

Steep hike in 1H cash earnings, EBITDA +60%, FFO I +47%, ongoing portfolio shift towards CEE and significant progress in the exit from German market – target price still € 24.00

Last week on 28 August S IMMO released the 1H 2024 report. The trend of rising cash earnings from the first quarter and last year continued and even accelerated. While the half-year portfolio value was at approx. Euro 3.7bn, a bit above the 2023 level of Euro 3.5bn, the Germany stake in this portfolio halved from 16% to 8% in just six months, from a size of about Euro 547m to now Euro 303m. As the company announced a big German portfolio deal on 29 May by selling 19 properties (18 commercial and 1 residential) which will be partly closed later the year in 3Q and 4Q, the Germany stake will further drop, meeting the announced strategy from March, to leave the German market step by step, by single deals or even faster by portfolio deals. The deal from 29 May was done with a reasonable 9.5% discount to book value as it was a portfolio deal with a big Euro 255m transaction volume. The exit strategy was also successful in Croatia. After the company sold the Zagreb Tower with 26k sqm in March, S IMMO sold the last Croatian property HOTO Business Tower with 15k sqm in July. Thus, the exit from Croatia is successfully completed now.

On the other hand, the portfolio was strengthened by some acquisitions in Czech Republic to help to bring up the overall portfolio yield. For instance the firm announced end of April the acquisition of 8 Czech properties (4 office / 4 commercial) from a CPI subsidiary for a net acquisition price of Euro 422.5m, which is a 6.7% yield. The Czech stake on the total portfolio was at 20% at year-end 2023 and steeply increased to 32% in only 6 months.

All in all, the picture of the first half of the year was very decent, as rental revenues were up +50%, from Euro 75m to Euro 112m. The NOI margin improved from 52% to 57%. The FFO I hike was very similar to the rents, +47% from Euro 50m to more than Euro 73m. The revenues from hotel business also stepped up +8%, from Euro 31.4m to Euro 33.8m. That all translated into an EBITDA of Euro 88m, after Euro 55m last year (+60%). With a more friendly picture from revaluation, now at only Euro -9.2m (1H 2023: Euro -21.3m), the operating profit in terms of EBIT almost tripled from Euro 29m to Euro 75m. As the net financial result improved from Euro -21.1m to Euro -18.5m (higher financing expenses but remarkable support from interest rate derivatives) the pre-tax profit jumped from Euro 8m to Euro 56m.

The balance sheet is stable, EPRA LTV at 50% a bit higher than the 48% at the year-end 2023. The equity ratio remained more or less unchanged at 40.1%, after 40.7% at year-end 2023.

The trade volumes in S IMMO share will further decline, as in May Immofinanz announced to begin with preparations for a Squeeze out action, as the free float of shareholders outside the CPI / Immofinanz is only about 7.13%. The cash compensation should be based on a valuation report and a corresponding resolution should be approved in an extraordinary general meeting which will take place in autumn. We keep our € 24.00 target price. With the higher share price since our last update, we reduce our rating from Buy to Accumulate.

Price (Euro)	22,80			
52 weeks range	23.00 / 11.06			
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)	1678,3			
Number of shares (million)	73,6			
Free Float (approx.)	7,1%			
Free Float MarketCap (Euro million)	119,2			
CAGR (EBITDA '22-25e)	18,4%			
Multiples	2023	2024e	2025e	2026e
Market cap/ Revenues-Ratio	8,7	8,9	8,8	8,4
P/E-Ratio	-49,8	22,8	15,9	14,7
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per Share (EpS)	-0,46	1,00	1,43	1,55
Dividends per Share (DpS)	0,00	0,00	0,00	0,00
Book Value per Share (BVpS)	22,39	23,40	24,83	26,38
EPRA NTA per share	25,00	26,00	26,85	28,04
FFO I per share	1,41	1,73	2,11	2,51
Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	336.461	353.751	367.129	380.668
Rental income	202.646	208.954	215.440	224.896
Net revaluation result	-109.343	-5.002	15.237	16.840
Operating cash profit (EBITDA)	142.634	168.470	175.858	184.212
Operating Profit (EBIT)	24.086	154.083	181.508	190.932
Pre-tax profit (EBT)	-46.355	93.633	133.398	146.361
Net profit after minorities	-32.195	73.731	105.402	114.196
Shareholders' Equity	1.648.388	1.722.119	1.827.521	1.941.717
RoE after tax	-1,9%	4,4%	5,9%	6,1%
Financial Calendar				
9M 2024		28 November 2024		
Main Shareholders				
CPI Property Group SA		88,4%		
Own shares		4,5%		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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S IMMO AG Company Profile

Industry:	Real Estate	Management Board:
Sub-segment:	mixed (67% commercial)	Radka Doehring
Country:	Austria	Tomas Salajka
Headquarter:	Vienna	
Foundation:	1986	
Employees (without Hotels):	100	
		Supervisory Board:
		Martin Matula
		Vladislav Jirka (First Deputy Chairman)
		Matej Csenky (Second Deputy Chairman)
IR Contact		Andreas Feuerstein
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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 that also contained some opportunistic sales, a real estate portfolio that comprises more than 240 properties, a lettable space of about 1,400k sqm amounting to a value of almost Euro 3.5bn at December 2023 (+6% compared to year-end 2022). With CPI taking the steering wheel in 2022, the company swiftly shifted away from low yielding German residential properties (and also several German commercial assets) and more into office in CEE and Austria, with a focus on high ESG and energy efficiency standards. The residential stake of the portfolio, which was above 30% in former years shrunk to only 6% now. Office assets which were mostly between 40% and 45% in former years, were up to 67% now. Retail assets were also up from 13% to 17% in former years to now almost 20%. The geographical focus also strongly shifted. CEE was mostly between 32% to 35% in former years and was now at more than 62% at year-end 2023, with a rising tendency as more German assets will be sold and there are new acquisitions in pipeline in Eastern Europe. The lion's share of the Eastern portfolio is split between Czech Republic, Hungary and Romania. In particular, the firm strives to become a major player on the Czech market, which was underlined in 2023 with several significant acquisition deals. A minor part of the portfolio comes from Slovakia and Croatia (about 6% from the total portfolio), but that should diminish soon, as both countries are on the exit list, and S IMMO recently already announced the sale of the Zagreb Tower.

S IMMO released the 2023 annual report on 25 March 2024 and presented again a record EBITDA result of Euro 143m, after breaking the Euro 100m threshold in 2022 with Euro 106m. FFO result was also good with a +54% hike, from Euro 65m to almost 100m. Balance sheet is still solid with an equity ratio, that was a bit down after the portfolio growth, from 47% to 41%. Cost of funding incl. hedging was always at 2.3% or even below in the last years. With the general interest upswing it went up slightly to 2.44% in 2023. The debt maturity profile is undemanding for 2024 and 2025. In May 2026 there is a Euro 150m bond due, with a low 1.875% coupon. On the financing side it is worth to mention that S IMMO could utilize a favorable window in the challenging bond markets to issue a Euro 75m Green Bond in July 2023 for 5 years with a 5.5% coupon.

Country	Book value portfolio (EUR m)	Total revenues (EUR m)	Gross leasable area (m ²) ¹
Austria	766.6	75.0	258,947
Germany	547.3	48.9	301,688
Hungary	708.9	105.8	310,280
Romania	521.5	63.5	214,486
Czech Republic	705.2	16.9	211,616
Slovakia	153.1	15.5	90,000
Croatia	75.0	11.0	41,662
Total	3,477.6	336.5	1,428,679

Source: Company Data, SRC Research

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '22 - '25e
Revenues	173.915	196.856	260.493	336.461	353.751	367.129	380.668	12,1%
└ thereof rental income	123.255	131.294	155.705	202.646	208.954	215.440	224.896	
└ thereof revenues from service charges	32.871	34.359	48.405	63.792	71.543	75.242	78.952	
└ thereof revenues from hotel operations	17.789	31.203	56.383	70.023	73.254	76.447	76.820	
Other operating income	2.501	3.175	2.227	4.210	3.120	3.200	3.450	
Expenses directly attributable to properties	-66.760	-66.795	-79.511	-108.675	-99.790	-103.220	-106.987	
<i>Gross margin property segment</i>	<i>57,2%</i>	<i>59,7%</i>	<i>61,0%</i>	<i>59,2%</i>	<i>64,4%</i>	<i>64,5%</i>	<i>64,8%</i>	
Hotel operating expenses	-18.126	-23.702	-43.010	-52.744	-54.609	-56.726	-56.741	
Gross operating profit hotels (GOP)	-337	7.501	13.373	17.279	18.645	19.721	20.079	
<i>Gross margin within hotel segment</i>	<i>-1,9%</i>	<i>24,0%</i>	<i>23,7%</i>	<i>24,7%</i>	<i>25,5%</i>	<i>25,8%</i>	<i>26,1%</i>	
Gross profit (revenues less directly attributable expenses)	91.530	109.534	140.199	179.252	202.472	210.383	220.390	14,5%
<i>Total Gross margin</i>	<i>52,6%</i>	<i>55,6%</i>	<i>53,8%</i>	<i>53,3%</i>	<i>57,2%</i>	<i>57,3%</i>	<i>57,9%</i>	
Net operating income (NOI)	89.029	106.359	137.972	175.042	199.352	207.183	216.940	14,5%
<i>NOI-margin</i>	<i>51,2%</i>	<i>54,0%</i>	<i>53,0%</i>	<i>52,0%</i>	<i>56,4%</i>	<i>56,4%</i>	<i>57,0%</i>	
Net Gains on property disposal	0	0	0	0	0	0	0	
Management expenses	-20.398	-28.237	-34.141	-36.618	-34.002	-34.525	-36.178	
└ thereof personnel expenses	-12.272	-14.608	-19.009	-17.882	-18.744	-19.188	-19.489	
EBITDA	71.132	81.297	106.058	142.634	168.470	175.858	184.212	18,4%
<i>EBITDA-margin</i>	<i>40,9%</i>	<i>41,3%</i>	<i>40,7%</i>	<i>42,4%</i>	<i>47,6%</i>	<i>47,9%</i>	<i>48,4%</i>	
Depreciation	-9.232	-9.646	-9.682	-9.205	-9.385	-9.587	-10.120	
Property Revaluation	39.056	198.686	-78.397	-109.343	-5.002	15.237	16.840	
Operating profit (EBIT)	100.956	270.337	17.979	24.086	154.083	181.508	190.932	116,1%
<i>EBIT-margin</i>	<i>58,0%</i>	<i>137,3%</i>	<i>6,9%</i>	<i>7,2%</i>	<i>43,6%</i>	<i>49,4%</i>	<i>50,2%</i>	
EBIT-profit without revaluation result	61.900	71.651	96.376	133.429	159.085	166.271	174.092	19,9%
Net financial result	-29.370	705	16.855	-70.441	-60.450	-48.110	-44.571	
Participating certificates expenses (hybrid capital)	0	0	0	0	0	0	0	
Earnings before tax (EBT)	71.586	271.042	34.834	-46.355	93.633	133.398	146.361	56,5%
<i>EBT margin</i>	<i>41,2%</i>	<i>137,7%</i>	<i>13,4%</i>	<i>-13,8%</i>	<i>26,5%</i>	<i>36,3%</i>	<i>38,4%</i>	
Income tax expense	-14.674	-40.484	-15.907	4.956	-18.547	-25.452	-28.366	
<i>Tax rate</i>	<i>20,5%</i>	<i>14,9%</i>	<i>45,7%</i>	<i>10,7%</i>	<i>19,8%</i>	<i>19,1%</i>	<i>19,4%</i>	
Net profit	56.912	230.558	18.927	-41.399	75.086	107.946	117.995	
Minorities	-375	-1.037	8.277	9.204	-1.355	-2.544	-3.799	
Net profit after minorities	56.537	229.521	27.204	-32.195	73.731	105.402	114.196	57,1%
<i>Return on sales</i>	<i>32,5%</i>	<i>116,6%</i>	<i>10,4%</i>	<i>-9,6%</i>	<i>20,8%</i>	<i>28,7%</i>	<i>30,0%</i>	
Number of shares (in million)	73,6	73,6	73,6	73,6	73,6	73,6	73,6	
Earnings per Share (EPS) in Euro	0,79	3,24	0,45	-0,46	1,00	1,43	1,55	47,1%
Dividends per Share (DPS) in Euro	0,50	0,65	0,00	0,00	0,00	0,00	0,00	
Book Value per Share (BVPS) in Euro	18,31	20,75	23,06	22,39	23,40	24,83	26,38	
Total assets	3.122.610	3.688.121	3.774.361	4.179.875	4.681.460	4.868.718	5.248.478	8,9%
Shareholders' equity (after dividend payment)	1.347.524	1.527.194	1.697.228	1.648.388	1.722.119	1.827.521	1.941.717	2,5%
Shareholders' equity incl. participating certificates	1.347.524	1.527.194	1.697.228	1.648.388	1.722.119	1.827.521	1.941.717	
Equity ratio without minorities with hybrid capital	43%	41%	45%	39%	37%	38%	37%	
Return on Equity (RoE)	4,3%	16,0%	1,7%	-1,9%	4,4%	5,9%	6,1%	
Key ratios & figures	2020	2021	2022	2023e	2024e	2025e	2026e	
Growth rates in %								
Revenues	-17,4%	13,2%	32,3%	29,2%	5,1%	3,8%	3,7%	
EBITDA	-18,3%	14,3%	30,5%	34,5%	18,1%	4,4%	4,8%	
EBIT	-62,8%	167,8%	-93,3%	34,0%	539,7%	17,8%	5,2%	
EBT	-71,5%	278,6%	-87,1%	-233,1%	-302,0%	42,5%	9,7%	
Net profit after minorities	-73,3%	305,1%	-91,8%	-318,7%	-281,4%	43,8%	9,3%	
Margins in %								
EBITDA	40,9%	41,3%	40,7%	42,4%	47,6%	47,9%	48,4%	
EBIT	58,0%	137,3%	6,9%	7,2%	43,6%	49,4%	50,2%	
EBT	41,2%	137,7%	13,4%	-13,8%	26,5%	36,3%	38,4%	
Expense ratios in %								
Depreciation to sales	-5,3%	-4,9%	-3,7%	-2,7%	-2,7%	-2,6%	-2,7%	
Tax rate	20,5%	14,9%	45,7%	10,7%	19,8%	19,1%	19,4%	
Profitability in %								
Profit margin	32,7%	117,1%	7,3%	-12,3%	21,2%	29,4%	31,0%	
Return on equity (RoE) after tax	4,3%	16,0%	1,7%	-1,9%	4,4%	5,9%	6,1%	
Return on Assets (RoA)	1,8%	6,3%	0,5%	-1,0%	1,6%	2,2%	2,2%	
Return on Investment (RoI)	1,8%	6,3%	0,5%	-1,0%	1,6%	2,2%	2,2%	
Valuation								
P/E-ratio	21,57	5,25	37,81	-37,17	16,97	11,87	10,96	
P/S-ratio	7,20	6,36	4,80	3,72	3,54	3,41	3,29	
Price/BVpS (PBV)	0,93	0,82	0,74	0,76	0,73	0,68	0,64	
Dividend yield in %	2,9%	3,8%	0,0%	0,0%	0,0%	0,0%	0,0%	
Data per share								
Number of shares (in million)	73,6	73,6	73,6	73,6	73,6	73,6	73,6	
EPS	0,79	3,24	0,45	-0,46	1,00	1,43	1,55	
DPS	0,50	0,65	0,00	0,00	0,00	0,00	0,00	
BVPS	18,31	20,75	23,06	22,39	23,40	24,83	26,38	
FFO I per share	0,59	0,86	0,92	1,41	1,73	2,11	2,51	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
S IMMO	27 May 2024	Buy	€ 20,40	€ 24,00
S IMMO	28 March 2024	Buy	€ 17,50	€ 20,00
S IMMO	29 November 2023	Buy	€ 12,74	€ 18,00
S IMMO	30 August 2023	Buy	€ 12,00	€ 18,00
S IMMO	31 May 2023	Buy	€ 11,18	€ 18,00
S IMMO	04 April 2023	Buy	€ 12,82	€ 18,00
S IMMO	30 November 2022	Accumulate	€ 14,78	€ 18,00
S IMMO	29 August 2022	Accumulate	€ 22,85	€ 23,00
S IMMO	30 May 2022	Accumulate	€ 23,30	€ 26,00
S IMMO	28 April 2022	Buy	€ 22,55	€ 28,00

Please note:

The S IMMO AG share price mentioned in this report is the price of 30 August 2024. S IMMO mandated SRC Research for covering the S IMMO share.

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