

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

Buy

Target price: 2.35 Euro
(until now: 2.60 Euro)

current share price: € 1.42
 02.11.20 / XETRA; 12:37 am
 Currency: EUR

Key data:

ISIN: DE000A0B9VV6
 WKN: A0B9VV
 Ticker symbol: CORE
 Number of shares³: 17.54
 Marketcap³: 24.91
 EnterpriseValue³: 53.85
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:
 02.11.20 (3:00 pm)
 Date (time) first distribution:
 03.11.20 (10:00 am)

Validity of the price target: until
 max. 31.12.2021

Company profile

Industry: Real estate

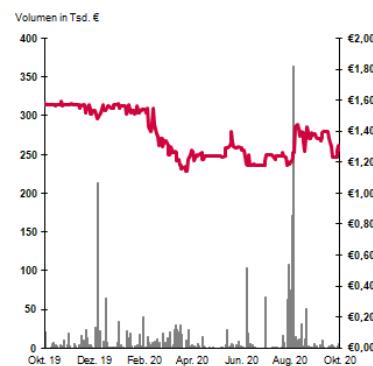
Focus: Commercial and residential real estate

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
Total Sales*	7.41	8.05	17.76	25.54
EBITDA	2.52	3.12	10.00	14.87
EBIT	2.50	3.10	9.98	14.84
Net income	-0.86	0.89	5.67	8.96

*Revenue, Sales Result, Valuation Result

Key figures in EUR

Earnings per share	-0.05	0.05	0.32	0.51
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	7.27	6.69	3.03	2.11
EV/EBITDA	21.37	17.29	5.38	3.62
EV/EBIT	21.51	17.37	5.40	3.63
P/E	neg.	28.08	4.40	2.78
P/B	0.88			

Financial calendar

-

****last research by GBC:**

Date: Publication / Target price in EUR / Rating

18.09.2020: RS / 2.60 / BUY

20.08.2020: RS / 2.60 / BUY

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"

EXTENSIVE ACQUISITION PIPELINE AVAILABLE, FURTHER STRONG SALES AND EARNINGS GROWTH FROM 2021 ON EXPECTED; TARGET PRICE: € 2.35, RATING: BUY

in million €	1ST HY 2018	1ST HY 2019	1ST HY 2020
Rental income	0.56	1.64	1.55
Sales proceeds	0.00	0.92	5.77
Sales result	0.00	0.45	0.49
EBIT	-0.20	-0.31	-0.10
After-tax result	-1.07	-1.65	-0.74

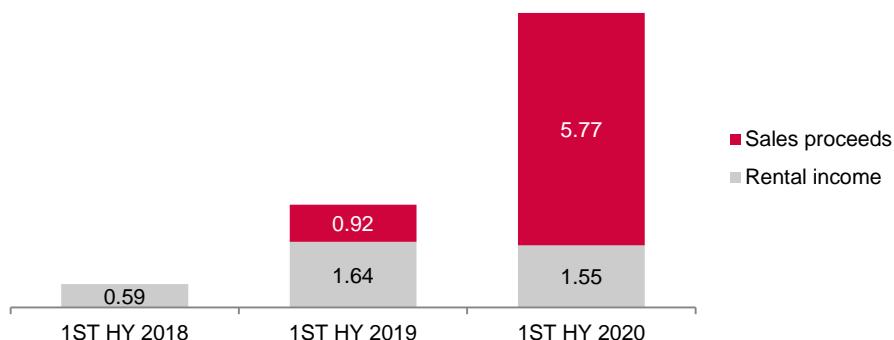
Sources: Coreo AG; GBC AG

Sales and earnings development 1st half of 2020

Despite the visible expansion of the real estate portfolio that continued in the first half of 2020, Coreo AG's rental income only showed a constant development to € 1.55 million (previous year: € 1.64 million). In the case of the NRW portfolio acquired in 2019, with properties in Wuppertal and Bielefeld, the transfer of benefits and burdens took place on 1 May 2020, meaning that the rental income generated from this portfolio was only included for a two-month period. Together with the previously acquired locations in Gelsenkirchen and Lünen, the NRW portfolio generated gross rental income of € 0.35 million in the first half of 2020. In contrast, gross rental income in Göttingen fell by € 0.4 million. This can be explained by the partial sale of the portfolio and the planned increase in vacancies in the run-up to extensive modernisation measures.

The scheduled sale of properties in the Göttingen portfolio and, to a lesser extent, of properties in the Hydra portfolio caused a significant increase in sales proceeds to € 5.77 million (previous year: € 0.92 million). With a book value disposal of € 5.28 million, Coreo AG posted a disposal result of € 0.49 million (previous year: € 0.45 million) for the first six months of 2020, whereby only the sale of the property in Viersen from the Hydra portfolio made a contribution to earnings for € 0.7 million. The Göttingen portfolio had already been written up to the level of the selling price at the end of 2019.

Breakdown of income components (in € million)



Source: Coreo AG; GBC AG

Based on the constant development of rental income and the sales result, which was also at the previous year's level, Coreo AG is reporting an overall improvement in operating earnings. At € -0.10 million (previous year: € -0.31 million), EBIT was just below break-even. Although Coreo AG achieved a reduction in the cost of materials due to lower maintenance measures, recruitment of new employees led to higher personnel expenses.

The after-tax result of €-0.74 million (previous year: €-1.65 million) includes financial expenses of €-1.12 million (previous year: €-1.02 million) and tax income of €0.36 million (previous year: €-0.32 million). The slight increase in financial expenses is due, on the one hand, to investment-related increase in bank liabilities from €20.33 million (31.12.19) to €30.30 million (30.06.20). At the same time, the outstanding volume of the warrant bond increased from €13.00 million (31.12.19) to €15.00 million (30.06.20).

Forecasts and model assumptions

in million €	GJ 2020e (old)	GJ 2020e (new)	GJ 2021e (old)	GJ 2021e (new)	GJ 2022e (old)	FY 2022e (new)
Rental income	3.71	2,70	7.00	7,00	10.24	10,24
Sales proceeds	7.78	7,78	10.30	6,30	10.00	10,00
Evaluation result	5.46	3,36	8.67	8,90	12.74	12,70
EBIT	5.51	3,10	10.87	9,98	14.97	14,84
After-tax result	2.40	0,89	5.91	5,67	8.93	8,96

Source: GBC AG

Coreo AG had originally planned to issue a corporate bond with a volume of €30 million to finance future project and property acquisitions and to repay the comparatively high-interest warrant bond (coupon: 10%). Since a volume of €10 million had been placed by the end of the subscription period, the company would not have been able to implement its investment plan and therefore cancelled the public bond issue. As a substitute, a private placement in the amount of the original bond volume of € 30 million is to be carried out. According to the company, this should be successfully placed in the coming weeks. After repayment of the warrant bond with an outstanding volume of €15 million, the company could use around €15 million to implement concretely planned real estate acquisitions. With an assumed LTV (loan-to-value) of 66%, new real estate objects could be acquired with a total volume of up to €50 million. According to the company, exclusivity agreements currently exist for properties worth more than €40 million.

In our revenue and earnings forecasts for 2020, we had assumed new investments totaling around €25 million in addition to the existing portfolio. Even if the company is able to implement the planned property acquisitions promptly following a successful private placement, these are unlikely to have a relevant impact on revenue and earnings until next year. In the case of the recently acquired, fully-let logistics property in Haßloch with a total investment volume of €3.4 million, the change in benefits and burdens will not take place until the turn of the year. The property with a rental area of around 10,000 sqm is leased to a sporting goods manufacturer until mid-2024.

As we are postponing, to a large extent, the additional revenue and earnings from the originally planned €25 million investment until the coming financial year, we are adjusting our forecasts for the current financial year 2020. As a result of reduced rental income, we now expect EBIT of € 3.10 million (previously: € 5.51 million). For the coming years, we continue to plan investments of € 40 million each and, therefore, our forecasts remain largely unchanged.

In our DCF valuation model, which was slightly adjusted compared to our last research study, we have set a new price target of € 2.35 (previously: € 2.60). Based on the current price level of € 1.42 there is a high upside potential and we continue to assign the BUY rating. Our BUY rating is supported by the published NAV, which amounted to €1.88 per share at 31 December 19.

ANNEX

I.

Research under MiFID II

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

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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
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GBC AG is currently represented by its board members Manuel Hözle (Chairman) and Jörg Grunwald.

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Other person involved:

Manuel Hözle, Dipl. Kaufmann, Head of Research

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