

Consus Real Estate

Largest development platform in Germany

Consus has solidified its position as the largest residential property developer in Germany with the acquisition of SSN Group (SSN) financed through a combination of cash and equity. The transaction will increase the company's portfolio to €9.6bn gross development value (GDV), 82% of which is expected to be forward sold. We believe that this transaction constitutes an important step in building a strong, well-diversified portfolio and should lead to favourable synergies given the high business profile overlap between Consus and SSN.

Portfolio extended to 65 projects with €9.6bn GDV

On 7 November 2018, Consus announced the acquisition of SSN Group, a residential real estate developer employing a forward sales model similar to Consus's. As a result, the company's combined portfolio will now exceed €9.6bn of GDV (vs €6.2bn previously), with 2.1m sqm of total developed area, and the total number of projects will reach 65 (compared to the current 53). The transaction will also provide further geographic diversification of the existing portfolio by enabling Consus to enter the Munich market, which was the last of Germany's nine largest cities without its presence. The transaction is expected to be completed in Q418.

Financing through cash and equity combination

The price paid for the 93.4% stake in SSN Group of €470m will be funded by a €250m acquisition facility provided by J.P. Morgan. An additional €215m will be paid to Aggregate Group through the issue of 26.9m shares at €8.0 per share, in exchange for 38.9% shares of SG Development and a 43% stake in Project Wilhelm (both SSN subsidiaries). The transaction will put total group indebtedness at €2.2bn (incl. bridge financing) with an average interest rate of 8.1% pa, including SSN debt of €685m at 11.3% pa. Consus is targeting a reduction of debt costs by 2pp as it sees potential to refinance SSN projects at more attractive interest rates.

Upward revision of management guidance

As the company has more than doubled its investment portfolio so far in FY18, management has revised its guidance accordingly, increasing the 2020 EBIT pre-PPA target to €450m (from €300m) at a c 20% EBIT margin. The targeted net debt to EBIT pre-PPA ratio stays at 3.0x (vs 4.4x post-acquisition on Edison estimates), which requires a certain amount of deleveraging initiatives. Management expects no further platform purchases and will focus on acquiring single projects.

Consensus estimates

| Year end | Revenue (€m) | EBITDA (€m) | EPS (€) | DPS (€) | P/E (x) | Yield (%) |
|----------|--------------|-------------|---------|---------|---------|-----------|
| 12/17 | 215.0 | 6.4 | 0.01 | 0.0 | N/A | N/A |
| 12/18e | 716.5 | 138.0 | 0.20 | 0.0 | 39.6 | N/A |
| 12/19e | 1,004.3 | 173.5 | 0.57 | 0.0 | 13.9 | N/A |
| 12/20e | 1,578.3 | 277.5 | 1.21 | 0.0 | 6.5 | N/A |

Source: Consus accounts and Bloomberg consensus as at 9 November 2018

Real estate

20 November 2018

Price €7.92
Market cap €849m

Share price graph



Share details

| | |
|---|----------------------|
| Code | CC1 |
| Listing | Deutsche Börse Scale |
| Shares in issue | 107.2m |
| Last reported net debt as at 30 June 2018 | €1.25bn |

Business description

Consus Real Estate, based in Berlin, is the leading, listed residential real estate developer in Germany. Following acquisition of SSN Group, the company's development portfolio consists of 65 projects across nine cities with a gross development value of €9.6bn. It also owns a small commercial assets portfolio.

Bull

- Supply shortage in the German residential market.
- Cost-effective and lower-risk business model.
- Extensive development pipeline.

Bear

- Lower selling prices due to forward sale model.
- Bottlenecks in the German residential market.
- Dependency on institutional clients.

Analysts

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