

Coreo AG*4,5a,5b,6a,11

Buy

Target price: 2.60 Euro
(until now: 2.60 Euro)

current share price: € 1.39
28.09.21 / XETRA; 5:36 am
Currency: EUR

Key data:

ISIN: DE000A0B9VV6
WKN: A0B9VV
Ticker symbol: CORE
Number of shares³: 17.54
Marketcap³: 24.38
EnterpriseValue³: 62.88
³ in million / in million EUR
Free float: 29.1 %

Level of transparency:
Freiverkehr

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 5

Date (time) completion:
01.10.21 (12:08 pm)
Date (time) first distribution:
04.10.21 (9:30 am)

Validity of the price target: until
max. 31.12.2022

Company profile

Industry: Real estate

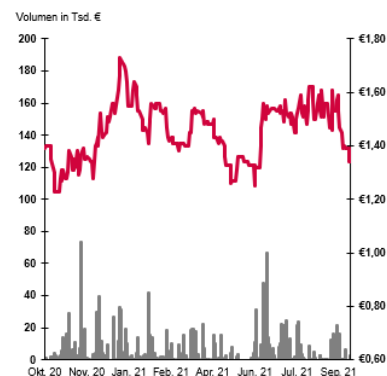
Focus: Commercial and residential real estate

Employees: 11 Status: 31.12.2021

Foundation: 2003

Head office: Frankfurt am Main

Board of Directors: Marin N. Marinov



Coreo AG, based in Frankfurt am Main, is a dynamically growing real estate company focused on German commercial and residential properties. Investments are made in properties with significant potential for value appreciation where there is a need for development, preferably in medium-sized centres. The aim 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 and residential properties. Here, preference is given to business locations with high yield levels in Germany, which creates the basis for long-term and stable rental income. In addition, opportunities and chances are used very selectively. In doing so, Coreo AG acquires value-add portfolios/properties in order to significantly and sustainably increase their value in the medium term with an active "manage to core" approach. Non-strategic portfolio components are sold on at a profit.

P&L in EURm	31.12.2020	31.12.2021e	31.12.2022e	31.12.2023e
Total Sales	4.85	8.94	23.00	26.61
EBITDA	0.01	2.94	13.85	17.19
EBIT	-0.69	2.93	13.83	17.17
Net income	-2.44	0.32	8.28	10.15

Key figures in EUR

Earnings per share	-0.15	0.02	0.47	0.58
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	12.97	7.03	2.73	2.36
EV/EBITDA	6987.18	21.39	4.54	3.66
EV/EBIT	neg.	21.49	4.55	3.66
P/E	neg.	75.48	2.95	2.40
P/B	0.83			

Financial calendar

07./08.12.2021: MKK

**last research by GBC:

Date: Publication / Target price in EUR / Rating

19.08.2021: RS / 2.60 / BUY

21.12.2020: RS / 2.35 / BUY

03.11.2020: RS / 2.35 / BUY

18.09.2020: 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 "1. Research under MiFID II"

1H 2021: earnings improvement due to higher rental income and sale of properties; slight increase in 2021 forecasts; price target and rating confirmed

in € m	1st HY 2019	1st HY 2020	1st HY 2021
Rental income	1.64	1.55	1.93
Disposal result	0.45	0.49	0.31
Valuation result	0.00	0.00	0.78
EBIT	-0.31	-0.10	0.50
After-tax result	-1.65	-0.74	-0.81

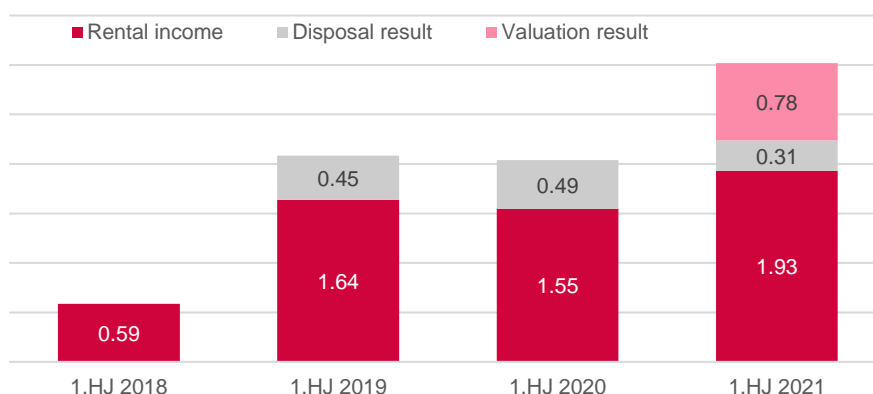
Sources: Coreo AG; GBC AG

Revenue and earnings development 1st HY 2021

As we expected, Coreo AG increased rental income to €1.93 million in the first six months of 2021 (previous year: €1.55 million). The increase in rental income is primarily attributable to the addition of the NRW portfolio in the first half of 2020, which was only included on a pro rata basis in the prior-year period. In addition, the company achieved letting successes with the Hydra portfolio and did not record any corona-related rental losses overall.

The increase in rental income was accompanied on the one hand by a slight decline in absolute terms in net income from disposals of €0.31 million (previous year: €0.49 million) and on the other hand by a visible increase in the valuation result to €0.78 million (previous year: €0.00 million). The disposal result, which indicates that the sales price (€1.03 million) is higher than the book value disposal (€-0.72 million), was achieved through the sale of a property in Gelsenkirchen held directly by Coreo AG and through disposals from the Mannheim and Göttingen portfolios. As a rule, no expert valuation of the real estate portfolio takes place at the half-year point. However, as purchase agreements for two properties in the Hydra portfolio and one property in the Mannheim portfolio have already been concluded above the carrying amount, the company had to write up the selling price by € 0.78 million. At the same time, these properties were classified as "held for sale" under current assets.

Components of earnings in the first six months (in € million)



Sources: Coreo AG; GBC AG

With this significantly increased earnings base, Coreo AG was able to increase EBIT to € 0.50 million (previous year: € -0.10 million) and thus report positive EBIT on a half-year basis for the first time. This was despite the overall increase in the cost of materials to € 1.39 million (previous year: € 0.88 million), which rose somewhat disproportionately due to a slight increase in ongoing maintenance.

At the end of 2020, Coreo AG had received a loan of € 23.00 million from a well-known investor. This loan, which bears interest at 6.75 %, was partly used for the early repayment of a warrant-linked bond with an interest rate of 10.0 % and a volume of € 15.00 million, which reduced the overall group-wide interest rate. Despite the increase in loan liabilities to €62.17 million as at 30.06.2021 (30.06.2020: €45.95 million), financial expenses were therefore on a par with the previous year at €-1.14 million (PY: €-1.12 million). Coreo AG posted a net result for the period of € -0.81 million (previous year: € -0.74 million). The previous year's figure was positively influenced by deferred tax income of € 0.95 million, which is why the company is now reporting a lower result for the period than in the previous year.

Forecasts and model assumptions

in € m	FY 2020	FY 2021e (old)	FY 2021e (new)	FY 2022e	FY 2023e
Rental income	3.52	4.11	4.52	8.95	14.66
Proceeds from disposals	6.09	3.40	12.87	6.80	11.04
Disposal result	0.49	1.52	2.13	2.80	0.64
Valuation result	0.85	5.30	2.30	11.25	11.31
EBIT	-0.69	4.92	2.93	13.83	17.17
After-tax result	-2.44	1.82	0.32	8.27	10.15

Source: GBC AG

In our last research study (see study dated August 19, 2021), we explained the basis for our forecasts, which we believe remain valid. On the one hand, the company is likely to generate an increase in rental income from its current property portfolio. As a further aspect of earnings development, we have assumed possible proceeds from disposals in particular from the planned sale of properties in the Göttingen portfolio and from partial sales of the properties in Lünen and Gelsenkirchen held directly by Coreo AG.

However, we had not planned for the sale of two properties in the Hydra portfolio (Hannau, Darmstadt) and one property in the Mannheim portfolio, for which purchase agreements have already been concluded and which were therefore reclassified as "held for sale". Including the part of the Göttingen portfolio held for sale, the carrying amount of the assets to be sold as at 30 June 2021 totals € 9.47 million, so that, in the event of a change of use and burden in the second half of 2021, the proceeds from the sale are likely to be significantly higher than our previous expectations (to date: € 3.40 million). As earnings were already realised in the first half of the year in the context of the write-up, no further earnings are likely to be realised from these transactions. We are therefore raising our expected disposal proceeds for 2021 significantly to €12.87m and expect a disposal result of €2.13m (previously: €1.52m). However, the sale of the properties will be accompanied by a significant inflow of liquidity, which will significantly increase the financial scope for further investments.

Another component of our estimates is the value-creating growth strategy communicated by the company, in the context of which significant new investments are to be made in the coming financial years. The portfolio is to be expanded to € 400 - 500 million over the next four to five years. Based on this target value, the company would have to report annual new investments and write-ups of approximately € 60 million (€ 400 million in five years) in the coming financial years.

According to our estimates, Coreo AG had acquired properties with a volume of around €59m by the time our last research study was published. For the remainder of the financial year, we had assumed further property acquisitions of €10m. With the acquisition of a logistics property in Delmenhorst announced on 7 September 2021, a significant part

of this assumption is now likely to have become reality. On a total rental area of approx. 29,900 sqm, the annual rent distributed among several tenants currently amounts to around € 0.5 million. No statement was made regarding the purchase price. Assuming a typical multiple of 10 to 12.5 for Coreo AG, the purchase price is likely to be between € 5.00 to 6.25 million. In line with the strategy of acquiring properties that still have development potential, this property is also likely to see an expansion of rental income. Based on the total lettable area in conjunction with the current annual rent, a low rental price is currently calculated (€ 1.50/sqm according to GBC estimates), which in our opinion entails a significant potential for increase.

While we are raising our 2021 forecasts for proceeds from disposals and net income from disposals as well as rental income, we are assuming lower valuation income of €2.30 million (previously: €5.30 million). This is particularly the case in light of the fact that the largest transaction in the company's history will not be completed until the coming financial year 2022. Accordingly, we now expect EBIT of € 2.93 million (previously: € 4.92 million) and after-tax earnings of € 0.32 million (previously: € 1.82 million) for the current fiscal year 2021. The forecasts for the following years remain unchanged.

As the lower earnings forecasts for 2021 are merely a consequence of lower valuation income, there are only marginal changes in the DCF valuation result. This is because the valuation gains have no impact on the cash flow, which forms the basis for our DCF valuation model. We therefore confirm our price target of €2.60 and maintain our BUY rating unchanged.

ANNEX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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