

# publity AG

Germany / Real Estate  
 Frankfurt Stock Exchange  
 Bloomberg: PBY GR  
 ISIN: DE0006972508

2018  
 Prelims

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 30.00**

Return Potential 55.4%  
 Risk Rating High

## PRELIMS CONFIRM STRONG FINISH TO 2018

Preliminary 2018 results showed strong annualised revenue and earnings growth. According to German GAAP (HGB) reporting, revenues are expected to top €34.6m vs €23.6m in 2017 (+47%) with net income of some €15m (FY17: €10.1m, +49%). The company will report final full year numbers according to IFRS accounting standards for the first time and has indicated net income of €25m on this basis. Headline figures were largely in line with our estimates. The good performance owes to recurring revenue streams from its asset management mandates. The results represent a strong finish to the year after H1 2018 undershot expectations. Our rating remains Buy with a €30 price target.

**Operations deliver strong performance in H2** Preliminary results confirmed our positive views on the operations, after a rough start to 2018 marked by a feud with certain convertible bond holders over a breach of covenant pertaining to the dividend payout on 2016 earnings (see note of 23 November 2018). Thanks to successful property acquisitions and disposals, revenues and net income beat the prior year figures by 47% to 49% respectively (table 1 overleaf). The performance represents a strong turnaround from the June profit warning that called for full year net income of only €10m. Despite the year end disposals, management reiterated assets under management (AuM) of €4.6bn, which we believe will drive recurring revenue streams going forward. We will update our 2019 forecasts on publication of IFRS full year results slated for 8 April.

**Primed for continued growth in 2019** We continue to like publity for its position in the German commercial property space and for its office asset focus. The segment continues to thrive spurred by strong occupier demand. The company has also taken steps to diversify into the landlord business to retain attractive rental incomes and cash flows to augment core asset management operations. With the bond holder dust up in the rear view mirror, we expect operational headlines to remain in the forefront in 2019 and further boost investor sentiment. (p.t.o)

### FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€m)	23.83	41.58	23.57	34.54	38.49	44.26
Y-o-y growth	22.0%	74.5%	-43.3%	46.5%	11.4%	15.0%
EBIT (€m)	20.31	34.08	12.18	23.46	30.14	35.85
EBIT margin	85.2%	82.0%	51.7%	67.9%	78.3%	81.0%
Net income (€m)	12.51	23.08	10.09	14.84	20.06	24.12
EPS (diluted) (€)	2.27	3.86	1.65	2.00	1.81	2.45
DPS (€)	2.00	2.80	0.00	1.50	1.02	1.23
FCF (€m)	82.42	-16.36	-0.54	21.68	19.90	24.99
Net gearing	43.0%	35.5%	72.9%	-16.7%	-19.3%	-27.8%
Liquid assets (€m)	17.35	7.11	7.97	59.07	53.04	67.08

### RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and the departure of key personnel.

### COMPANY PROFILE

Founded in 1999, the Frankfurt am Main-based publity AG is an established asset manager, with a focus on commercial real estate in German metropolises such as Frankfurt and Munich. The company pursues a "manage-to-core" concept to leverage its expertise and drive growth.

### MARKET DATA

As of 14 Mar 2019

Closing Price	€ 19.30
Shares outstanding	9.83m
Market Capitalisation	€ 189.74m
52-week Range	€ 9.86 / 22.80
Avg. Volume (12 Months)	19,936

Multiples	2017	2018E	2019E
P/E	11.7	9.7	10.7
EV/Sales	9.6	6.5	5.9
EV/EBIT	18.5	9.6	7.5
Div. Yield	0.0%	7.8%	5.3%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2018

Liquid Assets	€ 14.37m
Current Assets	€ 63.20m
Intangible Assets	€ 0.70m
Total Assets	€ 116.86m
Current Liabilities	€ 3.25m
Shareholders' Equity	€ 62.09m

### SHAREHOLDERS

Thomas Olek	66.0%
Free Float	34.0%



Table 1: Preliminary results vs prior year and estimates

in € '000	2018P	2018E	variance	2017	variance
Revenue	34,600	35,184	-1.7%	23,571	46.8%
EBIT	23,500	24,971	-5.9%	12,181	92.9%
Margin	68%	71%	-	52%	-
Net income (NI)	15,000	16,154	-7.1%	10,092	48.6%

Source: First Berlin Equity Research; publity AG

**Dividend payout announced** publity will resume its dividend payout on 2018 earnings. Management will propose €1.50 per share at the AGM in May. This can be paid out in publity shares or cash. Some €7.4m of the planned €14.8m will be paid out against the 2018 net income result in accordance with the covenants. The balance will be taken out of retained earnings on the balance sheet.

## VALUATION MODEL

All figures in EUR '000	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	34,541	38,490	44,263	47,804	50,912	53,457	55,596	57,819
NOPLAT	15,838	20,346	24,196	25,809	27,502	28,614	29,843	30,655
(+) depreciation & amortisation	138	119	137	148	158	166	172	179
Net operating cash flow	15,976	20,466	24,333	25,958	27,660	28,780	30,015	30,835
(-) Total investments (CAPEX and WC)	236	-1,479	-148	-569	-560	-395	-524	-380
(-) Capital expenditures	-207	-173	-199	-215	-229	-241	-250	-260
(-) Working capital	443	-1,306	51	-354	-331	-155	-273	-120
Free cash flows (FCF)	16,212	18,987	24,185	25,388	27,100	28,385	29,491	30,454
PV of FCF's	16,212	17,515	20,156	19,116	18,434	17,444	16,374	15,276

All figures in thousands	WACC	Terminal EBIT margin							
		69.8%	71.8%	73.8%	75.8%	77.8%	79.8%	81.8%	
PV of FCFs in explicit period	201,615	7.7%	41.09	41.90	42.72	43.53	44.34	45.16	45.97
PV of FCFs in terminal period	111,709	8.7%	35.88	36.51	37.14	37.77	38.39	39.02	39.65
Enterprise value (EV)	313,324	9.7%	31.93	32.43	32.92	33.42	33.91	34.41	34.90
(+) Net cash / - net debt (pro-forma)	19,072	10.7%	28.83	29.23	29.63	30.02	30.42	30.81	31.21
(+) Investments / minority interests	0	11.7%	26.33	26.65	26.97	27.30	27.62	27.94	28.26
Shareholder value	332,396	12.7%	24.27	24.53	24.80	25.06	25.32	25.59	25.85
Fair value per share (€)	30.00	13.7%	22.54	22.76	22.98	23.20	23.41	23.63	23.85

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	12.9%	7.7%	39.24	40.47	41.89	43.53	45.46	47.77	50.56
Pre-tax cost of debt	6.0%	8.7%	34.81	35.68	36.65	37.77	39.05	40.53	42.28
Tax rate	32.5%	9.7%	31.31	31.94	32.63	33.42	34.30	35.31	36.47
After-tax cost of debt	4.1%	10.7%	28.48	28.94	29.45	30.02	30.65	31.37	32.17
Share of equity capital	75.0%	11.7%	26.14	26.49	26.87	27.30	27.76	28.28	28.85
Share of debt capital	25.0%	12.7%	24.18	24.45	24.74	25.06	25.41	25.79	26.21
WACC	10.7%	13.7%	22.52	22.73	22.95	23.20	23.46	23.75	24.07

\*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



## INCOME STATEMENT

All figures in EUR '000	2015	2016	2017	2018E	2019E	2020E
<b>Revenues</b>	<b>23,826</b>	<b>41,577</b>	<b>23,571</b>	<b>34,541</b>	<b>38,490</b>	<b>44,263</b>
Other income	3,032	272	87	309	300	300
<b>Total output</b>	<b>26,858</b>	<b>41,849</b>	<b>23,658</b>	<b>34,850</b>	<b>38,790</b>	<b>44,563</b>
Cost of goods sold	-567	-160	-3,314	-1,642	-1,924	-2,213
<b>Gross profit</b>	<b>26,291</b>	<b>41,689</b>	<b>20,344</b>	<b>33,208</b>	<b>36,865</b>	<b>42,350</b>
Personnel expenses	-2,052	-2,066	-1,974	-2,741	-2,694	-2,656
Other OpEx	-4,447	-6,746	-7,160	-7,513	-5,064	-4,597
Other operating income	811	1,388	1,160	649	1,155	885
<b>EBITDA</b>	<b>20,603</b>	<b>34,265</b>	<b>12,370</b>	<b>23,602</b>	<b>30,262</b>	<b>35,983</b>
Depreciation & amortisation	-294	-185	-189	-138	-119	-137
<b>Operating income (EBIT)</b>	<b>20,309</b>	<b>34,080</b>	<b>12,181</b>	<b>23,464</b>	<b>30,143</b>	<b>35,846</b>
Net financial result	-286	-1,280	-1,660	-1,997	-1,225	-919
Income from long-term loans	0	1,440	3,965	715	800	800
<b>Pre-tax income (EBT)</b>	<b>20,023</b>	<b>34,240</b>	<b>14,486</b>	<b>22,182</b>	<b>29,718</b>	<b>35,727</b>
Income taxes	-7,512	-11,162	-4,394	-7,343	-9,658	-11,611
<b>Net income / loss</b>	<b>12,511</b>	<b>23,078</b>	<b>10,092</b>	<b>14,839</b>	<b>20,059</b>	<b>24,116</b>
<b>Diluted EPS (in €)</b>	<b>2.27</b>	<b>3.86</b>	<b>1.65</b>	<b>2.00</b>	<b>1.81</b>	<b>2.45</b>
<b>Ratios</b>						
Gross margin on revenues	97.6%	99.6%	85.9%	95.2%	95.0%	95.0%
EBITDA margin on revenues	86.5%	82.4%	52.5%	68.3%	78.6%	81.3%
EBIT margin on revenues	85.2%	82.0%	51.7%	67.9%	78.3%	81.0%
Net margin on revenues	52.5%	55.5%	42.8%	43.0%	52.1%	54.5%
Tax rate	36.1%	31.9%	-31.0%	-33.1%	32.5%	32.5%
<b>Expenses as % of revenues</b>						
Personnel expenses	8.6%	5.0%	8.4%	7.9%	7.0%	6.0%
Other OpEx	18.7%	16.2%	30.4%	21.8%	13.2%	10.4%
Depreciation & amortisation	1.2%	0.4%	0.8%	0.4%	0.3%	0.3%
<b>Y-Y Growth</b>						
Revenues	n.a.	74.5%	-43.3%	46.5%	11.4%	15.0%
Operating income	n.a.	67.8%	-64.3%	92.6%	28.5%	18.9%
Net income/ loss	n.a.	84.5%	-56.3%	47.0%	35.2%	20.2%



## BALANCE SHEET

All figures in EUR '000	2015	2016	2017	2018E	2019E	2020E
<b>Assets</b>						
<b>Current assets, total</b>	<b>31,338</b>	<b>43,754</b>	<b>53,489</b>	<b>104,737</b>	<b>99,248</b>	<b>113,384</b>
Cash and equivalents	17,348	7,106	7,967	59,072	53,037	67,083
Trade receivables	6,032	33,408	39,874	39,745	39,904	40,064
Receivables from affiliates	965	2,892	2,627	2,839	3,164	3,032
Other ST assets	6,993	348	3,021	3,081	3,143	3,206
<b>Non-current assets, total</b>	<b>39,930</b>	<b>58,052</b>	<b>56,525</b>	<b>52,094</b>	<b>52,148</b>	<b>52,210</b>
Property, plant & equipment	443	349	403	472	526	588
Goodwill & other intangibles	23	9	1	1	1	1
Financial assets	1,483	3,044	3,024	3,024	3,024	3,024
Long-term loans to investees	37,279	54,107	52,676	48,176	48,176	48,176
Other non-current assets	702	543	421	421	421	421
<b>Total assets</b>	<b>71,268</b>	<b>101,806</b>	<b>110,014</b>	<b>156,831</b>	<b>151,396</b>	<b>165,594</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Liabilities, total</b>	<b>33,436</b>	<b>32,577</b>	<b>52,068</b>	<b>42,613</b>	<b>31,810</b>	<b>31,908</b>
Trade payables	289	1,268	823	1,349	527	606
Convertible note	30,000	30,000	50,000	40,000	30,000	30,000
Financial debt	1,400	0	0	0	0	0
Liabilities to affiliates	13	153	575	584	592	601
Other current liabilities	1,734	1,156	670	680	690	701
<b>Provisions, total</b>	<b>6,580</b>	<b>4,699</b>	<b>264</b>	<b>277</b>	<b>291</b>	<b>306</b>
LT provisions	241	195	264	277	291	306
Deferred tax liabilities	4,939	4,504	0	0	0	0
<b>Shareholders' equity</b>	<b>32,652</b>	<b>64,530</b>	<b>57,682</b>	<b>113,941</b>	<b>119,295</b>	<b>133,380</b>
<b>Total consolidated equity and debt</b>	<b>72,668</b>	<b>101,806</b>	<b>110,014</b>	<b>156,831</b>	<b>151,396</b>	<b>165,594</b>
<b>Ratios</b>						
Current ratio (x)	0.9	1.3	1.0	2.5	3.1	3.6
Net debt	14,052	22,894	42,033	-19,072	-23,037	-37,083
Net gearing	43%	35%	73%	-17%	-19%	-28%
Equity ratio	46%	63%	52%	73%	79%	81%
Return on equity (ROE)	39.2%	36.1%	17.3%	13.0%	16.8%	18.1%
Capital employed (CE)	7,174	35,390	42,082	41,708	43,068	43,079
Return on capital employed (ROCE)	283%	96%	29%	56%	70%	83%



## CASH FLOW STATEMENT

All figures in EUR '000	2015	2016	2017	2018E	2019E	2020E
<b>Pre-tax income</b>	<b>12,799</b>	<b>34,240</b>	<b>14,486</b>	<b>22,182</b>	<b>29,718</b>	<b>35,727</b>
Depreciation and amortisation	294	185	189	138	119	137
Change in trade rec & other assets	42,759	-22,499	-8,752	-144	-545	-91
Change in payable & other liabilities	26,900	60	-4,944	558	-789	113
Net interest expense	0	1,280	1,660	1,997	1,225	919
<b>Operating cash flow</b>	<b>82,752</b>	<b>13,266</b>	<b>2,639</b>	<b>24,732</b>	<b>29,727</b>	<b>36,805</b>
Tax expense	-300	-11,162	-4,394	-7,343	-9,658	-11,611
<b>Net operating cash flow</b>	<b>82,452</b>	<b>2,104</b>	<b>-1,755</b>	<b>17,389</b>	<b>20,069</b>	<b>25,194</b>
CapEx	-28	-77	-235	-207	-173	-199
Change in financial assets	0	-18,389	1,451	4,500	0	0
<b>Cash flow from investing</b>	<b>-28</b>	<b>-18,466</b>	<b>1,216</b>	<b>4,293</b>	<b>-173</b>	<b>-199</b>
<b>Free cash flow (FCF)</b>	<b>82,424</b>	<b>-16,362</b>	<b>-539</b>	<b>21,682</b>	<b>19,896</b>	<b>24,995</b>
Equity inflow, net	14,000	19,800	0	41,420	0	0
Debt inflow, net	30,000	-1,400	20,000	-10,000	-10,000	0
Dividends paid	0	-11,000	-16,940	0	-14,706	-10,030
Net interest paid	0	-1,280	-1,660	-1,997	-1,225	-919
<b>Cash flow from financing</b>	<b>44,000</b>	<b>6,120</b>	<b>1,400</b>	<b>29,423</b>	<b>-25,931</b>	<b>-10,948</b>
<b>Net cash flows</b>	<b>126,424</b>	<b>-10,242</b>	<b>861</b>	<b>51,105</b>	<b>-6,035</b>	<b>14,046</b>
Cash, start of the year	2,663	17,348	7,106	7,967	59,072	53,037
<b>Cash, end of the year</b>	<b>129,087</b>	<b>7,106</b>	<b>7,967</b>	<b>59,072</b>	<b>53,037</b>	<b>67,083</b>
<b>EBITDA/share (in €)</b>	<b>0.00</b>	<b>5.66</b>	<b>2.04</b>	<b>2.40</b>	<b>3.08</b>	<b>3.66</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	-97.4%	n.m.	n.m.	15.4%	25.5%
Free cash flow	n.a.	n.m.	n.m.	n.m.	-8.2%	25.6%
EBITDA/share	n.a.	n.m.	-63.9%	17.4%	28.2%	18.9%

## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 November 2018	€21.35	Buy	€29.00
2	10 January 2019	€19.76	Buy	€30.00
3	Today	€19.30	Buy	€30.00

**Authored by: Ellis Acklin, Analyst**

**Company responsible for preparation:**

**First Berlin Equity Research GmbH**

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

#### CONFLICTS OF INTEREST

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

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First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

#### PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

#### AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

#### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

#### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

#### INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

#### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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