

ERWE Immobilien AG

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

Prel. 2020 figures and strong growth in gross rental income

Prel. 2020 figures: Yesterday evening, 16.03, ERWE published its preliminary 2020 figures. The company was able to increase its gross rental income by more than 60% to EUR 5.6m, thus exceeding our expectations (FMRe: EUR 4.9m). The successful leases in Krefeld (fully let) and Lübeck, as well as the newly acquired Kupferpassage Coesfeld in spring 2020, were key contributors to this growth. However, net income before minority interests fell significantly year-on-year (2019: EUR 8.7m) to EUR 0.1m, well below our estimates (FMRe 2020: EUR 2.5 million). The company points out that the main reason for this is value adjustments to existing properties, which was driven by the pandemic and the associated restrictions on public life and affected retail and hotel properties, especially those in Speyer.

ERWE also reported a slight decline in NAV from EUR 4.22 in 2019 to EUR 4.12 by the end of 2020 (FMRe: EUR 4.59). From 2021, the company will change its reporting and instead of the NAV will now report the so-called NRV (Net Reinstatement Value), as recommended by EPRA (European Public Real Estate Association). This ratio assumes that the company will never sell assets and therefore represents the value required to rebuild the entity. ERWE's NRV has improved from EUR 4.77 in 2019 to EUR 4.87 in 2020.

Guidance 2021: ERWE announced that it expects further growth in revenue from real estate in 2021, indicating a range of EUR 7.8-8.5m. This would mean a growth of around 40-50% compared to 2020.

The full report will be published on 30.03. and we will adjust our model and estimates accordingly once the detailed results are available. We still see significant upside potential (currently: +27%) for ERWE Immobilien, as the company is growing rapidly, which can be seen from the significant growth in results from property management. **Hence, we confirm our BUY recommendation and a price target of EUR 4.80.**

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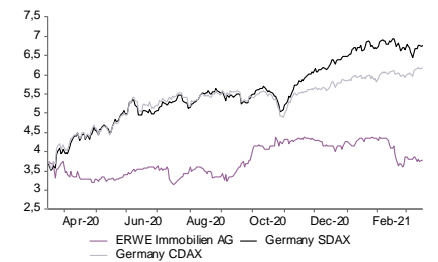
BUY

Before: BUY

Target price EUR 4.80 (4.80)
Share price* EUR 3.78 (27%)

*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)	62.
Trading vol. (Ø 30 days)	1.6T
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

FY 2020 report	30.03.2021
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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

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
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), Lurgiallee 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	vi
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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
17.03.2021	BUY	3.78	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; Chairman: Marcus Silbe

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.

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