

ERWE Immobilien AG

WKN: A1X3WX | ISIN: DE000A1X3WX6 | Bloomberg: ERWE GR

Further operational growth expected in 2022

Operational growth in 2021: According to a first review of the complete financial statements, the second Corona year was characterized by a significant improvement in operating income (excluding acquisitions; +41.2%) and a negative swing of EUR 8.0m in the fair value adjustments of investment properties to EUR -2.01m, which we did not expect to this extent. In total, the result was a high net loss. The value of investment properties increased to EUR 195.5m (+1.4%).

ERWE plans further growth in 2022: Including the two new acquisitions in Wuppertal and Bremerhaven, ERWE plans to reach Gross rental revenues of around EUR 10m, which is justified in our view. Adjusted EBIT is expected to "increase significantly" and we estimate an improvement to EUR 2.20m. The net income will also improve significantly in our opinion, but will still remain negative from today's perspective.

EURm	ERWE '21	ERWE '22e targets	FMR '22e
Gross rental revenue	7.89	~ 10,0	10.10
EBIT adj.	-4.56	significant increase	2.20
Net income	-10.16	n.a.	-3.70

Source: ERWE, FMR, n.a. = not available

In connection with the further development of some development projects, e.g. in Krefeld or Darmstadt, increasing investments are expected.

New acquisitions in Wuppertal and Bremerhaven: ERWE increased the number of portfolio properties to seven with two new acquisitions in March 2022. This increases the rentable area by around 10,000 m² in Wuppertal and around 5,600 m² in Bremerhaven. C&A is the tenant at both locations and we expect stable rental income of between EUR 1.5 to 1.8m per year in the coming years. Due to the long-term planned mixed use of the spaces, we also expect potential for an increase in value for the properties.

We remain convinced of ERWE Immobilien's strategy of focusing on mixed-use in inner-city locations in "B" cities. We confirm our "BUY" recommendation and our price target of EUR 3.20 per share.

FY End: 31.12.; in EURm	CAGR (20-23e)	2018	2019	2020	2021e	2022e	2023e
Gross rental revenue (GRR)	26.3%	2.8	3.5	5.6	7.9	10.1	11.3
EBIT	8.2%	9.5	11.5	3.9	-4.8	2.2	4.9
Net income	-293.5%	4.9	8.7	0.1	-10.2	-3.7	-0.7
EPS, EUR	-180.0%	0.44	0.50	0.02	-0.53	-0.17	-0.01
EPRA NRV per share, EUR	-4.7%	n.a.	4.77	4.87	4.23	4.19	4.21
Net Debt	8.4%	39.2	64.7	127.6	136.3	156.0	162.4
EV		75.3	101.4	160.3	164.2	172.3	182.2
EV/GRR		27.4	29.3	28.7	20.8	17.1	16.2
EV/EBIT		8.0	8.8	41.0	n.m.	78.0	36.9
Net Debt/EBITDA		4.1	5.5	30.7	n.m.	62.8	31.0

Source: ERWE, FMR

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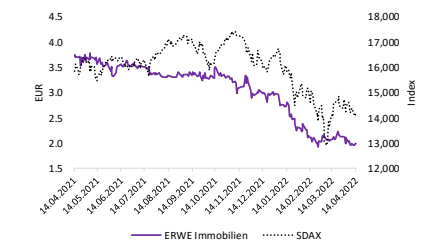
BUY

Before: BUY

Target price **EUR 3.20 (4.00)**
Share price* EUR 1.99 (+61%)

*last closing price Börse Frankfurt

Change	2021e	2022e	2023e
GRR	0.0	0.9	1.1
EBIT	-1.9	-1.0	-0.7
EPS, EUR	0.02	0.00	0.00



Source: Börse Frankfurt, FMR

Basic share data

Number of shares (millions)	18.22
Free float (in %)	22.40%
Market Cap (in EURm)	36.3
Trading vol. (Ø 30 days)	1,280
High (EUR, 52 weeks)	4.02
Low (EUR, 52 weeks)	1.89

Shareholder structure

RW Property Investment GmbH	28.2%
Stapelfeld Beteiligungs GmbH	25.8%
Elbstein AG	12.5%
VGHL Management GmbH	8.1%
Erwe Real Estate GmbH	3.0%

Company calendar

Q1/22 report

Mid/end of May 2022

Analyst

Winfried Becker

Senior Equity Analyst

winfried.becker@fmr-research.de

+49 (0) 69 – 247 42 72 76

Contact

FMR Frankfurt Main Research AG
Kleiner Hirschgraben 10-12
60311 Frankfurt
Germany

+49 (0) 69 – 247 42 72 70

www.fmr-research.de

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Analysis

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Profit & Loss						
EURm	2018	2019	2020	2021e	2022e	2023e
Earnings from property lettings	1.2	1.4	2.6	4.4	6.6	7.7
yoy change		18.4%	92.7%	68.0%	48.8%	17.1%
Gross rental revenue	2.8	3.5	5.6	7.9	10.1	11.3
yoy change		25.9%	61.3%	41.2%	28.0%	11.5%
Expenses from property lettings	-1.6	-2.1	-3.0	-3.5	-3.5	-3.6
yoy change		31.4%	40.8%	17.3%	1.5%	1.0%
Cost of operations	-2.4	-4.9	-9.4	-8.4	-9.0	-9.1
yoy change		102.5%	92.2%	-9.9%	6.7%	1.0%
Fair value adjustments of investment properties	9.6	12.6	6.8	-2.0	3.2	4.8
yoy change		30.9%	-46.0%	-129.6%	-260.0%	50.0%
Other operating income	1.1	0.8	1.2	1.2	1.3	1.4
yoy change		-24.6%	48.4%	-0.2%	6.0%	6.0%
EBIT	9.5	11.5	3.9	-4.8	2.2	4.9
yoy change		21.9%	-66.2%	-222.9%	-146.0%	123.9%
Financial result	-2.1	-3.3	-6.6	-6.7	-6.3	-5.8
as % of EBIT	22.0%	28.7%	168.5%	-140.6%	285.7%	116.8%
EBT	7.4	8.2	-2.7	-11.5	-4.1	-0.8
yoy change		11.4%	n.a.	n.a.	n.a.	-79.8%
Taxes on income	-2.5	0.5	2.8	1.4	0.4	0.1
as % of EBT	33.4%	-5.9%	103.8%	12.0%	10.0%	10.0%
Consolidated net income	4.9	8.7	0.1	-10.2	-3.7	-0.7
yoy change		77.2%	-98.8%	n.a.	n.a.	-79.8%
Minorities	-0.4	-0.4	0.2	1.0	0.6	0.6
Net income after minorities	4.5	8.3	0.3	-9.2	-3.1	-0.1
Number of shares	10.3	16.6	16.6	17.2	18.2	18.2
EPS, EUR	0.44	0.50	0.02	-0.53	-0.17	-0.01

Source: ERWE, FMR

Balance sheet

EURm	2018	2019	2020	2021e	2022e	2023e
Assets						
Non-current assets	106.8	139.6	204.3	208.8	225.1	231.7
as % of total assets	84.0%	85.8%	95.0%	95.0%	95.6%	95.0%
Property, plant and equipment and intangible assets	0.2	1.5	1.4	1.3	1.3	1.3
Investment properties	101.9	131.9	192.7	196.6	212.3	218.7
Interest in at-equity companies	4.6	6.2	8.8	9.5	10.1	10.4
Current assets	20.3	23.0	10.8	10.9	10.3	12.1
as % of total assets	16.0%	14.2%	5.0%	5.0%	4.4%	5.0%
Trade receivables and other receivables	0.2	0.3	0.6	0.6	0.6	0.6
Other receivables	0.0	0.6	1.0	1.0	1.0	1.0
Other financial assets	0.0	1.9	0.0	0.0	0.0	0.0
Other assets	1.0	1.0	1.3	1.2	1.3	1.2
Income tax receivables	0.0	0.1	0.0	0.0	0.0	0.0
Cash and cash equivalents	19.2	19.1	8.0	8.1	7.5	9.4
Total Assets	127.1	162.6	215.2	219.8	235.5	243.9
Shareholder's equity and liabilities						
Total equity	49.6	58.3	58.4	53.4	49.7	49.0
as % of total assets	39.0%	35.8%	27.1%	24.3%	21.1%	20.1%
Share capital	16.6	16.6	16.6	18.2	18.2	18.2
Capital reserve	11.0	11.0	11.0	14.6	14.6	14.6
Revenue reserves	14.4	14.4	14.4	14.4	14.4	14.4
Accumulated net profit	4.5	12.7	13.0	3.8	0.7	0.6
Equity allocatable to shareholders	46.5	54.7	54.9	50.9	47.8	47.7
Non-controlling interest	3.1	3.6	3.4	2.5	1.9	1.3
Non-current liabilities	57.2	87.6	72.6	79.8	102.2	108.4
as % of total assets	45.0%	53.9%	33.7%	36.3%	43.4%	44.5%
Financial debt	41.5	69.7	56.5	63.6	85.8	91.8
Leasing liabilities	0.0	2.6	2.2	2.2	2.3	2.4
Deferred tax liabilities	15.7	15.3	12.5	12.5	12.5	12.5
Current liabilities	20.3	16.7	84.2	86.5	83.5	86.5
as % of total assets	16.0%	10.3%	39.1%	39.4%	35.5%	35.5%
Financial debt	16.8	13.7	79.1	80.9	77.7	80.0
Trade paybles	2.1	0.9	1.9	2.4	2.5	2.8
Leasing liabilities	0.0	0.4	0.4	0.4	0.4	0.4
Other liabilities	1.2	1.7	2.8	2.9	2.9	3.2
Total equity and liabilities	127.1	162.6	215.2	219.8	235.5	243.9

Source: ERWE, FMR

Cash flow statement

EURm	2018	2019	2020	2021e	2022e	2023e
EBT	7.4	8.2	-2.7	-10.2	-4.1	-0.8
Depreciation	0.0	0.2	0.2	0.3	0.3	0.3
Fair Value adjustments	-9.6	-12.6	-6.8	2.0	-3.2	-4.8
At-Equity valued companies	0.0	-1.6	-2.6	0.0	-0.1	-0.1
Net Working Capital	1.4	-0.6	-4.3	-9.2	-3.2	-0.5
Interest and taxes	-1.3	-3.1	-6.6	0.0	0.0	0.0
Other non-cash income/expenses	-0.6	3.3	6.6	6.7	6.3	5.8
CF from operating activities	-1.4	-6.2	-9.5	-10.3	-4.1	-0.2
Non-current assets	0.5	0.0	0.0	0.0	0.0	0.0
Investment in investment properties	-13.5	-14.7	-54.3	-3.9	-15.7	-6.4
Investments in PPE	-0.1	-0.6	-0.2	0.0	0.0	0.0
Investments in equity instruments of other companies	-3.8	-0.1	-1.3	0.0	0.0	0.0
CF from investing activities	-17.0	-15.4	-56.2	-3.8	-15.7	-6.4
Capital deposits	18.0	-0.6	0.0	5.3	0.0	0.0
Repayment of finance lease liabilities	0.0	-0.2	-0.5	0.1	0.1	0.1
Taking up of financial debt	17.0	51.1	55.1	8.9	19.0	8.3
Repayment of financial debt	-2.3	-28.8	0.0	0.0	0.0	0.0
CF from financing activities	32.6	21.5	54.6	14.3	19.1	8.5
Change in cash and cash equivalents	14.3	-0.1	-11.1	0.2	-0.6	1.9
Cash at the start of the period	4.9	19.2	19.1	8.0	8.1	7.5
Cash at the end of the period	19.2	19.1	8.0	8.1	7.5	9.4

Source: ERWE, FMR

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main
- d) Previous analyses: No analysis was published in the 12 months before publication of this analysis that contains a recommendation for a specific investment decision which contradicts this analysis.
- e) The analysis was made available to the issuer, to the extent that is legally permissible, before publication and was not amended thereafter.
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(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
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ERWE Immobilien AG	vi
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Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date (EUR)	Price target (EUR)
16.11.2020	BUY	4.36	4.80
18.12.2020	BUY	4.16	4.80
17.03.2021	BUY	3.78	4.80
12.04.2021	BUY	3.82	4.20
18.05.2021	BUY	3.62	4.20
10.09.2021	BUY	3.36	4.00
17.03.2022	BUY	2.12	3.20
19.04.2022	BUY	1.99	3.20

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FMR Frankfurt Main Research AG

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b) Issuers

Winfried Becker, Senior Equity Analyst

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BUY: In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

HOLD: In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

Sell: In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

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