

■ **Price (Euro)** **4.26**  
52 weeks range 2.46 / 7.00

■ **Key Data**

Country	Germany
Industry	Real Estate
Segment	General Standard
ISIN	DE000A0V9L94
Sec. ID-No.	A0V9L9
Symbol	BNT1
Bloomberg	BNT1:GR
Internet	www.eyemaxx.com
Reporting Standard	IFRS
Fiscal Year	31/10
IPO	2011
Ø Daily Turnover in € (1M)	1,567
Market Cap (EUR million)	11.3
Number of shares (million)	2.65
Free Float	10.0%
Free Float MCap (million)	1.1
CAGR pre tax profits 12-15e	49.9%

Multiples	11/12e	12/13e	13/14e	14/15e
<b>PE-Ratio</b>	<b>8.8</b>	<b>4.3</b>	<b>3.2</b>	<b>2.5</b>
Dividend Yield	0.0%	20.0%	27.0%	35.2%

Key Data per Share (Euro)	11/12e	12/13e	13/14e	14/15e
<b>Earnings per Share (EPS)</b>	<b>0.89</b>	<b>1.82</b>	<b>2.44</b>	<b>3.06</b>
Dividends per Share (DPS)	0.00	0.85	1.15	1.50
Book Value per Share (BVPS)	6.72	7.70	9.00	10.57

Financial Data (Euro '000)	11/12e	12/13e	13/14e	14/15e
<b>Revenues</b>	<b>2,470</b>	<b>4,990</b>	<b>5,261</b>	<b>3,528</b>
Total operating income	3,608	5,911	5,261	3,528
<b>Operating Profit (EBIT)</b>	<b>-1,684</b>	<b>-317</b>	<b>-1,379</b>	<b>-2,588</b>
Pre-tax profit (EBT)	2,460	4,962	6,624	8,287
<b>Net profit</b>	<b>2,361</b>	<b>4,862</b>	<b>6,504</b>	<b>8,137</b>
Adjusted Shareholders' Equity	17,802	20,411	23,867	28,028
<b>RoE after tax</b>	<b>14.5%</b>	<b>25.4%</b>	<b>29.4%</b>	<b>31.4%</b>

■ **Financial Calendar**

<b>SRC Forum Financials &amp; Real Estate 2012</b>	<b>September 12, 2012</b>
3Q Interim report 2012	September 19, 2012
Annual Report 2012	February 28, 2013

■ **Main Shareholders**

CEO Dr. Michael Müller	90.0%
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■ **Analyst**

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**One of the leading retail developer for CEE – Starting Coverage with Buy and TP of € 12.50**

Aschaffenburg-based EYEMAXX Real Estate AG (later called EYEMAXX) is a project developer and property manager in the segment of retail parks with a clear focus on the CEE region. In addition, the company also has activities in Austria and Germany. Core business of the company is the development of retail parks with approx. 8 to 15 rental units per object providing rental space of 2,000 sqm to 15,000 sqm. Therefore EYEMAXX works together with various well-known western retail brands participating from their expansion to central European countries like Poland, Czech Republic or Slovakia. The company is among market leaders for retail parks in CEE. Completed developments within the portfolio will be sold after completion on a short-term horizon to an investor or, in exceptions, prior to their completion as opportunistic forward sale. Furthermore there are prestige developments in Austria and Serbia which are supposed to be held within the own portfolio to generate a stable income through rental earnings. In the past five years some twenty developments with a transaction volume of more than Euro 200m were successfully built and sold while for the future a vast pipeline with an investment volume of more than Euro 100m, which is in terms of funding and financing completely secured, is about to step up company's earnings. In particular due to the fact, that the company switched its business model from forward sale to self-financing this year. Another important point is that the company works together with co-funders and joint venture partners that usually provide the major equity stake for development financing as mezzanine capital for a fixed interest. Hence, EYEMAXX has only a small equity exposure but entirely benefits from development gains. That enables the company for a much higher margin on developments than in the past.

**Our valuation showed a vast upside on the current share price. We performed three different approaches that equally weighted provide a share price of Euro 14.21. Due to the low liquidity of the share we consider a discount of at least 10%. All in all we decided to start our coverage with a Buy rating and a 12.50 Euros target price for the next 12 months which offers almost a triplication upside for the EYEMAXX share.**

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## Company Profile

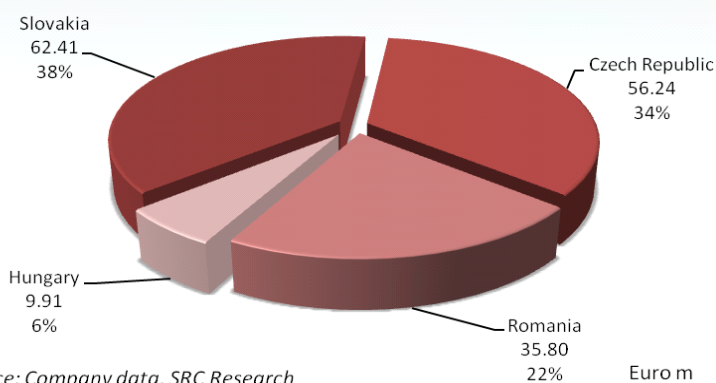


### EYEMAXX AG

<b>Industry:</b>	Real Estate	<b>Management Board of EYEMAXX Real Estate AG:</b>
<b>Sub-segment:</b>	Commercial Developer	CEO Dr. Michael Müller
<b>Region:</b>	Austria, Germany, CEE	
<b>Headquarter:</b>	Aschaffenburg	
<b>Foundation:</b>	1996	<b>Supervisory Board of EYEMAXX Real Estate AG:</b>
<b>Employees:</b>	26	Dr. Martin Piribauer (Chairman)
		Franz Gulz
		Max Pasquali
<b>IR Contact:</b>	amuehlhaus@edicto.de	

EYEMAXX Real Estate AG is an international project developer for commercial real estate with a clear balance point on the CEE region, Austria and Germany. The company develops first and foremost retail parks and strip malls and works together with well-known western retail brands participating from their expansion to Central European countries like Poland, Czech Republic or Slovakia. In terms of retail parks the company became one of the market leaders in CEE. A pre-let quota of at least 50% is the pre-condition to start construction activities at a certain location. Furthermore popular and well-known trade chains like Hofer, DM, Takko, New Yorker, Bauhaus, Deichmann, Rossmann or C&A, to mention only a few, are among tenants. The retail parks themselves are being distributed under a brand like "BIG BOX" "MyBOX" or "STOP.SHOP" (a trademark of Immofinanz). Finally developments within the portfolio will be sold prior to their completion as forward sale or after completion on a short-term horizon to an investor. However, the company changed its business model and aims now on selling more developments after their completion to achieve higher profits. In the past five years some twenty developments with a transaction volume of more than Euro 200m were successfully built and sold. In addition, the company develops and realizes logistic properties, a factory outlet center and tailor-made solutions on customer order.

### Geographical allocation of completed developments based on investment volume



Source: Company data, SRC Research

The company was founded in 1996 as EYEMAXX International Holding & Consulting GmbH. In the course of a capital increase in 2011 the company used the shell company Amictus AG to become a public listed company. EYEMAXX Real Estate AG is listed at the General Standard of the Frankfurt Stock Exchange since July 2011 (ISIN: DE000A0V9L94). Furthermore the firm issued two corporate bonds (DE000A1K0FA0 and DE000A1MLWH7) which are listed within the Entry Standard.

Source: Company Data, SRC Research

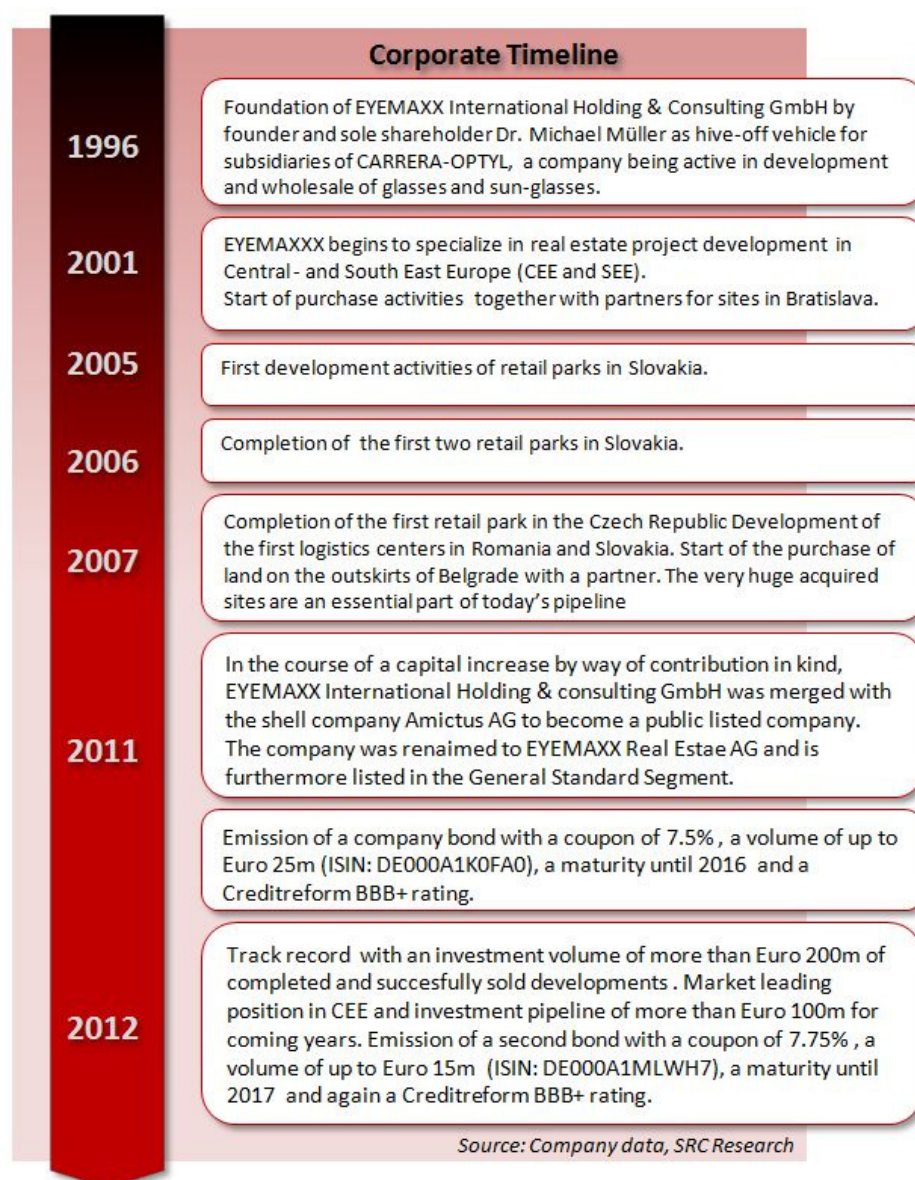
**EYEMAXX commenced activities within the project development business in 2005**

**The corporate timeline shows that most significant milestones for the company took place in the last six years**

## A brief history

In 1996 the company was founded as EYEMAXX International Holding & Consulting GmbH by Dr. Michael Müller in Austria. In the year 2001 the company and its partners commenced activities to acquire sites for development activities in CEE. In 2005 first development activities started in Bratislava. Therefore the first two retail parks were completed in Slovakia in 2006. To this day the company build up a track record of almost 20 retail parks with an transaction volume of some Euro 200m which are mainly located in Slovakia and Czech Republic. Besides retail parks the company also realized so far three logistics properties in Slovakia and Romania and a power store for a well-known “do-it-yourself” chain in the Czech Republic .

In the course of a capital increase EYEMAXX used the shell company Amictus AG to become a public listed company in May 2011. Later on the company was renamed to EYEMAXX Real Estate AG. It is listed at the General Standard of the Frankfurt Stock Exchange (ISIN: DE000A0V9L94) while the company is legally domiciled in Aschaffenburg, Germany with its headquarters in Leopoldsdorf near Vienna, Austria.



To this day EYEMAXX has issued two corporate bonds which in sum comprise a collected volume of Euro 24.4m that enables to switch business model from forward financing to self-financing

Allocation of corporate bond resources show that roughly 50% are available for realization of new developments

In July 2011 EYEMAXX offered its first corporate bond (ISIN DE000A1K0FA0) with an intended size of up to Euro 25m, a maturity until July 2016 and a coupon of 7.5%. The bond is completely secured with a mostly external real estate portfolio and has a BBB+ rating by Creditreform. The public offering was completed in the same month. However, although the total volume was aimed at Euro 25m, finally some 50% which is Euro 12.9m were collected.

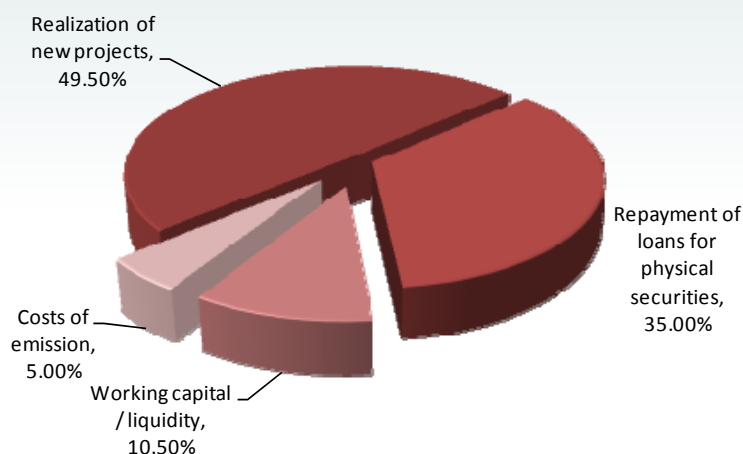
### Corporate Bonds of EYEMAXX REAL ESTATE AG

	Corporate Bond I (2011/2016)	Corporate Bond II (2012/2017)
ISIN	DE000A1K0FA0	DE000A1MLWH7
WKN	A1K0FA	A1MLWH
Maturity	26/07/2016	01/11/2017
Duration	5 Years	5.5 Years
Coupon	7.50%	7.75%
Intended Vol. € m	25.0	15.0
Collected Vol. € m	12.9	11.5
Payment day coupon	26-Jul	11-Apr
Creditreform Rating	BBB+	BBB+
Face value €	1,000	1,000
Issue Price	100%	100%
Listing	Entry Standard Frankfurt	Entry Standard Frankfurt
Subscription period	12/07/2011 - 22/07/2011	19/03/2012 - 05/04/2012
Ø Daily Vol. turnover 52 weeks	1,861	778
Share for collateralization € m	5.1	4.7
Annual interest payment € m	0.97	0.89
Last Price (30 July 2012)	104.00	103.80

Source: Company data, SRC Research

A second bond was initiated from 19 March to 5 April 2012 with a bond size of Euro 15m and a coupon of 7.75%. Finally a volume of Euro 11.5m was successfully collected. The bond is also secured with an external real estate portfolio and matures after 5.5 years on 1 November 2017. In sum the company collected the amount of Euro 24.4m through the emission of both bonds. The collected capital is mainly supposed to be used for the realization of new development projects. Meaning the change of company's business model from realization of properties as forward sale to a self-financing, which offers much higher margins on developed projects.

### Utilization of corporate bond resources



Source: Company data, SRC Research



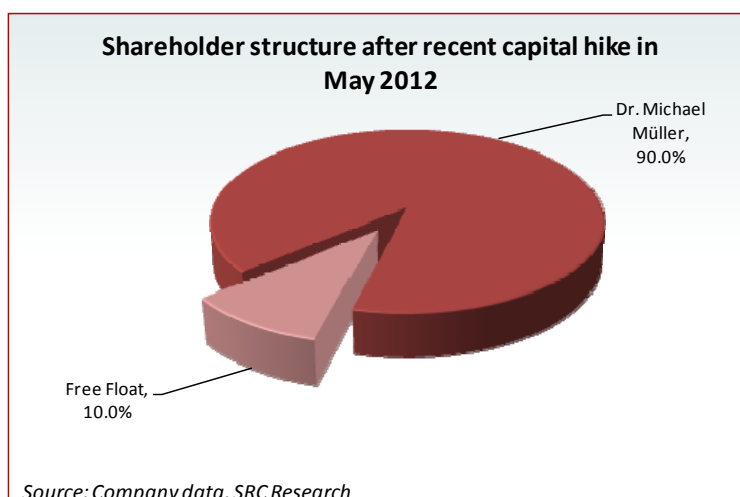
**Both corporate bonds are secured with physical assets, mainly owned by the company founder and CEO Dr. Müller allowing for a BBB+ rating**

**In case of a more inviting sentiment a capital increase is intended which would furthermore enable the company to accelerate its growth story**

However, approx. one third of collected capital (Euro 3.9m for the first bond and Euro 4.7m for the second bond – together Euro 8.6m) was necessary for repayment of the loans of the property portfolio to be used as security and to secure the first rank among creditors. The external real estate portfolio to be used as security for both bonds belongs mainly to the private property of the company founder, is located in Austria and Germany, and contains logistics, office and residential properties. The value of the physical securities amount to Euro 26m while a pledge of rent of up to Euro 0.8m p.a. from that portfolio can be used for interest payments for the corporate bond. We calculated the annual interest payments for both corporate bonds based on their volume and their particular coupon at Euro 1.86m per annum, which we consider in our P&L projection among financial costs. Dr. Müller's decision to use privately owned properties as securitization for EYEMAXX's bonds means several disadvantages for Dr. Müller personally. To mention are a higher interest payment and the risk of a loss. Due to these private disadvantages we value the decision as convincing commitment to EYEMAXX and its business concept.

## Shareholder structure

Company's history at the stock exchange is rather short. For almost one year the firm is listed within the General Standard segment of the Deutsche Börse Group. In the course of a capital increase by way of contribution in kind, EYEMAXX International Holding & consulting GmbH was merged with the shell company Amictus AG to become a public listed company. After the public listing in July 2011 number of shares amounted to 2.55m while the freefloat was quite low at 4.9%. In May this year a small capital increase in combination with a replacement of a block of shares stepped up numbers of shares by 100k to 2.65m. Proceeds of Euro 500k based on a share price of 5.00 Euro slightly strengthened company's equity base. Furthermore some 100k shares of the main shareholder Dr. Michael Müller were reallocated to third parties, therefore freefloat increased to 10% by now. More corporate action such as a meaningful capital increase is intended for the future. The authorised capital accounts for approx. 50% of the current capital (Euro 1,325,321.00) decided on the 2012 AGM, valid for 5 years until June 2017. However the current market sentiment for such transactions is at the moment neither inviting nor recommendable.



The business model consists of three major business pillars thereof retail parks are the balance point

EYEMAXX has a very detailed and clear idea about parameters and criteria for a successful development

## Investment case

EYEMAXX is active as project developer for retail parks, logistics, factory outlet center and tailor made solutions. The major focus lies clearly on retail parks, where the company has a huge track record.



## Development of retail parks – the major business pillar

The development of retail parks in Central- and Eastern Europe is the major business pillar for the company. Investment criteria for locations are a good infrastructure that provides a quick accessibility, an easy building site preparation and free parking space. To provide a high frequency of customers a very important and mandatory part of the overall concept is to include always a hypermarket with food department on the location, which must not be necessarily part of the development concept itself but must be available in close neighborhood. Finally EYEMAXX aims on a well diversified tenant mix of international and well-known trading chains providing a diversified range of goods. Before construction activity can start a pre-letting quota of at least 50% is required. The retail parks have usually space for 8 to 15 retailers and provide a rental space of 2,000 sqm to 15,000 sqm. A high level of standardization of development properties allows for a short time to completion. Furthermore the concept and construction method has improved several times which leads to a lower planning and construction risk. Another important point to mention are the stable prices for land at appropriate locations in CEE. They are often situated in the outskirts of small- or mid-sized cities with a population of 20.000 to 80.000 citizens. In particular these cities offer a great potential but are less challenging in terms of competitors. Therefore EYEMAXX put its focus here. Bearing all mentioned points in mind, the risk for higher than expected construction costs are very manageable. The investment volume for each development is inbetween the range of Euro 2m to Euro 15m mainly depending on size and location of the object. Meanwhile EYEMAXX is among market leaders for retail parks in CEE working together with well-known western retail brands and participating from their expansion to central European countries like Poland, Czech Republic or Slovakia. Hofer, DM, Takko, New Yorker, Bauhaus, Deichmann, Rossmann or C&A, to mention only a few, are among tenants. Such brands with a high

**We see Vienna-based Immofinanz as material competitor for the company**

popularity and a high degree of creditworthiness in combination with long-term rental agreements provide a high level of safety in terms of rental income. In the past years the company built up a considerable track record of approx. 20 retail parks with a cumulated transaction volume of approx. Euro 200m. The retail parks themselves are being distributed under a brand like "BIG BOX" "MyBOX" or "STOP.SHOP" (a trademark of Immofinanz).

In terms of competitors there are only a few companies with a similar focus on retail parks for small- and mid-sized cities in Central and Eastern Europe (CEE). General most major, international project developers focus on larger cities while the domestic developers in CEE have in most cases not sufficient experience and connections to attract a solid tenant base that is highlighted by well-known western trade brands.

In the past EYEMAXX realized several projects together with Vienna-based Immofinanz that pursues a similar strategy in terms of retail parks. Due to the change of business concept to self-financing we see Immofinanz now in the position as material competitor. Under the brand "Stop.Shop" the company realizes retail parks in similar countries like EYEMAXX with an equal focus on cities with a population from 30k to 150k. The company plans an expansion of those activities to Austria and Slovenia. At present Immofinanz holds a portfolio of 46 retail parks with a cumulated rental space of 310,000 sqm thereof one third was realized as joint venture with EYEMAXX.

### **Built-To-Suit Projects**

**The built-to-suit projects offer additional opportunities but are at present only of marginal importance for the corporate project pipeline**

Tailor Made Solutions are being realized by EYEMAXX when there are concrete rental agreements which last at least for fifteen years or longer. That means the potential tenant, not the purchaser of a property, is the client that initiates the construction of a property. The property will be build according to tenant's demand and requirements. After completion the object will be sold to an investor as usual. Therefore construction activity starts in case of a concrete customer order but not for blindpool purposes. However, profit margins are lower here than usual due to almost no risk of renting after completion. Main clients for such objects are international hotel chains with long rental agreements that require Economy- or Budgethotels as well as hypermarkets and do-it-yourself stores. Although the concepts are being tailor made, there is still a high level of standardization to keep risks, costs and construction time low. EYEMAXX also has a track record for tailormade solutions and realized for instance a do-it-yourself store for the well-known chain BAUHAUS in Czech Republic. The project had an investment volume of Euro 15m, rental space of some 18,000 sqm and was realized as forward sale in 2010.

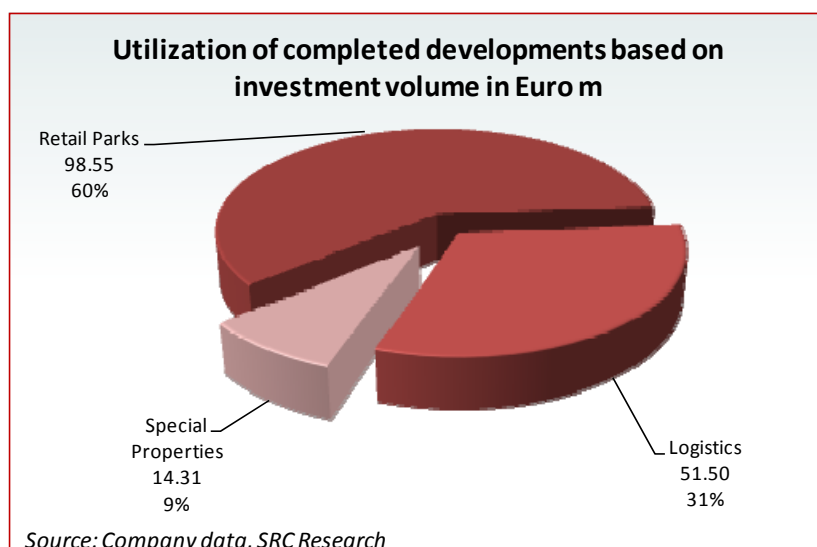
### **Logistics & Factory Outlet Center (FOC)**

A track record is also available for logistic properties in central Europe that were developed, built and disposed by EYEMAXX. These properties have a rental space of 15,000 to 25,000 sqm and are located in Slovakia and



The utilization break-down shows that retail parks and logistics comprise more than 90% of investment volume to this day

Romania. Logistic properties have a high level of standardization and provide short construction periods but offer also sufficient possibilities for a taylormade solution according to customers demand. In addition, a portfolio of 12 logistic properties located in Germany and Austria is by majority owned by founder, CEO and major shareholder of EYEMAXX Dr. Müller. Thus, there is an excellent access to potential tenants like LOGWIN, RABEN or QUEHENBERGER for such objects. Currently there are two logistic properties and one factory outlet center plannend in Serbia. The company holds a huge site there of 48 ha in Stara Pazova close to Belgrade and another huge site of 27 ha in Nis (option right).



### Covering a broad value chain in all business segments

Within all three business segments EYEMAXX covers a broad value chain starting from the selection of a specific location supported by a location study, the selection of an appropriate anchor tenant and the closing of an option contract, which is mainly important in case of a forward sale.

### EYEMAXX covers almost the whole value chain from initiation to disposal of a property



A broad value chain allows to generate a maximum of earnings

Source: Company data, SRC Research

**The experience of the past track record puts the company in the position for a highly sophisticated process**

The next step is characterized by a concrete prearrangement of the construction activity. Besides a valid building permission and operating licence, a pre-letting quota of at least 50% for retail parks and logistics and 100% for other special properties has to be achieved by negotiations with potential tenants. In particular satisfying terms and conditions of rental agreements are subject-matter of negotiations. At the same time the technical realization and -planning is being elaborated while a convenient bank partner for the financing of the project is required. An invitation to tender follows to seek for eligible general contractors, that will be pledged for the construction phase. In addition, a connection to the surrounding infrastructure has to be made. EYEMAXX controls and monitors the building phase and leads the project to its final acceptance. Usually the process from investment initiation to final hand over takes one to two years depending on each project and its size. After completion an external company is in charge for property- and facility management until the asset is finally sold to a strategic- or institutional investor. Either as a single object or pooled with three to five other objects in the context of a portfolio deal.

### **A track record of 19 properties with a cumulated transaction volume of some Euro 200m realized in the past 7 years**

Since 2006 the company built up a vast track record of commercial developments in CEE. All these developments were realized as forward sales which allowed only a limited margin on developments which we suppose to be at 10% on the investment volume. To increase the developer margin to a more common level of 20% to 25% of the investment volume, the company intends to develop most upcoming developments by way of self-financing until their disposal. The emission of both corporate bonds with cumulated proceeds of Euro 24.4m enables the firm to change its business model this way. All currently running developments are already realized by means of a self-financing. At a later time objects will be disposed for the best offer as a single or portfolio deal, which offers in addition more opportunities and freedom to decide for the best deal.

**The built-to-suit projects offer additional opportunities but are at present only of marginal importance for the corporate project pipeline**

**Track Record 2006 to 2012 of EYEMAXX REAL ESTATE AG**

Project	Type	City	Country	Status	Invest. vol. € m	Rental Space sqm	Total Space sqm	Opened
STOP.SHOP. Rakovník	Retail park	Rakovník	CZ	completed/sold as forward sale	4.84	4,470	11,900	Dez-08
STOP.SHOP. Žatec	Retail park	Žatec	CZ	completed/sold as forward sale	6.10	5,700	17,400	Nov-09
STOP.SHOP. Ústí nad Orlicí	Retail park	Ústí nad Orlicí	CZ	completed/sold as forward sale	4.35	4,215	12,000	Nov-09
BAUHAUS České Budějovice	Special Property	České Budějovice	CZ	completed/sold as forward sale	14.31	17,625	41,714	Apr-10
BIG BOX Poprad	Retail park	Poprad	SK	completed/sold as forward sale	4.99	5,698	15,568	Nov-07
STOP.SHOP. Púchov	Retail park	Púchov	SK	completed/sold as forward sale	6.67	5,850	17,005	Nov-08
BIG BOX Trenčín	Retail park	Trenčín	SK	completed/sold as forward sale	5.93	6,800	20,500	Nov-06
BIG BOX Nové Zámky	Retail park	Nové Zámky	SK	completed/sold as forward sale	5.47	5,900	15,500	Nov-06
LOG CENTER Nové Město	Logistics	Kočovice	CZ	completed/sold as forward sale	15.7	25,000	106,500	Nov-08
STOP.SHOP. Uherské Hradiště	Retail park	Uherského Hradiště	SK	completed/sold as forward sale	4.82	4,580	16,618	Oct-07
STOP.SHOP. Hranice	Retail park	Hranice	CZ	completed/sold as forward sale	6.63	6,760	22,732	Apr-08
STOP.SHOP. Příbram	Retail park	Příbram	CZ	completed/sold as forward sale	5.94	6,015	23,150	Jun-08
My BOX Debrecen	Retail park	Debrecen	HU	completed/sold as forward sale	9.91	7,500	23,220	Nov-08
Log Center Timisoara	Logistics	Timisoara	RO	completed/sold as forward sale	17.6	18,000	36,000	Jun-05
Log Center Ploiesti	Logistics	Ploiesti	RO	completed/sold as forward sale	18.20	15,000	30,000	Jul-05
STOP.SHOP. Znojmo	Retail park	Znojmo	CZ	completed/sold as forward sale	5.24	13,100	5,122	Nov-10
STOP.SHOP. Liptovský Mikuláš	Retail park	Liptovský Mikuláš	SK	completed/sold as forward sale	16.86	13,000	23,000	Nov-10
STOP.SHOP. Dolný Kubín	Retail park	Dolný Kubín	SK	completed/sold as forward sale	6.79	5,809	20,186	Apr-11
Vendo Park Kyjov	Retail park	Kyjov	CZ	completed/sold as forward sale	4.01	3,500	9,000	May-12
<b>Total</b>					<b>164.36</b>	<b>174,522</b>	<b>467,115</b>	

Source: Company data, SRC Research

All completed projects so far were accomplished as forward sale

## The last completed objects in detail



The STOP.SHOP. Liptovský Mikuláš belongs with a rental area of 12,850 sqm already to the larger retail parks realized by EYE-

MAXX. The plot area accounts for 23,000 sqm offering in addition space for 380 parking lots thereof 140 inside a parking deck. Anchor tenant is a Tempo supermarket. Furthermore other well-known consumer brands like C&A, dm, Deichmann or Takko are among tenants. The property with an investment volume of Euro 16.5m is located in Liptovský Mikuláš, a city in the north of Slovakia with 34k citizens, and opened in November 2010.

In 2011 the company completed a retail park with an investment volume of Euro 6.4m in Dolný Kubín, Slovakia (right picture). The city is located in the northern part of Slovakia and has approx 20k citizens. The plot area accounts for 20,186 sqm while the rental area provides 5,809 sqm and 170 parking lots. Besides the two neighbors Lidl and Tesco popular brands like Intersport, Takko, Gate, Deichmann, kik and dm are among tenants. In April 2011 the retail park was opened for the public. EYEMAXX disclosed end of 2011 the disposal of the Slovakian retail parks in Liptovský Mikuláš and Dolný Kubín for the exit price of Euro 24m.



Vendo Park Kyjov was recently completed and is ready for hand over to its owner



The last opened project was the Vendo Park Kyjov in May 2012 (left picture). The site is located in the outskirts of Kyjov, a city with 12k citizens in the southeast of the Czech Republic. The plot area comprises 9,000 sqm while the retail park has a rental area of 3,500 sqm and 128 parking lots. A high customer frequency is secured by a Kaufland store which is in close neighbourhood. Among own tenants are for instance dm, Deichmann, Euronics, Takko and kik. The development is already sold to a German investor and ready for hand over.

## Projects to come soon and projects under construction - Pipeline

Among first objects to be realized as self-financing is the retail park in Olawa (right picture). Since spring 2012 it is under construction and scheduled for completion for spring 2013. The development is of smaller size when compared to company's track record. The plot area comprises 5,500 sqm with a rental space of 2,000 sqm and an investment volume of Euro 2.1m.



Olawa is a city with 31k citizens approx. 25 km from Wroclaw, one of the biggest cities in Poland. Poland is indeed among rising stars in CEE. The polish economy grows already for years above average when compared to the average of the European Union. In addition, the demand for retail parks is very high as private consumer spending increases analogue. CEO Dr. Müller expects a total demand of 200 new retail parks in the next five years. Hence, the object in Olawa is the market entry and the first development for EYEMAXX in Poland. But the company plans to clearly enlarge its investments and engagement here due to the fundamental good conditions. The company aims to realize at least a 10% share of the total market demand in the next five years which implies a volume of 20 potential projects for EYEMAXX in Poland.

**Although EYEMAXX screened several potential polish retail projects in the past years, Olawa is the first development indicating the market entry in Poland**

**Kittsee is the first project to be realized in Austria. But due to its location close to the border, the retail park is mainly interesting for customers from Bratislava**



Another development to start construction in September 2012 is company's first development in Austria. The retail park Kittsee (left picture) will be located next to the

border of Austria and Slovakia and aims mainly on clients from Bratislava. The distance to the city center of Bratislava is about 13km. The plot area accounts for 30,000 sqm while the rental area amounts to 10,500 sqm with 420 parking lots to be completed in spring 2013. Investment volume is aimed at Euro 14.3m and therefore belonging to the larger investments for the company. There is a high possibility to keep the completed property within the own portfolio which would offer a tax benefit to the company. The idea behind that is that subsidiaries located in Austria need to generate revenues to claim a tax advantage from their existing expenses.

Both projects currently under construction are being realized by way of self-financing in cooperation with a co-funder (PartnerFonds).

One of the largest developments for the company offers the site in Stara Pazova in Serbia. The city including the surrounding area has a population



**Serbia is a market of significant importance for company's future. EYEMAXX has access to two huge sites here, that offer a vast potential for various developments**

of 70k while the metropolitan area of Belgrade counts Euro 1.64m people. The city centre of Belgrade is approx. 35km away from Stara Pazova. The plot itself offers a vast space of 480,000 sqm and was already acquired by EYEMAXX in 2007 and is since then on company's balance sheet.

The company plans to realize several developments here like a factory outlet centre, a retail park and logistic properties. The cumulated investment volume for all intended projects exceeds Euro 60m and supplies the investment pipeline at least until spring 2016. The first development to be realized is the factory outlet centre comprising a rental area of 8,000 sqm and an investment volume of Euro 13.2m until autumn 2013. Furthermore the logistic property with an investment volume of Euro 15.5m and 21,785 sqm until spring 2014. The projects will be realized as joint venture. The financing structure which includes Mezzanine and possibly IFC considerations allows for own capital requirements of only 10% of the total investment volume. Although the site is currently fully consolidated on the own books, the whole plot will be spitted in several parts for each development. Finally, each plot will be hold within a property company (SPV) where EYEMAXX and its joint venture partner hold a 50% participation in each case, meaning an "at equity" consolidation for EYEMAXX.

Another site in Serbia with a size of 27 ha is situated in Nis which is located some 250km away from Belgrade in the southern part of Serbia. The site allows also for several developments. Next upcoming project is a logistics property, planned here for 2013/2014 together with a joint venture partner, who will raise 90% of necessary equity for the financing. Although EYEMAXX holds at present a 50% share in the property company, consolidated "at equity". The profit distribution is performance-related and offers a share of up to 50%. Anyhow, 25% to 30% of the development profit is rather likely.

**Schedule and Pipeline of EYEMAXX's developments**

Project	City	Country	Type	Rental space sqm	Invest. vol. € m	Completion	2011				2012e				2013e				Remarks
							1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
18 STOP.SHOP. Dolný Kubin	Dolný Kubin	SK	Retail Park	5,809	6.4	Apr-11													Sold as forward sale
19 Vendo Park Kyjov	Kyjov	CZ	Retail Park	3,500	4.1	May-12													Sold as forward sale
20 Retail Park Olawa	Olawa	PL	Retail Park	2,100	2.1	1H 2013													Self-financing, Co-funding
21 My BOX Pehlřimov	Pehlřimov	CZ	Retail Park	1,779	2.1	1H 2013													Self-financing
22 FMZ Kittsee	Kittsee	A	Retail Park	10,645	14.3	1H 2013													Self-financing, Co-funding
23 Kolin	Kolin	CZ	Retail Park	2,910	3.2	2H 2013													Self-financing
24 FOC Belgrad	Stara Pazova	SRB	Factory Outlet	8,000	13.2	2H 2013													Self-financing, Joint venture
25 Plonsk	Plonsk	PL	Retail Park	2,910	3.2	2H 2013													Self-financing
26 Logcenter Belgrad	Stara Pazova	SRB	Logistics	21,785	15.5	1H 2014													Self-financing, Joint venture
27 Prerov	Prerov	CZ	Retail Park	9,160	11.1	1H 2014													Self-financing
28 Logcenter Nis	Nis	SRB	Logistics	13,221	10.6	1H 2014													Self-financing Joint venture
29 My BOX Krnov	Krnov	CZ	Retail Park	3,700	4.1	1H 2014													Self-financing
30 My BOX Louny	Louny	CZ	Retail Park	5,688	6.5	1H 2014													Self-financing
31 Retail Park Malbork	Malbork	PL	Retail Park	5,350	5.8	1H 2014													Self-financing, Co funding
32 Garwolin	Garwolin	PL	Retail Park	5,335	5.8	1H 2014													Self-financing
33 FMZ Belgrad	Stara Pazova	SRB	Retail Park	14,200	13.9	2H 2014													Self-financing, Joint venture
34 Sternberk	Czech Republic	CZ	Retail Park	1,765	2.0	1H 2015													Self-financing
35 FOC Belgrad II	Stara Pazova	SRB	Factory Outlet	3,000	4.1	1H 2015													Self-financing, Joint venture
36 Logcenter Belgrad II	Stara Pazova	SRB	Logistics	21,785	15.5	1H 2016													Self-financing, Joint venture
<b>Total</b>				<b>142,642</b>	<b>143.4</b>														

Source: Company Data, SRC Research

■ Completed Projects ■ Construction period ■ Planned Projects

Some of the projects in Serbia are likely to be kept as prestige objects after completion within the group's portfolio not to be sold according to the



**EYEMAXX has a financially secured development pipeline of considerable size and is about to participate much more than in the recent years from that due to the change to self financing**

**For the future minor participations in property companies (SPVs) are in general intended**

usual “develop and sell” strategy. Due to a high rental yield in those markets, presently the rental yields for retail parks and logistics are in Serbia at 9.00% to 9.25%, and furthermore due to a very limited and small market for those assets despite a high demand from tenants, it is recommendable to do so and generate a rental income instead of an immediate disposal.

**Summing up, EYEMAXX has a good access to new projects and has a development pipeline of a volume of far more than Euro 100m that lasts until 2016 indicating that there will be no bottle neck here. Furthermore CEO Dr. Müller claimed, that the whole investment pipeline is also in terms of funding and financing completely secured. In particular, by way of capital generated through both corporate bond emissions as well as through the cooperation with PartnerFonds, the firm has a favourable set-up to realize the pipeline as dominating and participating shareholder. In Serbia the cooperation with joint venture partners and the perspective of a partly financing through the World Bank subsidiary IFC, that provides a favourable access to mezzanine capital, secures financing of upcoming projects.**

In average every two to three months a new project is acquired and enlarges the pipeline. Focus of future development activities will be Czech Republic, Poland and Serbia. Potential for retail parks in Slovakia bottoms out due to vast development activities in the past. In general the pipeline is dominated by retail parks while few logistics and first development of factory outlet centres emerge. EYEMAXX plans to develop six to ten projects per annum. Our calculations assume an average investment volume in-between Euro 40m to Euro 60m per year.

### **Business set-up and corporate structure**

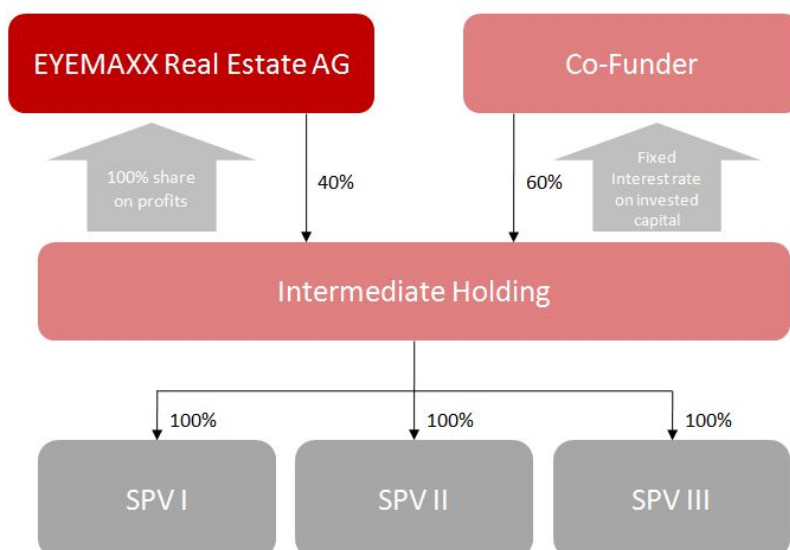
By end of financial year 2011 (31.10.2011) 48 companies belonged to the basis of consolidation. Thereof 28 were fully consolidated while seven companies were consolidated at equity. 13 companies were not accounted for consolidation due to insignificance. Among fully consolidated companies are service companies, companies for optimization of taxes and furthermore special purpose vehicles (SPVs) for each single project. A corporate structure for each development bears the advantage to sell the property as share deal despite an asset deal to reduce tax burden. In the past those SPVs were mainly fully consolidated due to the major participation. For the future most projects are supposed to be handled as minor participation SPV which would have a positive effect, as single projects would not dominate or significantly influence group's balance sheet which often distorts the overall picture. However, the majority of earnings for the company will then occur in the P&L position “net income from investments accounted for using the equity method” which on the other hand decreases transparency, because the position shows only the net result.

The new financing structure in detail implies that SPVs are not directly linked to the holding but to an intermediate holding where EYEMAXX holds 40%. The remaining share of 60% is owned by a Co-funder. The Co-funder acts solely as financial part but does not claim any profits of the intermediate holding. For the time being EYEMAXX has a contract lasting

for three years with the Munich based firm PartnerFonds that specializes in private equity for the German Mittelstand. However, PartnerFonds claims a fixed double digit interest rate on the invested equity capital. The full 60% equity share will be provided completely from beginning of the project meaning no progressive payout. The interest payment is due in case of a property disposal and will be paid out from the developer profit based on the provided capital. In terms of debt capital the usual leverage for projects to be realized in Poland, Czech Republic or Slovakia is an equity share of 30%, while 70% is usually leveraged by a bank with an interest rate of Euribor plus 1.5% to 2%. On a twelve months horizon an interest rate of 2.5% to 3% is likely at current market conditions. In Austria an even lower equity share of 25% is possible while in Serbia a more conservative financing structure with an equity stake of 40% is required.

### Financing structure for upcoming developments

The financing structure allows for a full upside participation despite a small equity contribution



Source: SRC Research

At the moment EYEMAXX realizes Malbork, Kittsee and Olawa with its co-funding partner. It is likely that most projects besides the ones in Serbia are being realized by that financing structure. In Serbia the company works together with joint venture partners that allow for an “at equity” consolidation through a 50% participation in the specific property company (SPV). To give an impression about the profitability of the business, the rough guideline assumes an initial yield for completed projects at 10% while objects will be sold for a yield of 8% to the investor. That implies a 25% margin on the investment volume.

## Profit calculation of a concrete upcoming development

To illustrate the business model and in particular the financing concept in detail, we calculated a concrete project by using the example of Malbork. A retail park project located in Poland which is scheduled for completion in the first half of 2014. The project has an investment volume of Euro 5.8m. Assuming the usual leverage of 70% to be financed with banks for an interest rate of Euribor plus 2%, we come up with an interest of 3% on a twelve months horizon. Furthermore we calculate with a debt capital of Euro 4.06m for an average construction period of 1.5 years which results in an interest payment of Euro 180k.

The 30% equity share of Euro 1.74m will be again distributed by 60% to PartnerFonds and 40% to EYEMAXX. The Co-funder share of Euro 1.04m causes an interest payment of Euro 190k based on an interest rate of 12% (our assumption) for 1.5 years. The remaining equity share of Euro 700k adopted by EYEMAXX will be financed through corporate bonds, assuming an interest payment of 7.5% which results in an interest of Euro 80k for 1.5 years.

When assuming an initial yield of 10% and an exit yield of 8%, gross profit amounts to Euro 1.45m, reduced by interest payments for all parties, a pre-tax profit of Euro 1m emerges. As already mentioned before, disposal of SPVs is under certain conditions that were fulfilled by EYEMAXX, free of tax. Thus, pre-tax profit equals net profit.

**Our example uncovers the stunning returns on developments that are based on the financing structure to be used for the future**

<b>Business model in detail using the example of Malbork</b>	
<i>Developer profit from disposal of SPV</i>	
<b>Euro m</b>	
Project:	Retail Park Malbork
Country:	Poland
Investment vol.:	5.80
Leverage	70%
<u>Assumptions:</u>	
Debt capital 70%	4.06
Equity capital 30%	1.74
Intended disposal price (25% Margin)	7.25
Gross Profit	1.45
Co funder share 60% of equity	1.04
Costs for funding 12 % / 1.5 year	0.19
EYEMAXX share 40% of equity	0.70
<u>Profit Calculation:</u>	
Gross Profit	1.45
Costs for Co-funder interest 12 % / 1.5 year	0.19
Interest costs / Bank debt) 1.5 years interest 3%	0.18
Interest costs (corporate bond 1.5 years /interest 7.5%)	0.08
Pre-tax	1.00
Tax	0.00
<b>Net Profit</b>	<b>1.00</b>
ROI	17.26%
ROE	143.83%

Source: Company data, SRC Research

## Current property portfolio

The business model of EYEMAXX is optimized for tax-efficient income. In particular the holding and SPV structure and the connected disposal of properties in the course of a share deal helps to reduce tax burden. The Austrian fiscal law which is decisive for company's setup allows the disposal in foreign corporations with a participation of more than 10% free of tax, in case the ownership in shares lasts longer than for one year. The business concept fulfills all these conditions. Thus no taxes emerge on all developer profits that occur outside Austria. By the way, the complete track record consists of non-domestic project development, hence all development profits were free of tax so far.

But to use the tax shield and furthermore to claim corporate costs in terms of taxation the company has to generate significant top line revenues. On the one hand the company receives project development fees which are in relation to corporate costs rather small. Furthermore revenues were achieved by rental income of properties on the books. For more tax-efficiency the management plans to step up the corporate portfolio and to enlarge rental income to finally have higher top line earnings.

**Company's portfolio will increase in short-term to generate significant rental income (top line revenues) and improve corporate efficiency**

Corporate Portfolio - Current objects on the books							
Property	Type	City	Country	Status	Value. € m	Rental income € m	
Rented properties							
EM Outlet Center GmbH	Office	Zell am See	A	completed	1.29	0.08	
Logistics Linz	Logistics	Linz	A	completed	3.00	0.30	
Logistics Nuremberg*	Logistics	Nuremberg	D	completed	2.50	0.25	
Value of rented properties					6.79	0.63	
Land bank							
Log Center d.o.o. Beograd	site	Belgrade	SRB	Landbank	12.89	0.00	
Total					19.68	0.63	
* recently acquired							
Source: Company data, SRC Research							

At present the EM Outlet Center located at Zell am See in Austria accounts for an annual rental income of estimated Euro 80k. The object contains a residential as well as an office part. EYEMAXX owns the office part solely, while the residential part is hold privately by Dr. Müller. A second property, which is a logistics property in Linz, was acquired in 1H 2012, Annual rental contribution accounts for some Euro 300k. However, the property is currently leased for the same amount, therefore a profit will emerge when the leasing ends in short-term.

Recently a third logistics object located in Nuremberg was acquired, accounting for some Euro 250k in rental income. For the future it is intended to purchase more properties with an equity volume of Euro 3m to Euro 4m that generate a stable rental income.

## SWOT-Analysis

### Strengths

- ▶ Focus on markets in central Europe with a reliable legal status and an above average economic growth like Poland, Czech Republic or Slovakia. Beyond that investment locations are often situated at mid-sized or smaller cities which have fewer competitors and are less challenging.
- ▶ EYEMAXX is among the market leading project developers for retail parks in CEE.
- ▶ The track record contains several successfully accomplished developments with a cumulated transaction volume of more than Euro 200m since 2006. Speaking for a long and broad experience of the company.
- ▶ For the future the company has an investment pipeline containing various attractive projects with a cumulated volume of more than Euro 100m. The whole investment pipeline is also in terms of funding and financing completely secured.
- ▶ Several well-known and popular brands in the retail business like Hofer, dm, Takko, New Yorker, Bauhaus, Deichmann, Rossmann or C&A, to mention only a few, work together with EYEMAXX. Company's network and in particular the long-term contact to prominent tenants is very valuable for being successful. As a pre-let quota of at least 50% is the pre-condition to start construction activities at a certain location, local developers often do not have the international network, which is decisive for activities.
- ▶ In the course of the specific corporate structure that implies that each development is linked to its own property company (SPV), development profits are mostly free of tax. The major conditions to achieve tax exemption in Austria in case of a company disposal are: a participation of more than 10% in the SPV, must be located outside Austria and ownership longer than one year. EYEMAXX fulfills all these criteria.

### Weaknesses

- ▶ Due to the fact that EYEMAXX itself in most cases only provides 10% of investment volume, realization of projects is dependent on partners like joint venture partners in Serbia or a co-fund, like PartnerFonds, in other countries.

### Opportunities

- ▶ Due to its vast know-how EYEMAXX has project opportunities with low equity requirements often starting at 10% only, but benefits with a much higher profit share often up to 50% of the development profit.
- ▶ A standardized and plain vanilla construction method provides low and stable construction costs for developments and reduces construction risks

### Threats

- ▶ Vienna-based Immofinanz, one of the largest European real estate companies, pursuits a similar strategy in terms of retail parks and has a portfolio of 46 developed properties (thereof one third was realized as joint venture with EYEMAXX) located in Czech Republic, Poland, Slovakia and Hungary under the brand name "Stop.Shop". We see Immofinanz as main competitor applying for similar projects.



## Movers & Shakers

### The management board

#### Profile of Mag. Dr. Michael Müller

**Chairman of the Management Board and Chief Executive Officer**

- ❖ **Founder and majority shareholder of EYEMAXX**
- ❖ **Magister, PhD and Certified Management Consultant (CMC)**

Dr. Michael Müller, born 1954, has studied economics and law at the University of Economics and Business in Vienna. After graduating with a degree in Social- and Business sciences (Magister) he successfully received a doctor's degree in 1995. Furthermore he took the examination as corporate consultant (1994), became "Certified Management Consultant" (2001) and passed a training as "Basel II Consultant" (2003). At the beginning of the nineties his balance point was activities in Mergers & Acquisitions while in 1994 he became self-employed as a management consultant, focusing on restructuring management and -advisory for companies from the construction industry, clothing industry



and general trading sector. Later on in 1996 Dr. Müller became chairman at CARRERA-OPTYL (former Carrera Optic GmbH), a company being active in development and wholesale of glasses and sun-glasses. He founded EYEMAXX International in 1996 as hive-off vehicle for subsidiaries of CARRERA-OPTYL. The worldwide subsidiaries were later on disposed. Since 2001 Dr. Müller is managing partner at Marland Wohnbau GmbH ([www.marland.at](http://www.marland.at)). A construction company that realizes residential and mixed-use properties in the area of Graz. Furthermore he is managing partner at VST Verbundschalungstechnik GmbH ([www.vst-austria.at](http://www.vst-austria.at)) since 2002. A company active in building materials and development of residential and hotel properties. In addition, he is in charge as managing partner for Lifestyle Realbesitz- Verwertungs.m.b.H. ([www.lifestyleimmobilien.at](http://www.lifestyleimmobilien.at)) since 2004. The firm holds and administers a portfolio of several logistics and residential properties in Germany and Austria. Starting in 2000 corporate activities at EYEMAXX solely focused on the real estate industry. Development of logistics, retail, hotel and office projects in Austria, Germany, Slovakia, Czech Republic, Poland, Romania and Serbia became the major business model. Until 2006 the development of the Central European Park of Innovative Technologies (CEPIT) in Bratislava was part of activities. Right from the foundation of EYEMAXX Real Estate AG Dr. Müller is in the position as founder, major shareholder and CEO of the company. He initiated the IPO of the company as well as the emission of the two corporate bonds that are listed at the entry standard at Frankfurt stock exchange.

## The supervisory board

### **Dr. Martin Piribauer (Chairman)**

Dr. Martin Piribauer, born 1967 in Vienna, studied business administration at the Vienna University of Economics and Business. After graduating with a degree in Social- and Business sciences (Magister) he later on successfully received a doctor's degree in 1996. He started his career as financial manager for KPMG Consulting GmbH. Later he was financial director and authorised officer for Österreichische Industrie Holding AG as well as department chief for Generali Holding Vienna AG. Furthermore he worked for MondiPackaging AG as Head of Group Controlling and Accounting and for Atrium European Real Estate (Manhattan Real Estate Management) as Managing Director / Group-Finance Director. Since 2008 Dr. Piribauer works as a self-employed corporate consultant.

### **Franz Gulz (Deputy Chairman)**

Mr. Franz Gulz, worked as sales manager for Coca Cola and independent investment adviser for Neckermann, Frankfurt-Trust and Frankfurter Bank. Already since 1969 he is active as entrepreneur and was involved in setting up and establish various corporations in Austria and Germany mainly within the segments financial services, real estate consulting, project development and insurance. Such as Mayreder Wohnbau- und Grundstücksverwertungsgesellschaft mbH, Gulz & Partner Development GmbH, Schlosspark Obersiebenbrunn Errichtungs- und Verwertungsgesellschaft mbH, Gulz & Partner Property Investment GmbH Gulz & Partner Consulting GmbH or Prosperius Vermögensverwaltung GmbH.

### **Mag. (juris.) Maximilian Pasquali, LL.M**

Mr. Maximilian Pasquali studied law at the University of Vienna (1996 to 2001) and the University of Louvain la Neuve, Belgium (2000 to 2001). He graduated as Magister juris. While he received in the course of a postgraduate study the degree "Master of Laws" at Duke University, Durham, North Carolina. He successfully passed the Austrian bar examination in 2006. In 2004 he started his career working for CHSH (Cerha Hempel Spiegelfeld Hlawati, attorneys at law) until 2006 when he changed to EYEMAXX. To this day Mr. Pasquali acts as general counsel, registered manager and member of the supervisory board for the company. In addition he is employed as general counsel and registered manager with VST Group.

**The earning trigger for the company can be found among the “at equity” position in the P&L**

**A balanced financial result occurs while loans are distributed to subsidiaries. Thus, significant interest earnings are generated that compensate interest costs**

## Financial projection and forecast

For our projection we assume that the vast majority of future developments will be realized as SPV with a minority share participation for EYEMAXX. The company invests only a minor share of its equity often not more than 10% of the investment volume but has the full upside potential as all other financial parts (banks, co-funder) get their return through a fixed interest rate (except for Serbia). This constellation results in a very high RoE of more than 100% in most cases.

The earning trigger for the company can be found among “net income from at equity”. The top line of the P&L is in fact only of a subordinated importance. Top line revenues will be generated through project development fees and furthermore through rental income from properties within the portfolio. To simplify the calculation in terms of development fees we assume for our model an earning structure for the development fees of 6% to 7% based on the investment volume. In reality these fees depend strongly on each project and location. Project development fees are earned by major participation subsidiaries of EYEMAXX that provide services for the developments. Our model assumes annual development fees within the range of Euro 3m to Euro 5m for the next three years. Earnings through rental income are at present rather small, accounting approx. for half a million Euro per year, as there are only few completed properties on the books. The management announced to enlarge the portfolio size step by step by additional logistics properties as well as by completed developments located in Austria and Serbia.

The lion's share of profit, despite developer fees, is generated through the disposal of a completed development above costs of production. Indeed, the gap between costs of production and disposal price means the actual developer profit. However, as we assume IAS 40 for the SPV accounting, the construction progress and linked value creation will occur ahead of an disposal and can be tracked among the “at equity position” in company's P&L. The position shows mainly the periodic value creation analogue to the construction progress.

When calculating interest earnings we consider, that the repayment of loans for physical securities on the one hand ties up capital, but on the other hand generates interest payments. About 40% (Euro 9.8m) of total capital generated by the emission of both corporate bonds was only used to repay loans of properties which were then used as securization for the bonds. On the other hand the property owner (which is Dr. Müller privately) has to pay an interest on this capital which is similar to the corporate bond interest. Bearing in mind a volume of Euro 9.8m, we come up with an annual interest income of Euro 383k for the first bond starting in fiscal year 11/12e and Euro 364k for the second bond, starting in fiscal year 12/13e. In addition the company generates interest earnings by providing loans to its subsidiaries (SPVs) for project financing. These subsidiaries (SPVs) pay interests on the loans to the holding company.

**The business model of EYEMAXX is optimized for tax efficient income. We assume a tax burden of below 2% for the future**

For the interest cost we calculated the annual interest payment for both bonds based on the distributed volume of Euro 12.9m for the first bond and Euro 11.5m for the second. That results in an annual interest payment of Euro 968k starting in fiscal year 11/12e for the first bond and Euro 891k for the second bond, starting in fiscal year 12/13e. Furthermore transaction costs for the emission emerge here. They are spread over the whole running time of the bonds until 2016 respectively 2017. We assume these costs at some Euro 500k per annum. In sum we calculate a stable interest burden of Euro 2.4m from 12/13e to 14/15e. We assume interest earnings slightly below interest costs. The assumption is that most of the financial resources (capital of corporate bonds) will be distributed to third parties like SPVs and for the collateralization of the bond which again generates an interest income from third parties for EYEMAXX. Therefore we assume only a slightly negative financial result. Furthermore we assume no influence on that position through valuation of hedges and swaps as EYEMAXX does not use any derivatives to compensate currency or interest fluctuations.

The business model of EYEMAXX is optimized for tax-efficient income. In particular the holding and SPV structure and the connect disposal of properties in the course of a share deal helps to reduce tax burden. The Austrian fiscal law which is decisive of connected SPVs allows the disposal in foreign corporations with a participation of more than 10% without taxation, in case the ownership last longer than for one year. The business concept fulfills all these conditions. Thus no taxes emerge on developer profits. In addition, the company has a tax-shield of almost Euro 3m which helps to reduce tax burden for the coming years almost to insignificance. Therefore we calculate with an insignificant tax charge for the coming years of a lower triple digit number only.

### **Our DCF Valuation results in a fair value of Euro 15.03**

**CoE of 8.3% based on a beta of 1.38, a risk free rate of 3% and a risk premium of 5%**

We value EYEMAXX Real Estate AG with a Discounted Cash Flow Model (Entity WACC method). The valuation is based on realistic assumptions for growth and cash margins in the mid- to long-term in the light of the coherent corporate pipeline. Furthermore we assume no corporate action like a capital increase for our detailed calculation, which would in fact again step- up growth potential of the company.

**CoL of 7.8% based on the last corporate bond emission**

For the Cost of Equity (CoE) we assume a risk free interest rate of 3.0% and set a 5.0% market risk premium multiplied by a 1.38 Beta, derived from EYEMAXX correlation to the DAX according to Capital IQ. Thus, we come up with a CoE of 9.9%. Furthermore we set our long-term equity ratio at 30% (at present some 32%). For the Cost of Liability we adopt the interest rate of the last corporate bond emission of 7.8%.

**Our WACC results in 8.4%, while we assume a moderate 1.0% final growth in TV**

Thus, we come up with a weighted average cost of equity (WACC) of 8.4%. For the terminal value we calculate with quite conservative assumptions assuming very moderate 1.0% final growth in terminal value (TV), meaning at maximum a compensation to the inflation factor. To verify our result and to give a more detailed picture, we also performed a

sensitivity analysis and crosschecked our fair value by adjusting the major parameters (TV and

### Discounted Cashflow for EYEMAXX Real Estate AG (Entity WACC Method)

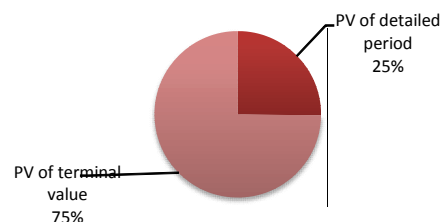
#### Assumptions:

Equity ratio longterm	30%	Beta factor	1.38
CoE Cost of Equity	9.9%	Risk-free return	3.0%
CoL Cost of Liability	7.8%	Market risk premium	5.0%
Weighted Average Cost of Capital (WACC)	8.4%		
Years until first pay-out	0.41		
Growth in Terminal Value	1.0%		

' 000 Euro	11/12e	12/13e	13/14e	14/15e	16/17e	Terminal Value
<b>Revenues</b>	<b>2,470</b>	<b>4,990</b>	<b>5,261</b>	<b>3,528</b>	<b>4,356</b>	<b>5,040</b>
Sales revenues growth	-95.3%	102.0%	5.4%	-32.9%	23.5%	1.0%
<b>Income from participating interests</b>	<b>4,808</b>	<b>5,757</b>	<b>8,493</b>	<b>11,155</b>	<b>12,603</b>	<b>5,815</b>
Income from part. interests growth	2157.3%	19.7%	47.5%	31.3%	13.0%	11/12e
<b>Operating cash-profit</b> after staff and material expenses plus result from participations at equity	<b>3,125</b>	<b>5,440</b>	<b>7,114</b>	<b>8,567</b>	<b>10,578</b>	<b>10,854</b>
Tax rate on operating cash profit	4.0%	2.0%	1.8%	1.8%	1.8%	5.0%
<b>Net operating profit after tax (NOPAT)</b>	<b>2,999</b>	<b>5,331</b>	<b>6,985</b>	<b>8,412</b>	<b>10,386</b>	<b>10,312</b>
+/- Changes in Working Capital	-2,500	-2,500	-3,100	-2,800	-2,500	-3000
+/- Changes in Others UV	-150	-180	-500	-600	-200	-2300
<b>Free cash flow</b>	<b>349</b>	<b>2,651</b>	<b>3,385</b>	<b>5,012</b>	<b>7,686</b>	<b>5,012</b>
<b>Present value of free cash flows</b>	<b>337</b>	<b>2,365</b>	<b>2,785</b>	<b>3,803</b>	<b>5,379</b>	<b>43,532</b>

PV of detailed period	14,668
PV of terminal value	43,532
<b>Sum of free cash flows / Enterprise Value</b>	<b>58,200</b>
+ market value of assets that are not necessary for operating business	0
+ cash / cash equivalents (as of Apr. 2012)	8,959
- interest bearing liabilities / long-term provisions (as of Apr. 2012)	-27,316
<b>Market value of equity</b>	<b>39,843</b>
Number of shares in million	2,651
<b>Fair market value per share in Euro</b>	<b>15.03</b>

#### Enterprise value breakdown



		WACC				
		7.4%	7.9%	8.4%	8.9%	9.4%
Growth in Terminal Value	0.0%	15.69	14.15	12.79	11.58	10.51
	0.5%	17.10	15.36	13.84	12.50	11.32
	1.0%	18.73	16.74	15.03	13.54	12.22
	1.5%	20.63	18.35	16.40	14.71	13.24
	2.0%	22.88	20.22	17.97	16.05	14.39

Current share price (Euro)

4.26

Up/Downside

**252.9%**

Source: SRC Research



**Our valuation method results in a vast upside for the EYEMAXX share**

WACC). Therefore we chose a range from 0.5% to 2.5% for the growth in TV and WACC. To figure out impact of the selected WACC and effects on account of a modification, we run the DCF model setting the WACC from 7.4% to 9.4%. According to that, our analysis results within a range starting at Euro 10.51 which is the lower end to Euro 22.88 which marks the upper end. Indeed, the more realistic scenarios, in our view, have a grey underlying and contain a range starting from Euro 12.50 to Euro 18.35 which is our best estimate projection.

With our detailed calculations we come up with a market value of equity for EYEMAXX Real Estate AG that is about Euro Euro 39.8m or a fair value of Euro 15.03 per share with the current number of 2.65 million EYEMAXX shares. With the current share price there is an upside potential for the share of some 250% based on our DCF valuation.

Furthermore we calculated a residual income valuation with the same assumptions to crosscheck our DCF model. It resulted in a comparable fair value of Euro 15.40 per share and underlines the undervaluation of the EYEMAXX share.

## Residual Income Analysis for EYEMAXX Real Estate AG

### Assumptions:

Equity ratio longterm	30%	Beta factor	1.38
Average Cost of Equity (CoE)	9.9%	Risk-free return	3.0%
CoL Cost of Liability	7.8%	Market risk premium	5.0%
Discounting Interest Rate (WACC)	8.4%		
Years until first pay out	0.41		
Terminal Growth Rate	1.0%		

Euro	11/12e	12/13e	13/14e	14/15e	16/17e	Terminal Value
<b>EPS (Euro)</b>	<b>0.89</b>	<b>1.82</b>	<b>2.44</b>	<b>3.06</b>	<b>3.00</b>	<b>1.84</b>
<i>EPS Growth</i>	77.2%	106.0%	34.0%	25.2%	-2.0%	-39.8%
<b>EPS above CoE</b>	<b>0.28</b>	<b>1.11</b>	<b>1.62</b>	<b>2.09</b>	<b>2.05</b>	<b>1.13</b>
<b>Present Value of Residual Income (Euro)</b>	<b>0.27</b>	<b>0.99</b>	<b>1.33</b>	<b>1.59</b>	<b>1.44</b>	<b>9.78</b>

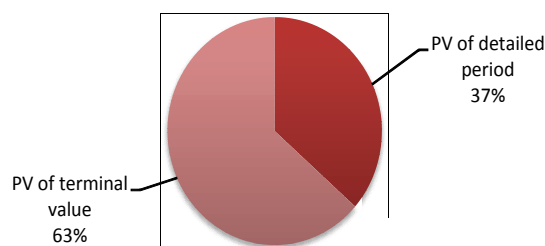
<b>PV of detailed period</b>	<b>5.63</b>
<b>PV of terminal value</b>	<b>9.78</b>
<b>Sum of Present Value + TV</b>	<b>15.40</b>

**EYEMAXX Fair Value per Share (Euro)** **15.40 €**

**Current share price (Euro)** **4.26 €**

**Up-/ Downside** **262%**

### Sum of PV & TV



Source: SRC Research

The peer group shows an undervaluation in terms of company's earning power

### Valuation is pretty cheap with regards to listed German-speaking companies that are active in project development

Even if there is no perfect peer comparison possible as EYEMAXX is the only listed company with a focus on retail parks and logistics focussed on CEE we chose for a peer group with listed companies from Austria, Germany and Switzerland that have all project development activities in their business model included. For all companies we took our own earnings estimates as well as the 2012 book values, as all companies are in our coverage list.

Real Estate peers	Share Price (30 Jul 2012) Euro	EPS 2012e	PE ratio	EPS 2013e	PE ratio	EPS 2014e	PE ratio	BVPS 2012e	P/ BVPS 2012e
Peach Property Group	12.00	0.43	28.2	3.37	3.6	2.01	6.0	16.5	0.7
Warimpex	0.75	0.49	1.5	0.22	3.4	0.21	3.6	3.7	0.2
CA IMMO	7.74	1.00	7.7	0.98	7.9	1.03	7.5	21.2	0.4
S IMMO	4.39	0.33	13.3	0.31	14.2	0.33	13.3	7.7	0.6
YOUNIQ	5.08	0.65	7.8	0.92	5.5	1.01	5.0	9.1	0.6
IFM Immobilien	12.02	0.74	16.2	0.61	19.7	0.61	19.7	13.1	0.9
<b>Mean</b>			<b>11.2</b>		<b>8.1</b>		<b>8.3</b>		<b>0.6</b>
EYEMAXX Real Estate	4.26	0.89	4.8	1.82	2.3	2.44	1.7	6.7	0.6
Implied share price of EYEMAXX in €			9.95		14.78		20.36		3.74
<b>Fair value per share according to multiple average in €</b>									<b>12.21</b>

Source: SRC Research estimates

EYEMAXX is in terms of its PE-ratio for 2012, 2013 and 2014 clearly lower valued than its peer group. It is obvious that the market doesn't consider the future earning potential. Only with regards to the price to book value the company is almost equal to its peer when compared to the average multiple (x0.6). Our calculated fair value per share based on an average of calculated multiples results in Euro 12.21. All valuation methods (DCF, Residual and peer group) result in a doubling to tripling of the current share price. In mid-term a share price of more than 15 Euros seems realistic when the pipeline and the business model works out as assumed.

**In fact, our valuation showed a vast upside on the current share price. The DCF-model resulted in a fair value of Euro 15.03 per share, the residual income came out at Euro 15.40 while the peer group calculated the fair value at 12.21. All valuation methods equally weighted provide a share price of Euro 14.21. Due to the low liquidity of the share we consider a discount of at least 10%. All in all we decided to start our coverage with a Buy rating and a 12.50 Euros target price for the next 12 months which offers almost a triplication upside for the EYEMAXX share.**

**P&L Account for EYEMAXX**

<b>EYEMAXX Real Estate AG</b> 31/10 IFRS (Euro '000)	<b>2010</b>	<b>2011*</b>	<b>11/12e</b>	<b>12/13e</b>	<b>13/14e</b>	<b>14/15e</b>	<b>CAGR '12 - 15e</b>
<b>Revenues</b>	<b>14,152</b>	<b>4,232</b>	<b>2,470</b>	<b>4,990</b>	<b>5,261</b>	<b>3,528</b>	<b>12.6%</b>
Increase in finished products	152	-1,616	163	0	0	0	
Other operating income	1,096	4,767	975	921	0	0	
<b>Total operating income</b>	<b>15,400</b>	<b>7,383</b>	<b>3,608</b>	<b>5,911</b>	<b>5,261</b>	<b>3,528</b>	
Cost of material	-11,034	-1,150	-809	-2,562	-2,804	-2,193	
Personnel expenses	-1,729	-1,203	-1,796	-1,836	-1,877	-1,919	
Other operating expenses	-3,193	-3,301	-2,511	-1,654	-1,784	-1,829	
<b>EBITDA</b>	<b>-556</b>	<b>1,729</b>	<b>-1,508</b>	<b>-141</b>	<b>-1,204</b>	<b>-2,413</b>	<b>17.0%</b>
<i>EBITDA-margin</i>	<i>-3.9%</i>	<i>40.9%</i>	<i>-61.0%</i>	<i>-2.8%</i>	<i>-22.9%</i>	<i>-68.4%</i>	
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-234	-175	-175	-175	-175	-175	
<b>Operating profit (EBIT)</b>	<b>-790</b>	<b>1,555</b>	<b>-1,684</b>	<b>-317</b>	<b>-1,379</b>	<b>-2,588</b>	<b>15.4%</b>
<i>EBIT-margin</i>	<i>-5.6%</i>	<i>36.7%</i>	<i>-68.2%</i>	<i>-6.3%</i>	<i>-26.2%</i>	<i>-73.4%</i>	
Net income from investments accounted for using the equity method	2,161	213	4,808	5,757	8,493	11,155	
Income from participating interests	99	0	0	0	0	0	
Interest earnings	244	383	881	1,879	1,917	2,079	
Income from disposal of investments	160	9	4	0	0	0	
other financial earnings		0	548	0	0	0	
Interest costs	-390	-1,026	-1,973	-2,358	-2,358	-2,358	
other financial costs	-667	0	-125	0	-50	0	
Financial result	1,606	-422	4,143	5,278	8,002	10,875	
<b>Pre-tax Profit (EBT)</b>	<b>816</b>	<b>1,132</b>	<b>2,460</b>	<b>4,962</b>	<b>6,624</b>	<b>8,287</b>	<b>49.9%</b>
<i>EBT-margin</i>	<i>5.8%</i>	<i>26.7%</i>	<i>99.6%</i>	<i>99.4%</i>	<i>125.9%</i>	<i>234.9%</i>	
Tax expenses	-59	182	-99	-100	-120	-150	
<b>Tax rate</b>	<b>n.s.</b>	<b>n.s.</b>	<b>4.0%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.8%</b>	
<b>Net Profit</b>	<b>756</b>	<b>1,314</b>	<b>2,361</b>	<b>4,862</b>	<b>6,504</b>	<b>8,137</b>	
Minorities	-326	36	13	0	0	0	
<b>Net Profit after minorities</b>	<b>431</b>	<b>1,351</b>	<b>2,374</b>	<b>4,862</b>	<b>6,504</b>	<b>8,137</b>	<b>50.8%</b>
<i>Return on sales</i>	<i>3.0%</i>	<i>31.9%</i>	<i>96.1%</i>	<i>97.4%</i>	<i>123.6%</i>	<i>230.6%</i>	
Number of shares	2,551	2,651	2,651	2,651	2,651	2,651	
<b>Earnings per share (Euro)</b>	<b>0.16</b>	<b>0.50</b>	<b>0.89</b>	<b>1.82</b>	<b>2.44</b>	<b>3.06</b>	
Dividends per Share (DPS) in Euro	0.00	0.00	0.00	0.85	1.15	1.50	
BookValue per Share (BVPS) in Euro	5.55	5.60	6.72	7.70	9.00	10.57	
<b>Adjusted Shareholders Equity* without minorities</b>	<b>14,151</b>	<b>14,849</b>	<b>17,802</b>	<b>20,411</b>	<b>23,867</b>	<b>28,028</b>	<b>17.1%</b>
RoE after Tax	0.4%	9.3%	14.5%	25.4%	29.4%	31.4%	
<b>Key ratios &amp; figures</b>	<b>2010</b>	<b>2011*</b>	<b>11/12e</b>	<b>12/13e</b>	<b>13/14e</b>	<b>14/15e</b>	
<b>Growth rates in %</b>							
Revenues	n.s.	-70.1%	-41.6%	102.0%	5.4%	-32.9%	
EBITDA	n.s.	-411.0%	-187.2%	-90.7%	755.4%	100.4%	
EBIT	n.s.	-296.8%	-208.3%	-81.2%	335.3%	87.7%	
EBT	n.s.	38.7%	117.3%	101.8%	33.5%	25.1%	
Net profit after minorities	n.s.	213.5%	75.7%	104.9%	33.8%	25.1%	
<b>Margins in %</b>							
EBITDA	-3.6%	23.4%	-41.8%	-2.4%	-22.9%	-68.4%	
EBIT	-5.1%	21.1%	-46.7%	-5.4%	-26.2%	-73.4%	
EBT	5.8%	26.7%	99.6%	99.4%	125.9%	234.9%	
<b>Expense ratios in %</b>							
Personnel costs quote	11.2%	16.3%	49.8%	31.1%	35.7%	54.4%	
Depreciation to sales	1.5%	2.4%	4.9%	3.0%	3.3%	5.0%	
Tax rate	n.s.	n.s.	4.0%	2.0%	1.8%	1.8%	
<b>Profitability in %</b>							
Net profit to sales ratio	3.0%	31.9%	96.1%	97.4%	123.6%	230.6%	
Return on equity (RoE) after tax	0.4%	9.3%	14.5%	25.4%	29.4%	31.4%	
<b>Valuation</b>							
PE-ratio	48.88	15.55	8.78	4.26	3.18	2.54	
Price/BVpS	4.26	1.39	1.16	1.01	0.86	0.73	
Dividend yield in %	0.0%	0.0%	0.0%	10.9%	14.8%	19.3%	
Market Cap/Sales	0.73	1.53	3.13	1.91	2.15	3.20	
Market Cap/EBT	13.84	9.98	4.59	2.28	1.70	1.36	
<b>Data per share</b>							
Number of shares in k	2,551	2,651	2,651	2,651	2,651	2,651	
EpS	0.16	0.50	0.89	1.82	2.44	3.06	
DpS	0.00	0.00	0.00	0.85	1.15	1.50	
BVpS	5.55	5.60	6.72	7.70	9.00	10.57	

\* Short fiscal year until 31 October

## **SRC Research**

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### **Rating Chronicle:**

Since this report is an initiating coverage no rating chronicle is available for EYEMAXX Real Estate AG.

### **Please note:**

The EYEMAXX Real Estate AG share price mentioned in this report is from closing of 30 July 2012. EYEMAXX Real Estate AG mandated SRC Research for monitoring the EYEMAXX Real Estate AG share.

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