

■ **Price (Euro)** **2.26**
52 weeks range 6.90 / 1.99

■ **Key Data**

ISIN DE000A0KFKB3
Bloomberg E7S:GR
Reporting standard IFRS
Market Cap (Euro million) 73
Number of shares (million) 32.4
Free Float 12.1%
Free Float Market Cap (Euro million) 9
CAGR EBIT ('21 -'24e) -22.3%

■ **Multiples**

	2021	2022e	2023e	2024e
Market Cap / Total revenues	1.5	2.0	4.0	3.3
PE-Ratio	6.2	-7.9	-3.4	-5.9
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Price-to-Book-Ratio	0.28	0.29	0.32	0.34

■ **Key Data per share (Euro)**

	2021	2022e	2023e	2024e
Earnings per share (EPS)	0.37	-0.29	-0.67	-0.38
Dividend per share (DPS)	0.00	0.00	0.00	0.00
Book Value per Share (BVPS)	8.03	7.75	7.08	6.70

■ **Financial Data (Euro '000)**

	2021	2022e	2023e	2024e
Capital gains from property sales	47,791	35,911	18,330	22,183
Net rental income	7,018	2,137	5,647	5,654
Net service income	1,946	265	865	1,333
Operating profit (EBIT)	45,164	8,027	8,875	16,501
Net interest income	-20,515	-18,469	-27,565	-25,397
Pre-tax profit (EBT)	20,597	-8,940	-18,147	-8,274
Income taxes	-7,470	-23	-1,532	-1,806
Net profit after Minorities	11,845	-9,315	-21,712	-12,433
Shareholders' equity (Euro million)	862	929	881	793
Privatization Portfolio (Euro million)	360	310	275	221
RoE (after tax)	4.7%	-3.6%	-9.0%	-5.6%
Equity ratio	28.0%	28.5%	28.9%	31.1%

■ **Main Shareholders**

Brookline Real Estate S.a.r.l. 83.1%
Adler Real Estate AG 4.8%

■ **Financial calendar**

2022 Annual Report 28 April 2023
1Q 2023 report 31 May 2023

■ **Analysts**

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ACCENTRO resolves refinancing issue with extension of bonds – 2022 guidance revised, P&L estimates for coming years adjusted due to restrictions and market environment – Target down to 7.00 Euros, still Buy

The firm reported some good news last Friday, on 16 December, regarding the upcoming maturity of the Euro 250m 2020/23 bond in February 2023. Here, the company reached an agreement with a group of bondholders representing about 56% to extend and thus refinance the in February 2023 maturing bond for three years, subject to certain adjustments to the conditions and the appointment of a second member to the management board. The interest rate of the bond will be lifted by 2 percentage points to 5.625%, which is a very good result at the current market conditions for a company like ACCENTRO in our opinion. The lock-up agreement on the other hand however also includes certain conditions that will clearly impact the operations and the growth of the coming years. Furthermore, the 2021/26 bond is also supposed to be adjusted and extended for three years soon.

Already on 29 November, ACCENTRO released an ad-hoc news stating that the full-year guidance needs to be revised due to a demanding market environment and released the report for the first nine months the next morning. Revenues of the first three quarters amounted to about Euro 145m and are up more than 15% from last year's number of Euro 125m. Capital gains from property sales amounted to almost Euro 34m, translating into a margin of 25.8%. Net rental income amounted to Euro 118k, significantly below last year's number of Euro 3.1m. This was on the one hand caused by lower letting revenues due to sales from the privatization portfolio, but also due to increased letting expenses resulting from higher maintenance costs. Looking at the investment property portfolio on a stand-alone basis however, a hike of more than 47% in rental income was realized, driven by successful lettings and further acquisitions. Net service income stood at almost Euro 300k. The interim result all in all came in at Euro 35.4m compared to last year's number of Euro 33.5m. While last year recorded a valuation result of Euro 16.4m, this year has not seen any valuation result so far and it remains to be seen what the valuation result will be at year-end. For now, we set our expectation at zero. The firm's EBIT of the first three quarters amounted to Euro 9.6m, down from last year's number of Euro 31.0m. Due to a net interest result of Euro -14.4m, which shows an improvement compared to last year's number of Euro -16.7m, the EBT and the bottom line after minorities turned red and stood at Euro -4.6m and Euro -7.1m respectively (9M 2021: Euro 14.3m and Euro 8.1m). Due to the developments in the second half of 2022, the firm decided to revise its full-year guidance and now expects revenues to be in a range of Euro 160m to Euro 170m instead of Euro 200m to Euro 220m and the EBIT to be between Euro 8m and Euro 10m compared to the previous range of Euro 45m to Euro 50m. Here, the company stated that demand slowed dramatically, both among private customers and institutional investors. We in turn also significantly reduced our estimates and now expect revenues to be at Euro 167m and an EBIT of Euro 8m. We furthermore decided to also clearly cut our estimates for the coming years.

The agreement with the bondholders is good news and gives the firm a much needed relieve. We see the redemption conditions as very manageable in the coming years and thus see no longer a high level of refinancing risk. This should also clearly help the share to recover, as this topic has clearly put a lot of pressure on the share in our opinion in addition to the already turbulent market environment. Nevertheless, with the development of the markets and the new restrictions from the extension of the bond, we clearly revised our P&L estimates for 2022 and the coming years. Our valuation now results in a fair value of about Euro 7.00 for the share of ACCENTRO, which is also our new target price. We confirm our Buy rating at the still very low share price level.

ACCENTRO Real Estate AG

Industry:	Real Estate	Management Board of ACCENTRO:
Sub-segment:	Residential	Lars Schriewer
Region:	Germany	
Headquarter:	Berlin	
Foundation	2006	
Employees:	118	Supervisory Board of ACCENTRO:
		Axel Harloff
IR Contact:		Carsten Wolff
Thomas Eisenlohr		Natig Ganiyev
Eisenlohr@accentro.de		

ACCENTRO Real Estate AG is a leading company for privatization of residential properties in economically strong regions in Germany, as well as for the marketing and sales for property investors and project developers. Furthermore, the company has buildup an investment portfolio for the own book. The company's strongest focus is on the city of Berlin, but has recently expanded into growth markets such as the Leipzig area or Hamburg and North Rhine Westphalia.

Accentro GmbH was founded in 1999 and in 2011 became a subsidiary of Estavis AG, which was formed in 2006 and was renamed to ACCENTRO Real Estate AG in 2015. The firm has a focus on the German residential market since more than 15 years. Over the recent years ACCENTRO managed to build up a strong track record. Since 2009, more than 18,000 apartments with a volume of with a volume of more than Euro 1.8bn have been sold and the inventory portfolio has significantly been expanded from Euro 155m book value in 2015 to almost Euro 410m at FY 2020. At year-end 2020, about 5,200 units are on the firm's balance sheet after the firm made some significant acquisitions in the second half of last year. Furthermore, the strong sales cooperations with investors and developers offer the company further potential for a rise in revenues in the coming years. The financial position of the company shows an equity ratio of 28.4% and a LTV of 55.3% at 9M 2022.

For the current year 2022, the company revised its full-year guidance and now expects revenues to be in a range between Euro 160m and Euro 170m and EBIT in a range of Euro 8m to Euro 10m.

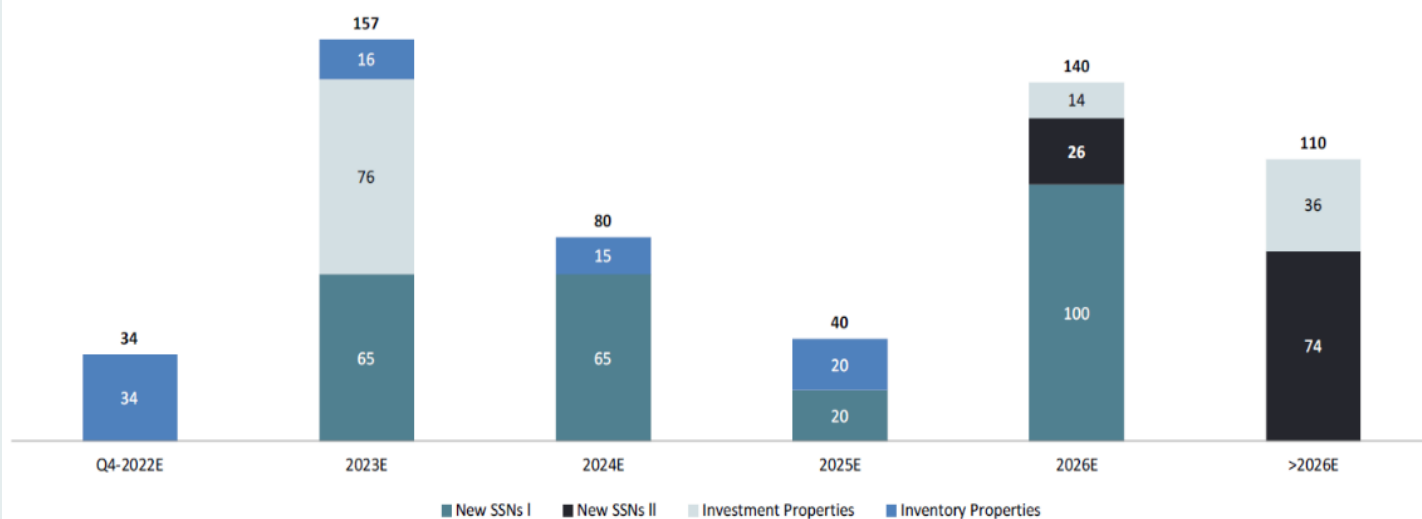
	FY 2018	FY 2019	FY 2020	FY 2021
Apartments sold (units)	440	463	420	761
thereof Berlin	68%	59%	65%	75%
thereof Rest of Germany	32%	41%	35%	25%
thereof Owner Occupiers	32%	41%	49%	40%
thereof Buy-to-Let	68%	59%	51%	60%
Transaction value (m €)	79.2	109.8	118.7	246.5

Source: Company Data, SRC Research

Extension of 2023 and 2026 bonds provides relieve for the company, but operations impacted in the coming years

The firm announced on 16 December, that an agreement was reached with the bondholders of the bond maturing in February 2023 to extend the maturity for 3 years until February 2026. The agreement was already made with about 56% of the bondholders. This agreement is subject to several customary conditions and to the appointment of a second member to the management board. Furthermore, the 2026 bond is also supposed to be extended for three years and the terms will also be adjusted

With the prolongation of the bond, some terms will be adjusted and some terms will be added. The coupon of both bonds are to be increased by 200 basis points to 5.625% for the 2023 bond and to 6.125% for the 2026 bond respectively. Furthermore, each year following the original maturity, a contractually guaranteed minimum cumulative redemption is to be made by ACCENTRO, which in turn reduces the outstanding amount of the bonds each year. We see this as a good term and believe that the annual redemption amounts are very manageable by the firm. Thus, the pro forma debt maturity profile will be more evenly split as can be seen below.



Source: ACCENTRO Cleansing Deck Presentation

Furthermore, if the company is to sell from their investment property portfolio, the firm is also obligated to make a mandatory redemption, which is however creditable against the guaranteed annual redemptions.

Looking at the covenants, a certain tightening can be seen. The maintenance covenants are now at 65% consolidated LTV (current level 57%) and 30% AssetCo LTV (current level 21%), which replaces the existing secured LTV covenant. Furthermore, the firm is not allowed to take on any other financial indebtedness on the company level and a total of Euro 225m of general permitted financial indebtedness across the AssetCo level. Also, no dividend distributions or share buy-backs are allowed.

Some covenants now also apply to disposals and acquisitions. Here, all disposals from the investment portfolio must at least include a 90% cash consideration and must be at least at market fair market value. Furthermore, it must be a structured sales process for disposals above Euro 10m. Regarding new inventory property acquisitions, considerations cannot be above fair market value. Acquisitions for the inventory portfolio are furthermore limited until certain repayment thresholds were reached. As for the investment properties, the firm is not allowed to add any new properties to the portfolio until 80% of the 2023 bond's nominal value have been repaid. Regarding the service segment, all activities are limited to Euro 65m on a rolling basis per year. All the mentioned limitations will clearly impact the operations in the coming years and we will accordingly consider these impacts in our P&L estimates.

Looking at the impacts regarding the management, one of the conditions of the transaction is that a second member will be added to the management board of the firm. While there is no clear timeline or deadline for that step, we believe that we will hear news in that regard in the first half of 2023. The incentive program for the management is furthermore being recalibrated to emphasize asset disposals, which in turn will be used to repay the bonds.

Further implications of the extension of the 2023 and 2026 bonds are that the two bonds are no longer unsecured. The two bonds are now secured by a comprehensive securities package on a pari passu basis, governed by a new bondholder agreement.

ACCENTRO Real Estate AG 31/12 IFRS ('000)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
Revenues from sales of inventory properties	129,503	112,397	172,847	148,258	95,324	120,547	
Expenses from sales of inventory properties	-99,661	-92,772	-125,056	-112,347	-76,994	-98,364	
Capital gains from property sales	29,842	19,625	47,791	35,911	18,330	22,183	-17.5%
Letting revenues	10,261	10,351	17,069	17,214	18,234	13,788	
Letting expenses	-3,743	-5,496	-10,051	-15,077	-12,587	-8,134	
Net rental income	6,518	4,855	7,018	2,137	5,647	5,654	-5.3%
Revenues from services	3,510	2,434	2,830	1,452	2,563	3,876	
Expenses from services	-1,147	-1,563	-884	-1,187	-1,698	-2,543	
Net service income	2,363	871	1,946	265	865	1,333	-9.0%
Other operating income	1,207	1,699	1,269	1,420	1,742	1,469	
Gross profit or loss	39,930	27,050	58,025	39,733	26,584	30,639	-14.8%
Net revaluation result	11,399	28,367	18,988	563	1,288	1,655	
Total payroll and benefit costs	-5,835	-9,048	-10,257	-10,967	-8,244	-6,947	
Depreciation and amortisation	-731	-863	-1,434	-2,234	-2,514	-2,776	
Impairments of inventories and accounts receivable	-123	-124	-1,799	-4,356	-200	-237	
Other operating expenses	-6,079	-10,717	-18,359	-14,712	-8,039	-5,833	
Earnings before interest and taxes (EBIT)	38,561	34,665	45,164	8,027	8,875	16,501	-22.3%
Net income from associates	1,244	102	388	1,455	511	567	
Other income from investments	36	36	60	47	32	55	
Equity Investments and equity interest accounted for using the equity method	0	0	-4,500	0	0	0	
Interest income	4,854	11,256	4,850	4,954	2,581	3,477	
Interest expenses	-12,207	-21,746	-25,365	-23,423	-30,146	-28,874	
Net interest income	-7,353	-10,490	-20,515	-18,469	-27,565	-25,397	
Profit/loss before taxes (EBT)	32,488	24,313	20,597	-8,940	-18,147	-8,274	
Income taxes	-6,189	-6,258	-7,470	-23	-1,532	-1,806	
Consolidated income	26,299	18,055	13,127	-8,963	-19,679	-10,079	
Minorities	168	-1,488	-1,282	-352	-2,033	-2,354	
Net profit/loss after minorities	26,467	16,567	11,845	-9,315	-21,712	-12,433	
Number of shares ('000)	32,438	32,438	32,438	32,438	32,438	32,438	
Earnings per share (EPS)	0.81	0.51	0.37	-0.29	-0.67	-0.38	
Dividend per share (DPS)	0.00	0.00	0.00	0.00	0.00	0.00	
Shareholders' Equity	220,811	247,101	260,637	251,322	229,610	217,177	-4.5%
Balance Sheet sum	580,757	861,987	929,466	881,364	793,228	698,040	
Equity Ratio	38.0%	28.7%	28.0%	28.5%	28.9%	31.1%	
RoE (after tax)	12.6%	7.1%	4.7%	-3.6%	-9.0%	-5.6%	
Privatisation Portfolio (Euro million)	389	418	360	310	275	221	
Book Value per share (Euro)	6.81	7.62	8.03	7.75	7.08	6.70	-4.5%

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Rating chronicle:

ACCENTRO	1 September 2022	Buy	3.60 €	10.00 €
ACCENTRO	5 July 2022	Buy	3.74 €	10.00 €
ACCENTRO	31 May 2022	Buy	4.20 €	12.00 €
ACCENTRO	9 May 2022	Buy	4.40 €	12.00 €
ACCENTRO	6 Dezember 2021	Buy	6.70 €	14.00 €
ACCENTRO	30 November 2021	Buy	6.30 €	14.00 €
ACCENTRO	10 November 2021	Buy	6.85 €	14.00 €
ACCENTRO	8 October 2021	Buy	6.05 €	12.00 €
ACCENTRO	1 September 2021	Buy	7.00 €	12.00 €

Please note:

The share price mentioned in this report is from 16 December 2022. ACCENTRO Real Estate AG mandated SRC Research for covering the share.

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