

29 | August | 2017

| | | | | |
|--|--|----------------|----------------|----------------|
| ■ Price (Euro) | 12.80 | | | |
| 52 weeks range | 13.30 / 8.70 | | | |
| ■ 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) | 856.5 | | | |
| Number of shares (million) | 66.9 | | | |
| Free Float (approx.) | 79% | | | |
| Free Float MarketCap (Euro million) | 676.7 | | | |
| CAGR (EBITDA '16-19e) | 6.2% | | | |
| ■ Multiples | 2016 | 2017e | 2018e | 2019e |
| Market cap/ Revenues-Ratio | 4.4 | 4.4 | 4.5 | 4.5 |
| P/E-Ratio | 35.9 | 31.4 | 27.3 | 11.0 |
| Dividend Yield | 3.1% | 3.1% | 3.5% | 3.9% |
| ■ Key Data per Share (Euro) | 2016 | 2017e | 2018e | 2019e |
| Earnings per Share (EpS) | 2.98 | 1.79 | 1.31 | 1.40 |
| Dividends per Share (DpS) | 0.40 | 0.40 | 0.45 | 0.50 |
| Book Value per Share (BVpS) | 11.49 | 12.87 | 13.71 | 14.59 |
| EPRA NAV per share | 14.62 | 15.35 | 16.27 | 17.49 |
| FFO I per share | 0.60 | 0.63 | 0.67 | 0.71 |
| ■ Financial Data (Euro '000) | 2016 | 2017e | 2018e | 2019e |
| Revenues | 198,754 | 199,207 | 206,486 | 212,776 |
| Rental income | 118,174 | 115,811 | 120,443 | 123,502 |
| Net revaluation result | 194,035 | 113,211 | 58,452 | 65,452 |
| Operating cash profit (EBITDA) | 92,468 | 95,570 | 103,766 | 110,734 |
| Operating Profit (EBIT) | 278,680 | 200,079 | 153,873 | 167,231 |
| Pre-tax profit (EBT) | 216,471 | 154,281 | 109,227 | 117,467 |
| Net profit after minorities | 198,459 | 119,082 | 86,675 | 92,781 |
| Shareholders' Equity | 769,120 | 861,149 | 917,389 | 976,355 |
| RoE after tax | 28.9% | 14.6% | 9.7% | 9.8% |
| ■ Financial Calendar | | | | |
| SRC Forum Financial & Real Estate | September 7, 2017 | | | |
| 3Q 2017 report | November 28, 2017 | | | |
| ■ Main Shareholders | | | | |
| Vienna Insurance Group | 10% | | | |
| Erste Bank Group | 10% | | | |
| Own shares | 1% | | | |
| ■ Analyst | Dipl.-Kfm. Stefan Scharff, CREA | | | |
| | Fon: +49-(0)69 400 313-80 | | | |
| | scharff@src-research.de | | | |
| Internet | www.src-research.de | | | |
| | www.aktienmarkt-international.at | | | |
| | www.aktienmarkt-international.de | | | |

Exploiting the low yields and riding the cycle – a very strong half-year result leads us to lift the P & L forecast, the rating and the target to 14.50 Euros

Today, S IMMO released the 1H 2017 report. The numbers unveil the picture of a very smart company, which perfectly rides the cycle of the industry to sell at current low yields, meaning the very high prices, which are possible to generate. The sale of OMV buildings in July at lucrative prices to fund manager Deka was right, as well as to leave Bulgarian market 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 is very high (94.5%), the financing costs remarkably came down (-32%) and there is a good development pipeline of over Euro 600m to help to unlock further upside and to contribute to the group's future results in the coming years.

Despite significant property sales in the previous year, the company managed a stable rental income of Euro 58.5m and thanks to higher revenues from hotel operations a better top-line result, Euro 97.5m, a Plus of 2.3% compared to last year. **The FFO I significantly hiked almost 41% from Euro 19m to approx. Euro 27m. The FFO II including trading success even hiked 57% to almost Euro 31m.**

The company managed to keep the cash driven EBITDA with Euro 44m slightly above the record level of last year (Euro 43m). The revaluation result was – as this was very clear to expect – below the Euro 107m record level of last year, but still a very high level of Euro 69m and already much above our much too conservative full year Euro 43m forecast. The reason was the lucrative “Hoch Zwei” / “Plus Zwei” sales in Vienna which helped the Austrian revaluation to rocket from Euro 3m to more than 24m. The CEE revaluation also profited from the Serdika sale and went up from Euro 5m to Euro 8m and Germany remained of a high Euro 37m level (1H 2016: Euro 98m).

The balance sheet is rock solid with a declining LTV of 56% at half-year (1H 2016: 59%) and will further shrink to levels below 50% after the closing of Serdika and Vienna OMV buildings.

The development pipeline of clearly over Euro 600m is promising with The Mark in Bucharest (completed mid 2018) and Bratislava Einsteinova (completed 1Q 2018, 85% pre-let) as soon coming bets on a positive market development with these first class products. But there are also Vienna based products to come (Siebenbrunnengasse and QBC) as well as more than 10 new properties, mostly acquired in German secondaries like Leipzig and Kiel which also might profit from lower future yields.

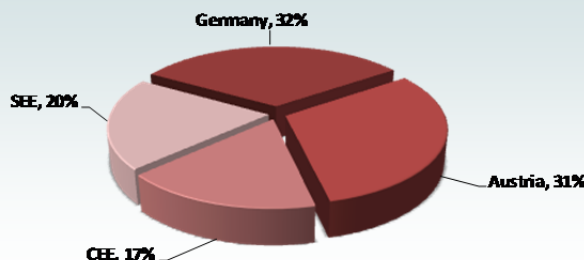
We lift our 2017 net profit projection from Euro 63m to Euro 119m and **our target price from Euro 13.50 to Euro 14.50, which is supported by an 8% hike in EPRA NAV per share in the first 6 months to Euro 15.82. We decided to lift our rating after the stunning 1H result from Accumulate to Buy.**

S IMMO AG Company Profile

| | | | |
|---|-------------|--------------------------------|----------------------|
| Industry: | Real Estate | Management Board: | |
| Sub-segment: | mixed | CEO Ernst Vejdovszky | |
| Country: | Austria | Friedrich Wachemig, MBA | |
| Headquarter: | Vienna | | |
| Foundation: | 1986 | | |
| Employees ^(without Hotels) : | 101 | Supervisory Board: | |
| | | Dr. Martin Simhandl (Chairman) | |
| | | Dr. Ralf Zeitlberger | Franz Kerber |
| | | Christian Hager | Manfred Rapf |
| IR Contact | | Michael Matlin, MBA | Dr. Wilhelm Rasinger |
| Andreas Feuerstein | | Andrea Besenhofer | |
| (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. First acquisitions and activities started in Austria. 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 1,300k sqm amounting to a value of almost Euro 2.2bn at present. 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 79% weighting (1H 2017). S IMMO aims on a long investment horizon but also exploits opportunities for trading - as done in 2016 in Germany. In terms of portfolio value a large share of 32% is still located in Germany. Austria stands for 31% while CEE and SEE together stand for the remaining 37% of the total portfolio value (Dec. 2016). The current rental yield is still at high 6.0% at June 2017 (6.2% at 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 June 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 2.1bn at end of 2016)



Source: Company data (Dec. 2016)

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 tower) 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 Serdika Center in Sofia), held within the CEE/ SEE 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. 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 3.00% in 1H 2017. LTV improved to 55.9% (2015: 60.6%). In 1H 2017 the LTV remained at 56% but will come down after the sale transactions of Serdika retail and offices in Sofia and Vienna OMV offices to below 50% in the second half of 2017.

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 | 199,207 | 206,486 | 212,776 | 2.3% |
| └ thereof rental income | 116,707 | 111,845 | 111,686 | 118,174 | 115,811 | 120,443 | 123,502 | |
| └ thereof revenues from service charges | 36,827 | 34,542 | 33,465 | 37,657 | 37,469 | 38,967 | 41,254 | |
| └ thereof revenues from hotel operations | 40,201 | 42,104 | 45,546 | 42,923 | 45,928 | 47,076 | 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>61.1%</i> | <i>61.5%</i> | <i>61.9%</i> | |
| Hotel operating expenses | -29,747 | -31,344 | -33,164 | -32,037 | -33,959 | -34,129 | -34,582 | |
| Gross operating profit hotels (GOP) | 10,454 | 10,760 | 12,382 | 10,886 | 11,968 | 12,947 | 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 | 108,923 | 114,295 | 119,397 | 4.1% |
| <i>Total Gross margin</i> | <i>56.6%</i> | <i>56.2%</i> | <i>55.2%</i> | <i>53.3%</i> | <i>54.7%</i> | <i>55.4%</i> | <i>56.1%</i> | |
| Net operating income (NOI) | 103,385 | 101,306 | 101,692 | 102,565 | 105,586 | 111,025 | 115,452 | 4.0% |
| <i>NOI-margin</i> | <i>53.4%</i> | <i>53.7%</i> | <i>53.3%</i> | <i>51.6%</i> | <i>53.0%</i> | <i>53.8%</i> | <i>54.3%</i> | |
| Net Gains on property disposal | 6,414 | 180 | 5 | 5,133 | 4,350 | 6,820 | 8,340 | |
| Management expenses | -15,078 | -16,050 | -16,483 | -18,635 | -17,703 | -17,349 | -17,002 | |
| └ 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 | 95,570 | 103,766 | 110,734 | 6.2% |
| <i>EBITDA-margin</i> | <i>52.1%</i> | <i>47.8%</i> | <i>46.5%</i> | <i>46.5%</i> | <i>48.0%</i> | <i>50.3%</i> | <i>52.0%</i> | |
| Depreciation | -11,992 | -7,635 | -7,695 | -7,823 | -8,702 | -8,345 | -8,955 | |
| Property Revaluation | 6,879 | 56,552 | 84,645 | 194,035 | 113,211 | 58,452 | 65,452 | |
| Operating profit (EBIT) | 95,794 | 139,053 | 165,698 | 278,680 | 200,079 | 153,873 | 167,231 | -15.7% |
| <i>EBIT-margin</i> | <i>49.4%</i> | <i>73.8%</i> | <i>86.9%</i> | <i>140.2%</i> | <i>100.4%</i> | <i>74.5%</i> | <i>78.6%</i> | |
| EBIT-profit without revaluation result | 88,915 | 82,501 | 81,053 | 84,645 | 86,868 | 95,421 | 101,779 | 6.3% |
| 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 | 154,281 | 109,227 | 117,467 | -18.4% |
| <i>EBT margin</i> | <i>16.8%</i> | <i>31.7%</i> | <i>58.9%</i> | <i>108.9%</i> | <i>77.4%</i> | <i>52.9%</i> | <i>55.2%</i> | |
| Income tax expense | -4,553 | -25,682 | -35,004 | -12,148 | -29,987 | -22,452 | -24,566 | |
| <i>Tax rate</i> | <i>14.0%</i> | <i>42.9%</i> | <i>31.2%</i> | <i>5.6%</i> | <i>19.4%</i> | <i>20.6%</i> | <i>20.9%</i> | |
| Net profit | 28,054 | 34,149 | 77,249 | 204,323 | 124,294 | 86,775 | 92,901 | -23.1% |
| Minorities | -745 | -2,824 | 960 | -5,864 | -5,212 | -100 | -120 | |
| Net profit after minorities | 27,309 | 31,325 | 78,209 | 198,459 | 119,082 | 86,675 | 92,781 | -22.4% |
| <i>Return on sales</i> | <i>14.1%</i> | <i>16.6%</i> | <i>41.0%</i> | <i>99.9%</i> | <i>59.8%</i> | <i>42.0%</i> | <i>43.6%</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 | 1.79 | 1.31 | 1.40 | -22.3% |
| 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 | 12.87 | 13.71 | 14.59 | |
| Total assets | 1,879,648 | 1,894,672 | 2,067,356 | 2,278,900 | 2,164,955 | 2,208,254 | 2,278,918 | 0.0% |
| Shareholders' equity (after dividend payment) | 510,710 | 539,337 | 603,189 | 769,120 | 861,149 | 917,389 | 976,355 | 8.3% |
| Shareholders' equity incl. participating certificates | 735,710 | 634,876 | 659,148 | 819,120 | 911,149 | 967,389 | 1,010,922 | |
| Equity ratio without minorities with hybrid capital | 39% | 34% | 32% | 36% | 42% | 44% | 44% | |
| Return on Equity (RoE) | 5.6% | 6.0% | 13.7% | 28.9% | 14.6% | 9.7% | 9.8% | |
| Key ratios & figures | 2013 | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e | |
| Growth rates in % | | | | | | | | |
| Revenues | -1.5% | -2.7% | 1.2% | 4.2% | 0.2% | 3.7% | 3.0% | |
| EBITDA | 2.1% | -10.7% | -1.5% | 4.2% | 3.4% | 8.6% | 6.7% | |
| EBIT | -10.3% | 45.2% | 19.2% | 68.2% | -28.2% | -23.1% | 8.7% | |
| EBT | 1.3% | 83.5% | 87.6% | 92.8% | -28.7% | -29.2% | 7.5% | |
| Net profit after minorities | 7.8% | 21.7% | 126.2% | 164.5% | -39.2% | -30.2% | 7.1% | |
| Margins in % | | | | | | | | |
| EBITDA | 52.1% | 47.8% | 46.5% | 46.5% | 48.0% | 50.3% | 52.0% | |
| EBIT | 49.4% | 73.8% | 86.9% | 140.2% | 100.4% | 74.5% | 78.6% | |
| EBT | 16.8% | 31.7% | 58.9% | 108.9% | 77.4% | 52.9% | 55.2% | |
| Expense ratios in % | | | | | | | | |
| Depreciation to sales | -6.2% | -4.1% | -4.0% | -3.9% | -4.4% | -4.0% | -4.2% | |
| Tax rate | 14.0% | 42.9% | 31.2% | 5.6% | 19.4% | 20.6% | 20.9% | |
| Profitability in % | | | | | | | | |
| Profit margin | 14.5% | 18.1% | 40.5% | 102.8% | 62.4% | 42.0% | 43.7% | |
| Return on equity (RoE) after tax | 5.6% | 6.0% | 13.7% | 28.9% | 14.6% | 9.7% | 9.8% | |
| Return on Assets (RoA) | 4.2% | 1.8% | 3.7% | 9.0% | 5.7% | 3.9% | 4.1% | |
| Return on Investment (RoI) | 1.5% | 1.8% | 3.7% | 9.0% | 5.7% | 3.9% | 4.1% | |
| Valuation | | | | | | | | |
| P/E-ratio | 31.36 | 27.34 | 10.95 | 4.30 | 7.15 | 9.81 | 9.17 | |
| P/S-ratio | 4.42 | 4.54 | 4.49 | 4.31 | 4.30 | 4.15 | 4.03 | |
| Price/BVpS (PBV) | 1.16 | 1.59 | 1.42 | 1.11 | 0.99 | 0.93 | 0.88 | |
| Dividend yield in % | 1.6% | 1.9% | 2.3% | 3.1% | 3.1% | 3.5% | 3.9% | |
| 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 | 1.79 | 1.31 | 1.40 | |
| DPS | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | |
| BVPS | 10.99 | 8.06 | 9.01 | 11.49 | 12.87 | 13.71 | 14.59 | |
| FFO I per share | 0.50 | 0.32 | 0.52 | 0.60 | 0.63 | 0.67 | 0.71 | |

SRC Research

- The Specialist for Financial and Real Estate Stocks -

SRC - Scharff Research und Consulting GmbH

Klingerstrasse 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69 / 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle

| Company | Date | Rating | Former Price | Former Target |
|---------|------------------|------------|--------------|---------------|
| 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 28 August 2017. S IMMO mandated SRC Research for covering the S IMMO share.

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