

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

Analysts:

Cosmin Filker
filker@gbc-ag.de

Marcel Goldman
goldmann@gbc-ag.de

* 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

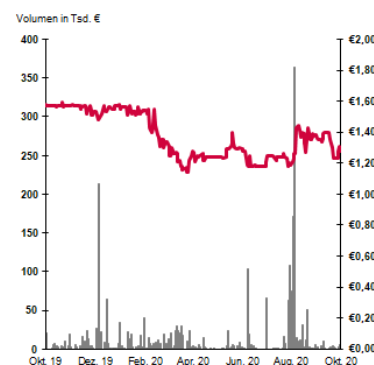
Focus: Commercial and residential real estate

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 "1. 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

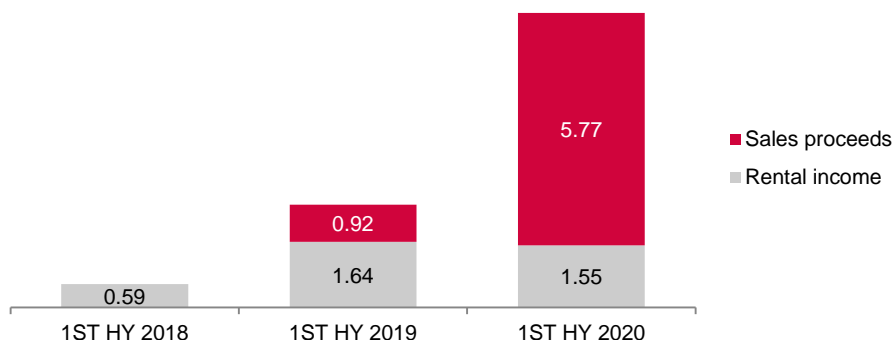
Sources: Coreo AG; GBC AG

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

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever. or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer>

Legal information and disclosures as required by section 85 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

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 $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1, Conflicts of interest as defined in section 85 of the Securities Trading Act (WpHG)

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (4,5a,6a,11)

section 2 (V) 2, Catalogue of potential conflicts of interest

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analysed or the financial instrument or financial product analysed.
- (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analysed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.
- (5) b) After receiving valid amendments by the analysed company or issuer, the draft of this analysis was changed.
- (6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.
- (6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).
- (12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

Section 2 (V) 3. Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Karin Jägg, Email: jaegg@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research
Marcel Goldmann, M.Sc., Financial Analyst

Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

Section 3 Copyright

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de