

Estavis

Buy €1.84
(Remains Unchanged)

Target Price: €2.40 (€2.80)

Reuters Code: E7S.DE

Bloomberg Ticker: E7S GY

EPS adj.

Jun 2010A €0.13

Jun 2011E €0.10 (0.12)

Jun 2012E €0.21 (0.27)

Jun 2013E €0.28 (0.33)

WestLB Research estimates

Market Cap: € 26m

Current recommendation since 23/11/2009

Previous recommendation was Neutral

Share prices are as of market close on 21 March 2011

For disclosures and statements required by regulatory bodies, please see the last page.

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Estavis

2:1 capital increase

- **Estavis plans to increase its capital.** The company will issue up to 4.773m new shares at a price of €1.70 to its existing shareholders. The proceeds of €8m will be used to finance the acquisition of properties for its portfolio and for development (listed buildings). On the negative side, there is a significant dilution to NAV (€5.60 per share before the capital increase). On the positive side, the additional equity facilitates the property development business in particular, as short-term real estate debt financing is quite expensive. Due to the dilution, we are reducing our target price from €2.80 to €2.40 but maintaining our Buy recommendation.

Estavis forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Jun	(€m)	(€m)	(€)	(x)	(x)	(%)
2010A	71	5	0.13	14.3	18.3	0.0
2011E	67	6	0.10	17.7	15.5	0.0
2012E	83	8	0.21	8.9	11.4	0.0
2013E	88	10	0.28	6.7	9.4	0.0
Net cash/Share	-€6.5					
NAV/Share	€5.7					

Note: Cash/debt at end of current year

Source Estavis, WestLB Research estimates

- **TAG will fully participate.** Estavis announced that TAG Immobilien AG, which holds a 20% stake in the company, will fully participate in the capital raising. In addition, the Estavis's two board members intend to participate in the capital raising.
- **NAV per share to be negatively affected.** Assuming full take up of the capital increase, our NAV estimate for 2010/11 would be diluted down to €4.28 per share.

Changes in estimates

€m	2010/11E			2011/12E			2012/13E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Sales	66.5	66.5	0.0	83.2	82.0	1.5	88.4	86.0	2.8
Gross operating margin (%)	72.2	72.2	0.0	86.2	85.0	1.4	90.4	88.0	2.7
EBIT	5.7	5.7	0.0	8.1	7.6	6.6	9.5	8.4	13.1
PBT	1.5	1.5	0.0	3.9	3.4	14.7	5.3	4.2	26.2
Net attributable profit	1.1	1.1	0.0	3.0	2.5	20.0	4.0	3.1	29.0
EPS (€)	0.10	0.12	-16.7	0.21	0.27	-22.2	0.28	0.33	-15.2
NAV per share (€)	4.28	5.59	-23.4	4.49	5.86	-23.4	4.76	6.19	-23.1

Source WestLB Research estimates

- **For the following business year, we think that the additional equity will also have a positive impact on the net profit.** For the current business year, the new funds will probably have no meaningful impact. However, we have added €0.5m to our net profit estimate for the business year 2011/12 and €0.9m to the estimate for 2012/13. Nevertheless there will also remain a dilutive effect on EPS.

Estavis – positive and negative points

Positive	Negative
(1) Promising projects	(1) Negative track record on guidance (former management)
(2) Regained profitability on reduced cost base	(2) Difficult refinancing (short-term real estate financing)
(3) Improved demand for listed buildings	(3) High volatility in revenues (Q1 2010/11, Q3 2009/10)
(4) Takeover fantasy due to TAG stake	(4) Portfolio transaction model has collapsed
(5) High order backlog	(5) Still some legacy assets on the balance sheet

Source Estavis, WestLB Research estimates

- **Target price reduced from €2.80 to €2.40.** Our target price is based on a 50% discount to NAV. Thus, based on our NAV per share estimate for 2012/13 of €4.76 per share, we determine a target price of €2.40. As the potential upside to our target price exceeds 20%, we maintain our Buy recommendation.

Dr Georg Kanders

22 March 2011