PREOS Global Office Real Estate & Technology AG

Germany / Real Estate
Xetra
Bloomberg: PAG GR
ISIN: DE000A2LQ850

Update

RATING	UNDER REVIEW
PRICE TARGET	SUSPENDED
Return Potential	n.a.
Risk Rating	n.a.

OPERATIONAL WIN WITH WESTENDCARREE DISPOSAL

PREOS recently sold its WestendCarree property in Frankfurt am Main to the French investment company Ardian. Terms of the deal were not disclosed. The office tower was one of the signature properties in the PREOS portfolio and counts the Max Planck Society for the Advancement of Science among its anchor tenants. In our view, the disposal is a win for the company and should provide a welcome liquidity boost. Meanwhile, talks with a prospective strategic investor are ongoing, but the timeline for an agreement has been pushed out until H2/21. We continue to monitor corporate developments for a basis to reset our estimates. The stock remains Under Review with a Suspended price target.

Westend deal in line with strategic mandate PREOS combines a classic buy and hold strategy with opportunistic disposals to recycle cash and capture reversionary upside. The office landlord acquired WestendCarree in January 2020 and the planned end of June closing is in line with the historical 18 month holding period. Although financial details were not disclosed, we believe the deal matched past disposals that featured ~24% gains above book value. Considering that ongoing pandemic headwinds have largely stalled transaction activity across commercial property segments, the deal looks like a win for PREOS.

Talks with new strategic investor ongoing Major shareholder, publity AG, recently communicated that negotiations with a prospective buyer have been pushed back until after publication of PREOS' audited 2020 results. This is slated for July. With the due diligence process now idling, this likely resets the timing of a potential deal into late H2/21. We also think the new investor will want a voice in shaping the future financing strategy. Until we have a clearer picture on future financing rounds and growth potential, we leave our rating Under Review.

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020E	2021E	2022E	2023E
Revenue (€ m)	0.70	14.39	n.a.	n.a.	n.a.	n.a.
Y-o-y growth	2.7%	4.8%	n.a.	n.a.	n.a.	n.a.
EBIT (€ m)	8.25	62.78	n.a.	n.a.	n.a.	n.a.
EBIT margin	3.0%	4.8%	n.a.	n.a.	n.a.	n.a.
Net income (€ m)	31.32	413.35	n.a.	n.a.	n.a.	n.a.
EPS (diluted) (€)	1.57	5.77	n.a.	n.a.	n.a.	n.a.
DPS (€)	1.50	0.00	n.a.	n.a.	n.a.	n.a.
FCF (€m)	2.88	-7.19	n.a.	n.a.	n.a.	n.a.
Net gearing	0.1%	-0.1%	n.a.	n.a.	n.a.	n.a.
Liquid assets (€ m)	1.33	61.41	n.a.	n.a.	n.a.	n.a.

RISKS

Risks include, but are not limited to, insufficient financing, weaker than expected trends for German office markets, failure to capture planned reversionary potential, or undershooting forecasted acquisitions.

COMPANY PROFILE

PREOS Global Office Real Estate & Technology AG is a real estate landlord specialised in the acquisition and optimisation of commercial properties throughout Germany. The company is also making inroads in PropTech and plans to internationalise operations.

MARKET DATA

As of 10 May 2021	
Closing Price	€ 3.81
Shares outstanding	107.50m
Market Capitalisation	€ 409.58m
52-week Range	€ 3.03 / 17.30
Avg. Volume (12 Months)	32,974

Multiples	2019	2020E	2021E
P/FFO 2	n.a.	n.a.	n.a.
P/EPRA NAV	0.7	n.a.	n.a.
FFO 2 Yield	n.a.	n.a.	n.a.
Div. Yield	0.0%	n.a.	n.a.

STOCK OVERVIEW

COMPANY DATA

As of 30 Jun 2020	
Liquid Assets	€ 16.07m
Current Assets	€ 64.81m
Intangible Assets	€ 1,036.75m
Total Assets	€ 1,283.40m
Current Liabilities	€ 310.00m
Shareholders' Equity	€ 301.30m

SHAREHOLDERS

publity AG	86.5%
Free Float	13.5%

Analyst: Ellis Acklin, Tel. +49 (0)30 - 80 93 96 83

INCOME STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E	2023E
Revenue	**698**	**14,394**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Cost of sales	-28	-7,650	n.a.	n.a.	n.a.	n.a.
Revaluations & capital gains	8,265	101,683	n.a.	n.a.	n.a.	n.a.
Other operating income	2,506	4,407	n.a.	n.a.	n.a.	n.a.
Administration & other expenses	-517	-6,366	n.a.	n.a.	n.a.	n.a.
Depreciation & amortisation	-3	-64	n.a.	n.a.	n.a.	n.a.
Operating income	**10,921**	**106,404**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Net financial result	245	-12,020	n.a.	n.a.	n.a.	n.a.
Other financial expenses	-263	-14,224	n.a.	n.a.	n.a.	n.a.
Pre-tax income (EBT)	**10,903**	**80,160**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Income taxes	-22	46	n.a.	n.a.	n.a.	n.a.
Deferred taxes	-2,633	-13,893	n.a.	n.a.	n.a.	n.a.
Net income / loss (NI)	**8,248**	**66,313**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Other tax & income	0	0	n.a.	n.a.	n.a.	n.a.
Comprehensive NI	**8,248**	**66,313**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Minority interests	0	-3,533	n.a.	n.a.	n.a.	n.a.
Net income after minorities	**8,248**	**62,780**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Basic EPS (in €)	**3.26**	**5.25**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Diluted EPS (in €)	**2.95**	**4.82**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Adjusted EBITDA	**2,659**	**4,785**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Ratios						
Adj. EBITDA margin	380.9%	33.2%	n.a.	n.a.	n.a.	n.a.
Tax rate	0.2%	-0.1%	n.a.	n.a.	n.a.	n.a.
Expenses as % of revenues			**n.a.**	**n.a.**	**n.a.**	**n.a.**
Cost of sales	4.0%	53.1%	n.a.	n.a.	n.a.	n.a.
Administration & other expenses	74.1%	44.2%	n.a.	n.a.	n.a.	n.a.
Y-Y Growth						
Revenue	n.a.	1962.2%	n.a.	n.a.	n.a.	n.a.
Adj. EBITDA	n.a.	80.0%	n.a.	n.a.	n.a.	n.a.
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

BALANCE SHEET

All figures in EUR '000	2018	2019	2020E	2021E	2022E	2023E
Current assets, total	**17,493**	**106,304**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Cash and equivalents	1,333	61,414	n.a.	n.a.	n.a.	n.a.
Trade receivables	197	1,457	n.a.	n.a.	n.a.	n.a.
Assets held for sale	15,600	0	n.a.	n.a.	n.a.	n.a.
Other financial assets	212	38,561	n.a.	n.a.	n.a.	n.a.
Other ST assets	151	4,872	n.a.	n.a.	n.a.	n.a.
Non-current assets, total	**80,053**	**806,562**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Investment properties	17,000	612,101	n.a.	n.a.	n.a.	n.a.
Property, plant & equipment	12	471	n.a.	n.a.	n.a.	n.a.
Goodwill & other intangibles	0	123,912	n.a.	n.a.	n.a.	n.a.
Financial assets	61,351	55,847	n.a.	n.a.	n.a.	n.a.
Shares in companies at equity	1,690	1,103	n.a.	n.a.	n.a.	n.a.
Advanced payments	0	13,128	n.a.	n.a.	n.a.	n.a.
Total assets	**97,546**	**912,866**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Current liabilities, total	**66,222**	**150,284**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Trade payables	107	15,391	n.a.	n.a.	n.a.	n.a.
ST debt	64,553	130,330	n.a.	n.a.	n.a.	n.a.
Other current liabilities	1,562	4,563	n.a.	n.a.	n.a.	n.a.
Non-current liabilities, total	**2,677**	**499,368**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
LT financial debt	0	299,915	n.a.	n.a.	n.a.	n.a.
Corporate debt	0	143,388	n.a.	n.a.	n.a.	n.a.
Deferred tax	2,677	20,042	n.a.	n.a.	n.a.	n.a.
Other financial liabilities	0	36,023	n.a.	n.a.	n.a.	n.a.
Shareholders' equity	**28,647**	**256,565**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Minority interests	0	6,649	n.a.	n.a.	n.a.	n.a.
Total equity	**28,647**	**263,214**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Total consolidated equity and debt	**97,546**	**912,866**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Ratios						
Current ratio (x)	0.3	0.7	n.a.	n.a.	n.a.	n.a.
Net debt	63,220	512,219	n.a.	n.a.	n.a.	n.a.
Net gearing	221%	200%	n.a.	n.a.	n.a.	n.a.
Loan to value (LTV)	198%	94%	n.a.	n.a.	n.a.	n.a.
Net LTV	194%	84%	n.a.	n.a.	n.a.	n.a.
Equity ratio	29%	28%	n.a.	n.a.	n.a.	n.a.
Interest coverage (ICR) (x)	31.7	0.3	n.a.	n.a.	n.a.	n.a.

** According to IFRS reporting*

CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E	2023E
Net income	**8,248**	**66,313**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Depreciation and amortisation	0	54	n.a.	n.a.	n.a.	n.a.
Write downs non-financial assets	247	13,637	n.a.	n.a.	n.a.	n.a.
Revaluation gains	-8,265	-101,683	n.a.	n.a.	n.a.	n.a.
At equity gains / losses	16	587	n.a.	n.a.	n.a.	n.a.
Net financial result	-467	-6,263	n.a.	n.a.	n.a.	n.a.
Tax result	2,632	13,893	n.a.	n.a.	n.a.	n.a.
Operating cash flow	**2,411**	**-13,462**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Change in trade rec & other assets	269	-44,724	n.a.	n.a.	n.a.	n.a.
Change in payable & other liabilities	22,204	53,577	n.a.	n.a.	n.a.	n.a.
Provisions and other liabilities	105	-3	n.a.	n.a.	n.a.	n.a.
Other non-cash expenses / income	-2,506	-4,574	n.a.	n.a.	n.a.	n.a.
Tax expense	0	-9	n.a.	n.a.	n.a.	n.a.
Operating cash flow	**22,483**	**-9,195**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Outflow for investment properties	-22,525	-242,797	n.a.	n.a.	n.a.	n.a.
Inflow from property disposals	0	15,520	n.a.	n.a.	n.a.	n.a.
Purchase of at equity investments	-1,706	0	n.a.	n.a.	n.a.	n.a.
Sale of subsidiaries	233	17,889	n.a.	n.a.	n.a.	n.a.
CapEx	0	-353	n.a.	n.a.	n.a.	n.a.
Change in financial assets	-17,362	526	n.a.	n.a.	n.a.	n.a.
Cash flow from investing	**-41,360**	**-209,215**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Free cash flow (FCF)	**-18,877**	**-218,410**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Equity inflow, net	19,850	0	n.a.	n.a.	n.a.	n.a.
Debt inflow, net	0	247,561	n.a.	n.a.	n.a.	n.a.
Corporate debt, net	0	30,975	n.a.	n.a.	n.a.	n.a.
Interest expense	0	0	n.a.	n.a.	n.a.	n.a.
Dividends paid	0	0	n.a.	n.a.	n.a.	n.a.
Others	0	-45	n.a.	n.a.	n.a.	n.a.
Cash flow from financing	**19,850**	**278,536**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Net cash flows	**973**	**60,126**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Cash, start of the year	360	1,333	n.a.	n.a.	n.a.	n.a.
Cash, end of the year	**1,333**	**61,459**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Adj. EBITDA / share (€)	**0.05**	**0.05**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

** According to IFRS reporting*

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	19 November 2019	€8.65	Add	€7.30
2	12 November 2020	€11.10	Buy	€17.60
3	12 March 2021	€6.80	Under Review	Suspended
4	Today	€3.81	Under Review	Suspended

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

can be accessed through the following internet link: https://firstberlin.com/disclaimer-english-link/

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