential but also 2 office properties, recently. To sum it up, S IMMO strives for a critical mass in some promising German B cities with a growing population and a positive economic forecast as the Berlin market shows a steady trend of declining yields which makes it quite unattractive for some transactions in the future. But even with regards to Berlin, S IMMO already acquired about 1 million sqm in the Berlin surrounding area for future developments. With regards to CEE, the company already acquired land plots in Bucharest and Budapest as the company is positive for a quite prosperous market development there and we share this opinion.

With the very positive picture of 1H numbers, we lift our P & L and dividend forecasts and also lift our target price from Euro 22.50 to Euro 24.00, which is backed by the EPRA-NAV per share, which increased 14% in only six months to Euro 24.27 (Dec. 2018: Euro 21.25). The S IMMO share price development was very strong in the first six months. It rocketed +33.4% year-to-date, being the best ATX stock. As we expect the good development to continue, we now also lift our rating from Accumulate to Buy.

Price (Euro)	19.46			
52 weeks range	20.80 / 13.92			
Key Data				
Country	Austria			
Industry	Real Estate			
Market Segment	Prime Market			
ISIN	AT0000652250			
WKN	902388			
Symbol	T1L			
Reuters	SIAG.VI			
Bloomberg	SPI AV			
Internet	www.simmoag.at			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Founded	1986			
IPO	1987			
Market Cap (EUR million)	1302.2			
Number of shares (million)	66.9			
Free Float (approx.)	70%			
Free Float MarketCap (Euro million)	911.5			
CAGR (EBITDA '18-21e)	8.6%			
Multiples	2018	2019e	2020e	2021e
Market cap/ Revenues-Ratio	6.7	6.9	6.8	6.6
P/E-Ratio	6.0	5.8	8.6	9.4
Dividend Yield	3.6%	4.1%	4.4%	4.6%
Key Data per Share (Euro)	2018	2019e	2020e	2021e
Earnings per Share (EpS)	3.27	3.36	2.27	2.06
Dividends per Share (DpS)	0.70	0.80	0.85	0.90
Book Value per Share (BVpS)	15.88	18.40	19.78	20.90
EPRA NAV per share	21.25	25.60	27.14	29.06
FFO I per share	0.92	1.18	1.32	1.45
Financial Data (Euro '000)	2018	2019e	2020e	2021e
Revenues	204,628	212,636	222,647	228,576
Rental income	115,778	121,445	128,489	132,442
Net revaluation result	167,814	187,445	91,774	71,224
Operating cash profit (EBITDA)	95,280	103,767	113,463	121,964
Operating Profit (EBIT)	255,422	282,892	196,880	184,409
Pre-tax profit (EBT)	248,159	264,438	176,735	161,964
Net profit after minorities	215,877	222,640	149,791	135,898
Shareholders' Equity	1,062,513	1,231,047	1,323,351	1,398,380
RoE after tax	21.8%	19.4%	11.7%	10.0%
Financial Calendar				
SRC Forum Financials & Real Estate		September 3, 2019		
3Q 2019		November 26, 2019		
Main Shareholders				
Immofinanz		29%		
Own shares		1%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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Internet	www.src-research.de			
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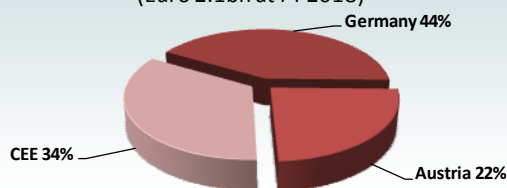
S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed (71% commercial)	CEO Ernst Vejdovszky	
Country:	Austria	Friedrich Wachernig, MBA	
Headquarter:	Vienna		
Foundation:	1986	Supervisory Board:	
Employees (without Hotels):	108	Dr. Martin Simhandl (Chairman)	
		Franz Kerber (Deputy Chairman)	
		Christian Hager	Manfred Rapf
IR Contact		Dr. Wilhelm Rasinger	Hanna Bomba
Andreas Feuerstein		Andrea Besenhofer	Dr. Karin Rest, MBA
(Andreas.Feuerstein@simmoag.at)			

S IMMO is a Vienna-based real estate holding company founded in 1986. Since 1987 the company is listed on the Vienna stock exchange and therefore Austria's longest existing property investment company. The share is member of ATX blue chip index since September 2017. Expansion activities to foreign countries were started close to the millenium. Within recent years the company acquired, according to its Buy and Develop and Hold strategy, a real estate portfolio that comprises about 300 properties, a lettable space of more than 1,200k sqm amounting to a value of more than Euro 2.3bn at June 2019 (+8.5% compared to year-end 2018). In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of office, business and hotel properties as well as residential properties selected for a sustainable value growth. All in all, commercial properties have a high 71% weighting and residential have 29%. S IMMO aims on a long investment horizon but also strongly exploits opportunities for trading in these low yielding times - as done in a bigger magnitude in 2016 and 2017, in particular in Germany and Austria. In terms of portfolio value a large share of 47% is located in Germany (about Euro 1.1bn). Austria stands for 21% (approx. Euro 0.5bn) while CEE stands for the remaining 32% (Euro 0.7bn) of the total portfolio value of Euro 2.3bn (1H 2019). The current rental yield is still at high 5.5% at 1H 2019 (5.7% at year-end 2018), even after the significant property mark-ups this is not too aggressive, in our view. In 2018, the high occupancy of 94.8% in 2017 came even further up to 95.8% and was almost unchanged at 95.6% at 1H 2019. The company released its 2018 annual report on 3 April and presented the best year in history with a net profit after minorities surpassing the Euro 200m threshold and an FFO I surpassing the Euro 60m threshold. For 2018 the dividend was strongly lifted from 40 Cents to 70 Cents, meaning a payout ratio of clearly more than 70% of FFO cash earnings. The 1H 2019 FFO I was again up 13% to Euro 39m.

Value of portfolio by region

(Euro 2.1bn at FY 2018)



Source: Company data (FY 2018)

In addition to a stable Hold portfolio, the company has just finished or will soon finish some promising development activities in Berlin (Leuchtenfabrik) as well as in Vienna (Quartier Belvedere Central) and Bucharest (The Mark office was recently completed in 1Q 2019) as well as Bratislava (Einsteinova completed in 4Q 2018). The lion's share of the company's historical development activity was done in Austria and CEE. Hence, a significant share of already finished properties (like Sun shopping mall in Bucharest), held within the CEE portfolio, results from own developments. The core shareholder is Immofinanz with a 29% stake. The other way round S IMMO holds a 12% stake in Immofinanz.

The company aimed to lift FFO I to more than Euro 40m until 2018 and already managed to reach this target already in 2016, as FFO I increased by 15% from Euro 35.0m to Euro 40.1m. The FY 2017 FFO I then was at almost Euro 43m, and for 2018 S IMMO managed another very steep +43% hike to Euro 61m. We also like the improving numbers on the financing side. Cost of Funding came down to 3.12% in 2016 and even down to 2.67% in 2017 and now to only 2.28% in 2018, almost the same in 1H 2019 (2.26%). The LTV improved to 55.9% at year-end 2016 and came down after the big sale transactions in Vienna Viertel Zwei and Sofia Serdika Shopping Center to 49.3% at FY 2017. In 2018 LTV remained almost unchanged at 50.4% and slightly down to 48.8% in 1H 2019.

Source: Company Data, SRC Research

The Mark is a landmark office in Bucharest with 25k sqm superior space which was recently finished – will contribute c. 5m to S IMMO's rental income on an annualized basis – also a perfect bet on shrinking yields

Project development CEE

The Mark



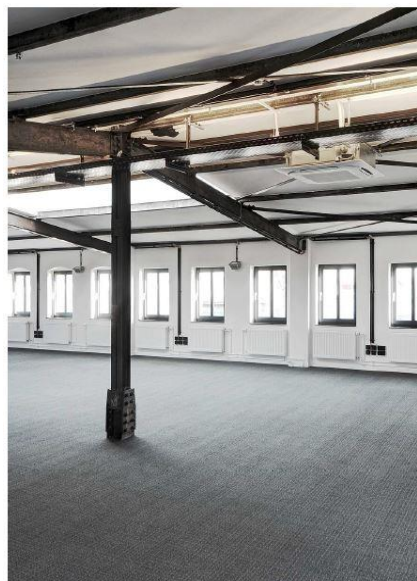
Modern and sustainable working

- Roughly 25,500 m² of lettable area
- Final completion took place in the first quarter of 2019
- Fully occupied
- Deloitte Romania is occupying more than 8,500 m² on 8 floors
- Further tenants: Dentons, WPP, Infosys and Starbucks
- Top location
- Aiming to obtain a BREEAM certification with a level of „excellent“

Source: Analyst's presentation of 2018 results on 3 April 2019

The Berlin Leuchtenfabrik with 16k sqm was a very successful and lucrative repositioning project that will contribute 2m to future rental income – the property was bought mid 2015 being almost empty – the historic building is very charming and Berlin offers good opportunity for declining yields

Increase in value by repositioning



Property with a character in Berlin

- Leuchtenfabrik acquired in 2015
- 16,000 m² lettable area
- Acquisition price: approx. EUR 10m
- Refurbishment costs: approx. EUR 10m
- Innovative marketing concept and extensive repositioning
- Expected annual rental income after completion: EUR 2m

Source: Analyst's presentation of 2018 results on 3 April 2019

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	193,735	188,491	190,697	198,754	191,421	204,628	212,636	222,647	228,576	3.8%
└ thereof rental income	116,707	111,845	111,686	118,174	112,020	115,778	121,445	128,489	132,442	
└ thereof revenues from service charges	36,827	34,542	33,465	37,657	33,435	33,379	35,547	37,680	39,114	
└ thereof revenues from hotel operations	40,201	42,104	45,546	42,923	45,966	55,471	55,644	56,479	57,020	
Other operating income	6,186	4,700	3,534	3,405	2,866	1,948	2,845	2,902	2,752	
Expenses directly attributable to properties	-60,603	-55,841	-55,841	-64,152	-59,877	-53,410	-62,223	-63,778	-59,785	
<i>Gross margin property segment</i>	<i>60.5%</i>	<i>61.9%</i>	<i>61.5%</i>	<i>58.8%</i>	<i>58.8%</i>	<i>64.2%</i>	<i>60.4%</i>	<i>61.6%</i>	<i>65.2%</i>	
Hotel operating expenses	-29,747	-31,344	-33,164	-32,037	-36,232	-38,023	-38,587	-38,888	-39,001	
Gross operating profit hotels (GOP)	10,454	10,760	12,382	10,886	9,734	17,448	17,057	17,591	18,019	
<i>Gross margin within hotel segment</i>	<i>26.0%</i>	<i>25.6%</i>	<i>27.2%</i>	<i>25.4%</i>	<i>21.2%</i>	<i>31.5%</i>	<i>30.7%</i>	<i>31.1%</i>	<i>31.6%</i>	
Revenues less directly attributable expenses	109,571	106,006	105,226	105,970	98,178	115,143	114,671	122,883	132,542	4.8%
<i>Total Gross margin</i>	<i>56.6%</i>	<i>56.2%</i>	<i>55.2%</i>	<i>53.3%</i>	<i>51.3%</i>	<i>56.3%</i>	<i>53.9%</i>	<i>55.2%</i>	<i>58.0%</i>	
Net operating income (NOI)	103,385	101,306	101,692	102,565	95,312	113,195	111,826	119,981	129,790	4.7%
<i>NOI-margin</i>	<i>53.4%</i>	<i>53.7%</i>	<i>53.3%</i>	<i>51.6%</i>	<i>49.8%</i>	<i>55.3%</i>	<i>52.6%</i>	<i>53.9%</i>	<i>56.8%</i>	
Net Gains on property disposal	6,414	180	5	5,133	10,341	0	9,685	11,400	10,550	
Management expenses	-15,078	-16,050	-16,483	-18,635	-18,963	-19,863	-20,589	-20,820	-21,128	
└ thereof personnel expenses	-5,730	-6,019	-7,665	-8,916	-8,796	-10,601	-11,240	-11,344	-11,744	
EBITDA	100,907	90,136	88,748	92,468	89,556	95,280	103,767	113,463	121,964	8.6%
<i>EBITDA-margin</i>	<i>52.1%</i>	<i>47.8%</i>	<i>46.5%</i>	<i>46.5%</i>	<i>46.8%</i>	<i>46.6%</i>	<i>48.8%</i>	<i>51.0%</i>	<i>53.4%</i>	
Depreciation	-11,992	-7,635	-7,695	-7,823	-8,999	-7,672	-8,320	-8,357	-8,779	
Property Revaluation	6,879	56,552	84,645	194,035	127,592	167,814	187,445	91,774	71,224	
Operating profit (EBIT)	95,794	139,053	165,698	278,680	208,149	255,422	282,892	196,880	184,409	-10.3%
<i>EBIT-margin</i>	<i>49.4%</i>	<i>73.8%</i>	<i>86.9%</i>	<i>140.2%</i>	<i>108.7%</i>	<i>124.8%</i>	<i>133.0%</i>	<i>88.4%</i>	<i>80.7%</i>	
EBIT-profit without revaluation result	88,915	82,501	81,053	84,645	80,557	87,608	95,447	105,106	113,185	8.9%
Net financial result	-53,901	-71,737	-48,892	-55,297	-41,437	-7,263	-18,454	-20,145	-22,445	
Participating certificates expenses (hybrid capital)	-9,286	-7,485	-4,553	-6,912	-5,964	0	0	0	0	
Earnings before tax (EBT)	32,607	59,831	112,253	216,471	160,748	248,159	264,438	176,735	161,964	-13.3%
<i>EBT margin</i>	<i>16.8%</i>	<i>31.7%</i>	<i>58.9%</i>	<i>108.9%</i>	<i>84.0%</i>	<i>121.3%</i>	<i>124.4%</i>	<i>79.4%</i>	<i>70.9%</i>	
Income tax expense	-4,553	-25,682	-35,004	-12,148	-27,278	-31,822	-41,554	-26,658	-25,744	
<i>Tax rate</i>	<i>14.0%</i>	<i>42.9%</i>	<i>31.2%</i>	<i>5.6%</i>	<i>17.0%</i>	<i>12.8%</i>	<i>15.7%</i>	<i>15.1%</i>	<i>15.9%</i>	
Net profit	28,054	34,149	77,249	204,323	133,470	216,337	222,884	150,077	136,220	-14.3%
Minorities	-745	-2,824	960	-5,864	-3,379	-460	-244	-286	-322	
Net profit after minorities	27,309	31,325	78,209	198,459	130,091	215,877	222,640	149,791	135,898	-14.3%
<i>Return on sales</i>	<i>14.1%</i>	<i>16.6%</i>	<i>41.0%</i>	<i>99.9%</i>	<i>68.0%</i>	<i>105.5%</i>	<i>104.7%</i>	<i>67.3%</i>		
Number of shares (in million)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	
Earnings per Share (EPS) in Euro	0.41	0.47	1.17	2.98	1.97	3.27	3.36	2.27	2.06	-14.2%
Dividends per Share (DPS) in Euro	0.20	0.24	0.30	0.40	0.40	0.70	0.80	0.85	0.90	
Book Value per Share (BVPS) in Euro	10.99	8.06	9.01	11.49	13.66	15.88	18.40	19.78	20.90	
Total assets	1,879,648	1,894,672	2,067,356	2,278,900	2,272,255	2,720,134	2,842,540	2,906,497	3,016,944	3.5%
Shareholders' equity (after dividend payment)	510,710	539,337	603,189	769,120	914,335	1,062,513	1,231,047	1,323,351	1,398,380	9.6%
Shareholders' equity incl. participating certificates	735,710	634,876	659,148	819,120	971,052	1,062,513	1,231,047	1,323,351	1,398,380	
Equity ratio without minorities with hybrid capital	39%	34%	32%	36%	43%	39%	43%	46%	46%	
Return on Equity (RoE)	5.6%	6.0%	13.7%	28.9%	15.5%	21.8%	19.4%	11.7%	10.0%	
Key ratios & figures	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	
Growth rates in %										
Revenues	-1.5%	-2.7%	1.2%	4.2%	-3.7%	6.9%	3.9%	4.7%	2.7%	
EBITDA	2.1%	-10.7%	-1.5%	4.2%	-3.1%	6.4%	8.9%	9.3%	7.5%	
EBIT	-10.3%	45.2%	19.2%	68.2%	-25.3%	22.7%	10.8%	-30.4%	-6.3%	
EBT	1.3%	83.5%	87.6%	92.8%	-25.7%	54.4%	6.6%	-33.2%	-8.4%	
Net profit after minorities	7.8%	21.7%	126.2%	164.5%	-34.7%	62.1%	3.0%	-32.7%	-9.2%	
Margins in %										
EBITDA	52.1%	47.8%	46.5%	46.5%	46.8%	46.6%	48.8%	51.0%	53.4%	
EBIT	49.4%	73.8%	86.9%	140.2%	108.7%	124.8%	133.0%	88.4%	80.7%	
EBT	16.8%	31.7%	58.9%	108.9%	84.0%	121.3%	124.4%	79.4%	70.9%	
Expense ratios in %										
Depreciation to sales	-6.2%	-4.1%	-4.0%	-3.9%	-4.7%	-3.7%	-3.9%	-3.8%	-3.8%	
Tax rate	14.0%	42.9%	31.2%	5.6%	17.0%	12.8%	15.7%	15.1%	15.9%	
Profitability in %										
Profit margin	14.5%	18.1%	40.5%	102.8%	69.7%	105.7%	104.8%	67.4%	59.6%	
Return on equity (RoE) after tax	5.6%	6.0%	13.7%	28.9%	15.5%	21.8%	19.4%	11.7%	10.0%	
Return on Assets (RoA)	4.2%	1.8%	3.7%	9.0%	5.9%	8.0%	7.8%	5.2%	4.5%	
Return on Investment (Rol)	1.5%	1.8%	3.7%	9.0%	5.9%	8.0%	7.8%	5.2%	4.5%	
Valuation										
P/E-ratio	47.68	41.57	16.65	6.54	9.86	5.96	5.80	8.58	9.44	
P/S-ratio	6.72	6.91	6.83	6.55	6.80	6.36	6.12	5.85	5.70	
Price/BVpS (PBV)	1.77	2.41	2.16	1.69	1.42	1.23	1.06	0.98	0.93	
Dividend yield in %	1.0%	1.2%	1.5%	2.1%	2.1%	3.6%	4.1%	4.4%	4.6%	
Data per share										
Number of shares (in million)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	
EPS	0.41	0.47	1.17	2.98	1.97	3.27	3.36	2.27	2.06	
DPS	0.20	0.24	0.30	0.40	0.40	0.70	0.80	0.85	0.90	
BVPS	10.99	8.06	9.01	11.49	13.66	15.88	18.40	19.78	20.90	
FFO I per share	0.50	0.32	0.52	0.60	0.64	0.92	1.18	1.32	1.45	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	27 May 2019	Accumulate	€ 19.98	€ 22.50
S IMMO	04 April 2019	Buy	€ 18.48	€ 21.50
S IMMO	18 March 2019	Buy	€ 17.98	€ 21.00
S IMMO	01 February 2019	Buy	€ 16.84	€ 20.50
S IMMO	27 November 2018	Buy	€ 15.20	€ 20.00
S IMMO	30 August 2018	Accumulate	€ 17.96	€ 19.00
S IMMO	29 May 2018	Accumulate	€ 16.70	€ 18.00
S IMMO	06 April 2018	Accumulate	€ 16.50	€ 17.50
S IMMO	28 November 2017	Buy	€ 14.83	€ 16.00
S IMMO	29 August 2017	Buy	€ 12.80	€ 14.50
S IMMO	30 May 2017	Accumulate	€ 12.53	€ 13.50
S IMMO	11 April 2017	Accumulate	€ 11.93	€ 13.00

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 26 August 2019. S IMMO mandated SRC Research for covering the S IMMO share.

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