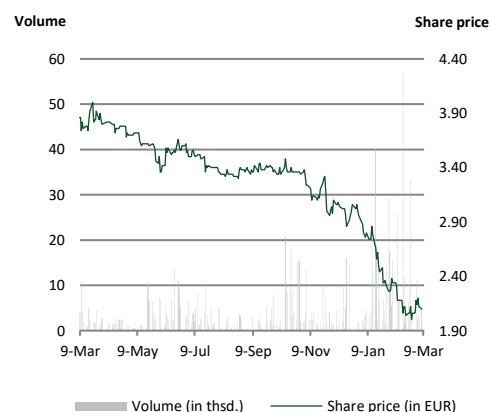


Recommendation: Buy**Price target:** 3.60 Euro (prior: 4.00 Euro)**Upside potential:** +71 Percent**Share data**

Share price	2.10 Euro ^(Xetra)
Number of shares (in m)	18.22
Market cap. (in EUR m)	38.3
Enterprise Value (in EUR m)	174.7
Code	ERWE
ISIN	DE000A1X3WX6

Performance

52 week high (in EUR)	4.02
52 week low (in EUR)	1.89
3 M relative to SDAX	-12.6%
6 M relative to SDAX	-18.5%

**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%
Streubesitz	22.4%

Calendar

Annual Report 2021	March/April 2022
Q1 results	May 2022

Change in estimates

	2021e	2022e	2023e
Sales (old)	-	-	-
Δ in %	-	-	-
EBIT (old)	-	-	-
Δ in %	-	-	-
EPS (old)	-	-	-
Δ in %	-	-	-

Analyst

Patrick Speck
+49 40 41111 37 70
p.speck@montega.de

Publication

Comment 10 March 2022

ERWE's recent news flow is characterized by highs and lows

ERWE has released preliminary figures for FY 2021. Negative valuation effects led to a significantly negative result after tax, while the operating result was in line with expectations. Today, the company also announced the acquisition of a retail property in Wuppertal, Germany.

Significant increase in gross proceeds: ERWE increased the gross rental income by some 41% to EUR 7.89m, which is the lower end of the projected guidance of between EUR 7.8m and EUR 8.5m (previous year: EUR 5.59m). This implies that the momentum in the final quarter will remain at the level seen over the whole year (Q4: +43% to EUR 2.29m). In addition to the base effect from the new objects acquired in the previous year, new rental contracts also made a positive contribution.

Valuation effects lead to annual loss: Income from the fair value measurement of investment properties came in at EUR -1.78m (PY: EUR 6.79m; 9M/21: EUR 5.40m) though, leading to a negative figure for the full year. This can be put down to non-cash effects due to the revaluation of retail and hotel space, especially at the Postgalerie Speyer location where the Amedia hotel group is the anchor tenant alongside H&M Fashion Store. The commissioned appraisers took account of the continuing negative effects of the Covid-19 pandemic and the resulting impact on the hotel industry and the stationary retail as well as the still rising construction costs. Accordingly, ERWE posted a negative result after tax of EUR -9.72m (PY: EUR 0.10m; 9M/21: EUR -2.11m) despite an improved operating result. Based on the lower value of the investment property, the loan-to-value increased to 68.2% (PY: 63.3%; 9M/21: 63.5%). ERWE is scheduled to release final results late in March or early in April 2022.

Further acquisition: Despite the headwinds from Covid-19, ERWE pushes the acquisition and revitalization of monothematic inner city properties. Today, the company announced the acquisition of a property in a prime inner city location in Wuppertal, Germany. The building has a rental area of almost 10,000 square meters and is fully leased to C&A on a long-term basis, suggesting the generation of continuing stable margins. Based on the location and quality, a mixed-use concept should also provide attractive potential for valuation gains. We therefore believe that ERWE would welcome an early adjustment of the letting arrangements. Additionally, the company held out the prospect of further acquisitions in 2022. The liquid funds available as per 31 December amounted to EUR 8.57m (PY: EUR 7.96m). Having in mind the progressing structural transformation in the inner cities, the announced plans to double the property portfolio within 2 to 3 years (book value EUR 200.6m as per 30.09.) and ERWE's long-term track record of a usual increase in value of >30%, we continue to consider the investment case as very promising. However, the EPRA NRV (recently: EUR 4.73) which is crucial for our valuation should have declined further due to the company's negative results and the corresponding lower equity base. Given the lack of updated balance sheet figures, this development is accounted for with a higher valuation discount of 25% (previously: 15%).

Conclusion: Progress in operating results has been offset by negative valuation effects. However, we consider this a temporary Covid-19 effect which should also be reflected in further opportunities for attractive acquisitions. We confirm our buy rating with a new price target of EUR 3.60 (previously: EUR 4.00).

NRV-Valuation ERWE Immobilien AG

Valuation as of 30.09.2021

Equity	62.63
Non-controlling interests	-3.27
Deferred tax liabilities	15.81
Property acquisition tax on investment properties	11.93
= Net Reinstatement Value of the portfolio	86.09
/ Shares	18.22
= NRV per share	4.73
minus safety margin	25%
Target price	3.60

Source: Company, Montega, CapitalIQ

Figures in EUR m; NRVPS in Euro

COMPANY BACKGROUND

ERWE Immobilien AG (ERWE) is a project developer and portfolio holder which has been listed on the stock exchange since 2018. The company is focused on the acquisition, development, and revitalization of commercial properties in inner city locations in Germany. ERWE Immobilien AG originates from a non-cash contribution of the predecessor company (ERWE Immobilien GmbH, founded in 2007) into the shell company of DeTeBe AG. The latter changed its name into ERWE Immobilien AG.

Business activities are focused on the acquisition of office, hotel and retail properties in promising locations which are attractively priced due to high vacancy rates and whose value growth can be sustainably exploited (so-called value-add objects). By implementing new utilization concepts and repositioning the properties in the market, vacancy rates are reduced and the potential for valuation gains is raised ($\emptyset > 30\%$). In regional terms, ERWE focuses on commercial properties in heavily frequented areas (prime locations) of small and medium-sized towns and cities (>10k inhabitants). ERWE currently has a property portfolio of 9 objects with a broadly diversified mixed-used concept (habitation, offices, parking spaces) and a participating interest with a cumulated book value of EUR 200.6m (as of 30 September). ERWE Invest, the company's subsidiary, provides development and management services to third parties and offers institutional investors the possibility to invest in attractive properties and participate in the structural transformation of inner cities.

ERWE follows a strategy of buy/develop/hold and covers a wide range of services along the entire value chain. In view of the current positive market environment, the resultant strong acquisition pipeline and the positioning in a strongly growing niche, the company is expected to massively benefit from the increased importance of new utilization concepts over the next few years. Additionally, the future success of ERWE Immobilien will primarily be driven by the following factors:

- Sustainable changes in the usage behavior of consumers (e-commerce, home office, etc.) accelerate the structural transformation in inner cities and necessitate innovative ways of using properties previously put to monothematic use (e.g. major department stores)
- Structural changes in inner cities and a high vacancy rate prompt municipalities to make planned inner cities and pedestrian areas more attractive to maintain visitor numbers, and to respond flexibly to the changing requirements with the help of mixed-use concepts (co-working spaces, micro apartments, amongst others).
- Focus on investments in the niche leads to manageable competition, high purchase yields and advantageous financing conditions so that the acquisition pipeline is well filled

Key Facts

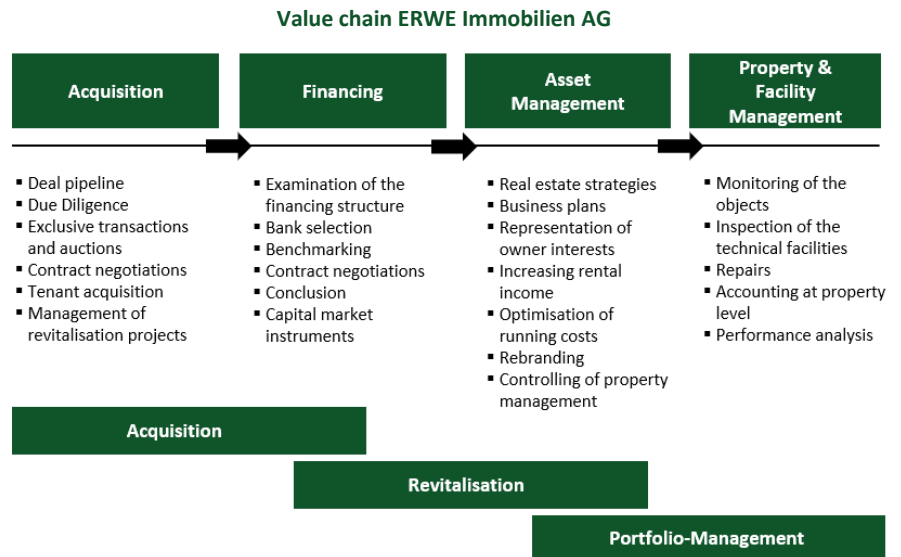
Sector	Real Estate	Rental income	5.60 Mio. Euro
Ticker	ERWE	NRV	86.09 Mio. Euro
Employees	41 Employees	NRV per share	4.73 Euro
Business model	Project developer and portfolio holder for inner-city commercial properties in A-locations of small and medium-sized cities with 10,000 inhabitants and more		
Core competence	Revitalisation and repositioning of properties through reallocation and project development		
Tenant structure	Mixed use, but mainly long-term oriented, solvent clients (a.o. city administration, hotels)		

Source: Company, Montega

Status: 30.09.2021

Service offering

As a property holder and project developer, ERWE pursues a buy/develop/hold strategy. Although ERWE covers the entire value chain, the current focus is on development and/or repositioning and on the acquisition of promising objects in line with the path taken by the company.



Source: Company

As part of the growth path, ERWE pursues a selective investment strategy based on the four investment criteria below:

- **Type of objects:** Exclusive acquisition of commercial properties such as office and hotel buildings as well as retail objects in inner city locations. The company prefers niche properties in prime locations of German towns and cities with more than 10,000 inhabitants, which have high visitor numbers, high density of shops and excellent transport connections.
- **Investment volume:** The sweet spot for investments is between EUR 10m and 20m to reduce administrative expenses and to make optimal use of existing resources. The targeted loan-to-value (LTV) is some 60% given a well-balanced financing mix.
- **Expected return:** High initial yields thanks to the acquisition of development projects in the less competitive niche market. Consequently, ERWE generates attractive cash-on-cash returns after successful revitalization.
- **Development potential:** The conceptual focus is on the revitalization of portfolio properties with the help of new utilization concepts and a rebranding so that existing structures (macro location, micro location) must have sufficient development potential.

Portfolio overview

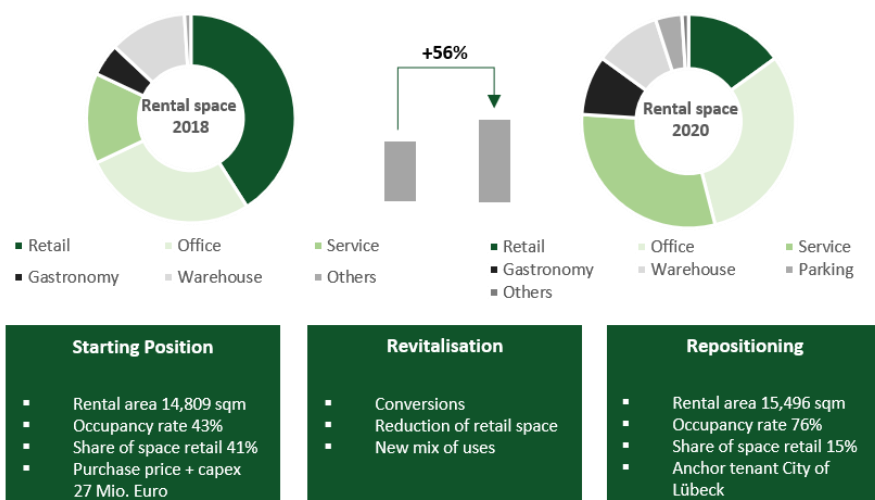
The total portfolio of ERWE is based on three complementary pillars so that the company operates on the market along the lines of a full-service provider. The property portfolio currently includes 9 objects in various stages of value creation, which contribute to the company’s revenues to a varying degree. Although the properties usually generate rental income from the date of acquisition, inventory properties currently are the key determining factor in terms of revenues. Development objects only play a subordinate role for income, but experience has shown that ERWE can significantly increase rental income after a successful repositioning. Progress in development is reflected by an increase in an object’s value which is determined by an independent appraiser once a year. According to management, the estimated potential for valuation gains of the entire property portfolio is some EUR 50m after completion of the current projects.

Business activities can be divided in three segments: revitalization, property management, ERWE Invest. They will be described in more detail below.

Revitalization & optimization

The revitalization and repositioning of underperforming commercial and retail properties is the company’s core competence, as already proven by the successful completion of reference objects such as LICHTHOF in Lübeck or Postgalerie in Speyer. Targeted investments and innovative utilization concepts sustainably raise the value of these properties, which improves their attractiveness for tenants and attracts new business. Project development usually involves the extension and change of use of the rental space, a rebranding, architectural modifications, and flexible use of space, which can be customized according to the tenants’ special requirements. ERWE is expected to have increased the value of its latest development projects by more than 30% on average. The ongoing development projects are likely to be completed by 2022 according to management and should be transferred to the company’s own portfolio which indicates an increase in rental income and cash flows from 2023 onwards.

Revitalisation process using the example of LICHTHOF Lübeck



Source: Company

Property management

The company's core segment includes traditional property management of objects already revitalized and is the major source of income. The portfolio currently includes 5 properties. Based on the acquisition strategy (unattractive tenant mix, high vacation rate) and the still high exposure in object development, ERWE recently posted an occupancy rate of 89.5% for the portfolio properties. A gradual expansion of the property portfolio should increase the occupancy rate to more than 95% in the medium term. Following the restructuring and modernization of objects, the tenant structure is often characterized by a well-balanced tenant mix with a long-term orientation, which supports a continuous growth in cash flows thanks to high utilization. The WALT is 6.8 years.

Overview of largely completed development projects

	Starting position	Purchase price + Capex	Status Quo	GAV
Postgalerie Speyer	Area: 15,432 sqm Occupancy rate: 68%	47 Mio. Euro	Area: 16,967 sqm Occupancy rate: 86%	57 Mio. Euro
LICHTHOF Lübeck	Area: 14,809 sqm Occupancy rate: 43%	27 Mio. Euro	Area: 15,496 sqm Occupancy rate: 76%	42 Mio. Euro
City Colonnaden Krefeld	Area: 10,931 sqm Occupancy rate: 75%	18 Mio. Euro	Area: 23,427 sqm Occupancy rate: 100%	27 Mio. Euro
FAC1	Area: 48,140 sqm Occupancy rate: 66%	168 Mio. Euro (10.1% Share)	Area: 48,140 sqm Occupancy rate: 92%	250 Mio. Euro (10.1% Share)
Kupferpassage Coesfeld	Area: 10,624 sqm Occupancy rate: 91%	17 Mio. Euro	Area: 14,948 sqm Occupancy rate: 92%	21 Mio. Euro

Source: Company; Status 30.09.2021

Services

ERWE Invest has been established recently to make optimal use of the current advantageous market environment and the available human resources. This vehicle is aimed at encouraging fund-based direct investments in commercial properties for institutional investors (pension funds, insurance companies, etc.). ERWE intends to establish a real-estate fund to finance the acquisition of major objects in order to reasonably expand the sweet spot of ERWE Immobilien AG (Ø acquisition volume of EUR 10m-20m) by large-scale acquisitions (EUR >30m). By using existing platforms and available human resources the company would not only achieve cost benefits and synergy effects. In fact, the communicated focus on property management and the corresponding projectable recurring cash flows in the form of service revenues and profit participation are also expected to strengthen the earnings situation of ERWE Immobilien AG. It may also be conceivable that ERWE Immobilien AG will contribute a portfolio property to the fund when it is launched. The resulting cash inflow should enable the company to acquire further development projects at group level and should also support the portfolio's value on the balance sheet.

Additionally, the range of services is complemented by peko group (services in property development) and ERWE Asset (consulting services for third parties).

Management

The operating business is currently managed by three board members, who have a sound experience in management positions as well as an excellent track record in the real-estate industry.



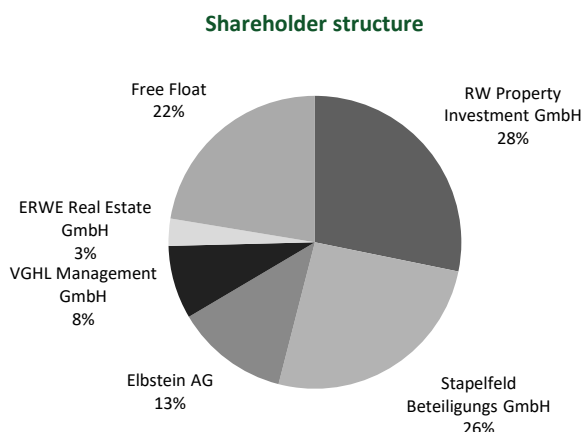
Rüdiger Weitzel is the founder and major shareholder of ERWE Immobilien AG. Prior to the foundation of the company, Mr. Weitzel held several senior management and board positions (DeTe Immobilien GmbH, DIC Asset AG, etc.) and has been a member of the Board of ERWE since 2018. He is in charge of property development projects and their relevant management.



Axel Harloff is also a major shareholder of ERWE Immobilien AG and has been a board member since 2018. Following several senior management positions in various real estate companies, he previously held the position of CEO of the listed ADLER Real Estate AG. He is mainly responsible for Human Resources and Asset Management.

Shareholder structure

ERWE Immobilien AG issued 18,219,214 no-par ordinary bearer shares and is listed on the Prime Standard of Deutsche Börse. Almost 28% of the shares are held by the investment vehicle of company founder and board member Rüdiger Weitzel (RW Property Investment GmbH). Axel Harloff also holds a significant stake of 25.8% (Stapelfeld Beteiligungs GmbH) while 12.5% are held by Elbstein AG.



Source: Company

APPENDIX

P&L (in EUR m) ERWE Immobilien AG	2018	2019	2020
Gross rental income	2.8	3.5	5.6
Expenses from property lettings	1.6	2.1	3.0
Earnings from property lettings	1.2	1.4	2.6
Other operating income	1.1	0.8	1.2
Personnel expenses	2.4	1.8	4.9
Other operating expenses	0.0	3.1	4.5
Result from measurement of investment properties	9.6	12.6	6.8
EBIT	9.5	11.5	3.9
Financial income	0.0	0.0	0.0
Financial expenses	0.0	3.3	6.6
EBT	7.4	8.2	-2.7
Taxes on income	2.5	-0.5	-2.8
Consolidated net income	4.9	8.7	0.1
Non-controlling interests	0.4	0.5	-0.2
Comprehensive income attributable to shareholders	4.5	8.2	0.3

Source: Company (reported data)

P&L (in % of gross rental income) ERWE Immobilien AG	2018	2019	2020
Gross rental income	100.0%	100.0%	100.0%
Expenses from property lettings	175.0%	60.6%	52.9%
Earnings from property lettings	42.9%	39.4%	47.1%
Other operating income	39.3%	24.3%	22.4%
Personnel expenses	85.7%	52.4%	87.0%
Other operating expenses	0.0%	88.3%	80.7%
Result from measurement of investment properties	342.9%	362.7%	121.5%
EBIT	339.3%	333.0%	69.9%
Financial income	0.5%	0.3%	0.2%
Financial expenses	0.0%	96.0%	118.0%
EBT	264.3%	237.3%	-47.9%
Taxes on income	89.3%	-13.9%	-49.7%
Consolidated net income	175.0%	251.2%	1.8%
Non-controlling interests	14.3%	13.9%	-2.8%
Comprehensive income attributable to shareholders	160.7%	237.3%	4.6%

Source: Company (reported data)

Balance sheet (in EUR m) ERWE Immobilien AG	2018	2019	2020
ASSETS			
Intangible assets	0.0	0.0	0.0
Property, plant & equipment	0.2	1.5	1.4
Investment properties	101.9	131.9	192.7
Prepayments made for investments	0.1	0.0	1.4
Investments in associates	4.6	6.2	8.8
Fixed assets	106.7	139.6	204.3
Inventories	0.0	0.0	0.0
Accounts receivable	0.2	0.3	0.6
Liquid assets	19.2	19.1	8.0
Other assets	1.0	2.9	1.3
Current assets	20.3	23.0	10.8
Total assets	127.0	162.6	215.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	49.6	58.3	58.4
Minority Interest	3.1	3.6	3.4
Provisions	0.0	0.0	1.4
Financial liabilities	58.3	86.4	138.1
Accounts payable	2.1	0.9	1.9
Other liabilities	17.0	17.0	15.3
Deferred tax liabilities	15.7	15.3	12.5
Liabilities	77.4	104.4	156.8
Total liabilities and shareholders' equity	127.0	162.6	215.2

Source: Company (reported data)

Balance sheet (in %) ERWE Immobilien AG	2018	2019	2020
ASSETS			
Intangible assets	0.0%	0.0%	0.0%
Property, plant & equipment	0.2%	0.9%	0.6%
Investment properties	80.2%	81.1%	89.6%
Prepayments made for investments	0.1%	0.0%	0.7%
Investments in associates	3.6%	3.8%	4.1%
Fixed assets	84.0%	85.9%	94.9%
Inventories	0.0%	0.0%	0.0%
Accounts receivable	0.2%	0.2%	0.3%
Liquid assets	15.1%	11.7%	3.7%
Other assets	0.8%	1.8%	0.6%
Current assets	16.0%	14.2%	5.0%
Total assets	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	39.0%	35.8%	27.1%
Minority Interest	2.5%	2.2%	1.6%
Provisions	0.0%	0.0%	0.7%
Financial liabilities	45.9%	53.1%	64.2%
Accounts payable	1.7%	0.6%	0.9%
Other liabilities	13.4%	10.5%	7.1%
Deferred tax liabilities	12.4%	9.4%	5.8%
Liabilities	61.0%	64.2%	72.9%
Total liabilities and shareholders' equity	100.0%	100.0%	100.0%

Source: Company (reported data)

Statement of cash flows (in EUR m) ERWE Immobilien AG	2018	2019	2020
EBIT	9.5	11.5	3.9
Depreciation of fixed assets	0.0	0.2	0.2
Measurement result from investment properties	-9.6	-12.6	-6.8
Result from associates measured at equity	0.0	-1.6	-2.6
Other	-0.6	-0.6	2.3
Operating cash inflow / outflow	-0.8	-3.1	-2.9
Interest paid and ancillary financing costs	-1.3	-3.1	-6.6
Cash flow from operating activities	-1.4	-6.2	-9.5
Payments for the acquisition of investment property	-11.9	-6.1	-32.4
Investments in investment properties	-1.5	-8.7	-21.9
Other	-3.9	-0.1	-1.6
Cash flow from investing activities	-17.0	-15.4	-56.2
(Payments) / proceeds in connection with equity allocations	18.0	-0.6	-0.5
Taking up of financial debt	17.0	51.1	55.1
Repayment of financial debt	-2.3	-28.8	0.0
Cash flow from financing activities	32.6	21.5	54.1
Effects of exchange rate changes on cash	0.0	0.0	0.0
Change in cash and cash equivalents	14.3	-0.1	-11.1
Cash and cash equivalents at end of period	19.2	19.1	8.0
Source: Company (reported data)			

DISCLAIMER

This document does not represent any offer or invitation to buy or sell any kind of securities or financial instruments. The document serves for information purposes only. This document only contains a non-binding opinion on the investment instruments concerned and non-binding judgments on market conditions at the time of publication. Due to its content, which serves for general information purposes only, this document may not replace personal, investor- or issue-specific advice and does also not provide basic information required for an investment decision that are formulated and expressed in other sources, especially in properly authorised prospectuses. All data, statements and conclusions drawn in this document are based on sources believed to be reliable but we do not guarantee their correctness or their completeness. The expressed statements reflect the personal judgement of the author at a certain point in time. These judgements may be changed at any time and without prior announcement. No liability for direct and indirect damages is assumed by either the analyst or the institution employing the analyst. This confidential report is made available to a limited audience only. This publication and its contents may only be disseminated or distributed to third parties following the prior consent of Montega. All capital market rules and regulations governing the compilation, content, and distribution of research in force in the different national legal systems apply and are to be complied with by both suppliers and recipients. Distribution within the United Kingdom: this document is allotted exclusively to persons who are authorized or appointed in the sense of the Financial Services Act of 1986 or on any valid resolution on the basis of this act. Recipients also include persons described in para 11(3) of the Financial Act 1986 (Investments Advertisements) (Exemptions) Order 1996 (in each currently valid amendment). It is not intended to remit information directly or indirectly to any other groups or recipients. It is not allowed to transmit, distribute, or to make this document or a copy thereof available to persons within the United States of America, Canada, and Japan or to their overseas territories.

Declaration according to Section 85 of the German Securities Trading Act (WpHG) and Art. 20 Regulation (EU) No. 596/2014 in conjunction with Commission Delegated Regulation (Delegierte Verordnung) 2016/958 (as of 10 March, 2022): Montega has made an agreement with this company about the preparation of a financial analysis. The research report has been made available to the company prior to its publication / dissemination. Thereafter, only factual changes have been made to the report. A company affiliated with Montega may hold an interest in the issuer's share capital or other financial instruments.

Prices of financial instruments mentioned in this analysis are closing prices of the publishing date (respectively the previous day) if not explicitly mentioned otherwise. Any updating of this publication will be made in the case of events that Montega considers to be possibly relevant to the stocks' price performance. The end of regular comments on events in context with the issuer (coverage) will be announced beforehand.

Sources of information: The main sources of information for the preparation of this financial analysis are publications of the issuer as well as publicly available information of national and international media, which Montega regards as reliable. There have also been discussions with members of the management team or the investor relations division of the company concerned when preparing this analysis.

Reference pursuant to MiFID II (as of 10 March, 2022): This publication was prepared on the basis of a contract between Montega AG and the issuer and will be paid by the issuer. This document has been widely published and Montega AG makes it simultaneously available for all interested parties. Its receipt therefore is considered a permissible minor non-monetary benefit in the sense of section 64 Paragraph 7 Sentence 2 No. 1 and 2 of the German Securities Trading Act (WpHG).

Fundamental basics and principles of the evaluative judgements contained in this document: Assessments and valuations leading to ratings and judgements given by Montega AG are generally based on acknowledged and broadly approved methods of analysis i.e. a DCF model, a peer group comparison, or sum-of-the-parts model.

Our ratings:

Buy: The analysts at Montega AG believe the share price will rise during the next twelve months.

Hold: Upside/downside potential limited. No immediate catalyst visible.

Sell: The analysts at Montega AG believe the share price will fall during the next twelve months.

Authority responsible for supervision:

Bundesanstalt für Finanzdienstleistungsaufsicht

Graurheindorfer Str. 108 und Marie-Curie-Str. 24-28
53117 Bonn 60439 Frankfurt

Contact Montega AG:

Schauenburgerstraße 10

20095 Hamburg

www.montega.de

Tel: +49 40 4 1111 37 80

Share price and recommendation history

Recommendation	Date	Price (EUR)	Price target (EUR)	Potential
Buy (Initiation)	16.08.2021	3.34	4.35	30%
Buy	06.09.2021	3.38	4.25	26%
Buy	12.11.2021	3.24	4.00	27%
Buy	10.03.2022	2.10	3.60	71%