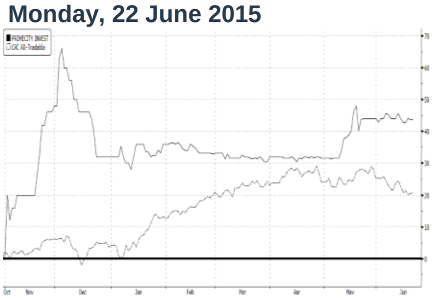
PrimeCity Investment Plc

BUY (-) | Target 5.60 EUR (-)
Price (last closing price) : **3.59 EUR**| Upside : 56%

Est. change	2015e	2016e
FFO I PS	-	-

PCI – high yield, early stage of growth and protected niche
Unique business model points to stable and sustained FFO generation

Monday, 22 June 2015



Capital	
ALPCI FP | ALPCI.PA	
Market Cap (EURm)	371
Enterprise value (EURm)	537
Extrema 12 months	4.15 - 2.50
Free Float (%)	44.0

Performance (%)	1m	3m	12m
Absolute	2.6	9.5	n/a
Perf. rel. "sector"	14.7	29.1	n/a
Perf. rel. CDAX	9.7	18.7	n/a

P &L	12/15e	12/16e	12/17e
Sales (EURm)	42.7	72.4	105.6
EBIT (EURm)	173	273	337
Net profit (EURm)	139	221	270
EPS (EUR)	1.39	2.21	2.70
FFOI PS (EUR)	0.22	0.41	0.60
DPS (EUR)	0.00	0.12	0.18
P/E (x)	2.6	1.6	1.3
P/NAV (x)	1.14	0.68	0.46
P/EPRA NAV (x)	1.01	0.69	0.50
FFOI yield (%)	6.2	11.3	16.6
Dividend yield (%)	0.0	3.4	5.0
Net LTV (%)	50.0	50.3	50.4
NAVPS (EUR)	3.25	5.46	8.03
EPRA NAVPS (EUR)	3.55	5.23	7.19

Next Events	
n/a	n/a

Greatly positioned in a niche of the property industry, PrimeCity (PCI) is looking back on a proven track record in the turnaround of distressed hotel situations. Being a reliable partner in a segment with high entry barriers and no listed competition, PCI currently holds 50 hotels with ~8,000 rooms on its balance sheet while day-by-day hotel business is entirely operated by the tenant. The business model offers a strong value extraction potential and a sustained strong FFO generation due to long-term leases at fixed double digit yields and to an active asset management to review and analyse results of operators to find additional ways to add value. On top we are facing an environment with temporarily prolonged low interest rates making a growth scenario plausible, and investors that are less risk-averse seeking diversification within the property sector.

Initiating with BUY/EUR 5.60 on PCI

We initiate our coverage on PCI with a BUY/EUR 5.60 recommendation (56% upside), based on our EPRA NAV model, corresponding to 22% discount to its FY17e target EPRA NAV. The asset class 'Hotel' becoming increasingly important as integral part of the portfolio diversification and is attracting investors with its appealing yield. The strong FFO generation calls for an early dividend paying ability.

Attractions through i) business model and ii) growth opportunities

i) PCI buys and repositions distressed hotel assets, which are offering significant value uplift potential. PCI is not involved in the hotel operations but rather performs an intense asset management. PCI arranges for each single property a detailed tailor made business plan. The business plan includes selecting the optimal brand, target market, class category and respectively what targeted investments need to be done to achieve the repositioning in the most efficient way. ii) PCI is attractive for its growth potential. It combines a promising pipeline of distressed hotel properties with disciplined use of the capital market. Accordingly, we assume PCI will exploit the low interest rate environment by conducting bond issuance (straight and convertible) partnered by equity raisings in order to accelerate growth and ensure financial flexibility.

For the time being we stress small premium to EPRA NAV as fair

We assume that massive premiums to NAV are only temporary nature and the NAV continues to be the major determinant for the fair value of property stocks. Our valuation is based on EPRA NAV. At current state we believe a valuation at moderate premium to EPRA NAV level should be justified for PCI. Nevertheless PCI's operational performance potential and unique business model should lead to a rerating of the stock in the medium term given that our preferred peer group (shopping center) trades at significant premiums of up to 30%.

Strong FFO generation at limited downside risk

As most property expenses are assumed by the tenant, we see strong FFO potential. We expect FFOI p/s at EUR 0.22, EUR 0.41 and EUR 0.60 in 2015-17e. Based on solid cash flow returns we assume dividend ability at early stage (from 2016 earnings, ~30% of FFOI). This is partnered by limited downside due to continuous connection to the hotel operations and proactive influence on the operations if PCI sees the potential to optimize the business, in order to ensure that the operator will be able to serve the future lease payments to PCI over the total length of the lease contract.

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INVESTMENT THESIS

In this extended period of low interest rates, investors – including growing numbers of foreign and less risk-averse investors – have flocked into German real estate in search of adequate yields. Given yield compression in the core segment (A/prime locations) and a partly overowned residential sector, investors are looking for strong business profiles with reasonable returns. PCI's unique business model backed by a proven track record, strong focus on a healthy financial structure and high management expertise, offers attractive yields in a sector with defensive characteristics and growing demand momentum for hotels in Germany.

We initiate coverage of PCI with a **BUY recommendation** at a PT of **EUR 5.60** based on our EPRA NAV valuation. Our PT equates to a 22% discount to our 2017e target EPRA NAV (EUR 7.19) and offering 56% upside. The asset class 'Hotel', as an integral part of portfolio diversification, is becoming increasingly important. Key drivers are the following:

Business model – The property niche that PCI focuses on is characterised by few competitors (none listed) and relatively high entry barriers as PCI has established as reliable partner with i) strong deal sourcing capabilities and ii) guarantying financial execution. Through the execution of its tried and proven business model, PCI has compiled an impressive track record of high value extraction. PCI targets below-market prices, and distressed properties can usually be purchased at prices far below market value. PCI's business model also provides downside protection, as after stabilisation it achieves sustained cash flows from fixed long-term lease agreements of usually 20 years.

Downside protection – PCI's cash flow stability depends on the operational success of the hotels in its portfolio. PCI supports its operators' success by implementing a sustainable repositioning for each individual hotel property. The expertise and experience gained from more than 100 successful hotel turnarounds serve to minimise execution risk. Already in the initial phases the new (or existing) operator, the manager of the hotel business, which is carefully chosen by PCI, is involved in the repositioning process. When the first targets are reached, the future of the hotel business is stabilized and the long term rent agreement is in place, PCI is continuing to implement its asset management responsibilities and is always focused on potential further value creation opportunities. Even if PCI is basically "only" the asset owner it stays connected to the hotel operation and actively involved if PCI sees the potential to optimize the business. Based on this PCI is ensuring that the operator will be able to serve the future lease payments to PCI over the total length of the lease contract.

A growth stock – PCI is attractive for its growth potential. It combines a promising pipeline of distressed hotel properties with disciplined use of the capital market. Accordingly, we assume PCI will exploit the low interest rate environment by conducting bond issuance (straight and convertible) in order to accelerate growth and ensure financial flexibility. We are confident that PCI will provide a continuous flow of positive news going forward.

Financial metrics – Early on PCI shifted its focus to a healthy financial structure so that it will be ready when the interest rate environment shifts in the future; for this purpose, ratios like LTV (currently ~40%) and WACD (~3.4%; bank loans at 3.0%) are critical. In terms of the reporting and visibility, PCI already levelled up to industry peers. In the course of the growth story we also consider PCI pay attention to gain credit rating at some point. We assume the company will maintain its LTV around 50% in the forecast period, gradually reduce cost of debt towards 2% in 2017e, and maintain high amount of unencumbered assets (>25%).

Estimates – Our growth scenario assumes that PCI will significantly expand its existing portfolio. Nonetheless, we have not incorporated any capital measures into our forecasts, although we consider them highly probable. We forecast – conservatively in our view – that PCI will grow its portfolio by EUR 300m, EUR 300m and EUR 350m in 2015-2017e respectively. The purchase price including repositioning measures and investments (which are assessed before deal execution) is based on 10% target yield in the second year. We see the revaluation potential in the range from 10% to 15% (15e: EUR 137m, 16e: EUR 212m and 17e: EUR 247m), which in fact looks quite conservative. Assuming a yield of 10% after applying first repositioning measures, (note: the 10% yield is calculated as yield on cost) we expect rental revenues of EUR 43m, EUR 72m and EUR 106m in 15-17e.

Strong FFO - Due to low property operating expenses, most property expenses are assumed by the tenant, internal and external growth and further scalability, we see strong FFO growth. We assume FFOI p/s at EUR 0.22, EUR 0.41 and EUR 0.60 in 2015-17e (yield of 6.2%, 11.3% and 16.6%). Based on solid cash flow returns and depending on the growth profile at the time, we assume dividend ability at early stage. We estimate that PCI will be able to pay a dividend from 2016 earnings, paying out ~30% of FFOI depending on the growth profile at the time.

Valuation - Property stocks in general have attracted massive interest from various investor groups; thus, we also see enormous potential in niche property stocks. However, we assume that the recent massive premiums to NAV (+25-50%) of some property players are only temporary, and that NAV will continue to be the major determinant of fair value. For the time being, we apply a low premium of 5% to EPRA NAV per share before market discount from 2015e to 2017e, based on the average discount of our peer group of 7.8%. This calculation takes us to a fair value of EUR 5.59 per share for PCI. Nevertheless PCI's operational performance potential and unique business model should lead to a rerating of the stock in the medium term given that the closest comparable we see are shopping center players which currently trade at premiums of up to 30%.

Market – Germany's strong macro environment is supportive for investments in the property sector: solid, above-average GDP growth, one of the lowest unemployment rates in the Eurozone, and historically low interest rates, which seem poised to remain low for longer than expected. The ECB extended its QE program to a total period of 18 months, triggering massive demand for property stocks and increasing participation in the German real estate market. This caused yield compression, especially in the core segment (A/prime locations), leading investors to seek alternatives elsewhere in the sector (B and C locations) and opened investors' minds to higher-risk higher-yield investments. Hotels are an attractive under-owned asset class while the hotel market is highly fragmented and characterised by an undersupply in particular for 3 and 4-star hotels. This niche has seen a doubling of annual transaction volume to EUR 3bn since 2011 and showed stable development also during the financial crisis. There is an ample supply of distressed hotels as only few companies target this segment.

Operational risks – The key operational risk is operational failure by a significant number of portfolio hotels, as hotel operations determine PCI's long-term cash flow generation. Failed hotel operations mean i) operators cannot meet the terms of their leases, and ii) potential impairments of asset values on PCI's balance sheet. Secondly, hotel investments are characterised by high capital commitments. However, we stress that these are hypothetical risks which have never occurred in PCI's 11-year history. Moreover, the company's portfolio is large and diversified enough that individual failures will not jeopardise the business model.

Sector risks – A general risk which could massively affect the entire sector would be a turning of the current low-interest-rate environment. Higher interest rates would indeed dampen the growth momentum of German property stocks, for investors would be induced to seek alternative investment ideas. We have already seen the recent rise in German 10-year government bond yields, which rose towards around 100bp; which put particular pressure on property stocks.

SWOT-ANALYSIS

Strengths

- Unique business model and strong management expertise in the repositioning of distressed hotel assets, strong deal sourcing capabilities
- Proven track-record with more than 100 successful turnaround cases
- No major listed pure-play hotel investment neither in Germany nor Europe
- High barriers to entry
- Dominant position in domestic market with deep and extensive market insights
- Lean management structure, short decision-making process
- Strong relationships with financing banks as a reliable buyer of distressed hotels; PCI also enjoying a close relationship to franchisees and hotel groups
- Despite its brief history as a listed company (IPO in Nov. 2014), PCI already has access to cheap liquidity
- Strong sustained FFO generation due to long-term leases and target yield at 10%
- Sound financial structure

Weaknesses

- Short capital market history and low tradability/liquidity of stock (Note: this situation is improving: PCI recently moved from Marché Libre to the continuous trading market of Alternext Market of the Euronext in Paris)
- Higher risk profile due to the asset class (vs residential property players)
- High capital commitment required for distressed hotel investments

Opportunities

- Strong demand for 3- and 4-star hotels, the main focus of PCI's portfolio
- Low interest rate environment persisting for longer than previously assumed (case in point: negative mortgage rates in Denmark)
- Growing importance of hotel asset class as integral source of portfolio diversification
- Strong value extraction potential due to distressed assets
- PCI is useful for diversification purposes (portfolio diversification)
- Early shift of focus to sustainable, long-term financial metrics (LTV, WACD) prepares PCI for reversal of low-interest-rate environment
- Additional upside potential through a second restructuring period
- Supply of distressed hotels is higher during economic weaker times

Threats

- Potential reversal of interest rate environment
- Default of hotel operators
- Larger than expected capex or complete failure of turnaround effort eventually leading to impairments and possibly a resale price below purchase price (note: it never happened)
- Further dilution through equity-strengthening measures
- Possible future general saturation of hotel market could depress investments in and demand for hotels
- Dependence on successful turnarounds of hotel properties

VALUATION

Valuation summary

We estimate the fair value of PCI on the basis of our EPRA NAV model. We are not considering the peer group valuation as there is a lack of comparability due to PCI´s unique business model. The EPRA NAV valuation allows for an assessment of the asset value of the company. It results in a FVpS of EUR 5.59.

Figure 1: Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
EPRA NAV market model	100.0%	5.59
Fair value per share (EUR)		**5.59**

Source: Oddo Seydler Bank AG

We have chosen EPRA NAV model due to the statement that most property players intend to not sell off their assets. When disposals take place the deferred tax items in the balance sheet will be realised.

EPRA NAV market model

In our EPRA NAV calculation we use the equity book value as a realistic proxy for NAV and adding deferred items as well as convertible bonds that are "in-the-money" aiming for a straight forward valuation. Of course this can differ in some cases from reported EPRA NAVs where specific management assumptions are included.

The EPRA NAVs in the table below are reported EPRA NAVs. We use the most recently published reported EPRA NAVs to calculate the current average and median discount to EPRA NAV of our peers, which will serve as guidance in our EPRA NAV market model.

The EPRA NAV per share of PCI as at 31 December 2014 amounted to EUR 3.21 showing a moderate premium of ~2.7%.

Our peer group to compare EPRA NAVs (relative to share prices) includes solely property players. Hotel operators are not included as hotel operations are not part of PCI´s business. The average premium of the peer group is 7.8%, the median is 8.3% based on the current share price. As PCI has virtually no comparable peer, we compiled a real estate peer group consisting of i) retail property holders with focus on shopping centers, ii) growth companies and iii) companies with comparable yield profiles. The closest comparable we assess are shopping center players as these companies hold the assets but do not run the stores itself and are widely dependent from the success of the stores.

Considering PCI's strong FFO I generation and remarkable position in its niche, we see a low premium of 5% to EPRA NAV as fair for the time being. However we assume strong potential for PCI to level up to some peer companies in terms of valuation, suggesting a rerating of shares due to PCI i) will gradually achieve critical size, ii) assiduously maintains conservative financial metrics and iii) has solid cash flow generation.

Figure 2: Premium / discount to NAV and EPRA NAV (based on latest reported figures)

Company name	NAV p/s (EUR) (YE 14)	EPRA NAV p/s (EUR) (YE 14)	Share price (EUR) (YE 14)	Share price (EUR) (Last close)	Share price performance (YTD)	Prem./Disc. to EPRA NAV (in %) (YE 14)	Prem./Disc. to EPRA NAV (in %) (Last close)
UNIBAIL-RODAMCO SE	144.94	167.20	208.88	224.80	7.6%	24.9%	34.4%
DEUTSCHE EUROSHOP AG	28.26	33.17	35.07	40.20	14.6%	5.7%	21.2%
KLEPIERRE	n/m	32.10	34.34	37.99	10.6%	7.0%	18.3%
EUROCOMMERCIAL PROPERTIE-CV	32.77	35.71	35.17	36.57	4.0%	-1.5%	2.4%
VASTNED RETAIL NV	41.09	42.68	36.44	38.37	5.3%	-14.6%	-10.1%
COFINIMMO	90.08	96.08	88.52	90.15	1.8%	-7.9%	-6.2%
FONCIERE DE PARIS SIIC *	118.69	118.69	94.43	112.60	19.2%	-20.4%	-5.1%
VIB VERMOEGEN AG *	14.35	14.35	14.24	16.40	15.1%	-0.8%	14.3%
FAIR VALUE REIT-AG	8.39	8.49	6.34	7.90	24.6%	-25.3%	-6.9%
DEMIRE DT MTS REAL ESTATE AG	3.61	4.26	1.80	4.94	174.4%	-57.7%	16.0%
Average						**-9.1%**	**7.8%**
Median						**-4.7%**	**8.3%**
thereof German property							
Average						*-27.9%*	*7.8%*
Median						*-25.3%*	*14.3%*
thereof shopping center player							
Average						*4.3%*	*13.3%*
Median						*5.7%*	*18.3%*
PRIMECITY INVESTMENT PLC	1.79	3.21	3.30	3.59	8.8%	2.7%	11.8%

** No EPRA NAV reported, consequently premiums and discounts are based on NAV*

Source: Bloomberg, Company data, Oddo Seydler Bank AG

We estimate an EPRA NAV for PCI of EUR 532.0m in 2015e before market discount or EUR 3.55 per share. This would mean that at its current share price of EUR 3.59 PCI is currently trading at a slight premium of approx. 1% to its EPRA NAV.

Figure 3: EPRA NAV market model

EURm, except EPRA NAV per share (EUR)		EPRA NAV 2015e	2016e	2017e
PrimeCity: Financial estimates Oddo Seydler				
EPRA NAV before market discount		532.0	784.3	1,078.7
EPRA NAV per share before market premium/discount (EUR)		**3.55**	**5.23**	**7.19**
Market premium/discount		5%	5%	5%
EPRA NAV after market premium/discount		558.6	823.5	1,132.7
EPRA NAV per share after market premium/discount (EUR)		**3.72**	**5.49**	**7.55**
Ø EPRA NAV before market discount	**798.4**			
Shares outstanding (in millions)	150.0			
Ø EPRA NAV per share before mkt discount	**5.32**			
Market premium/discount	5%			
Fair value per share (EUR)	**5.59**			

Source: Oddo Seydler Bank AG

For the time being, we apply a premium of 5% to EPRA NAV per share before market discount from 2015e to 2017e, based on the average discount of 7.8% of our peer group. This calculation takes us to a fair value of EUR 5.59 per share for PCI. Consequently we set our price target at EUR 5.60 p/s.

Nevertheless PCI's operational performance potential and unique business model should lead to a rerating of the stock in the medium term given that most of our shopping center peers trade at significant premiums of up to 34%.

COMPANY PROFILE

Listed in October 2014

PrimeCity Investment Plc (PCI) is a hotel specialist pure play that invests in distressed hotel properties throughout Germany for the purpose of repositioning them and achieving value uplift. Following a simple Buy – Restructure – Hold strategy, PCI currently manages a portfolio of 50 hotels with 8,000 hotel rooms, showing significant growth since the IPO. PCI focuses on 3- and 4-star hotels (4-star hotels account for ~79% of its portfolio). PCI carries the hotel properties on its own balance sheet. It functions as an asset manager and is actively involved in making its properties sustainable and commercially viable in the long term. PCI operates in a niche market and has no listed comparables either in Germany or Europe.

The company was listed in October 2014 on the Euronext Paris SE and since then has issued a convertible bond as well as a tap totalling EUR 150m. PCI moved recently from the Marché Libre to Alternext, increasing the tradability of the stock. The assets are incorporated as separate legal entities. PCI is leanly structured with around 20 employees.

What is a distressed situation?

Basically a property is distressed when it is not able to sustainably cover costs and pay its debt. Distressed real estate can comprise various different situations and only a small part account for constructive ruins that need massive capex measures. The more often it is due to financial/owner/management distress. Distressed hotel properties are additionally caused through mismanagement and less experience in a difficult niche.

Distressed property usually fetches a price that is much below its market value.

PCI assesses deals in a variety of distress situations: those due to management distress, owner distress, and foreclosure-related sales. In many cases, transactions are negotiated with third parties (e.g. banks) acting as introducers, which contact PCI as the best known player in this area. This provides a steady flow of distressed situations for PCI. The deals are typically executed off-market. Backed by its strong track record, PCI is known in the market as a reliable solutions provider for banks, receivers, and owners in distress. As the risks attached to distressed situations are relatively high, banks prefer a "white knight" solution to avoid protracted bankruptcy proceedings.

Track record since 2004

PCI's track record in the distressed hotel niche extends back to 2004 and comprises the turnaround of over 100 hotel properties to date. As such, PCI has extensive knowledge and experience in what is required for the successful turnaround and implementation of repositioning measures for distressed hotel properties.

Figure 6: Value increase (LHS), money multiples of latest hotels deals and lease track record (RHS)

Hotel	Rooms	Acq. year	Exit date	Equity IRR
Hotel 1	142	2006	Dec 14	211%
Hotel 2	131	2008	Dec 14	28%
Hotel 3	85	2008	Dec 14	35%
Hotel 4	142	2008	Dec 14	39%
Hotel 5	93	2009	Mar 14	60%
Hotel 6	189	2006	Sep 13	43%
Hotel 7	101	2006	Jun 12	84%
Hotel 8 & 9	307	2006	Feb 12	117%
Weighted average equity IRR (based on sales price)				**62%**

Hotel	Acq. year	CAGR	Absolute increase
Hotel 1	2006	32%	230%
Hotel 2	2008	27%	199%
Hotel 3	2008	27%	206%
Hotel 4	2008	4%	18%
Hotel 5	2006	10%	88%
Hotel 6	2006	8%	64%
Hotel 7	2006	11%	106%
Hotel 8	2006	9%	74%
Hotel 9	2006	7%	57%
Hotel 10	2006	7%	62%
Average		**14%**	**110%**

Source: Company data, Oddo Seydler Bank AG

Prior to the IPO in October 2014, PCI's business strategy focused on exiting hotel investments that it had stabilised, cashing out on value uplift. The company's exit transactions since 2006 generated cash multiples (= exit price/ (purchase price+capex), see left chart above) of 1.2-3.0x with an average of 1.9x.

Portfolio overview

PCI currently (May 2015) holds 50 hotels with a total of 8,000 rooms. The properties are located in key German locations with high levels of tourism traffic, business travellers, and trade fairs/exhibitions, such as Frankfurt, Berlin, Munich, Düsseldorf, Dresden, Hamburg and Leipzig.

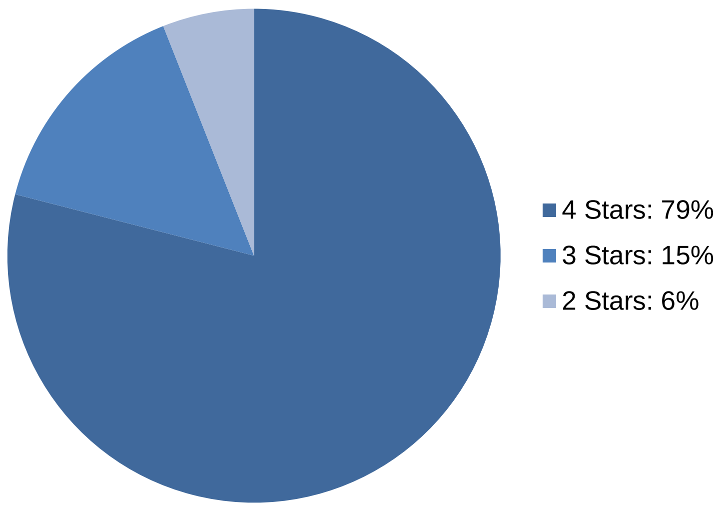
Figure 7: Company overview and location dispersion (1Q 2015)

Number of hotels*	50
Number of rooms*	**~8,000**
Asset value (EURm)	545
Rental rev. run rate (EURm)*	42
FFO run rate (EUR)*	23
Share price (EUR)	**3.59**
MarketCap (EURm)	371
EV (EURm)	537
Average financing costs	3.4%
LTV net	41%
Equity ratio	40%
EPRA NAV p/s (EUR)	3.11

** Based on May 2015*
Source: Company data, Oddo Seydler Bank AG

PCI's assets are branded by international brands such as Wydham, Mercure, Ibis, Radisson Blu, Park Inn, Best Western, Sheraton, Holiday Inn and Swissotel. The majority of its holdings are four-star hotels, which is most demanded segment of the starred-hotel market in Germany. The following chart shows the split of PCI's portfolio by star category:

Figure 8: PCI portfolio composition by category



Source: Company data, Oddo Seydler Bank AG

Management

Executive Board

PCI's executive board consists of two members: CEO Philipp von Bodman and CFO Christian Hupfer. The team is supported by an advisory board as well as a senior management team with long-reaching expertise in the hotel business.

Mr Philipp Von Bodman (CEO) earned a diploma in hotel operations management as well as an MBA in international hospitality management. He joined PCI in 2011. Prior to that he was employed in various capacities in the international hotel business, including consultant for hotel valuations, hotel feasibility and hotel quality performance. From 2008 to 2011 he worked for the GCH Hotel Group as Director of Operations.

Mr Christian Hupfer (CFO) holds a diploma (BA) in tax and financial auditing and joined PCI in 2011. Prior to PCI he worked in the audit and tax department at RöverBronner KG and then moved to GCH Hotel Group in 2008, where he was Financial Controller and Head of Group Accounting until 2011.

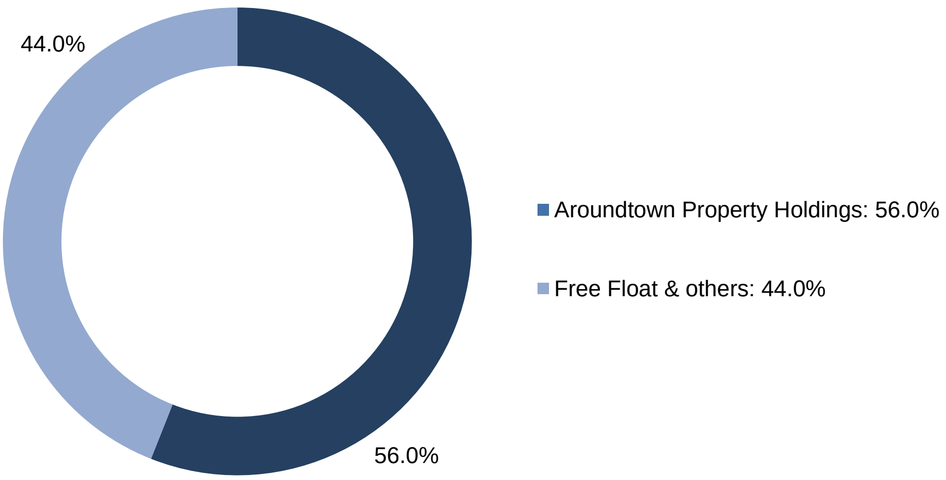
PCI's senior management team has long-reaching experience with the repositioning of hotel situations as well as on various levels regarding hotel operations and transactions.

The advisory board is headed by Mr **Yakir Gabay**. Additionally Mr. Hermann is also a member of the advisory board.

Shareholder structure

We are facing a lean shareholder structure with major shareholder Aroundtown Property Holdings having an interest of 56%. The remainder part of some 44% comprises free float.

Figure 9: Shareholder structure



Source: Company data, Oddo Seydler Bank AG

Aroundtown Property Holdings Plc is a specialised real estate investing company in residential, commercial and hotel properties since 2004 predominantly on Germany.

BUSINESS MODEL

PCI's business model is straightforward. It operates in a niche of the real estate industry – distressed hotel properties. The underlying asset is real estate, and the value of the real estate is based on the success of increasing the rent over time. PCI directs the turnaround process and is also a proactive asset manager post repositioning. The company carries the assets on its own balance sheet.

Transforming distressed real estate assets into a stabilised state involves a long value creation chain. In our view, the key to a successful turnaround is the ability to source/choose the right deals and implement the measures that are best for the specific property. Every distressed hotel property is different and must be restructured individually. Successful managers must have extensive experience and track records in the repositioning of non-performing hotel properties.

How to turn around distressed real estate in general, and hotels in particular?

There is no instruction manual on how to turn around distressed properties, especially when it comes to such individual niche real estate types as hotel properties.

Each property must be assessed individually to determine the appropriate measures needed to make operational performance stable and sustainable. Stable and sustainable hotel operations in turn enable the property owner to achieve long-term lease conditions to lock in stable (or rising) cash flows for the long term, thereby limit the owner's downside risk as well.

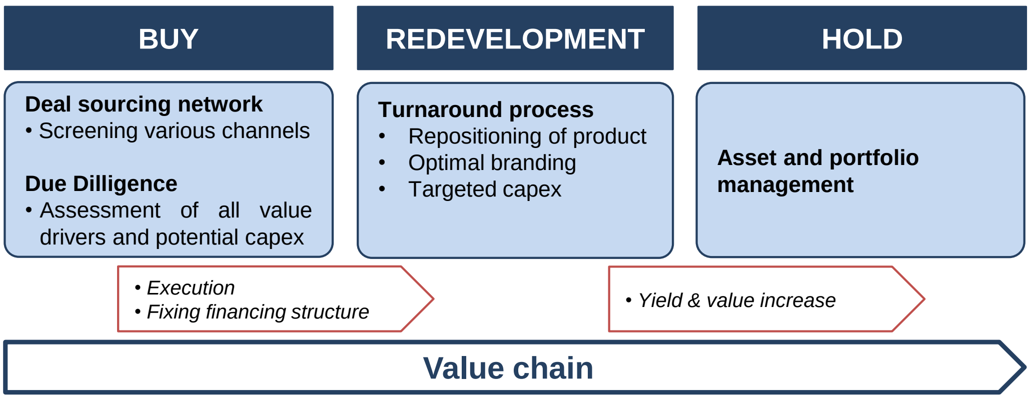
In our view, the most effective turnaround measures must address the following factors:

- *Location characteristics, state of construction, building accessibility, floor plans and (optimum) use of space, lease agreements, management inefficiencies, potential customer groups, service standards, branding and star classification, and marketing.*

To optimise its value uplift, PCI screens the market and also gets presented by its vast sourcing network with opportunities of underperforming hotels with turnaround potential in commercially attractive locations.

The chart below provides a simplified overview of PCI's value chain including three stages of the restructuring process. Through this process hotels are transformed from a distressed property into a stabilised state and can last approx. 6-24 months.

Figure 10: Simplified business model of first (main) restructuring phase



Source: Company data, Oddo Seydler Bank AG

Each restructuring stage is important for a successful turnaround. The amount of restructuring work required for success varies from project to project. In the simplest cases, a mere rebranding is sufficient to achieve a stabilised state. In more complex cases restructuring may include construction measures such as expansion construction (e.g. adding a new wing to an existing hotel, improving floor plans, adding conference and meeting space, re-configuring non-revenue generating space within the hotel, upgrading the existing product by targeted Capex investments, etc.) all geared towards improving the product to cater to a vast bandwidth of different client segments and designed to increase the capacity utilisation of an existing location.

Below we go into further detail on the restructuring stages of the restructuring process as shown in the above diagram.

Deal sourcing: Through its vast network and long-standing track record, PCI has access to multiple sourcing channels through which it can directly address distressed owners, hotel chains, loan funds, banks, and various investor groups in order to pick the right deal. Selection criteria include (low) acquisition price, lucrative upside potential, solid future cash flows, repositioning potential and strong branding opportunities. Ideally, the hotels should be located in economically attractive cities with high levels of tourism, business travel, as well as fairs and exhibitions.

Due diligence: Once it sources a potential deal, PCI then performs due diligence to evaluate the value drivers and the potential costs (capex measures) necessary to realise those drivers.

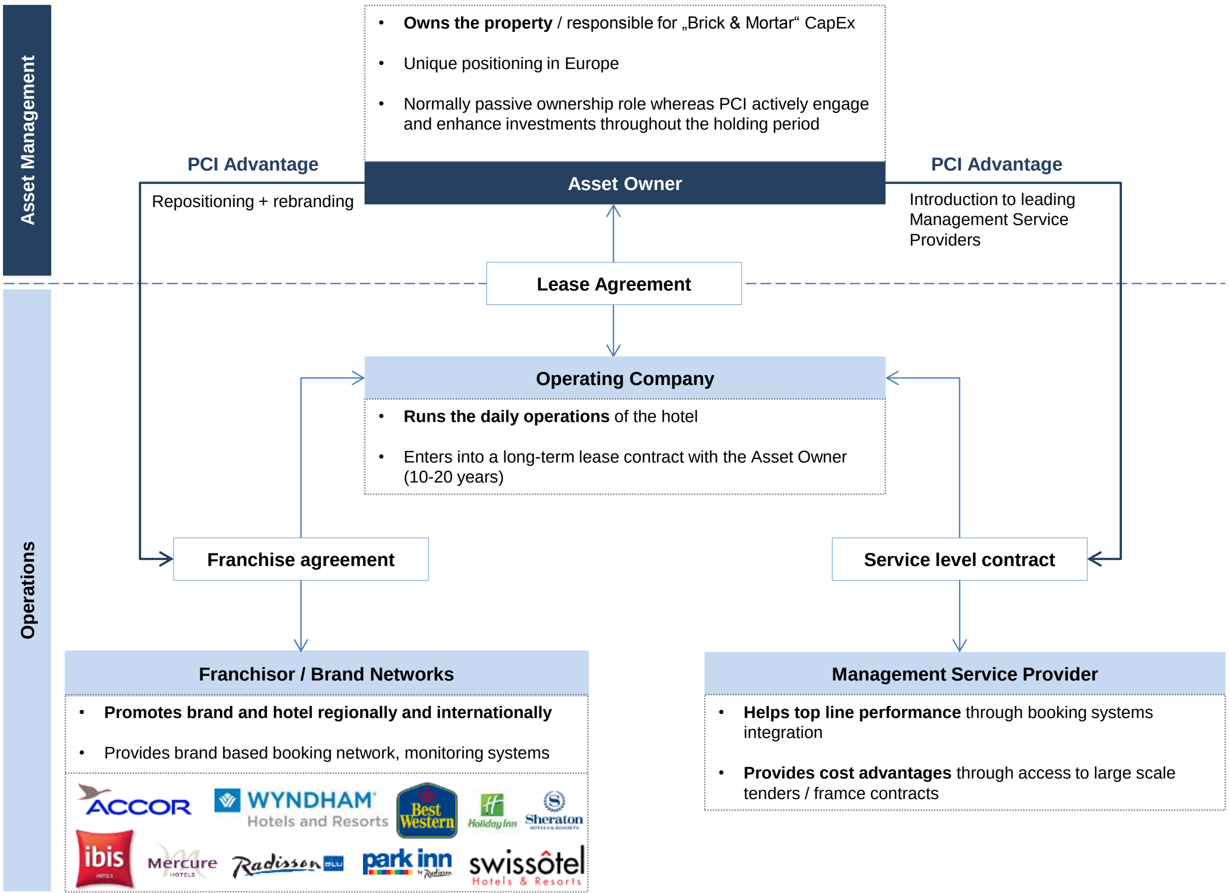
Already during the DD phase PCI is mapping the potential of each and every prospective asset and developing a detailed tailor made business plan. The business plan includes selecting the optimal brand, target market, class category and respectively what targeted investments need to be done to achieve the repositioning in the most efficient way. Moreover, the business plan drills down to restructuring the cost structure needed to be done to reach profit optimization and higher margins. With an experience and the track-record of above 100 successful hotel turnarounds, a strong and very professional asset management team of hotel and property specialists in the entire value chain provides PCI the basis for this kind of business.

Execution: To execute a deal, PCI can quickly provide an appropriate financing schedule, drawing on its experience and extensive network.

Turnaround phase: After execution, the property enters the turnaround process, including repositioning and branding as well as targeted capex, if required. The turnaround process is where major value uplift is realised and lease agreements are settled between PCI and the operating company.

After the DD process was successfully completed, the decision was taken and the transaction took place PCI is starting executing the present business plan and starts immediately with the repositioning process. Already in the initial phases the new (or existing) operator, the manager of the hotel business, which is carefully chosen by PCI, is involved in the repositioning process. When the first targets are reached, the future of the hotel business is stabilized and the long term rent agreement is in place, PCI is continuing to implement its asset management responsibilities and is always focused on potential further value creation opportunities. PCI understands this asset management position different from the market standards and acts very proactively. Even if PCI is basically “only” the asset owner it continuously analyses the hotel operation and is involved in major decisions of the operator if PCI sees the potential to optimize the business. Based on this PCI is ensuring that the operator will be able to serve the future lease payments to PCI over the total length of the lease contract. PCI also tries to upgrade the hotels from a 3 star to 4 stars to achieve better rates and therefore higher lease.

Figure 11: Asset management and operations of lessee



Source: Company data, Oddo Seydler Bank AG

Asset and portfolio management. Following the turnaround phase, the asset and portfolio management phases mainly entail the management of the PCI property portfolio. (Note: this does not include property and facility management, which is done by the operating company.)

PCI is actively engaged throughout the holding period, its goal being to make its investments sustainable and commercially viable in the long term.

Restructuring can also include construction measures

Once the stabilised state is achieved and net yield targets are met, construction-based and further restructuring measures may be considered, to include building extensions, redesigning and transformation of leisure space, or the implementation of new floor plans to produce more rooms. PCI only conducts a second restructuring phases, if some 20% return is possible.

Hotel brands and franchise partners

PCI has extensive direct connections to major hotel groups throughout the world such as Wydham, Mercure, Ibis, Radisson Blu, Park Inn, Best Western, Sheraton, Holiday Inn and Swissotel as well as with the franchisees (hotel operators). As the asset owner, PCI is mainly responsible for asset management. However, PCI assists operators in managing all processes that are involved in running a hotel effectively. Property management and facility management are both coordinated by the operator.

PCI hotels are branded by the leading franchising partners including several sub-brands. The choice of franchisor plays an integral role in the turnaround process. Consequently, PCI chooses franchisors with a strong brand, a competitive booking platform and a large range of star categories, which gives PCI flexibility for its asset branding.

High barriers to entry

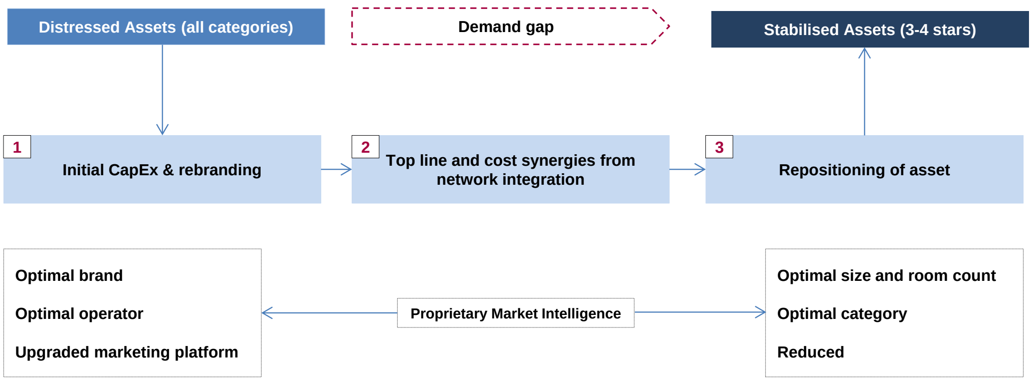
In carrying out its business model PCI falls back on its specialised knowledge of and experience in several areas a) the product, b) links to hotel operators, c) individual micro locations, d) the administrative procedure, e) the financial setup, f) a proven track record in the turnaround of distressed hotels, and g) a strong, extensive network. All of these factors combined constitute high entry barriers that protect PCI's leading position.

Buyers and sellers

Hotel properties are a niche asset class which also attracts specific potential buyer and seller groups. There is a high demand for stabilised 3/4 star hotels in particular but only few companies that buy turnaround cases. PCI is one of few companies that buy distressed hotels and execute the repositioning themselves. Such companies can find ample investors that need to exit (sell) their hotel investments including distressed owners/management, late-stage private equity companies, hotel operators, and banks, to name but a few.

Demand is particularly strong for stabilised three- or four-star hotels supported by investors who are hungry for alternative investment ideas in the property sector (besides residential) or who are also considering higher risk investments (e.g. institutional investors, REITs, specialised investors, PE – young funds, wealth funds, or UHNWIs (ultra high net worth individuals)).

Figure 12: Repositioning process in detail



Source: Company data, Oddo Seydler Bank AG

Value of a hotel property – lease term agreements

Looking at 2014 hotel transactions in detail (figure 19) there is obviously no homogenous price per room that can be applied to potential acquisitions in the future. The specific price per room depends on many factors, including e.g. star category, location, number of rooms, hotel type, etc. The largest deals in 2014 were for 4 and 5-star hotels, and were priced from EUR 100k to EUR 300k per room (for hotels with 200-600 rooms).

PCI targets a 10% yield of the stabilised lease on the purchase price + capex measures needed to restore the hotel to stabilised state. The amount of capex varies from hotel to hotel and each hotel asset needs an individual assessment. Bottom line, lease agreements need to be carefully assessed. Lease agreements usually cover a period of 20 years and include a fixed annual growth component of some 5% from the second until fourth year and 3% pa for the rest of the lease period.

It is worth mentioning that the hotels never close. This means that any and all restructuring/repositioning measures are implemented during regular hotel operations. Lease contracts include the restructuring period (which can last from 6 to a maximum 24 months) at individual and variable lease terms. Once the stabilised state is reached, the lease contracts will merge into a fixed, pre-agreed contract.

PCI has an institutionalized procedure which is set before the takeover – thus the essential measures are as follows:

- *Careful selection and implementation of appropriate branding*
- *Re-positioning of asset to adapt to market demand*
- *Adding / reducing rooms capacity*
- *Changing / increasing conference space*
- *Adding new facilities (i.e. fitness center, business center, spa etc.)*
- *Converting non-revenue generating spaces into revenue-generators*
- *Closing inefficient outlets, such as several restaurants, etc.*
- *Renovating parts of the existing product*
- *Upgrading from 3-> 4-star level*
- *Creation of different room categories to benefit from yielding potential*

MARKET ENVIRONMENT

In this period of low interest rates and with negative mortgage rates starting to appear, the attractive risk/return profile of the property sector stands out like a giraffe in a corn field. Germany's current stable economic conditions lend additional support to the attractiveness of this market. In contrast to most other European countries Germany has maintained solid above-average GDP growth and its unemployment rates are among the lowest in the eurozone. Moreover, Germany has a geographically decentralized urban structure (i.e. in contrast to UK/London and France/Paris) with eight major metropolitan areas (each with >4m inhabitants), several other cities of substantial size, and one of Europe's most sophisticated infrastructure networks.

The German hotel market also finds itself on a positive trend with a) stays increasing and 2) extraordinarily high transaction volume growth in hotel properties, rising from EUR 1.7bn in 2013 to EUR 3.1bn in 2014 and doubling since 2011. This development is also due to a growing participation of investors seeking alternative investment ideas. Moreover, insolvencies in the accommodation services sector have picked up again since 2012. Bottom line, the asset class 'hotels' is becoming increasingly important for portfolio diversification.

German macroeconomic environment

Germany enjoys a premium position relative to its European peers. We believe the current low interest rate environment will persist for at least the medium term. Moreover, the German economy can be expected to provide stable but above-average GDP growth and boasts the lowest unemployment rate in the eurozone. Moreover, Germany has been able to reduce its absolute level of public debt in recent years.

Figure 13: GDP growth Germany vs EU peers

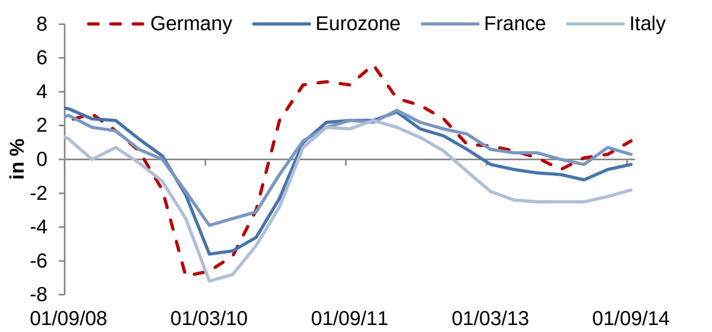


Figure 14: Unemployment rate

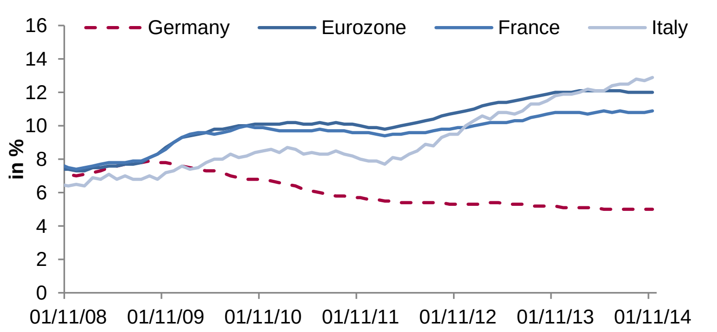


Figure 15: Interest rate environment

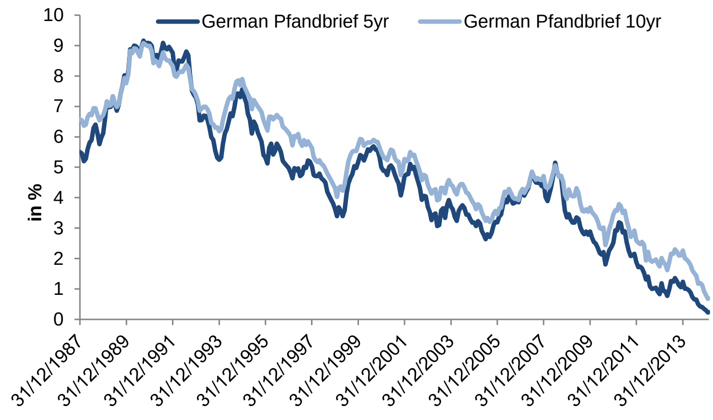
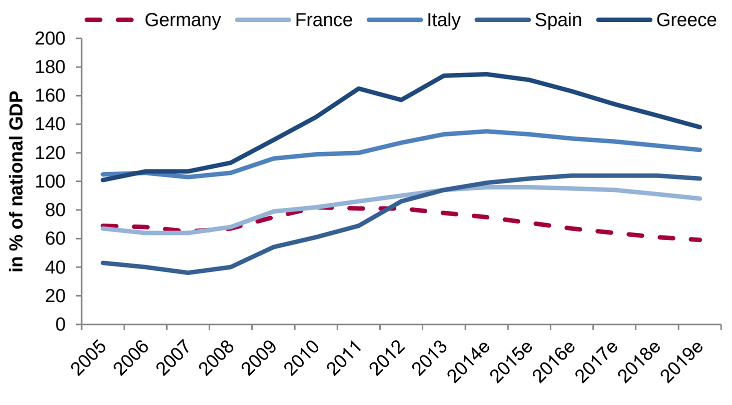


Figure 16: Public debt



Source: Bloomberg, Oddo Seydler Bank AG

The German economy with its strong export and industrial orientation benefits enormously from the cheap euro, while for Portugal or Greece the euro is still too 'expensive'.

Hotel market fundamentals

The German hotel market has performed impressively in recent years. From 2009 to 2014 total annual hotel transaction volume rose from EUR 0.3bn to EUR 3.1bn, equating to a CAGR of 59.5%. Roughly EUR 2.0bn of the 2014 total stemmed from foreign investors. For 2015, Colliers International forecasts flat total transaction volume of ~EUR 3bn. Here again, a large part is expected to be generated by foreign investors.

Important facts on the German hotel market (according to E&Y):

- *There are some 33k hotels in Germany with around 950k guestrooms*
- *~12% of total hotels (39% of available guestrooms) are branded and part of a major hotel chain*
- *In 2013, overnight stays increased by 3.8% yoy to total 412m*
- *Round-about 90% of hotels are 3 or 4-star hotels*

Yields are still relatively high with approx. 6.0-7.0% in core locations, 7.3% net initial yield on German average, and higher yields (>7.0%) in B and C locations

Surging demand for hotel properties in Germany has been mainly driven by two factors: 1) amid economic and political tensions in the eurozone, investors are turning to Germany as a safe haven for investments in real assets; and 2) the ongoing low interest environment has massively increased the relative attractiveness of investments in real estate and hotel properties. Additionally, the ECB's QE decision has led investors to seek higher-yielding alternatives to corporate and government bonds.

A similar uptrend has been observable for hotel stays (all types of accommodation) in recent years in Germany.

Figure 17: Overnight stays across all accommodation types

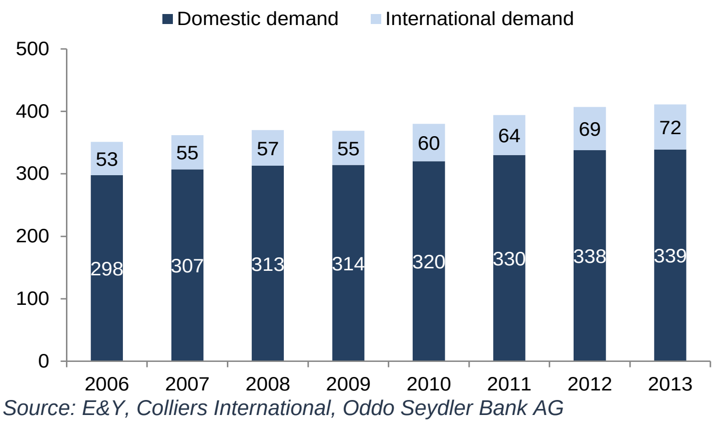
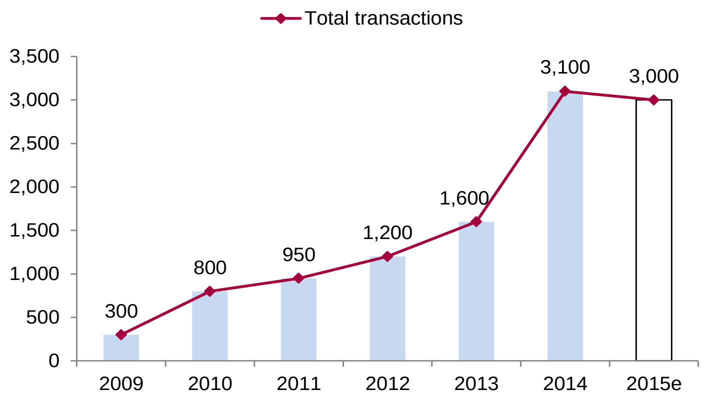


Figure 18: Total transaction volume (in EURm)



Source: E&Y, Colliers International, Oddo Seydler Bank AG

Regarding hotel transaction volume, foreign investors are obviously increasing their participation in the German market. The following table shows selected hotel transactions in 2014. The largest transaction, an entire hotel property portfolio, was landed by the French hotel group Accor. An average price range is difficult to access as the acquisition prices per room vary significantly. The table shows a price range from EUR 75k to EUR 326k per room.

Figure 19: Selected hotel transactions in 2014

Quarter	Hotel name	City	Buyer	Stars	Number of rooms	Price (EURm)	Price per room (EUR)
Q2	Moorpark I + II (Portfolio)	Several cities	Accor	2-4	8,781	659	75,000
Q2	Le Meridien Munich	Munich	Kildare Partners	5	381	93.5	245,000
Q2	Le Meridien Parkhotel Frankfurt	Frankfurt	Kildare Partners	5	297	90.3	304,000
Q2	Holiday Inn Munich City Centre	Munich	Theresie Ensemble	4	582	55	94,000
Q3	Frankfurt Hilton	Frankfurt	Investor specialised in luxury hotels	5	342	100	292,000
Q3	Maritim Grand Hotel	Hanover	Friedrichswall GmbH	4	285	45	158,000
Q4	Grand Hotel Esplanade Berlin	Berlin	Host Hotels & Resorts JV APG JV GIC (Govt of Singapore)	5	394	90	228,000
Q4	Hotel Jumeirah Frankfurt	Frankfurt	Deutsche AWM - Germany JV ECE	5	218	71	326,000
Q4	Hotel Atlantic Kempinski	Hamburg	Dr. Broermann Hotels & Residences GmbH JV Asklepios Kliniken	5	245	65	265,000
Q4	NH Hotel MediaPark	Cologne	Internos Global Investors	4	217	29.5	136,000

Source: E&Y, Oddo Seydler Bank AG

The largest hotel seller groups were asset and fund managers (EUR 510m combined volume) followed by opportunity and PE funds (~EUR 500m). The biggest buyer groups were corporates and owner-occupiers, open-ended real estate and special funds, as well as private investors and family offices. Looking at the segment breakdown by star category, three- and four-star hotels were the main purchase targets (~53%), followed by five-star hotels (~31%) and one- and two-star hotels (~16%).

Figure 20: Total transaction volume per buyer group (EURm)

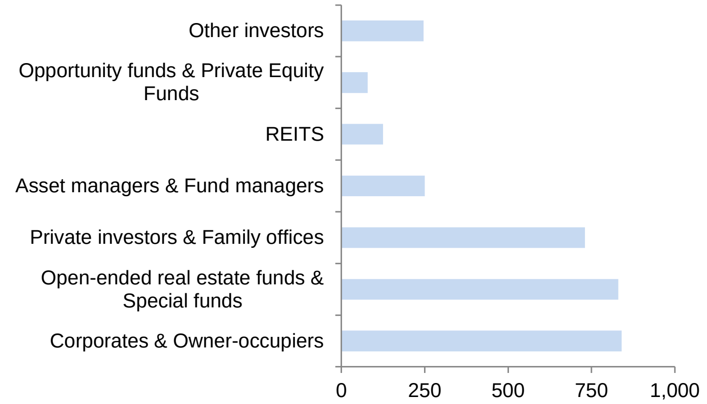
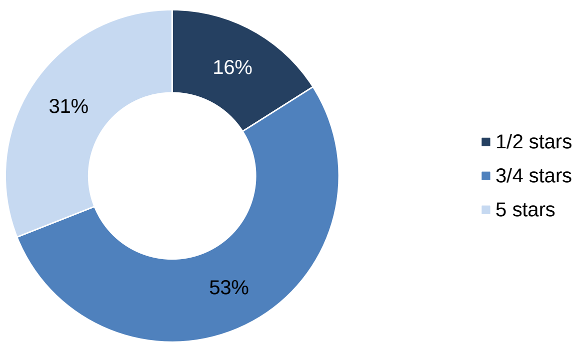


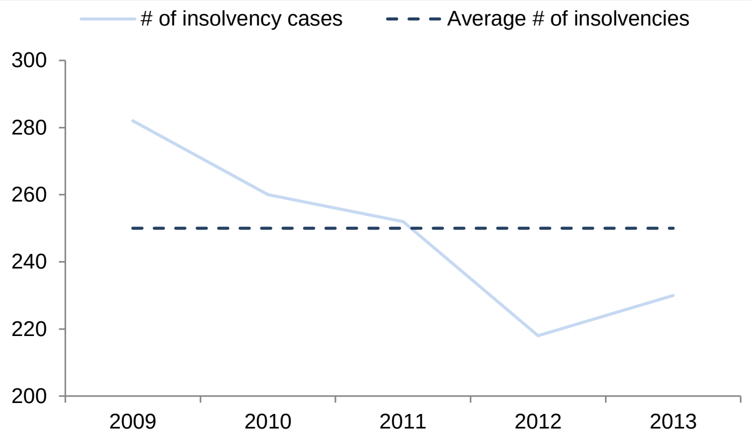
Figure 21: Total transaction volume per star segment



Source: Colliers International, RC Analytics, Oddo Seydler Bank AG

A key aspect of the German market for PCI is the number of insolvencies in the accommodation services sector. Although insolvencies decreased from 2009-12, they have accelerated again since 2013.

Figure 22: Development of insolvency cases in the accommodation service sector



Source: Company data, Oddo Seydler Bank AG

Some 300 hotels are currently under construction in Germany with finalisation expected by 2017; this would correspond to roughly 42k rooms coming on stream by 2017.

Summary

To summarise, real estate in general and hotels in particular offer promising investment prospects in Germany. Transaction volume is drawing support from increasing numbers of investors shifting into German real estate (foreigners as well as investors who are generally seeking greater differentiation within the property sector itself), and can be expected to reach the 2014 level in 2015 (~EUR 3bn). PCI's business model is positioned at the sweet spot of industry trends, with ample numbers of distressed hotels and few competitors in its niche. Moreover, on the exit side, demand is strongest for three- and four-star hotels, categories which constitute by far the largest share of PCI's portfolio.

FINANCIALS

1Q15 numbers

PCI recently delivered its quarterly results for 1Q15, which are indicating already the start of a successful growth story. The growth already achieved in 1Q is a good proxy for our assumptions for the FY 2015e.

Highlights of 1Q were the following:
- *EPRA NAV at EUR 467m, + 29% compared to year-end 2014*
- *Rental revenue increased to EUR 7.4m, +41% compared to 1Q14*
- *Adj. EBITDA at EUR 6.3m, +38% compared to 1Q14*
- *FFO I increased by 45% to EUR 4.1m compared to 1Q14. FFO I p/s at EUR 0.04*
- *Net profit increased to EUR 40.2m*
- *Low leverage with an LTV of 41% (15% assuming conversion) and an equity ratio of 40% (61% assuming conversion)*
- *Interest Coverage Ratio of 4.4x*

As at May 2015, the annualised rental revenue run rate amounts to EUR 42m showing a strongly increasing momentum. The annualised run rate for FFOI stands at EUR 23m, which would translate into FFO p/s of EUR 0.23, corresponding to a FFOI yield above 6%.

Figure 24: Operational key figures 1Q 2015

IFRS EURm	1Q 2015	1Q 2014	yoy change
Revenue	**7.4**	**5.2**	**41.3%**
EBIT	**37.2**	**40.6**	**-8.2%**
EBIT excl. non cash items	*6.3*	*4.5*	*37.7%*
PBT	**44.1**	**38.1**	**15.7%**
Net profit	**40.2**	**38.4**	**4.9%**
Net profit attributable to shareholders	**39.5**	**38.4**	**3.0%**
EPS, basic (EUR)	**0.39**	**0.39**	**1.9%**
EPS, diluted (EUR)	**0.29**	**0.39**	**-26.1%**
DPS (EUR)	**0.00**	**0.00**	**-**
FFO I p/s (EUR)	**0.08**	**0.00**	**-**
	31/03/15	**31/12/14**	**yoy change**
Shareholders equity	**226.3**	**179.4**	**26.1%**
Total equity	**261.6**	**213.1**	**22.8%**
Total liabilities	**392.2**	**300.2**	**30.6%**
Net debt	**222.1**	**177.9**	**24.9%**
Investment properties	**521.2**	**422.0**	**23.5%**
Total assets	**653.8**	**513.2**	**27.4%**
Equity ratio	**40%**	**42%**	**-**
LTV net	**41%**	**40%**	**-**
LTV (full conversion)	**15%**	**18%**	**-**
NAVPS	**2.26**	**1.79**	**26.4%**
EPRA NAVPS	**4.22**	**3.21**	**31.4%**
Cash & liquid assets	**97.4**	**63.4**	**53.6%**

Source: Company data, Oddo Seydler Bank AG

The balance sheet also improved notably: investment properties increased by 24% qoq, while the liquid assets are guarantying financial flexibility (EUR 97.4m).

Besides strong figures, PCI continued its growth story by delivering on several other important fields. PCI grew its portfolio to 5,800 rooms at the end of 1Q15 and to 8,000 rooms by May 2015. Furthermore PCI successfully tapped its convertible bond by additional EUR 50m to a total amount of EUR 150m. The issuance was oversubscribed and offered a 5% premium to the nominal amount. Financial flexibility is an important factor in order to react fast and to be well equipped for all of a sudden appearing acquisitions conforming to strategy.

Financial forecast

Key will be growth acceleration and operators' success

After the IPO in October 2014, PCI's basic setup is now in place, and a first convertible bond was issued and tapped for a total amount of EUR 150m. The PCI story will be largely determined by i) its pace of growth, ii) success of the turnaround process (contingent on the appropriate and sustained turnaround of the hotel properties) as well as iii) its ability to tap the capital market, each of which we address in more detail below.

The pace of growth and the success of the turnaround are major fundamental drivers for PCI's success. PCI is a growth story; the company might easily double its current portfolio value in the near future. The company's growth pace is predicated on i) access to cash, ii) the availability of suitable hotel projects, and iii) the execution of deals. The operational success of long-term lease contracts depends on the right implementation and execution of restructuring/repositioning measures, as these assure stable and sustained cash flow generation (regular lease term maturity of 20 years).

Following a healthy financial structure, PCI has early on focused on attaining a healthy financing structure and attractive financial metrics (low LTV, cost of debt, interest cover ratio) in order to be prepared for a potential change in the interest rate environment. Moreover, a healthy financial structure allows for cheaper financing.

Yield play: alternative property class with appealing yield

With the German residential sector overowned in some areas, investors are seeking to diversify their real estate portfolios more broadly with new alternatives within the property sector. This trend is also supported by increasing investments from foreign investors and a generally lower risk aversion among investors. Investors want yield and are willing to leave their traditional comfort zones to find it.

The yield environment in the German property sector has changed tremendously under a continuous flow of large investment volume into the industry. This has led to yield compression in the property sector in general, and in the hotel sector in particular. Average yield expectations for hotel properties range at the upper end of the property industry spectrum. In 2014, the lowest yields – c.6-7% – were reported in major cities (e.g. Hamburg, Frankfurt, Munich).

Comparison of net yields by property type:

- *Residential: c.4.5-5.5%*
- *Office: c.6.0-7.0%*
- *Logistics: c.6.5-7.5% (assumed)*
- *Retail: c.5.5-6.5%*
- *Hotel, core deals in best locations: 5.5-7.0% net yield*
- *Distressed hotel: **PCI targets a yield of 10% in year 2** (before revaluation gains)*

PCI acquires hotels at average initial yields of some 7% due to their distress, but targets yields of 10% in the second year. We see a yield of 9-10% as plausible once the property attains stabilised state.

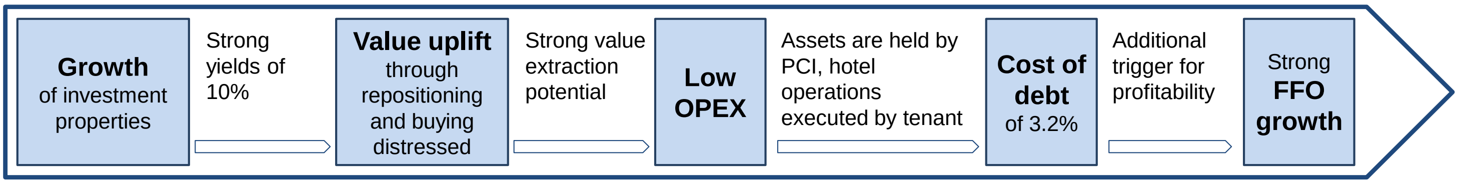
For purposes of diversification as well as higher yields investors are increasingly attracted by B and C locations. This interest is driven by the tight supply of A locations and investors trying to supplement their portfolios with B and C locations. Furthermore, these areas usually offer cheaper entry prices and less competition.

Growth scenario

Our growth scenario assumes PCI will significantly expand its hotel holdings over the next few years. We do not however assume any capital measures to support growth, although we do consider equity-strengthening measures likely as a means to accelerate growth and strengthen the equity basis.

The following shows a simplified depiction of the main value triggers for the story. The story attracts with its yield prospects and a strong FFO generation potential. We assume in our scenario that PCI will successfully grow FFO return, which will be the driver for dividend payout in the near future.

Figure 25: Strong growth and several triggers supporting FFO generation

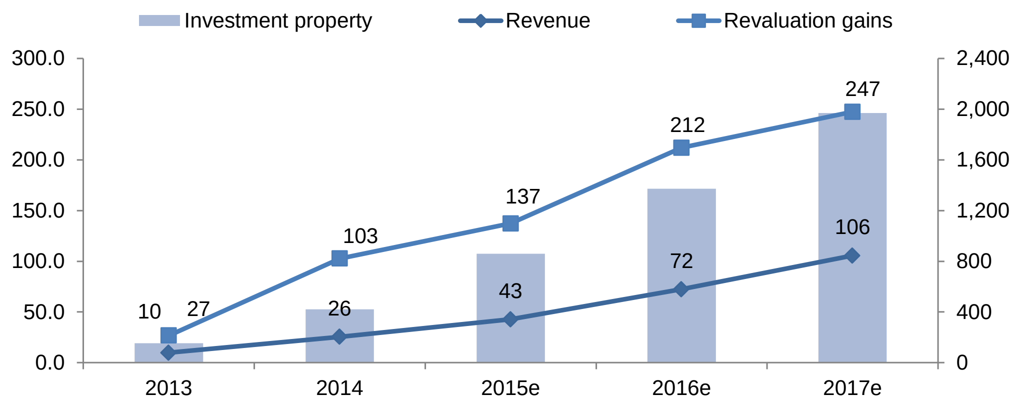


Source: Company data, Oddo Seydler Bank AG

Key P&L figures characterising the growth period will be i) rental revenues and ii) revaluation gains under IAS40. On our estimates, PCI will grow its portfolio by EUR 300m, EUR 300m and EUR 350m in 2015e, 2016e and 2017e respectively. Estimating a yield of 10% post first restructuring measures (in the second year), we expect rental revenues of EUR 43m, EUR 72m and EUR 106m for 2015-17e.

Due to the execution of its business model, acquiring distressed assets, there is a large value uplift potential when achieving turnaround (which includes a long-term lease agreement) of hotel properties. Consequently, we expect significant support through revaluation gains, assuming EUR 137m in 2015e, EUR 212m in 2016e and EUR 106m in 2017e. On the chart below one can see the relation and acceleration of growth vs the pace of growing rental revenues accordingly.

Figure 26: Pace of growth (rental rev. & revaluation gains vs investment properties)

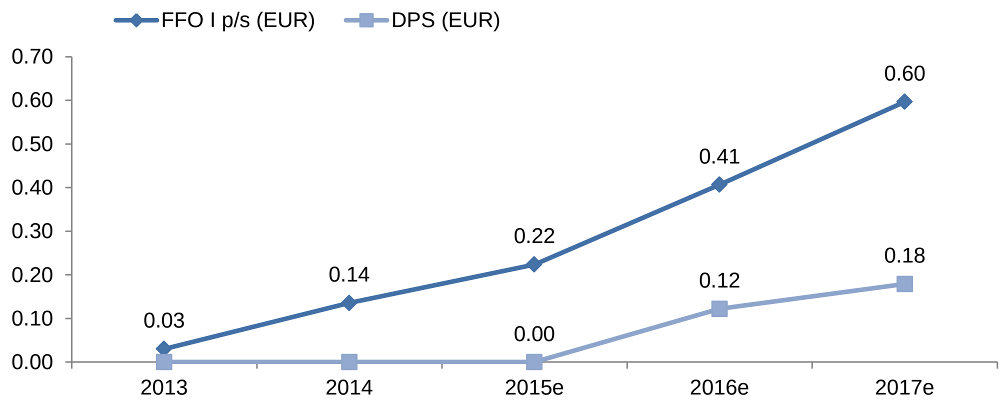


Source: Company data, Oddo Seydler Bank AG

PCI generates strong FFO returns even at early stage and we assume that FFO generation will continuously grow while gaining size. This high CF extraction is mostly due to the pre-agreed high yields as well as PCI is not responsible for property management. Thus it runs its business on low operational expenses. Hence we see strong FFO growth yoy and forecast EUR 22.4m, EUR 40.7m and EUR 59.7m for 2015-2017e, respectively, resulting in an FFOI p/s of EUR 0.22, EUR 0.41 and EUR 0.60. This translates into a high FFO yield of some 6.2%, 11.3% and 16.6% for 2015, 2016 and 2017 respectively.

Based on solid cash flow returns, we expect that PCI will be able to pay a dividend from its 2015 earnings. However as growth is major focus, we assume PCI to start paying a dividend from 2016 on. We assume the payout ratio will start at ~30% of FFOI and will be steadily increased thereafter to the level of industry peers (approx. 50-70% of FFOI).

Figure 27: Expected FFO / dividend generation



Source: Company data, Oddo Seydler Bank AG

In these years, we also expect the company to maintain healthy financial metrics at sustainable levels. Management indicated that it is comfortable with a LTV of ~50% (maximum 60%), cost of debt at around 3%, interest cover ratio >3x, and a share of unencumbered assets of at least 25%.

Profit and loss account

IFRS EURm	2013	2014	2015e	2016e	2017e
Revenue	**9.9**	**25.6**	**42.7**	**72.4**	**105.6**
YoY growth	154.9%	158.9%	67.2%	69.5%	45.8%
Capital gains, property revaluation and other income	26.8	102.8	137.3	211.9	247.4
as % of sales	271.1%	402.0%	321.2%	292.6%	234.2%
Property operating expenses	-1.3	-1.9	-3.0	-5.0	-7.1
as % of sales	-12.8%	-7.3%	-7.0%	-6.9%	-6.7%
Administrative and other expenses	-1.1	-2.0	-3.8	-6.2	-9.0
as % of sales	-11.3%	-7.7%	-8.9%	-8.6%	-8.5%
EBIT	**34.3**	**124.5**	**173.2**	**273.2**	**336.9**
as % of sales	347.0%	487.0%	405.3%	377.1%	319.0%
EBIT excl. non cash items	**7.5**	**21.7**	**35.9**	**61.2**	**89.5**
as % of sales	75.9%	85.0%	84.1%	84.5%	84.8%
Finance expenses	-3.8	-5.3	-9.6	-13.4	-19.3
Other financial results	-0.1	-5.8	0.0	0.0	0.0
Financial result	**-3.8**	**-11.1**	**-9.6**	**-13.4**	**-19.3**
as % of sales	-39.0%	-43.3%	-22.5%	-18.5%	-18.3%
Profit before tax	**30.4**	**113.4**	**163.6**	**259.8**	**317.6**
as % of sales	308.1%	443.7%	382.8%	358.6%	300.7%
Current tax expenses	-0.7	-2.9	-4.0	-7.2	-10.5
Deferred tax expenses	0.3	-6.5	-20.6	-31.8	-37.1
Tax expenses	**-0.4**	**-9.4**	**-24.5**	**-39.0**	**-47.6**
Tax rate in %	-1.4%	-8.3%	-15.0%	-15.0%	-15.0%
Net profit	**30.0**	**104.0**	**139.1**	**220.8**	**270.0**
as % of sales	303.8%	406.8%	325.4%	304.8%	255.6%
Minorities	0.1	7.2	0.0	0.0	0.0
Net profit attributable to shareholders	**29.9**	**96.8**	**139.1**	**220.8**	**270.0**
as % of sales	303.2%	378.8%	325.4%	304.8%	255.6%
EPS, basic (EUR)	**0.30**	**0.97**	**1.39**	**2.21**	**2.70**
EPS, diluted (EUR)	**0.30**	**0.93**	**0.93**	**1.47**	**1.80**
DPS (EUR)	**0.00**	**0.00**	**0.00**	**0.12**	**0.18**
Dividend yield	0.0%	0.0%	0.0%	3.4%	5.0%
FFO I	**3.0**	**13.6**	**22.4**	**40.7**	**59.7**
FFO I p/s (EUR)	**0.03**	**0.14**	**0.22**	**0.41**	**0.60**
FFO yield	0.8%	3.8%	6.2%	11.3%	16.6%

Source: Company Data, Oddo Seydler Bank AG

Balance Sheet

IFRS EURm	2013	2014	2015e	2016e	2017e
Assets					
Non-current assets	**183.2**	**448.2**	**865.6**	**1,377.9**	**1,975.7**
as % of total assets	98.2%	87.3%	96.7%	97.8%	98.4%
Equipment and intangible assets	0.0	4.5	4.5	4.5	4.5
Investment property	152.9	422.0	859.3	1,371.2	1,968.6
Advanced payment for investment property	3.5	20.1	0.0	0.0	0.0
Equity-accounted investees	25.4	0.0	0.0	0.0	0.0
Deferred tax assets	0.7	0.9	1.2	1.5	2.0
Other long-term assets	0.8	0.7	0.7	0.7	0.7
Current assets	**3.5**	**65.1**	**29.5**	**31.2**	**31.5**
as % of total assets	1.8%	12.7%	3.3%	2.2%	1.6%
Cash and cash equivalents	1.1	4.7	26.1	27.8	28.1
Short trade deposits	1.6	1.7	1.7	1.7	1.7
Trade securities at fair value through profit and loss	0.0	57.0	0.0	0.0	0.0
Trade and other receivables	0.7	1.1	1.1	1.1	1.1
Other financial assets	0.1	0.6	0.6	0.6	0.6
Total Assets	**186.7**	**513.2**	**895.0**	**1,409.1**	**2,007.2**
Total equity and liabilities					
Total equity	**84.5**	**213.1**	**359.5**	**580.3**	**838.1**
as % of total equity and liabilities	45.3%	41.5%	40.2%	41.2%	41.8%
Share capital	0.0	1.0	1.0	1.0	1.0
Premium and other capital reserves	0.0	1.7	9.1	9.1	9.1
Retained earnings	78.3	176.6	315.7	536.5	794.3
Shareholders´ equity	**78.3**	**179.4**	**325.8**	**546.6**	**804.4**
Minorities	6.2	33.7	33.7	33.7	33.7
Non-current liabilities	**98.1**	**287.4**	**511.6**	**794.1**	**1,119.1**
as % of total equity and liabilities	52.5%	56.0%	57.2%	56.4%	55.8%
Loans and borrowings	57.3	137.7	297.9	548.6	836.5
Convertible bonds	0.0	96.7	140.2	140.2	140.2
Derivative financial instruments	3.1	5.0	5.0	5.0	5.0
Deferred tax liabilities	15.4	46.6	67.2	99.0	136.1
Other long-term liabilities	22.2	1.3	1.3	1.3	1.3
Current liabilities	**4.1**	**12.8**	**23.9**	**34.6**	**50.0**
as % of total equity and liabilities	2.2%	2.5%	2.7%	2.5%	2.5%
Current portion of long-term loans	3.0	6.9	17.8	28.4	43.5
Trade and other payables	0.9	3.3	3.5	3.7	3.8
Provisions and current liabilities	0.3	2.6	2.6	2.6	2.6
Total equity and liabilities	**186.7**	**513.2**	**895.0**	**1,409.1**	**2,007.2**

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

IFRS EURm	2013	2014	2015e	2016e	2017e
Profit for the year	**30.0**	**104.0**	**139.1**	**220.8**	**270.0**
Capital gains, property valuation and other income	-26.8	-102.8	-137.3	-211.9	-247.4
Finance expenses, net	3.8	11.1	9.6	13.4	19.3
Tax and deferred tax expenses	0.4	9.4	24.5	39.0	47.6
Trade and other receivables	-0.4	1.1	-0.3	-0.4	-0.5
Trade and other payables	-1.3	-1.4	0.2	0.2	0.2
Provisions for other liabilities and charges	0.0	0.3	0.0	0.0	0.0
Taxes paid	-0.7	-1.9	-4.0	-7.2	-10.5
Cash flows from operating activities	**5.2**	**19.8**	**31.9**	**53.9**	**78.7**
Proceeds from disposal of investment properties, net	-3.8	35.5	0.0	0.0	0.0
Acquisition of subsidiaries, net of cash acquired	-24.1	-41.6	-300.0	-300.0	-350.0
Change in trade securities and others	-1.6	-61.0	77.1	0.0	0.0
Cash flows from investing activities	**-29.4**	**-67.1**	**-222.9**	**-300.0**	**-350.0**
Change in debt (incl. bonds)	-2.4	54.3	214.6	261.3	303.1
Proceeds of loans from others, net	27.7	1.5	0.0	0.0	0.0
Finance expenses paid, net	0.1	-4.9	-9.6	-13.4	-19.3
Dividends paid	0.0	0.0	0.0	0.0	-12.2
Others	0.0	0.0	7.4	0.0	0.0
Cash flows from financing activities	**25.4**	**50.9**	**212.4**	**247.9**	**271.5**
Change in cash and cash equivalents	*1.1*	*3.6*	*21.4*	*1.8*	*0.3*
Cash at the beginning of the year	0.0	1.1	4.7	26.1	27.8
Cash as of the end of the year	**1.1**	**4.7**	**26.1**	**27.8**	**28.1**

Source: Company Data, Oddo Seydler Bank AG

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Date	Recommendation	Price at change date	Price target
22 June 2015	BUY	EUR 3.59	EUR 5.60

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