

Buy (old: Buy)

Price target: EUR 11.70 (old: EUR 14.30)

Price: EUR 7.48 **Next result:** Q3'18 30.11.18
Bloomberg: CC1@GR **Market cap:** EUR 801.6 m
Reuters: CC11.DE **Enterprise Value:** EUR 2,107.4 m

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Strong Q2 - expansion slower than expected

Consus reported strong H1 2018 results driven by a substantial increase in development activity in Q2. H1 sales reached € 242m after € 1m in the previous year while EBITDA increased 7-fold to € 41.5m. Net profit became positive at € 2.8m after € -4.2m in H1 2017.

Evidentially, the sound H1 results highlight that Consus expansion is in full swing and literally just started. Consequently, sales growth should remain sturdy in the mid-term. Even more important, **Consus achieved several important milestones to progress its business as the largest German developer:**

- 1) Full focus on development business.** Consus sold its commercial properties for € 148m resulting in a cash inflow of € 68m in Q2. After the reporting date, Consus additionally disposed its 58% share in the commercial player GxP. What's more, it increased its stake in CG Gruppe AG to 75% to gain full control of its subsidiary.
- 2) Further pipeline additions.** Consus successfully increased its development pipeline by € 1.7bn year-to-date. The gross development volume stands at € 6.2bn as of September 2018. The pipeline is seen to grow further by the end of this year providing sound visibility into dynamic growth even beyond 2020E.
- 3) Ongoing deleveraging.** Consus proved to effectively deleverage its balance sheet. Net debt decreased significantly from € 1.5bn to € 1.25bn as of H1 2018 and further reduced to approx. € 1.1bn as per end of September. Net debt should reach less than 3x EBIT pre-PPA by 2020 (eH&A).
- 4) Operational success.** Building permits have been obtained for large-scale projects in Cologne, Leipzig and Dresden. This should further drive income growth from installment payments of forward deals in the second half of 2018.

Action: While the company's growth prospects remain sound we reduce our sales and earnings estimates to reflect a slower than initially expected execution of the development pipeline mainly due to lengthier planning processes. That said, we now expect sales of about € 1,200m and an EBIT of € 221m by 2020E which is broadly in line with company's guidance targeting € 300m EBIT pre PPA by 2020E (ca. 26% discount adjust. EBIT pre PPA). Thus, the growth investment case remains fully intact.

Against the sound prospects we reiterate our **buy recommendation** with a new **PT of € 11.70** (old € 14.30) based on P/E 2019E, 30x and DCF.

Y/E 31.12 (EUR m)	2016	2017	2018E	2019E	2020E
Sales	74.6	205.2	580.0	850.0	1,200.0
Sales growth	n/a	175 %	183 %	47 %	41 %
EBITDA	56.9	120.3	112.5	165.8	222.0
EBIT	56.2	119.1	111.9	165.2	221.4
Net income	11.9	-157.9	7.7	41.6	82.9
Net debt	733.7	1,532.6	1,283.2	1,052.1	948.7
Net gearing	811.0 %	237.2 %	207.7 %	111.4 %	65.6 %
Net Debt/EBITDA	12.9	12.7	11.4	6.3	4.3
EPS pro forma	n/a	-1.98	0.07	0.39	0.78
CPS	n/a	-9.88	1.96	2.19	0.99
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	18.6 %	39.6 %	31.0 %	31.0 %	30.0 %
EBITDA margin	76.3 %	58.6 %	19.4 %	19.5 %	18.5 %
EBIT margin	75.3 %	58.0 %	19.3 %	19.4 %	18.5 %
ROCE	6.4 %	7.2 %	4.8 %	7.3 %	9.0 %
EV/sales	10.0	10.5	3.6	2.2	1.5
EV/EBITDA	13.1	17.9	18.7	11.3	8.0
EV/EBIT	13.3	18.1	18.8	11.4	8.0
PER	n/a	-3.9	106.5	19.8	9.9
Adjusted FCF yield	5.8 %	-2.9 %	4.2 %	6.3 %	8.4 %

Source: Company data, Hauck & Aufhäuser Close price as of: 12.10.2018



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 8.99 / 7.18

Price/Book Ratio: 1.4

Relative performance (SDAX):

3 months -
6 months -
12 months -

Changes in estimates

		Sales	EBIT	EPS
2018	old:	840.9	171.7	0.36
	Δ	-31.0%	-34.8%	-79.6%
2019	old:	1,269.0	259.6	0.77
	Δ	-33.0%	-36.4%	-49.1%
2020	old:	1,778.9	320.0	1.01
	Δ	-32.5%	-30.8%	-22.6%

Key share data:

Number of shares: (in m pcs) 93.2
Authorised capital: (in € m) -
Book value per share: (in €) 5.8
Ø trading volume: (12 months) 37,421

Major shareholders:

Aggregate S.A. 60.2 %
Free float 32.0 %
Christoph Gröner 7.8 %

Company description:

Leading real estate development company focused on residential developments in large German cities.

Financials

Profit and loss (EUR m)	2016	2017	2018E	2019E	2020E
Net sales	74.6	205.2	580.0	850.0	1,200.0
Sales growth	n/a	175.1 %	182.7 %	46.6 %	41.2 %
Increase/decrease in finished goods and work-in-process	360.2	173.7	0.0	0.0	0.0
Total sales	434.8	378.9	580.0	850.0	1,200.0
Other operating income	7.7	12.1	8.7	12.8	18.0
Material expenses	353.8	228.9	400.2	586.5	840.0
Personnel expenses	12.7	20.4	32.5	51.0	72.0
Other operating expenses	19.1	21.4	43.5	59.5	84.0
Total operating expenses	377.9	258.6	467.5	684.3	978.0
EBITDA	56.9	120.3	112.5	165.8	222.0
Depreciation	0.7	1.2	0.5	0.5	0.5
EBITA	56.2	119.1	112.0	165.3	221.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.1	0.1	0.1
Impairment charges	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	56.2	119.1	111.9	165.2	221.4
Interest income	3.7	0.3	0.0	0.0	0.0
Interest expenses	43.3	95.4	90.0	86.4	75.6
Other financial result	0.0	0.0	6.2	0.0	0.0
Financial result	-39.6	-95.1	-83.8	-86.4	-75.6
Recurring pretax income from continuing operations	16.6	24.0	28.1	78.8	145.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	16.6	24.0	28.1	78.8	145.8
Taxes	4.5	12.0	8.4	23.6	43.8
Net income from continuing operations	12.1	12.0	19.7	55.2	102.1
Result from discontinued operations (net of tax)	0.0	0.0	1.4	0.0	0.0
Net income	12.1	12.0	18.2	55.2	102.1
Minority interest	0.1	169.9	10.5	13.6	19.2
Net profit (reported)	11.9	-157.9	7.7	41.6	82.9
Average number of shares	n/a	79.9	93.2	106.5	106.5
EPS reported	n/a	-1.98	0.07	0.39	0.78

Profit and loss (common size)	2016	2017	2018E	2019E	2020E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	483.0 %	84.6 %	0.0 %	0.0 %	0.0 %
Total sales	583.0 %	184.6 %	100.0 %	100.0 %	100.0 %
Other operating income	10.3 %	5.9 %	1.5 %	1.5 %	1.5 %
Material expenses	474.4 %	111.5 %	69.0 %	69.0 %	70.0 %
Personnel expenses	17.0 %	9.9 %	5.6 %	6.0 %	6.0 %
Other operating expenses	25.6 %	10.4 %	7.5 %	7.0 %	7.0 %
Total operating expenses	506.7 %	126.0 %	80.6 %	80.5 %	81.5 %
EBITDA	76.3 %	58.6 %	19.4 %	19.5 %	18.5 %
Depreciation	0.9 %	0.6 %	0.1 %	0.1 %	0.0 %
EBITA	75.3 %	58.0 %	19.3 %	19.4 %	18.5 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	75.3 %	58.0 %	19.3 %	19.4 %	18.5 %
Interest income	5.0 %	0.1 %	0.0 %	0.0 %	0.0 %
Interest expenses	58.1 %	46.5 %	15.5 %	10.2 %	6.3 %
Other financial result	0.0 %	0.0 %	1.1 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	22.2 %	11.7 %	4.8 %	9.3 %	12.2 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	22.2 %	11.7 %	4.8 %	9.3 %	12.2 %
Tax rate	27.1 %	50.0 %	30.0 %	30.0 %	30.0 %
Net income from continuing operations	16.2 %	5.8 %	3.4 %	6.5 %	8.5 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.2 %	0.0 %	0.0 %
Net income	16.2 %	5.8 %	3.1 %	6.5 %	8.5 %
Minority interest	0.2 %	82.8 %	1.8 %	1.6 %	1.6 %
Net profit (reported)	16.0 %	neg.	1.3 %	4.9 %	6.9 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2016	2017	2018E	2019E	2020E
Intangible assets	0.5	703.0	727.2	729.6	732.0
Property, plant and equipment	423.2	532.3	156.8	156.3	155.8
Financial assets	n/a	5.0	163.0	163.0	163.0
FIXED ASSETS	423.7	1,240.3	1,047.0	1,048.9	1,050.8
Inventories	680.7	1,211.8	1,476.0	1,603.8	2,000.0
Accounts receivable	30.3	56.0	47.7	69.9	98.6
Other current assets	0.0	46.6	69.0	69.2	69.4
Liquid assets	28.4	71.3	41.2	91.0	66.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	7.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	746.4	1,385.7	1,633.9	1,833.8	2,234.9
TOTAL ASSETS	1,170.1	2,626.0	2,680.9	2,882.7	3,285.7
SHAREHOLDERS EQUITY	90.5	646.1	617.8	944.7	1,445.5
MINORITY INTEREST	4.5	169.9	205.0	220.4	251.2
Long-term debt	762.1	1,028.0	1,014.4	1,014.4	914.4
Provisions for pensions and similar obligations	14.2	0.0	0.0	0.0	0.0
Other provisions	0.0	20.8	39.0	39.0	39.0
Non-current liabilities	776.4	1,048.8	1,053.4	1,053.4	953.4
short-term liabilities to banks	0.0	575.9	310.0	128.7	101.2
Accounts payable	43.6	46.2	55.6	81.5	115.1
Advance payments received on orders	145.3	0.3	294.0	308.8	273.5
Other liabilities (incl. from lease and rental contracts)	69.9	35.0	65.0	65.0	65.7
Deferred taxes	39.9	103.7	80.0	80.0	80.0
Deferred income	0.2	0.1	0.1	0.1	0.1
Current liabilities	298.8	761.2	804.7	664.2	635.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,170.1	2,626.0	2,680.9	2,882.7	3,285.7

Balance sheet (common size)	2016	2017	2018E	2019E	2020E
Intangible assets	0.0 %	26.8 %	27.1 %	25.3 %	22.3 %
Property, plant and equipment	36.2 %	20.3 %	5.8 %	5.4 %	4.7 %
Financial assets	n/a	0.2 %	6.1 %	5.7 %	5.0 %
FIXED ASSETS	36.2 %	47.2 %	39.1 %	36.4 %	32.0 %
Inventories	58.2 %	46.1 %	55.1 %	55.6 %	60.9 %
Accounts receivable	2.6 %	2.1 %	1.8 %	2.4 %	3.0 %
Other current assets	0.0 %	1.8 %	2.6 %	2.4 %	2.1 %
Liquid assets	2.4 %	2.7 %	1.5 %	3.2 %	2.0 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.6 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	63.8 %	52.8 %	60.9 %	63.6 %	68.0 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	7.7 %	24.6 %	23.0 %	32.8 %	44.0 %
MINORITY INTEREST	0.4 %	6.5 %	7.6 %	7.6 %	7.6 %
Long-term debt	65.1 %	39.1 %	37.8 %	35.2 %	27.8 %
Provisions for pensions and similar obligations	1.2 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.0 %	0.8 %	1.5 %	1.4 %	1.2 %
Non-current liabilities	66.3 %	39.9 %	39.3 %	36.5 %	29.0 %
short-term liabilities to banks	0.0 %	21.9 %	11.6 %	4.5 %	3.1 %
Accounts payable	3.7 %	1.8 %	2.1 %	2.8 %	3.5 %
Advance payments received on orders	12.4 %	0.0 %	11.0 %	10.7 %	8.3 %
Other liabilities (incl. from lease and rental contracts)	6.0 %	1.3 %	2.4 %	2.3 %	2.0 %
Deferred taxes	3.4 %	3.9 %	3.0 %	2.8 %	2.4 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	25.5 %	29.0 %	30.0 %	23.0 %	19.3 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2016	2017	2018E	2019E	2020E
Net profit/loss	5.1	12.0	18.2	55.2	102.1
Depreciation of fixed assets (incl. leases)	2.7	1.2	0.5	0.5	0.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.1	0.1	0.1
Others	30.1	-103.0	142.6	287.0	430.0
Cash flow from operations before changes in w/c	38.0	-89.8	161.4	342.8	532.7
Increase/decrease in inventory	-6.9	-531.1	-264.2	-127.8	-396.2
Increase/decrease in accounts receivable	0.0	-25.7	8.3	-22.2	-28.8
Increase/decrease in accounts payable	0.0	2.6	9.4	25.9	33.6
Increase/decrease in other working capital positions	18.3	-145.0	293.7	14.8	-35.3
Increase/decrease in working capital	11.4	-699.1	47.2	-109.2	-426.8
Cash flow from operating activities	49.4	-788.9	208.7	233.5	105.9
CAPEX	354.7	10.0	2.7	2.5	2.5
Payments for acquisitions	9.4	0.0	10.7	0.0	0.0
Financial investments	0.0	0.0	155.0	0.0	0.0
Income from asset disposals	0.3	0.0	78.2	0.0	0.0
Cash flow from investing activities	-363.9	-10.0	-90.2	-2.5	-2.5
Cash flow before financing	-314.5	-798.9	118.5	231.0	103.4
Increase/decrease in debt position	315.8	841.8	-279.5	-181.3	-127.5
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Capital measures	31.1	0.0	131.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	-17.7	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	329.3	841.8	-148.5	-181.3	-127.5
Increase/decrease in liquid assets	14.8	42.8	-30.0	49.7	-24.1
Liquid assets at end of period	28.4	71.3	41.2	91.0	66.9

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2016	2017	2018E	2019E	2020E
Domestic	74.6	205.2	580.0	850.0	1,200.0
yoy change	n/a	175.1 %	182.7 %	46.6 %	41.2 %
Rest of Europe	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a
NAFTA	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a
Rest of world	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a
TTL	74.6	205.2	580.0	850.0	1,200.0
yoy change	n/a	175.1 %	182.7 %	46.6 %	41.2 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2016	2017	2018E	2019E	2020E
P&L growth analysis					
Sales growth	n/a	175.1 %	182.7 %	46.6 %	41.2 %
EBITDA growth	n/a	111.5 %	-6.5 %	47.3 %	97.3 %
EBIT growth	n/a	112.0 %	-6.0 %	47.6 %	97.8 %
EPS growth	n/a	n/a	-103.7 %	436.8 %	971.0 %
Efficiency					
Total operating costs / sales	506.7 %	126.0 %	80.6 %	80.5 %	81.5 %
Sales per employee	5,736.8	15,784.6	44,615.4	65,384.6	92,307.7
EBITDA per employee	4,375.3	9,253.8	8,655.4	12,750.0	17,076.9
Balance sheet analysis					
Avg. working capital / sales	700.2 %	431.6 %	213.2 %	150.4 %	124.3 %
Inventory turnover (sales/inventory)	0.1	0.2	0.4	0.5	0.6
Trade debtors in days of sales	148.4	99.6	30.0	30.0	30.0
A/P turnover [(A/P*365)/sales]	213.3	82.2	35.0	35.0	35.0
Cash conversion cycle (days)	805.7	1,958.3	1,325.5	977.4	849.0
Cash flow analysis					
Free cash flow	-305.4	-798.9	206.0	231.0	103.4
Free cash flow/sales	-409.5 %	-389.3 %	35.5 %	27.2 %	8.6 %
FCF / net profit	neg.	neg.	2661.3 %	556.0 %	124.8 %
Capex / depn	13197.4 %	833.3 %	26283.3 %	416.7 %	416.7 %
Capex / maintenance capex	n/a	0.0 %	0.0 %	0.0 %	0.0 %
Capex / sales	n/a	n/a	n/a	n/a	n/a
Security					
Net debt	733.7	1,532.6	1,283.2	1,052.1	948.7
Net Debt/EBITDA	12.9	12.7	11.4	6.3	4.3
Net debt / equity	8.1	2.4	2.1	1.1	0.7
Interest cover	1.3	1.2	1.2	1.9	2.9
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation					
Capital employed turnover	0.1	0.1	0.3	0.4	0.4
Operating assets turnover	0.1	0.1	0.4	0.6	0.6
Plant turnover	0.2	0.4	3.7	5.4	7.7
Inventory turnover (sales/inventory)	0.1	0.2	0.4	0.5	0.6
Returns					
ROCE	6.4 %	7.2 %	4.8 %	7.3 %	9.0 %
ROE	13.2 %	-24.4 %	1.3 %	4.4 %	5.7 %
Other					
Interest paid / avg. debt	5.7 %	8.1 %	6.1 %	7.0 %	6.5 %
No. employees (average)	13	13	13	13	13
Number of shares	0.0	79.9	93.2	106.5	106.5
DPS	0.0	0.0	0.0	0.0	0.0
EPS reported	n/a	-1.98	0.07	0.39	0.78
Valuation ratios					
P/BV	n/a	1.0	1.3	0.9	0.6
EV/sales	10.0	10.5	3.6	2.2	1.5
EV/EBITDA	13.1	17.9	18.7	11.3	8.0
EV/EBITA	13.3	18.1	18.8	11.4	8.0
EV/EBIT	13.3	18.1	18.8	11.4	8.0
EV/FCF	-2.4	-2.7	10.2	8.1	17.1
Adjusted FCF yield	5.8 %	-2.9 %	4.2 %	6.3 %	8.4 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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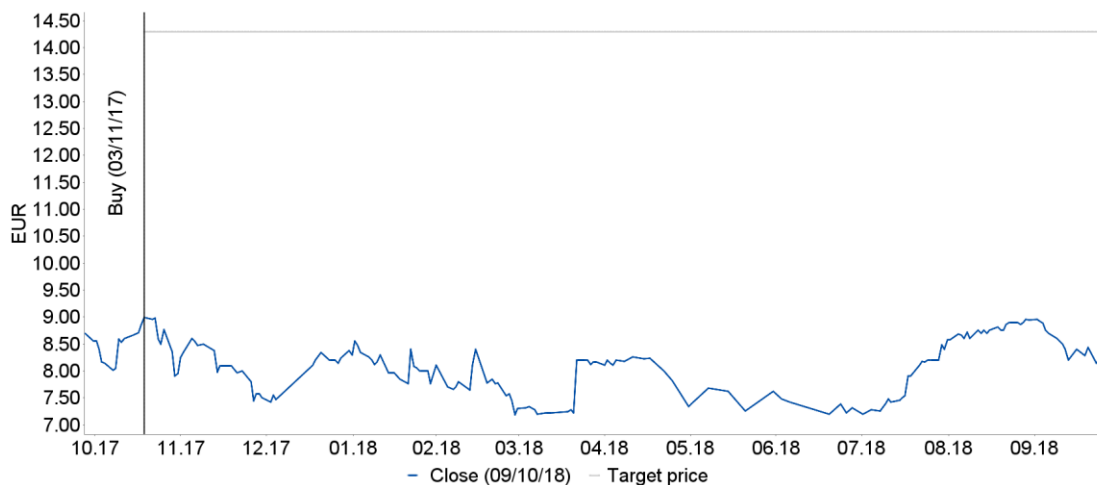
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Company	Disclosure
Consus Real Estate AG	2

Historical target price and rating changes for Consus Real Estate AG in the last 12 months

**Price and Rating History
Consus Real Estate AG as of 12/10/18**

Initiation coverage



Company	Date	Analyst	Rating	Target price	Close
CONSUS	02.08.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 7,90
	03.07.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 7,42
	07.06.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 7,26
	25.05.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 7,68
	16.05.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 7,34
	24.04.2018	Stinauer, Julius	Buy	EUR 14,30	EUR 8,18

19.04.2018	Wunderlich, CFA, Tim	Buy	EUR 14,30	EUR 8,10
13.11.2017	Wunderlich, CFA, Tim	Buy	EUR 14,30	EUR 8,35
08.11.2017	Wunderlich, CFA, Tim	Buy	EUR 14,30	EUR 8,60
07.11.2017	Wunderlich, CFA, Tim	Buy	EUR 14,30	EUR 8,98

Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

Buy	64.29 %	95.00 %
Sell	11.31 %	0.00 %
Hold	24.40 %	5.00 %

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