

Coreo AG^{*4,5a,6a,11}

Buy

Target price: 2.60 Euro

current share price: 1.22 €
20.08.20 / XETRA; 12:22 pm
Currency: EUR

Key data:

ISIN: DE000A0B9VV6
WKN: A0B9VV
Ticker symbol: CORE
Number of shares³: 17.54
Marketcap³: 21.40
EnterpriseValue³: 35.27
³ in million / in million EUR
Free float: 29.1 %

Level of transparency:

Open market
Market segment:
open market

Accounting:
IFRS

Financial year: 31.12

Designated Sponsor:
Hauck & Aufhäuser AG

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* Catalogue of possible conflicts of interest on page 4

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Date (time) first distribution english version: 26.08.20 (11:00 am)

Validity of the price target: until max. 31.12.2021

Company profile

Industry: Real estate

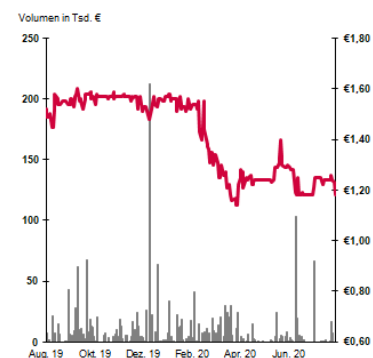
Focus: Commercial and residential real estate

Employees: 10 Status: 31.12.2019

Foundation: 2003

Head office: Frankfurt am Main

Board of Directors: Marin N. Marinov



Coreo AG, based in Frankfurt am Main, is a dynamic growing real estate company focused on German commercial and residential real estate. The company invests in real estate with significant potential for upside potential through renovation, preferably in the so called B- and C-cities in Germany. The goal is to build up an efficiently managed, high-yield real estate portfolio through the prudent development and sale of non-strategic properties. Coreo AG's strategy is characterised by an expansive and selective approach to its real estate investments. The focus of this concept is on the acquisition and management of commercial real estate. Business locations with high yield levels in Germany are given preference, creating the basis for long-term and stable rental income. Opportunities are also used very selectively. Coreo AG acquires value-added portfolios/properties in order to increase their recoverability significantly and sustainably over the medium term with an active "manage-to-core" approach. Non-strategic portfolio components are sold on at a profit.

P&L in EURm	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e
Sales	7.41	11.16	18.93	25.58
EBITDA	2.52	5.52	10.89	14.99
EBIT	2.50	5.51	10.87	14.97
Net income	-0.86	2.40	5.91	8.93

Key figures in EUR

Earnings per share	-0.05	0.14	0.34	0.51
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	4.66	3.10	1.83	1.35
EV/EBITDA	13.71	6.26	3.17	2.31
EV/EBIT	13.81	6.27	3.18	2.31
P/E	neg.	8.62	3.50	2.32
P/B	0.73			

Financial calendar

10.09.2020: Financial & Real Estate Forum
October 2020: HY Report 2020

**last research by GBC:

Date: Publication / Target price in EUR / Rating
17.06.2020: RS / 2.60 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Issue of a 6.75% bond with a volume of up to € 30 million for the expansion of the real estate portfolio and for the premature repayment of the bond with warrants attached 2018/2022

Key data of the 6.75 % corporate bond of Coreo AG	
WKN/ISIN	A289D7 / DE000A289D70
Coupon	6.75 %
Interest payment	half-yearly, first time on 15.03.2021
Volume	up to 30 million € (expandable up to 50 million €)
Duration	5 years (15.09.2020 - 14.09.2025)
Denomination	EUR 1,000
Issue/redemption price	100 % / 100 %
Stock exchange listing	Open Market of the Frankfurt Stock Exchange

Source: Coreo AG; GBC AG

On August 13, 2020, Coreo AG announced the issue of a 6.75% corporate bond with a volume of up to € 30 million and a term of 5 years. The public offering is scheduled to take place in the period 24.08.2020 to 08.09.2020. The security has a coupon of 6.75 % p.a. payable semi-annually. The listing is to take place on the Freiverkehr of the Frankfurt Stock Exchange.

The Company plans to use the bond funds primarily to finance the further growth of its residential and commercial real estate portfolio. The focus here is on the Value Add segment in mid-centre locations in Germany. According to the latest available figures as of December 31, 2019, Coreo AG has a property portfolio (IFRS) of € 44.38 million. For further properties acquired in 2019 with a volume of just under €20 million, the transfer of benefits and burdens did not take place until the first half of 2020. The long-term investment plan foresees a significant expansion to over €400 million over the next 4 - 5 years. If a loan-to-value of 75% is assumed for property financing, Coreo AG would have to raise new capital of around €85 million for the outstanding investments in the coming fiscal years. In addition to the access to liquidity from the planned value-enhancing sales, part of this is to be provided by the current bond issue.

However, the company also intends to use the proceeds of the issue to redeem the option bond, which runs until 2022 and has a current outstanding volume of €15 million, ahead of schedule. In this case, the company would achieve an immediate improvement in earnings, as the warrant bond has a coupon of 10%, which no longer corresponds to the company's development since the issue. If it were to be repaid in full, annual interest savings of € 0.49 million p.a. would be achieved.

In our last research study (see study dated 17 June 2020), we assumed a significant expansion of the property portfolio and real estate projects in the coming financial years. For the current financial year, we expect investments totaling € 40 million. To this extent, the funds from the bond issue would increase the financial basis for the corporate growth we have assumed. The key creditworthiness figures derived from our unchanged forecasts are comparatively sound. The expected EBIT interest coverage ratio for the current fiscal year is 2.4 and is expected to increase significantly to 3.6 as early as 2021.

In the course of the current bond issue, we conducted an interview with Coreo board member Marin Marinov. This is available at <http://www.more-ir.de/d/21403.pdf>.

ANNEX

I.

Research under MiFID II

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