

Recommendation:
BUY (BUY)

Risk:
Medium (Medium)

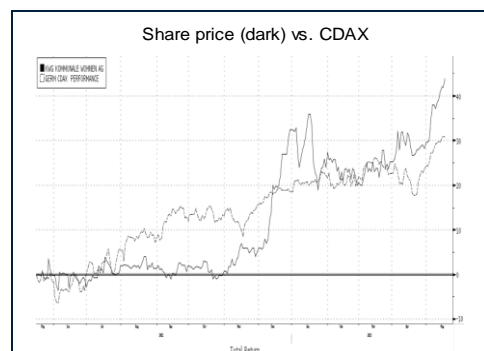
Price Target:
EUR 8.30 (8.30)

16 May 2013

1Q 2013 key figures within expectations

Disposal in May confirms portfolio valuation

- KWG recently reported 1Q 2013 key figures that were in line with our expectations and which increased significantly on a yoy comparison due to the BWAG and "Tower portfolio" acquisition in the second half of FY 2012.
- The acquisition of BWAG and "Tower portfolio" in 2H 2012 almost doubled KWG's portfolio from approx. 5,400 units to approx. 10,000 units.
- Sales increased by 93.2% to EUR 11.4m (PY EUR 5.9m) while EBIT went up by 136.4% to EUR 5.2m (PY EUR 2.2m).
- Net cold rent rose to EUR 8.0m from EUR 4.1 in the previous year which is an increase of 95.1% yoy.
- FFO was boosted by 257.1% to EUR 2.5m (PY EUR 0.7m). As there will be noticeable capex for the "Tower portfolio" in 2013 and 2014, the management stuck to its full year FFO guidance of EUR 5.0m although the first quarter represents already half of the full year guidance.
- The management reiterated its FY 2013E guidance of EUR 30m net cold rent and a net profit of EUR 4.4m.
- The key figures of 1Q 2013 and the disposal at the beginning of May of 160 units in Wolfsburg at IFRS book value indicates that the operational business of KWG is going well. These 160 units were refurbished thereby reducing the vacancy rate of these units from approx. 19% to almost fully let.
- The share price has increased 18% since the end of March from roughly EUR 6.00 to currently EUR 7.10 which is a discount of 32% to balance sheet NAV. We continue to be positive on KWG and reiterate our BUY recommendation with an unchanged price target of EUR 8.30.



Source: CBS Research AG, Bloomberg, KWG

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	-	40.2	-	40.6	-	40.8
EBIT	-	18.8	-	19.2	-	19.4
EPS	-	0.31	-	0.34	-	0.34

www.kwg-ag.de

WKN: 522734

Reuters: BIWG.DE

Sector: Real Estate

ISIN: DE0005227342

Bloomberg: BIW GY

Short company profile:

The business of KWG comprises the acquisition and long-term holding of German residential real estate, either directly or through the acquisition of companies, particularly municipal and cooperative housing companies.

Share data:

Share price (EUR, latest closing price):	7.10
Shares outstanding (m):	15.9
Market capitalisation (EUR m):	112.8
Enterprise value (EUR m):	257.8
Ø daily trading volume (3 m., no. of shares):	11,616

Performance data:

High 52 weeks (EUR):	7.24
Low 52 weeks (EUR):	4.71
Absolute performance (12 months):	44.0%
Relative performance vs. CDAX:	
1 month	3.4%
3 months	6.9%
6 months	12.9%
12 months	10.2%

Shareholders:

conwert	76.0%
Free float	24.0%

Financial calendar:

Annual General Meeting	17 June 2013
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Key data

FY 12/31, EUR m	2010	2011	2012	2013E	2014E	2015E
Sales	19.8	21.7	27.9	40.2	40.6	40.8
EBIT	16.6	18.4	64.2	18.8	19.2	19.4
Net result	8.6	9.8	44.2	5.0	5.4	5.4
EPS	0.87	0.91	3.04	0.31	0.34	0.34
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Gross margin	79.0%	79.4%	90.0%	72.1%	72.4%	72.4%
EBIT margin	56.0%	54.0%	76.7%	40.7%	40.8%	40.9%
ROE	12.0%	11.8%	34.1%	3.1%	3.2%	3.1%
ROA	8.4%	8.3%	18.0%	4.5%	4.5%	4.5%
Gross debt LTV	63.1%	59.9%	57.4%	62.6%	61.2%	61.3%
Price / NAV	0.71	0.60	0.62	0.68	0.66	0.64
EV/EBIT	10.0	10.1	3.9	13.7	13.4	13.3
P/E	5.9	5.4	2.1	22.6	21.1	20.8

Source: KWG Kommunale Wohnen AG, CBS Research AG

KWG Kommunale Wohnen AG

Profit and loss comparison

	IFRS	EURm	1Q 2012	1Q 2013	change	% change
Sales			5.90	11.40	5.50	93.2%
<i>thereof Net cold rent</i>			4.10	8.00	3.90	95.1%
EBIT			2.20	5.20	3.00	136.4%
Reported FFO			0.70	2.50	1.80	257.1%

Source: CBS Research AG; KWG Kommunale Wohnen AG

KWG Kommunale Wohnen AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Sales			19.8	21.7	27.9	40.2	40.6	40.8
YoY growth			0.0%	9.6%	41.2%	85.6%	45.5%	1.5%
Revaluation result from investment properties			9.6	8.8	41.6	5.6	6.1	6.2
Other operating income			0.3	3.6	14.2	0.3	0.3	0.3
Total revenues			29.6	34.0	83.7	46.1	47.0	47.3
COGS			-6.2	-7.0	-8.4	-12.9	-13.0	-13.1
in % of total revenues			-21.0%	-20.6%	-10.0%	-27.9%	-27.6%	-27.6%
Gross income			23.4	27.0	75.3	33.3	34.1	34.3
in % of total revenues			79.0%	79.4%	90.0%	72.1%	72.4%	72.4%
Personnel expenses			-1.8	-2.3	-3.0	-3.8	-3.9	-3.9
in % of total revenues			-6.0%	-6.8%	-3.6%	-8.3%	-8.2%	-8.2%
Expenditure on investment properties			-3.0	-3.4	-4.4	-6.0	-6.5	-6.5
in % of total revenues			-10.1%	-9.8%	-5.2%	-13.1%	-13.8%	-13.8%
Other operating expenses			-1.9	-2.8	-3.5	-4.4	-4.3	-4.3
in % of total revenues			-6.3%	-8.1%	-4.1%	-9.6%	-9.1%	-9.1%
EBITDA			16.8	18.6	64.4	19.0	19.4	19.6
in % of total revenues			56.5%	54.6%	77.0%	41.2%	41.3%	41.4%
Depreciation and amortisation			-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
EBIT			16.6	18.4	64.2	18.8	19.2	19.4
in % of total revenues			56.0%	54.0%	76.7%	40.7%	40.8%	40.9%
Financial result			-5.8	-6.4	-7.3	-12.1	-12.0	-12.1
EBT			10.7	11.9	56.9	6.7	7.2	7.3
in % of total revenues			36.3%	35.1%	68.0%	14.5%	15.3%	15.4%
Taxes			-2.2	-2.1	-10.4	-1.7	-1.8	-1.9
as % of EBT			-20.1%	-17.7%	-18.3%	-25.4%	-25.6%	-25.6%
Net income including minorities			8.6	9.8	46.5	5.0	5.4	5.4
Minority interests			0.0	0.0	-2.3	0.0	0.0	0.0
Net income attributable to shareholders			8.6	9.8	44.2	5.0	5.4	5.4
in % of total revenues			29.0%	28.9%	52.9%	10.8%	11.4%	11.5%
Shares outstanding (in millions)			9.9	10.8	14.5	15.9	15.9	15.9
Earnings per share (EUR)			0.87	0.91	3.04	0.31	0.34	0.34

Source: CBS Research AG, KWG Kommunale Wohnen AG

KWG Kommunale Wohnen AG

Balance Sheet

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Assets								
Noncurrent assets			193.2	230.8	427.7	407.6	413.4	419.6
as % of total assets			94.1%	96.6%	90.4%	96.3%	96.4%	95.3%
Intangible assets			0.2	0.1	0.1	0.1	0.1	0.1
Fixed assets			0.3	0.3	0.5	0.3	0.0	0.0
Investment properties			188.6	226.4	424.7	403.2	409.4	415.6
Other long-term assets			0.0	0.0	0.0	0.0	0.0	0.0
Financial assets			0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets			4.0	3.9	2.4	3.9	3.9	3.9
Current assets			12.1	8.1	45.3	15.7	15.6	20.5
as % of total assets			5.9%	3.4%	9.6%	3.7%	3.6%	4.7%
Inventories			0.1	0.1	0.1	0.1	0.1	0.1
Accounts receivables			0.8	1.2	1.4	1.5	1.6	1.6
Other receivables and other assets			2.5	3.1	9.3	3.3	3.4	3.4
Securities			0.0	0.0	0.0	0.0	0.0	0.0
Cash			8.7	3.6	30.3	10.7	10.5	15.4
Total Assets			205.2	238.8	473.0	423.3	429.0	440.2
Shareholders' equity and liabilities								
Total equity			78.1	87.8	171.8	165.6	170.9	176.4
as % of total equity and liabilities			38.1%	36.8%	36.3%	39.1%	39.8%	40.1%
Capital stock			10.8	10.8	15.9	15.9	15.9	15.9
Reserves			42.4	40.3	68.1	64.3	64.3	64.3
Retained earnings			24.9	36.7	80.9	85.4	90.7	96.1
Minorities			0.0	0.0	6.8	0.0	0.0	0.0
Special items			0.0	2.3	2.3	0.0	0.0	0.0
Contributions to implement the capital increase resolved			0.0	0.3	0.3	0.0	0.0	0.0
Premiums to implement the capital increase resolved			0.0	2.0	2.0	0.0	0.0	0.0
Noncurrent liabilities			118.6	112.8	184.9	208.0	208.5	213.6
as % of total equity and liabilities			57.8%	47.2%	39.1%	49.2%	48.6%	48.5%
Financial liabilities			114.2	104.7	159.2	194.8	193.5	196.6
Deferred income			0.0	0.0	7.1	0.0	0.0	0.0
Deferred tax liabilities			4.3	7.0	15.8	13.2	15.0	16.9
Other liabilities			0.1	0.1	0.1	0.1	0.1	0.1
Current liabilities			8.6	36.0	114.0	49.6	49.5	50.2
as % of total equity and liabilities			4.2%	15.1%	24.1%	11.7%	11.5%	11.4%
Financial liabilities			5.0	31.0	16.2	44.4	44.1	44.8
Deferred income			0.0	0.0	0.2	0.0	0.0	0.0
Trade accounts payables			1.0	2.1	4.3	2.2	2.3	2.3
Short-term tax liabilities			0.0	0.1	0.3	0.1	0.1	0.1
Other liabilities			2.6	2.8	93.1	2.9	3.0	3.0
Total equity and liabilities			205.2	238.8	473.0	423.3	429.0	440.2

Source: CBS Research AG, KWG Kommunale Wohnen AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
16 May 2013	BUY	EUR 7.10	EUR 8.30
20 March 2013	BUY	EUR 6.09	EUR 8.30
21 December 2012	BUY	EUR 6.12	EUR 8.30
7 November 2012	BUY	EUR 5.09	EUR 7.90
17 August 2012	BUY	EUR 5.07	EUR 7.90

03 August 2012	BUY	EUR 5.11	EUR 7.90
26 July 2012	BUY	EUR 5.03	EUR 7.10
28 June 2012	BUY	EUR 4.92	EUR 7.00

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