



**Buy** (unchanged) **Target: Euro 13.00** (unchanged)

21 | May | 2019

■ **Price (Euro)** **8.55**  
52 weeks range 8.98 / 6.06

■ **Key Data**

ISIN DE000A2DA414  
Bloomberg CC1:GR  
Reporting standard IFRS  
Market Cap (Euro million) 1,150  
Number of shares (million) 134.5  
Free Float 37%  
Free Float Market Cap (Euro million) 426  
CAGR EBITDA ('18 -'21e) 38.6%  
CAGR EBITDA pre PPA ('18 -'21e) 28.6%

Multiples	2018	2019e	2020e	2021e
Market Cap / Total revenues	38.8	57.2	45.7	49.1
PE-Ratio	-47.4	59.5	11.9	8.0
Dividend Yield	0.0%	0.0%	0.0%	2.3%

Key Data per share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	-0.18	0.14	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
<b>Total income</b>	<b>655,569</b>	<b>1,831,380</b>	<b>2,394,726</b>	<b>2,228,903</b>
Change in project related inventory	-31,464	-251,369	-362,789	-147,881
<b>Overall performance</b>	<b>624,104</b>	<b>1,580,011</b>	<b>2,031,937</b>	<b>2,081,022</b>
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
<b>EBITDA</b>	<b>155,470</b>	<b>209,821</b>	<b>337,574</b>	<b>413,864</b>
<b>EBITDA pre PPA</b>	<b>253,190</b>	<b>351,700</b>	<b>457,991</b>	<b>538,423</b>
Net financial result	-198,316	-179,734	-160,921	-150,676
<b>Pre-tax profit (EBT)</b>	<b>-45,872</b>	<b>26,531</b>	<b>172,061</b>	<b>258,066</b>
Taxation	21,617	-3,701	-58,620	-86,447
<b>Net profit</b>	<b>-24,255</b>	<b>19,318</b>	<b>96,884</b>	<b>143,730</b>

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

■ **Main Shareholders**

Aggregate Group 57%  
Christoph Gröner 6%

■ **Financial calendar**

1Q 2019 key data 19/06/2019  
AGM 26/06/2019  
SRC Forum Financials & Real Estate 03/09/2019  
1H 2019 report 19/09/2019

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**CONSUS placed five year Euro 400m senior secured bond at 98.5% with a coupon rate of 9.625% – strong recent share performance – Buy rating and 13 Euros target price affirmed**

On 3 May, the company reported the successful placement of a Euro 400m senior secured bond. The bond has a duration of five years. It was placed at a discount at 98.5% with a coupon rate of 9.625%. The bond has a non-call period of two years, after which Consus has the option to call it. The company was also rated by two rating agencies, Fitch and Standard & Poor's, and received an issuer rating of B, while the notes were rated B by Fitch and B- by Standard & Poor's. The firm plans to use the proceeds to refinance liabilities such as the J.P. Morgan loan in connection to the SSN acquisitions and to settle cash payments regarding the acquisition of shares in CG Group. Furthermore, some of the proceeds can be used for development projects.

Even though the combination of a 9.625% coupon rate and the issue at a discount seems a bit expensive to us at a first glance, we see the placement as favorable overall and as a start for further capital markets activities. The relatively newly formed group thereby raised awareness with investors and the high demand of the bond showed that those place trust in the company. This should in turn help for better conditions at upcoming issues on both the debt and equity side and should also have an overall positive effect on the firm's share price development.

**Since the initiation of our coverage on 25 April at Euro 7.25, the CONSUS share has performed very well and has gained almost 18% in less than a month. We expect the share to continue to perform well and thus confirm our 13.00 Euros target price. We clearly stick to 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 almost 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 groups financing costs are at present at a much too high level of more than 8%, after the acquisition of SSN (11.3%). The managements 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 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.

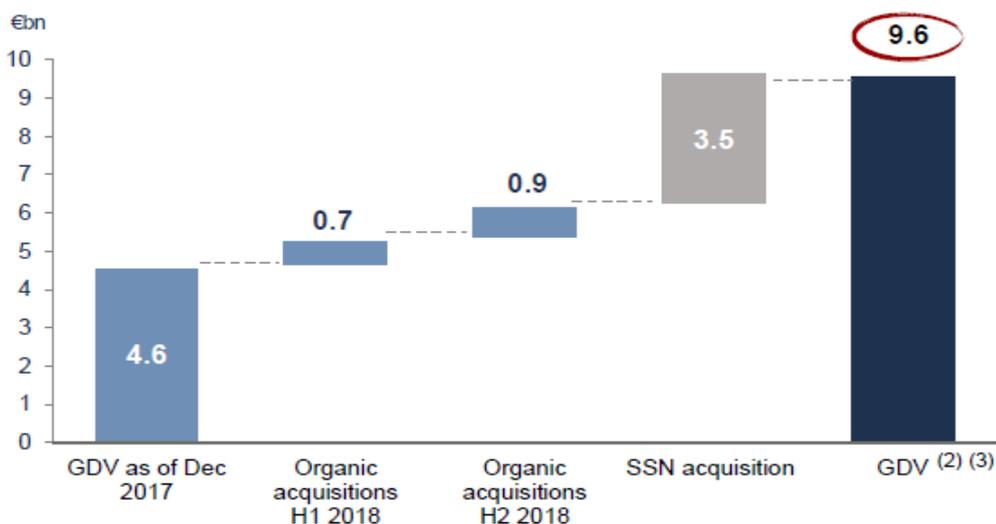
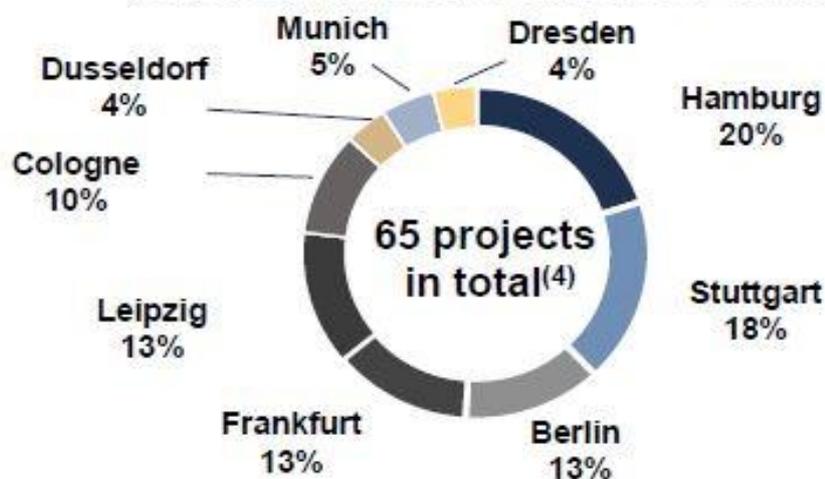
### Consus Real Estate AG

<b>Industry:</b>	Real Estate	<b>Management Board of CONSUS:</b>
<b>Sub-segment:</b>	Residential developer	Prof. Andreas Steyer (CEO)
<b>Region:</b>	Germany	Benjamin Lee (CFO)
<b>Headquarter:</b>	Berlin	Theo Gorens (CRO and deputy CFO)
<b>Foundation</b>	2017	
<b>Employees:</b>	>760	<b>Supervisory Board of CONSUS:</b>
		Axel Harloff
<b>IR Contact:</b>		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 almost Euro 10bn. The portfolio is focused on the top 9 cities, with the largest share currently located in Hamburg (20%), closely followed by Stuttgart (18%). Consus follows a forward sale-oriented business model, thereby minimizing the risk. Of the almost Euro 10bn portfolio, currently 26% is forward sold and for another 53% forward sales are targeted. The remaining 20% consists of condominiums.

#### Development portfolio across top 9 cities



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	1,763,214	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	
<b>Total income</b>	<b>250,594</b>	<b>614,971</b>	<b>655,569</b>	<b>1,831,380</b>	<b>2,394,726</b>	<b>2,228,903</b>	<b>50.4%</b>
Change in project related inventory	302,183	-147,352	-31,464	-251,369	-362,789	-147,881	
<b>Overall performance</b>	<b>552,777</b>	<b>467,619</b>	<b>624,104</b>	<b>1,580,011</b>	<b>2,031,937</b>	<b>2,081,022</b>	<b>49.4%</b>
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	1,257	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	
<b>EBITDA</b>	<b>178,629</b>	<b>107,901</b>	<b>155,470</b>	<b>209,821</b>	<b>337,574</b>	<b>413,864</b>	<b>38.6%</b>
Depreciation and amortization	-2,204	-2,175	-3,026	-3,556	-4,592	-5,122	
<b>EBIT</b>	<b>176,425</b>	<b>105,726</b>	<b>152,444</b>	<b>206,265</b>	<b>332,982</b>	<b>408,742</b>	<b>38.9%</b>
Financial income	14,202	4,620	11,467	7,689	8,557	8,770	
Financial expenses	-205,289	-121,834	-209,783	-187,423	-169,478	-159,446	
<b>Pre-tax profit (EBT)</b>	<b>-14,662</b>	<b>-11,488</b>	<b>-45,872</b>	<b>26,531</b>	<b>172,061</b>	<b>258,066</b>	
Income tax	-1,209	11,192	21,617	-3,701	-58,620	-86,447	
Tax rate				13.9%	34.1%	33.5%	
<b>Net profit before minorities</b>	<b>-15,871</b>	<b>-296</b>	<b>-24,255</b>	<b>22,830</b>	<b>113,441</b>	<b>171,619</b>	
thereof minorities	n/a	13,230	n/a	3,512	16,557	27,889	
<b>Net profit after minorities</b>	<b>n/a</b>	<b>-13,526</b>	<b>n/a</b>	<b>19,318</b>	<b>96,884</b>	<b>143,730</b>	
Number of shares ('000)	79,850	134,526	134,526	134,526	134,526	134,526	
<b>Earnings per share (incl. minorities)</b>	<b>-0.20</b>	<b>0.00</b>	<b>-0.18</b>	<b>0.17</b>	<b>0.84</b>	<b>1.28</b>	
<b>Earnings per share (after minorities)</b>	<b>n/a</b>	<b>-0.10</b>	<b>n/a</b>	<b>0.14</b>	<b>0.72</b>	<b>1.07</b>	
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.20	
Purchase price allocation (PPA)		82,262	82,262	141,879	120,417	124,559	
One-off expenses		13,493	15,458	0	0	0	
<b>EBITDA before PPA</b>		<b>203,656.0</b>	<b>253,190.0</b>	<b>351,700.0</b>	<b>457,991.0</b>	<b>538,423.0</b>	<b>28.6%</b>
<b>Shareholders' Equity (incl. minorities)</b>	<b>816,009</b>	<b>1,162,539</b>	<b>1,162,539</b>	<b>1,185,369</b>	<b>1,298,810</b>	<b>1,443,524</b>	<b>7.5%</b>
thereof minorities	169,901	151,629	151,629	156,936	160,859	164,077	
<b>Balance Sheet sum</b>	<b>2,626,042</b>	<b>3,745,050</b>	<b>3,745,050</b>	<b>3,834,931</b>	<b>3,903,960</b>	<b>4,138,198</b>	
<b>Equity Ratio</b>	<b>31.1%</b>	<b>31.0%</b>	<b>31.0%</b>	<b>30.9%</b>	<b>33.3%</b>	<b>34.9%</b>	
<b>RoE (after tax)</b>	<b>-1.9%</b>	<b>0.0%</b>	<b>-2.5%</b>	<b>1.9%</b>	<b>9.1%</b>	<b>12.5%</b>	
<b>Book Value per share (Euro)</b>	<b>8.09</b>	<b>7.51</b>	<b>7.51</b>	<b>7.64</b>	<b>8.46</b>	<b>9.51</b>	<b>8.2%</b>

**SRC Research**  
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**Rating Chronicle**

<b>Company</b>	<b>Date</b>	<b>Rating</b>	<b>former share price</b>	<b>former target</b>
CONSUS	25. April 2018	Buy	7.25 €	13.00 €

**Please note:**

The share price mentioned in this report is from 20 May 2019. CONSUS Real Estate AG mandated SRC Research for covering the share.

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