

Price (Euro) **14.38**
52 weeks range 15.75 / 9.60

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) 962.3
Number of shares (million) 66.9
Free Float (approx.) 79%
Free Float MarketCap (Euro million) 760.2
CAGR (EBITDA '16-19e) 2.7%

Multiples	2016	2017e	2018e	2019e
Market cap/ Revenues-Ratio	4.9	5.0	5.1	5.0
P/E-Ratio	4.8	7.6	10.7	10.0
Dividend Yield	2.8%	2.8%	3.1%	3.5%

Key Data per Share (Euro)	2016	2017e	2018e	2019e
Earnings per Share (EpS)	2.98	1.89	1.34	1.44
Dividends per Share (DpS)	0.40	0.40	0.45	0.50
Book Value per Share (BVpS)	11.49	12.97	13.85	14.77
EPRA NAV per share	14.62	15.35	16.27	17.49
FFO I per share	0.60	0.73	0.79	0.84

Financial Data (Euro '000)	2016	2017e	2018e	2019e
Revenues	198,754	197,105	191,968	201,211
Rental income	118,174	115,456	107,374	111,937
Net revaluation result	194,035	114,254	72,545	75,452
Operating cash profit (EBITDA)	92,468	100,074	89,958	100,032
Operating Profit (EBIT)	278,680	205,074	153,848	166,529
Pre-tax profit (EBT)	216,471	159,276	109,201	116,765
Net profit after minorities	198,459	125,749	89,300	95,660
Shareholders' Equity	769,120	867,816	926,682	988,525
RoE after tax	28.9%	15.4%	10.0%	10.0%

Financial Calendar

Annual report 2017 April 5, 2018
AGM May 3, 2018
1Q 2018 May 29, 2018
2Q 2018 August 30, 2018

Main Shareholders

Vienna Insurance Group 10%
Erste Bank Group 10%
Own shares 1%

Analyst

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FFO I +18% after 9 months – exploiting market opportunities and riding the cycle to deliver high cash profits – target up to Euro 16.00 – Buy affirmed

Today, S IMMO released the 9M 2017 report. The numbers unveiled a very similar picture like after the half-year results. The company delivers an excellent cycle management and sold some landmark properties at the current low yields, meaning the very high prices, which are possible to generate in current trading transactions. The sale of OMV buildings (“Hoch Zwei” / “Plus Zwei” sales) in July at lucrative prices to German fund manager Deka was right, as well as to leave Bulgaria by selling Serdika shops and office building (total c. 75k sqm) in June.

But that is only a part of the story. The occupancy rate in the standing assets remained at very high 94.5%, unchanged to 1H numbers, the financing costs remarkably came down by 14% from Euro 22.6m to Euro 19.5m, with Cost of Funding declining from 3.00% in 1H 2017 to only 2.65% at 9M 2017. As expected, the LTV came down after the big sale transactions, from 56% at half year to only 49% now. There is a promising and big development pipeline of about Euro 630m (> 70% in Germany and Austria), which will help to unlock further upside and to contribute to the group's future results in the coming years. For the German market S IMMO has shifted the focus for future acquisitions more to secondary cities like Leipzig and Kiel, as they might offer more upside potential than the expensive A cities.

Despite significant property sales in the previous year, the company managed a more or less stable rental income of Euro 86.0m (9M 2016: 88.5m) and somewhat higher revenues from hotel business of Euro 32.8m (9M 2016: Euro 30.2m).

The FFO I, which does not include the very good trading result of Euro 10.3m (9M 2016: Euro 4.4m), steeply increased almost 18% from Euro 31m in the year before to now almost Euro 37m. The FFO II, which also reflects the very good trading result, even increased by Euro 11m (+18%) from Euro 62m to more than Euro 73m.

As in half year results, S IMMO managed to keep the cash driven EBITDA operating profit with more than Euro 71m above the record level of the last year's 9M result (Euro 69m). The revaluation result was – as we expected – below the Euro 107m record level of last year, but still at a very high level of Euro 68m. We expect more up-valuations in the fourth quarter, the more as the portfolio is not aggressively priced at all, at a 6.2% yield (5.0% Germany, 5.4% Austria and 8.3% CEE).

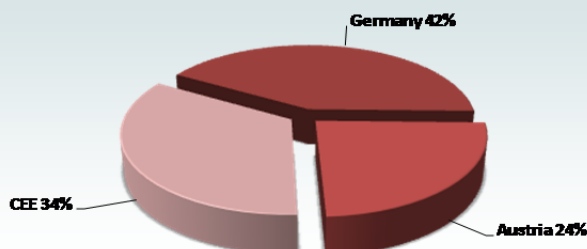
The balance sheet, which was healthy before, even improved and total Loan-to-Value ratio (secured and unsecured) fell down after the trading success from 56% below the 50% threshold, to only 49% now. **We expect the good share price development to continue (+44% YTD) and lift our target price from Euro 14.50 to Euro 16.00. Buy rating affirmed.**

S IMMO AG Company Profile

Industry:	Real Estate	Management Board:	
Sub-segment:	mixed	CEO Ernst Vejdovsky	
Country:	Austria	Friedrich Wachernig, MBA	
Headquarter:	Vienna		
Foundation:	1986		
Employees (without Hotels):	101	Supervisory Board:	
		Dr. Martin Simhandl (Chairman)	
		Dr. Ralf Zeitberger	Franz Kerber
		Christian Hager	Manfred Rapf
		Michael Matlin, MBA	Dr. Wilhelm Rasinger
		Andrea Besenhofer	
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(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 Hold strategy, a real estate portfolio that comprises over 200 properties, a lettable space of some 1,100k sqm amounting to a value of almost Euro 1.8bn at present (Euro 2.1bn at year-end 2016). In average, investments have a volume of a lower double digit million. The portfolio contains a widely diversified range of residential, office, business and hotel properties selected for sustainable value. All in all, commercial properties have a high 73% weighting (9M 2017). S IMMO aims on a long investment horizon but also strongly exploits opportunities for trading in these low yielding times - as already done in 2016 in Germany. In terms of portfolio value a large share of 42% is located in Germany. Austria stands for 24% while CEE stands for the remaining 34% of the total portfolio value (Dec. 2016). The current rental yield is still at high 6.2% at September 2017 (unchanged to year-end 2016), even after the significant property mark-ups this is not too aggressive, in our view. In 2016 the high occupancy rate even increased from 92.7% to 93.9% in 2016 and came up to 94.5% in September 2017. The company released its 2016 annual report on 5 April and presented a record year with a net profit more than doubling from Euro 78m to more than Euro 198m. The 2016 dividend payment was lifted from 30 Cents to 40 Cents (30 Cents base and 10 Cents bonus).

Value of portfolio by region
(Euro 1.8bn at September 2017)



Source: Company data (9M 2017)

In addition to a stable Hold portfolio, the company has at present some promising development activities in Berlin as well as in Vienna (Quartier Belvedere Central and Siebenbrunnengasse) and Bucharest (The Mark office) as well as Bratislava (Einsteinova). 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 Bukarest and recently sold Serdika Center in Sofia), held within the CEE portfolio, results from own developments. The core shareholders are for many years Austrian Erste Bank (10% of shares) and well-known insurer Vienna Insurance Group (10%). Hence, S IMMO has two of the largest financial services providers of Austria and CEE as its core shareholder which is definitely a source of long-term strength for the company and the future development. Furthermore, we assume an easier access in terms of financing. The company aimed to lift FFO I to more than Euro 40m until 2018 and already managed to reach this target in 2016, as FFO I increased by 15% from Euro 35.0m to Euro 40.1m. The 9M 2017 FFO I was at high Euro 37m, already coming close to the full year 2016 level. We also like the improving numbers on the financing side, as 2016 financing expenses from bank debt shrank from Euro 33.2m to Euro 29.1m. Cost of Funding came down to 3.12% in 2016 and even down to 2.65% in 9M 2017 with another decline in the financing costs (-14%). 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 49.2% at 9M 2017 level. For the future upside in rental income and trading activities, S IMMO built up a promising development pipeline of over Euro 600m (c. 75% Germany and Austria and 25% CEE).

Source: Company Data, SRC Research

P&L Account for S IMMO AG

31/12 IFRS (Euro '000)	2013	2014	2015	2016	2017e	2018e	2019e	CAGR '16 - '19e
Revenues	193,735	188,491	190,697	198,754	197,105	191,968	201,211	0.4%
└ thereof rental income	116,707	111,845	111,686	118,174	115,456	107,374	111,937	
└ thereof revenues from service charges	36,827	34,542	33,465	37,657	36,151	37,958	41,254	
└ thereof revenues from hotel operations	40,201	42,104	45,546	42,923	45,498	46,636	48,020	
Other operating income	6,186	4,700	3,534	3,405	3,337	3,270	3,945	
Expenses directly attributable to properties	-60,603	-55,841	-55,841	-64,152	-59,661	-61,332	-62,743	
<i>Gross margin property segment</i>	<i>60.5%</i>	<i>61.9%</i>	<i>61.5%</i>	<i>58.8%</i>	<i>60.6%</i>	<i>57.8%</i>	<i>59.0%</i>	
Hotel operating expenses	-29,747	-31,344	-33,164	-32,037	-33,639	-33,807	-34,582	
Gross operating profit hotels (GOP)	10,454	10,760	12,382	10,886	11,860	12,829	13,438	
<i>Gross margin within hotel segment</i>	<i>26.0%</i>	<i>25.6%</i>	<i>27.2%</i>	<i>25.4%</i>	<i>26.1%</i>	<i>27.5%</i>	<i>28.0%</i>	
Revenues less directly attributable expenses	109,571	106,006	105,226	105,970	107,142	100,099	107,832	0.6%
<i>Total Gross margin</i>	<i>56.6%</i>	<i>56.2%</i>	<i>55.2%</i>	<i>53.3%</i>	<i>54.4%</i>	<i>52.1%</i>	<i>53.6%</i>	
Net operating income (NOI)	103,385	101,306	101,692	102,565	103,805	96,829	103,887	0.4%
<i>NOI-margin</i>	<i>53.4%</i>	<i>53.7%</i>	<i>53.3%</i>	<i>51.6%</i>	<i>52.7%</i>	<i>50.4%</i>	<i>51.6%</i>	
Net Gains on property disposal	6,414	180	5	5,133	10,852	7,420	9,410	
Management expenses	-15,078	-16,050	-16,483	-18,635	-17,920	-17,562	-17,210	
└ thereof personnel expenses	-5,730	-6,019	-7,665	-8,916	-9,120	-9,356	-9,214	
EBITDA	100,907	90,136	88,748	92,468	100,074	89,958	100,032	2.7%
<i>EBITDA-margin</i>	<i>52.1%</i>	<i>47.8%</i>	<i>46.5%</i>	<i>46.5%</i>	<i>50.8%</i>	<i>46.9%</i>	<i>49.7%</i>	
Depreciation	-11,992	-7,635	-7,695	-7,823	-9,254	-8,655	-8,955	
Property Revaluation	6,879	56,552	84,645	194,035	114,254	72,545	75,452	
Operating profit (EBIT)	95,794	139,053	165,698	278,680	205,074	153,848	166,529	-15.8%
<i>EBIT-margin</i>	<i>49.4%</i>	<i>73.8%</i>	<i>86.9%</i>	<i>140.2%</i>	<i>104.0%</i>	<i>80.1%</i>	<i>82.8%</i>	
EBIT-profit without revaluation result	88,915	82,501	81,053	84,645	90,820	81,303	91,077	2.5%
Net financial result	-53,901	-71,737	-48,892	-55,297	-40,367	-39,156	-43,452	
Participating certificates expenses (hybrid capital)	-9,286	-7,485	-4,553	-6,912	-5,431	-5,491	-6,312	
Earnings before tax (EBT)	32,607	59,831	112,253	216,471	159,276	109,201	116,765	-18.6%
<i>EBT margin</i>	<i>16.8%</i>	<i>31.7%</i>	<i>58.9%</i>	<i>108.9%</i>	<i>80.8%</i>	<i>56.9%</i>	<i>58.0%</i>	
Income tax expense	-4,553	-25,682	-35,004	-12,148	-29,025	-19,802	-20,985	
<i>Tax rate</i>	<i>14.0%</i>	<i>42.9%</i>	<i>31.2%</i>	<i>5.6%</i>	<i>18.2%</i>	<i>18.1%</i>	<i>18.0%</i>	
Net profit	28,054	34,149	77,249	204,323	130,251	89,399	95,780	-22.3%
Minorities	-745	-2,824	960	-5,864	-4,502	-99	-120	
Net profit after minorities	27,309	31,325	78,209	198,459	125,749	89,300	95,660	-21.6%
<i>Return on sales</i>	<i>14.1%</i>	<i>16.6%</i>	<i>41.0%</i>	<i>99.9%</i>	<i>63.8%</i>	<i>46.5%</i>	<i>47.5%</i>	
Number of shares (in million)	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	1.89	1.34	1.44	-21.5%
Dividends per Share (DPS) in Euro	0.20	0.24	0.30	0.40	0.40	0.45	0.50	
Book Value per Share (BVPS) in Euro	10.99	8.06	9.01	11.49	12.97	13.85	14.77	
Total assets	1,879,648	1,894,672	2,067,356	2,278,900	1,813,093	1,849,355	1,908,534	-5.7%
Shareholders' equity (after dividend payment)	510,710	539,337	603,189	769,120	867,816	926,682	988,525	8.7%
Shareholders' equity incl. participating certificates	735,710	634,876	659,148	819,120	917,816	976,682	1,020,632	
Equity ratio without minorities with hybrid capital	39%	34%	32%	36%	51%	53%	53%	
Return on Equity (RoE)	5.6%	6.0%	13.7%	28.9%	15.4%	10.0%	10.0%	
Key ratios & figures	2013	2014	2015	2016	2017e	2018e	2019e	
Growth rates in %								
Revenues	-1.5%	-2.7%	1.2%	4.2%	-0.8%	-2.6%	4.8%	
EBITDA	2.1%	-10.7%	-1.5%	4.2%	8.2%	-10.1%	11.2%	
EBIT	-10.3%	45.2%	19.2%	68.2%	-26.4%	-25.0%	8.2%	
EBT	1.3%	83.5%	87.6%	92.8%	-26.4%	-31.4%	6.9%	
Net profit after minorities	7.8%	21.7%	126.2%	164.5%	-36.3%	-31.4%	7.1%	
Margins in %								
EBITDA	52.1%	47.8%	46.5%	46.5%	50.8%	46.9%	49.7%	
EBIT	49.4%	73.8%	86.9%	140.2%	104.0%	80.1%	82.8%	
EBT	16.8%	31.7%	58.9%	108.9%	80.8%	56.9%	58.0%	
Expense ratios in %								
Depreciation to sales	-6.2%	-4.1%	-4.0%	-3.9%	-4.7%	-4.5%	-4.5%	
Tax rate	14.0%	42.9%	31.2%	5.6%	18.2%	18.1%	18.0%	
Profitability in %								
Profit margin	14.5%	18.1%	40.5%	102.8%	66.1%	46.6%	47.6%	
Return on equity (RoE) after tax	5.6%	6.0%	13.7%	28.9%	15.4%	10.0%	10.0%	
Return on Assets (RoA)	4.2%	1.8%	3.7%	9.0%	7.2%	4.8%	5.0%	
Return on Investment (RoI)	1.5%	1.8%	3.7%	9.0%	7.2%	4.8%	5.0%	
Valuation								
P/E-ratio	35.24	30.72	12.30	4.83	7.61	10.70	9.99	
P/S-ratio	4.97	5.11	5.05	4.84	4.88	5.01	4.78	
Price/BVpS (PBV)	1.31	1.78	1.60	1.25	1.11	1.04	0.97	
Dividend yield in %	1.4%	1.7%	2.1%	2.8%	2.8%	3.1%	3.5%	
Data per share								
Number of shares in million	66.9	66.9	66.9	66.9	66.9	66.9	66.9	
EPS	0.41	0.47	1.17	2.98	1.89	1.34	1.44	
DPS	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
BVPS	10.99	8.06	9.01	11.49	12.97	13.85	14.77	
FFO I per share	0.50	0.32	0.52	0.60	0.73	0.79	0.84	

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Rating Chronicle

Company	Date	Rating	Former Price	Former Target
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
S IMMO	07 March 2017	Buy	€ 11.70	€ 13.00
S IMMO	17 February 2017	Buy	€ 11.34	€ 13.00
S IMMO	29 November 2016	Buy	€ 9.89	€ 12.00
S IMMO	25 August 2016	Buy	€ 8.77	€ 11.50
S IMMO	15 August 2016	Buy	€ 8.51	€ 11.50
S IMMO	24 May 2016	Buy	€ 8.67	€ 10.50
S IMMO	01 April 2016	Buy	€ 8.15	€ 10.00
S IMMO	03 February 2016	Buy	€ 7.70	€ 9.50

Please note:

The S IMMO AG share price mentioned in this report is the closing price of 27 November 2017. S IMMO mandated SRC Research for covering the S IMMO share.

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