

RCM Beteiligungs

Real estate
22 November 2017

Rising expectations

Q3 results show RCM Beteiligungs to be in fine form. A rise of over 50% in pre-tax profit accompanied confident guidance both for this year (proposed 50% hike in the dividend) and 2018 (targeted pre-tax profit to exceed €3m). A recent €11m bumper development sale epitomises a successful focus on certain well-defined projects, which is clearly paying off in terms of efficiencies as well as asset development and appreciation. We are further encouraged by the resumption of the share buyback programme and continued enhancements to the group structure, which should aid transparency.

Solid Q317

RCM built on a good start to the year (H1 PBT up 11%) with a strong Q3 (PBT up 54% to €0.91m against €0.59m). The quarter to September saw sustained buoyancy, boosted by the initial consolidation of a project company and a further significant reduction in administration costs (YTD down 23%). Rental income almost held steady, reinforcing another key component of RCM's business model ie building recurrent income. It owns c 49,000 square metres of residential assets (646 units) in its core Saxony region, with a purchase price of almost €35m.

Medium-term confidence

Management expects a clear increase in revenues and profit for this year and next. Continued strong trading is highlighted by the grant of a 20-year lease on c 20% of an 8,800 square metre residential and commercial complex with scope for disposal gains and now notably by a c €11m development project sale to be recognised substantially (80%+) in early 2018. Also, benefits of corporate restructuring include a larger holding (70% from 65%) in the refinanced main subsidiary SM Wirtschaftsberatung following the transfer to it of the much smaller SM Capital and SM Domestic Property which will contribute via profit transfer from 2018.

Valuation: So far, so good

RCM is trading at a historic P/E ratio of c 24x, which is a premium to the peer group. Such a valuation reflects a greatly improved outlook, the proven stability of its model and the net profit progression over the last three years. RCM now needs to confirm these expectations. On a P/BV multiple, RCM trades at a discount to the peer group, which, we believe, is due to it being significantly smaller.

Price €2.16
Market cap €32m

Share price graph



Share details

Code	RCMN
Shares in issue	14.7m
Net debt (€m) as at end December 2016	27.5

Business description

RCM Beteiligungs is a property developer, acquiring rental income-producing assets in and around Dresden and investing in refurbishment with the aim of improving the tenant mix to enhance value. RCM also invests in financial assets. It is a large shareholder in KST Beteiligungs, a financial investor.

Bull

- Low unemployment levels in Dresden.
- Focus on a defined region leads to greater understanding of opportunities.
- Established business concept and strong partner network in the region.

Bear

- Small company largely dependent on the development of the Dresden region.
- Low interest rate environment may end.
- Dependence on positive macro environment in the region and attractive sourcing potential.

Analyst

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Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/13	2.1	0.3	0.02	0.03	108.0	1.4
12/14	12.6	1.0	0.02	0.03	108.0	1.4
12/15	14.5	1.3	0.05	0.04	43.2	1.9
12/16	11.9	1.8	0.09	0.04	24.0	1.9

Source: RCM Beteiligungs accounts

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