

ERWE Immobilien AG

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

Q1/21: Further growth and efficiency

Q1/21 report: In the first months of 2021, ERWE recorded a significant growth in the rental income by more than 80% YoY to EUR 1.73m. Furthermore, the expenses from property lettings decreased as a percentage of revenues to -39% (Q1/20: -46%), which suggests an improved efficiency. The earnings from property lettings more than doubled on year-on-year basis to EUR 1.06m (Q1/20: EUR 0.52m). EBIT also improved to EUR 0.52m (Q1/20: EUR -0.05m). This was driven largely by i/ new property investments; ii/ repositioning of the existing properties. The equity ratio decreased to 26.6% (2020: 27.1%) and the LTV ratio amounted to 63.1% (2020: 63.3%), which is slightly above the target of around or slightly below 60%. The NAV decreased to EUR 4.05 per share (2020: EUR 4.12 per share) and EPRA NRV declined slightly to EUR 4.82 per share (2020: EUR 4.87 per share) due to the recorded net loss of EUR 1.2m for Q1/21.

A further portfolio growth confirmed: ERWE confirmed its growth goals and it is looking at capital measures for the next growth steps. The company aims at strong growth in the mid-term and it is set to double its investment properties in the next three to five years and in Q1/21, they increased only slightly to EUR 194.4m (2020: EUR 192.7m). The company further reports that not all properties owned are fully repositioned, which implies a further upside potential. The management adds that new acquisitions of properties in A-locations are planned.

We believe that the company has a significant growth potential as highlighted by the planned portfolio expansion. **Hence, we confirm our BUY recommendation with a target price of EUR 4.20.**

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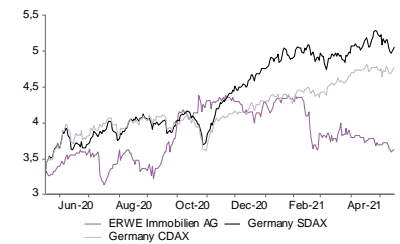
BUY

Before: BUY

Target price EUR 4.20 (4.20)
Share price* EUR 3.62 (16%)

*last XETRA closing price

Change	2021e	2022e	2023e
NOI	-	-	-
EBIT	-	-	-
NAV/share	-	-	-



Source: Factset

Basic share data

Number of shares (millions)	16.6
Free float (in %)	21%
Market Cap (in EUR)	60.0
Trading vol. (Ø 30 days)	1.0T
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

Annual General Meeting	25.05.2021
H1/21 report	08.2021

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FY End: 31.12.; in Euro	CAGR (20-23e)	2018	2019	2020	2021e	2022e	2023e
NOI	71.2%	1.2	1.4	2.6	4.7	6.8	8.6
EBIT	-7.0%	9.5	11.5	3.9	6.7	9.3	11.3
Net profit	-38.1%	4.5	8.3	0.3	0.2	2.0	3.3
EPS (EUR)	-38.1%	0.44	0.50	0.02	0.01	0.12	0.20
NAVPS	1.3%	4.03	4.22	4.12	4.28	4.39	4.58
Net Debt	34.5%	39.2	64.7	127.6	143.9	157.5	170.7
EV		75.3	101.4	160.3	181.5	194.0	204.7
EV/Sales		65.3	74.2	60.9	38.3	28.3	23.9
EV/EBIT		8.0	8.8	41.0	27.0	20.9	18.1
Net Debt/EBITDA		4.1	5.6	32.7	21.4	17.0	15.1

Source: ERWE Immobilien. FMR

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Appendix

Profit & Loss

in mEUR	2018	2019	2020	2021e	2022e	2023e
Earnings from property lettings	1.2	1.4	2.6	4.7	6.8	8.6
yoy change		18.4%	92.7%	80.2%	44.4%	25.3%
Gross rental revenue	2.8	3.5	5.6	7.8	10.1	12.0
yoy change		25.9%	61.3%	40.4%	28.8%	18.8%
Expenses from property lettings	-1.6	-2.1	-3.0	-3.1	-3.3	-3.4
yoy change		31.4%	40.8%	5.0%	5.0%	5.0%
Cost of operations	-2.4	-4.9	-9.4	-9.7	-10.2	-10.7
yoy change		102.5%	92.2%	3.9%	4.5%	5.1%
Fair value adjustments of investment properties	9.6	12.6	6.8	7.5	8.0	8.4
yoy change		30.9%	-46.0%	10.0%	7.0%	5.0%
Other operating income	1.1	0.8	1.2	1.4	1.5	1.5
yoy change		-24.6%	48.4%	10.0%	7.0%	5.0%
EBIT	9.5	11.5	3.9	6.7	9.3	11.3
yoy change		21.9%	-66.2%	71.9%	38.3%	21.5%
Financial result	-2.1	-3.3	-6.6	-6.6	-6.7	-6.8
as % of EBIT	22.0%	28.7%	168.5%	99.0%	72.3%	60.0%
EBT	7.4	8.2	-2.7	0.1	2.6	4.5
yoy change		11.4%	-132.5%	-102.6%	3642.0%	75.1%
Taxes on income	-2.5	0.5	2.8	0.0	-0.8	-1.4
as % of EBT	33.4%	-5.9%	103.8%	30.0%	30.0%	30.0%
Consolidated net income	4.9	8.7	0.1	0.0	1.8	3.2
yoy change		77.2%	-98.8%	-53.2%	3642.0%	75.1%
Minorities	-0.4	-0.4	0.2	0.2	0.2	0.2
Net income attributable to shareholders	4.5	8.3	0.3	0.2	2.0	3.3
Number of shares	10.3	16.6	16.6	16.6	16.6	16.6
EPS	0.44	0.50	0.02	0.01	0.12	0.20

Source: ERWE Immobilien AG, FMR

Balance sheet

in mEUR	2018	2019	2020	2021e	2022e	2023e
Assets						
Non-current assets	106.8	139.6	204.3	222.6	240.3	258.2
as % of total assets	84.0%	85.8%	95.0%	97.3%	98.1%	98.6%
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	208.1	222.7	237.2
Interest in at-equity companies	4.6	6.2	8.8	11.7	14.9	18.3
Current assets	20.3	23.0	10.8	6.2	4.6	3.7
as % of total assets	16.0%	14.2%	5.0%	2.7%	1.9%	1.4%
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	1.1	1.1
Other financial assets	0.0	1.9	0.0	0.0	0.0	0.0
Other assets	1.0	1.0	1.3	1.3	1.3	1.4
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	3.3	1.6	0.6
Total Assets	127.1	162.6	215.2	228.8	244.9	261.9
Shareholder's equity and liabilities						
Total equity	49.6	58.3	58.4	58.4	60.2	63.4
as % of total assets	39.0%	35.8%	27.1%	25.5%	24.6%	24.2%
Share capital	16.6	16.6	16.6	16.6	16.6	16.6
Capital reserve	11.0	11.0	11.0	11.0	11.0	11.0
Revenue reserves	14.4	14.4	14.4	14.4	14.4	14.4
Accumulated net profit	4.5	12.7	13.0	13.2	15.2	18.5
Equity allocatable to shareholders	46.5	54.7	54.9	55.2	57.1	60.4
Non-controlling interest	3.1	3.6	3.4	3.3	3.1	3.0
Non-current liabilities	57.2	87.6	72.6	81.2	90.5	100.3
as % of total assets	45.0%	53.9%	33.7%	35.5%	37.0%	38.3%
Financial debt	41.5	69.7	56.5	64.9	74.0	83.6
Leasing liabilities	0.0	2.6	2.2	2.3	2.4	2.5
Deferred tax liabilities	15.7	15.3	12.5	12.5	12.5	12.5
Current liabilities	20.3	16.7	84.2	89.1	94.1	98.2
as % of total assets	16.0%	10.3%	39.1%	38.9%	38.4%	37.5%
Financial debt	16.8	13.7	79.1	82.2	85.1	87.7
Trade payables	2.1	0.9	1.9	2.3	2.7	2.4
Leasing liabilities	0.0	0.4	0.4	0.4	0.4	0.4
Other liabilities	1.2	1.7	2.8	4.2	5.9	7.7
Total equity and liabilities	127.1	162.6	215.2	228.8	244.9	261.9

Source: ERWE Immobilien AG, FMR

Cash flow statement

in mEUR	2018	2019	2020	2021e	2022e	2023e
EBT	7.4	8.2	-2.7	0.1	2.6	4.5
Depreciation	0.0	0.2	0.2	0.3	0.3	0.3
Fair Value adjustments	-9.6	-12.6	-6.8	-7.5	-8.0	-8.4
At-Equity valued companies	0.0	-1.6	-2.6	-2.9	-3.2	-3.5
Net Working Capital	1.4	-0.6	-4.3	2.3	2.4	1.4
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	6.6	6.7	6.8
CF from operating activities	-1.4	-6.2	-9.5	-1.0	0.8	1.2
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	-15.4	-14.6	-14.5
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	-15.4	-14.5	-14.5
Capital deposits	18.0	-0.6	0.0	0.0	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	11.6	12.0	12.2
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	11.7	12.1	12.3
Change in cash and cash equivalents	14.3	-0.1	-11.1	-4.7	-1.7	-1.0
Cash at the start of the period	4.9	19.2	19.1	8.0	3.3	1.6
Cash at the end of the period	19.2	19.1	8.0	3.3	1.6	0.6

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), 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.
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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
12.04.2021	BUY	3.82	4.20
18.05.2021	BUY	3.62	4.20

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b) Issuers

Mariya Lazarova, 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.

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