

ERWE Immobilien AG

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

50% stake at peko group

Stake in peko Group: Yesterday, 17.12, ERWE announced that it acquired a strategic 50% stake in peko group. The company has expertise across the full spectrum of real estate development, focusing on the retail, office and residential segments. Through its subsidiaries, it covers not only the revitalization and conversion of existing buildings, but also the complete planning of properties, project management and constructional realization as a general contractor.

Future cooperation: The investment in peko will be made through a capital increase and payment into the capital reserve, which ERWE will underwrite alone. We regard this step as an important strategic decision. As the two companies have already worked together on several projects (e.g. Speyer. Lübeck), they have a strong partnership and have proven that they work well together. Through this participation, we believe that synergies could arise and processes could be further simplified. In addition, ERWE expects that they will be able to respond more quickly to tenants' conversion requests and to implement the concepts in terms of planning and technology.

We remain convinced that ERWE has significant growth opportunities and could further benefit from process simplifications and synergies through the acquisition. **Therefore, we confirm our price target of EUR 4.80 and maintain our BUY recommendation.**

Published: 18.12.2020

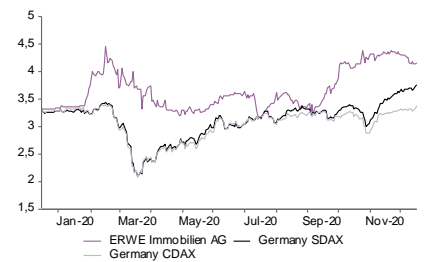
BUY

Before: BUY

Target price EUR 4.80 (4.80)
Share price* EUR 4.16 (15%)

*last XETRA closing price

Change	2020e	2021e	2022e
NOI	-	-	-
EBIT	-	-	-
NAV/share	-	-	-



Basic share data

Number of shares (millions)	16.6
Free float (in %)	21%
Market Cap (in EUR)	68.9
Trading vol. (Ø 30 days)	1.7T
High (Euro, 52 weeks)	4.52
Low (Euro, 52 weeks)	3.02

Shareholder structure

Familie Harloff	33.7%
Familie Weitzel	33.7%
Elbstein AG	11.4%
Free Float, others	21,2%

Company calendar

N/A

Analysts

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FY End: 31.12.; in Euro	CAGR (19-22e)	2017	2018	2019	2020e	2021e	2022e
NOI	77.0%	-	1.2	1.4	2.9	5.4	7.6
EBIT	1.3%	-	9.5	11.5	8.9	10.9	12.0
Net profit	-25.1%	-	4.5	8.3	2.0	2.2	3.5
EPS (EUR)	-25.1%	-	0.44	0.50	0.12	0.13	0.21
NAVPS	4.5%	-	4.03	4.22	4.59	4.78	5.05
Net Debt	36.3%	-	39.2	67.3	105.4	143.8	170.3
EV	-	-	75.3	101.4	165.6	187.9	213.3
EV/Sales	-	-	65.3	74.2	56.8	34.5	28.2
EV/EBIT	-	-	8.0	8.8	18.5	17.2	17.8
Net Debt/EBITDA	-	-	4.1	5.8	11.8	13.2	14.2

Source: ERWE Immobilien. FMR

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Appendix

Profit & Loss

in mEUR	2018	2019	2020e	2021e	2022e
Earnings from property lettings	1.2	1.4	2.9	5.4	7.6
yoy change		18.4%	113.6%	86.7%	39.1%
Gross rental revenue	2.8	3.5	4.9	7.6	9.9
yoy change		25.9%	42.6%	53.2%	30.9%
Expenses from property lettings	-1.6	-2.1	-2.0	-2.1	-2.3
yoy change		31.4%	-3.5%	5.0%	10.0%
Cost of operations	-2.4	-4.9	-8.5	-9.1	-9.7
yoy change		102.5%	74.3%	7.7%	6.5%
Fair value adjustments of investment properties	9.6	12.6	11.9	11.9	11.3
yoy change		30.9%	-5.0%	0.0%	-5.0%
Other operating income	1.1	0.8	0.9	1.0	1.1
yoy change		-24.6%	10.0%	10.0%	10.0%
EBIT	9.5	11.5	8.9	10.9	12.0
yoy change		21.9%	-22.7%	22.4%	9.8%
Financial result	-2.1	-3.3	-6.5	-7.1	-6.4
as % of EBIT	22.0%	28.7%	72.4%	65.1%	53.4%
EBT	7.4	8.2	2.5	3.8	5.6
yoy change		11.4%	-70.1%	55.0%	46.8%
Taxes on income	-2.5	0.5	0.0	-1.1	-1.7
as % of EBT	33.4%	-5.9%	0.0%	30.0%	30.0%
Consolidated net income	4.9	8.7	2.5	2.7	3.9
yoy change		77.2%	-71.7%	8.5%	46.8%
Minorities	-0.4	-0.4	-0.4	-0.4	-0.4
Net income attributable to shareholders	4.5	8.3	2.0	2.2	3.5
Number of shares	10.3	16.6	16.6	16.6	16.6
EPS	0.44	0.50	0.12	0.13	0.21

Source: ERWE Immobilien AG, FMR

Balance sheet

in mEUR	2018	2019	2020e	2021e	2022e
Assets					
Non-current assets	106.8	139.6	186.4	231.6	269.1
as % of total assets	84.0%	85.8%	87.7%	96.4%	98.4%
Property, plant and equipment and intangible assets	0.2	1.5	1.9	2.5	3.3
Investment properties	101.9	131.9	178.1	222.6	259.3
Interest in at-equity companies	4.6	6.2	6.4	6.4	6.4
Current assets	20.3	23.0	26.1	8.6	4.3
as % of total assets	16.0%	14.2%	12.3%	3.6%	1.6%
Trade receivables and other receivables	0.2	0.3	0.3	0.3	0.3
Other receivables	0.0	0.6	0.6	0.4	0.3
Other financial assets	0.0	1.9	0.0	0.0	0.0
Other assets	1.0	1.0	1.0	1.1	1.1
Income tax receivables	0.0	0.1	0.0	0.0	0.0
Cash and cash equivalents	19.2	19.1	24.1	6.7	2.6
Total Assets	127.1	162.6	212.5	240.2	273.4
Shareholder's equity and liabilities					
Total equity	49.6	58.3	60.7	63.4	67.3
as % of total assets	39.0%	35.8%	28.6%	26.4%	24.6%
Share capital	16.6	16.6	16.6	16.6	16.6
Capital reserve	11.0	11.0	11.0	11.0	11.0
Revenue reserves	14.4	14.4	14.4	14.4	14.4
Accumulated net profit	4.5	12.7	14.8	17.0	20.5
Equity allocatable to shareholders	46.5	54.7	56.7	58.9	62.4
Non-controlling interest	3.1	3.6	4.0	4.5	4.9
Non-current liabilities	57.2	87.6	87.1	103.1	124.6
as % of total assets	45.0%	53.9%	41.0%	43.0%	45.6%
Financial debt	41.5	69.7	68.3	82.0	100.0
Leasing liabilities	0.0	2.6	2.6	2.7	2.8
Deferred tax liabilities	15.7	15.3	15.3	15.8	16.3
Current liabilities	20.3	16.7	64.7	73.6	81.5
as % of total assets	16.0%	10.3%	30.4%	30.6%	29.8%
Financial debt	16.8	13.7	61.2	68.5	72.9
Trade payables	2.1	0.9	1.1	1.7	3.0
Leasing liabilities	0.0	0.4	0.5	0.6	0.8
Other liabilities	1.2	1.7	1.9	2.8	4.9
Total equity and liabilities	127.1	162.6	212.5	240.2	273.4

Source: ERWE Immobilien AG, FMR

Cash flow statement

in mEUR	2018	2019	2020e	2021e	2022e
EBT	7,4	8,2	2,5	3,8	5,6
Depreciation	0,0	0,2	0,3	0,3	0,4
Fair Value adjustments	-9,6	-12,6	-11,9	-11,9	-11,3
At-Equity valued companies	0,0	-1,6	0,2	0,0	0,0
Net Working Capital	1,4	-0,6	3,1	3,3	6,1
Interest and taxes	-1,3	-3,1	-0,1	0,5	0,6
Other non-cash income/expenses	-0,6	3,3	6,5	7,1	6,4
CF from operating activities	-1,4	-6,2	0,5	3,1	7,6
Non-current assets	0,5	0,0	5,5	4,0	3,5
Investment in investment properties	-13,5	-14,7	-46,2	-44,5	-36,7
Investments in PPE	-0,1	-0,6	-0,7	-1,0	-1,2
Investments in equity instruments of other companies	-3,8	-0,1	-0,2	0,0	0,0
CF from investing activities	-17,0	-15,4	-41,6	-41,6	-34,4
Capital deposits	18,0	-0,6	0,0	0,0	0,0
Repayment of finance lease liabilities	0,0	-0,2	0,0	0,0	0,0
Taking up of financial debt	17,0	51,1	46,2	21,1	22,6
Repayment of financial debt	-2,3	-28,8	0,0	0,0	0,0
CF from financing activities	32,6	21,5	46,2	21,1	22,6
Change in cash and cash equivalents	14,3	-0,1	5,1	-17,4	-4,2
Cash at the start of the period	4,9	19,2	19,1	24,1	6,7
Cash at the end of the period	19,2	19,1	24,1	6,7	2,6

Source: ERWE Immobilien AG, FMR

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- b) Time conditions of expected updates: quarterly
- c) Supervisory authority: Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Lurgallee 12, 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.
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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

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Recommendation history over last 12 months:

Date	Recommendation	Share price at publication date	Price target
30.09.2020	BUY	3.78	4.50
09.10.2020	BUY	4.14	4.50
16.11.2020	BUY	4.36	4.80
18.12.2020	BUY	4.16	4.80

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FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court;
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b) Issuers

Mariya Lazarova, Analyst

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Investment recommendation details - stocks:

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.**6. Sensitivity of the evaluation parameters**

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