



Buy (unchanged) Target: Euro 13.00 (unchanged)

13 | September | 2019

■ **Price (Euro)** **6.75**
52 weeks range 8.98 / 6.06

■ **Key Data**

ISIN DE000A2DA414
Bloomberg CC1:GR
Reporting standard IFRS
Market Cap (Euro million) 908
Number of shares (million) 134.5
Free Float 37%
Free Float Market Cap (Euro million) 336
CAGR EBITDA ('18 -'21e) 38.6%
CAGR EBITDA pre PPA ('18 -'21e) 28.6%

■ Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	30.6	45.1	36.1	38.7
PE-Ratio	-37.4	54.1	9.4	6.3
Dividend Yield	0.0%	0.0%	0.0%	3.0%

■ Key Data per share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	-0.18	0.12	0.72	1.07
Dividend per share (DPS)	0.00	0.00	0.00	0.20

■ Financial Data (Euro '000)*	2018	2019e	2020e	2021e
Income from letting activities	29,659	20,124	25,143	23,445
Income from inventory disposed of	163,515	27,898	28,147	147,447
Total income	655,569	1,839,380	2,394,726	2,228,903
Change in project related inventory	-31,464	-251,369	-362,789	-147,881
Overall performance	624,104	1,588,011	2,031,937	2,081,022
Cost of materials	-367,182	-1,202,230	-1,522,587	-1,499,117
Personnel expenses	-50,995	-57,441	-60,114	-61,449
Other operating expenses	-75,989	-101,478	-102,334	-101,442
EBITDA	155,470	228,929	337,574	413,864
EBITDA pre PPA	253,190	351,620	457,991	538,423
Net financial result	-198,316	-201,366	-160,921	-150,676
Pre-tax profit (EBT)	-45,872	24,007	172,061	258,066
Taxation	21,617	-3,701	-58,620	-86,447
Net profit	-24,255	16,794	96,884	143,730

* 2018 on a pro-forma basis, net profit in 2018 before minorities

■ **Main Shareholders**

Aggregate Group 57%
Christoph Gröner 6%

■ **Financial calendar**

9M 2019 report 12/12/2019

■ **Analysts**

Dipl.-Kfm. Stefan Scharff, CREA
Christopher Mehl, MBA

E-Mail scharff@src-research.de
mehl@src-research.de

Internet www.src-research.de
www.aktienmarkt-international.at
www.aktienmarkt-international.de
www.aktienmarkt-deutschland.de

1H numbers in line with our estimates – Portfolio GDV increases to Euro 10bn and shows good trading activities – Improvements on the financing side become visible – still Buy and 13 €

Yesterday, CONSUS Real Estate released the 1H 2019 report and invited for a conference call in the afternoon. The overall performance was at Euro 333m up 37%, of which about Euro 238m came from income from property development. Adjusted EBITDA, meaning pre-PPA and pre-one-offs, came in at Euro 138m, resulting in an adjusted EBITDA margin of 54%. Pro forma adjusted LTM (last twelve months) EBITDA, best reflecting the scale of business considering the acquisition of SSN at the end of 2018, was at Euro 303m, about 20% up from Euro 253m at FY 2018. This increase is mostly driven by projects sold forward in the first half of the year, amounting to Euro 250m. Keeping in mind the sold project in Leipzig with a GDV of Euro 880m, which was in July and thus after the reporting period, LTM adjusted EBITDA is even at Euro 408m. **All in all we see the half-year earnings numbers of Consus in line with our full-year estimates and are pleased with the first half of the year.**

The gross development value of the portfolio now stands at Euro 10bn. Year-to-date the company has signed four new development projects with a GDV of about Euro 1.2bn, including the large-scale Benrather Gärten project in Duesseldorf with a GDV of Euro 700m. Furthermore, four forward sales were reached and further projects are in the negotiation state, thus we expect further sales to come soon. Other than the typical forward sales, CONSUS also agreed on an upfront sale of the Leipzig 416 project and is currently in discussions for a further upfront sale to be signed in 4Q, delivering total upfront sales with a GDV of Euro 1.8bn. Of the Euro 10bn GDV, about 32% are currently under construction while 38% are already forward sold or sold upfront. Another 39% of the GDV is currently targeted for forward sales.

On the financing side the first progress became visible as well. While the cost of debt increased to 8.5% at 1H following the bond issuance, the current run rate already fell below 8% to 7.9%. This is the result of the refinancing activities, which e.g. reduced the interest rate from 13.5% to 7.0% on Euro 420m of debt. Another reduction of about Euro 250m of high cost mezzanine debt is targeted till year-end, thus we could see the cost of debt fall to a level of below 7.5% at year-end. Next to the satisfying numbers, the sales activities show the interest of investors in the projects of CONSUS, while the sourcing activities proof that the company can still win new projects to keep the pipeline filled. We much welcome the first improvements on the debt side, which is an important topic for the company in our opinion. **We confirm our Euro 13.00 target price. As the share is still trading much too low in our opinion, we clearly confirm our Buy recommendation.**

SWOT Analysis

Strengths

- The company has a very experienced management team that has a broad network in the industry and a high level of combined knowledge in development, financing and acquisition. For instance, Andreas Steyer was the former DEMIRE CEO.
- The forward sales approach clearly reduces the firm's risk profile and allows for fast capital recycling. Thus the firm's equity is set free at an early stage in projects and can be reinvested.
- The firm's track record is long and shows many successful project completions. Thus the company has a good standing to land projects and also to sell these to potential investors.
- The firm covers the entire development value chain and is therefore not dependent to the same extent as other developers on factors such as rising building costs, which have increased almost 5% in 2018.
- The high pipeline of Euro 10bn, which is spread until 2026, puts the firm in a very good position. CONSUS therefore currently does not have the high pressure to compete for new competitive projects and expensive land reserves and can acquire these on a more cherry picking basis.

Weaknesses

- The group's financing costs are at 1H 2019 at a much too high level of more than 8%, after the acquisition of SSN (11.3%). The management believes that it can reduce the interest rate by 2% points in the medium term, which is however not too ambitious in our view and would still show room for some more improvement. The first refinancing activities were already completed and show the first effects on the cost of debt.
- The firm's transparency level is lower compared to other developers, as only data of some of the projects are publicly available. We made a discount on that in our DCF.
- The CONSUS share is currently listed in the German low transparency level Scale segment, where liquidity and tradability are still quite limited. Given the size of the company, we expect an up-listing in the current fiscal year 2019.

Opportunities

- The firm is a leader in terms of digitalization in the construction processes with the Building Information Modeling (BIM) 6D program. This could allow the company to significantly reduce prices and time and to gain an edge to the competitors.
- On top of the negotiated forward sales prices, CONSUS has the chance to benefit from a rent upside potential which would further drive the firm's profit given the company can successfully make use of these.
- The firm can further benefit from favorable market conditions in the German residential market.

Threats

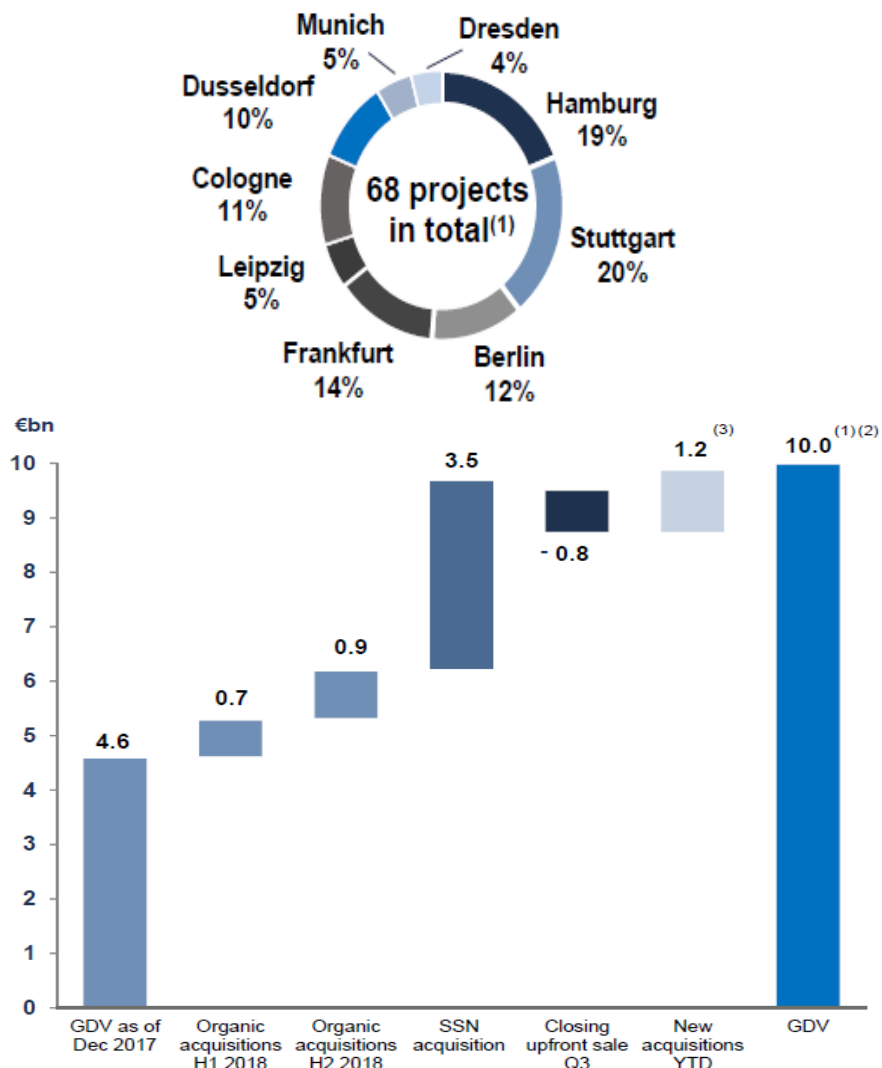
- The integration of SSN into the group could lead to problems or could not set free the targeted scale effects.
- Changes in the market environment can have a significant impact on the firm's development business and lower the firm's chances of sales at good margins.
- The persisting global uncertainties (Brexit, trade wars) could dampen (and already did) the economic growth rates in Germany. That could start to hurt the prices for residential real estate in Germany. We would exclude such a scenario as there is a high under-supply at apartments in the German hubs and metropolitan regions and this will not remarkably change the next ten years, in our view.

Consus Real Estate AG		
Industry:	Real Estate	Management Board of CONSUS:
Sub-segment:	Residential developer	Prof. Andreas Steyer (CEO)
Region:	Germany	Benjamin Lee (CFO)
Headquarter:	Berlin	Theo Gorens (CRO and deputy CFO)
Foundation:	2017	Supervisory Board of CONSUS:
Employees:	>760	Axel Harloff
IR Contact:		Prof. Dr. Hermann Wagner
investors@consus.ag		Dr. Friedrich Oelrich
p.schlinkmann@consus.ag		

Consus Real Estate AG is a leading German residential developer with a focus on the top 9 German cities, which is listed in the German stock market at Scale segment.

Consus was founded in 2017, however, the combined group has already more than 20 years of experience in the development business and dates back to 1995 where CG Group, of which Consus holds a 75% stake, was founded. Following the acquisition of SSN in November 2018, the company now has a development portfolio with a gross development value of Euro 10bn. The portfolio is focused on the top 9 cities, with the largest share currently located in Stuttgart (20%), closely followed by Hamburg (19%). Consus follows a forward sale-oriented business model, thereby minimizing the risk. Of the Euro 10bn portfolio, currently 28% is forward sold, 10% are sold upfront and for another 39% forward sales are targeted. The remaining 23% consists of condominiums.

Breakdown of the development portfolio by city ⁽³⁾



Source: Company Data, SRC Research

CONSUS Real Estate AG 31/12 IFRS ('000)	2017 (pro-forma)	2018 (reported)	2018 (pro-forma)	2019e	2020e	2021e	CAGR '18 - '21e
Income from letting activities	25,426	32,796	29,659	20,124	25,143	23,445	-7.5%
Income from real estate inventory disposed of	205,558	163,515	163,515	27,898	28,147	147,447	
Income from property development	15,717	408,461	443,830	1,771,214	2,318,987	2,033,455	66.1%
Income from service, maintenance and management activities	3,893	10,199	18,565	20,144	22,449	24,556	
Total income	250,594	614,971	655,569	1,839,380	2,394,726	2,228,903	50.4%
Change in project related inventory	302,183	-147,352	-31,464	-251,369	-362,789	-147,881	
Overall performance	552,777	467,619	624,104	1,588,011	2,031,937	2,081,022	49.4%
Expenses from letting activities	-2,723	-16,083	-14,741	-11,545	-12,558	-11,447	
Cost of materials	-300,601	-285,600	-367,182	-1,202,230	-1,522,587	-1,499,117	59.8%
Valuation result	4,844	25,631	25,631	12,365	2,103	3,544	
Other operating income	14,708	13,241	14,642	1,247	1,127	2,753	
Personnel expenses	-34,865	-36,911	-50,995	-57,441	-60,114	-61,449	
Other operating expenses	-55,511	-59,997	-75,989	-101,478	-102,334	-101,442	
EBITDA	178,629	107,901	155,470	228,929	337,574	413,864	38.6%
Depreciation and amortization	-2,204	-2,175	-3,026	-3,556	-4,592	-5,122	
EBIT	176,425	105,726	152,444	225,373	332,982	408,742	38.9%
Financial income	14,202	4,620	11,467	14,321	8,557	8,770	
Financial expenses	-205,289	-121,834	-209,783	-215,687	-169,478	-159,446	
Pre-tax profit (EBT)	-14,662	-11,488	-45,872	24,007	172,061	258,066	
Income tax	-1,209	11,192	21,617	-3,701	-58,620	-86,447	
Tax rate				15.4%	34.1%	33.5%	
Net profit before minorities	-15,871	-296	-24,255	20,306	113,441	171,619	
thereof minorities	n/a	13,230	n/a	3,512	16,557	27,889	
Net profit after minorities	n/a	-13,526	n/a	16,794	96,884	143,730	
Number of shares ('000)	79,850	134,526	134,526	134,526	134,526	134,526	
Earnings per share (incl. minorities)	-0.20	0.00	-0.18	0.15	0.84	1.28	
Earnings per share (after minorities)	n/a	-0.10	n/a	0.12	0.72	1.07	
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.20	
Purchase price allocation (PPA)		82,262	82,262	120,187	120,417	124,559	
One-off expenses		13,493	15,458	2,504	0	0	
EBITDA before PPA		203,656.0	253,190.0	351,620.0	457,991.0	538,423.0	28.6%
Shareholders' Equity (incl. minorities)	816,009	1,162,539	1,162,539	1,257,413	1,370,854	1,515,568	9.2%
thereof minorities	169,901	151,629	151,629	156,936	160,859	164,077	
Balance Sheet sum	2,626,042	3,745,050	3,745,050	4,321,630	4,399,419	4,663,385	
Equity Ratio	31.1%	31.0%	31.0%	29.1%	31.2%	32.5%	
RoE (after tax)	-1.9%	0.0%	-2.5%	1.7%	8.6%	11.9%	
Book Value per share (Euro)	8.09	7.51	7.51	8.18	8.99	10.05	10.2%

SRC Research
- Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle

Company	Date	Rating	former share price	former target
CONSUS	20/06/2019	Buy	7.34 €	13.00 €
CONSUS	21/05/2019	Buy	8.55 €	13.00 €
CONSUS	25/04/2019	Buy	7.25 €	13.00 €

Please note:

The share price mentioned in this report is from 12 September 2019. CONSUS Real Estate AG mandated SRC Research for covering the share.

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