

# Godewind Immobilien AG

Germany / Real Estate  
 Frankfurt Stock Exchange  
 Bloomberg: GWD GR  
 ISIN: DE000A2G8XX3

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 5.50**

Return Potential 47.5%  
 Risk Rating Medium

## TENANT WIN SHARPLY INCREASES FAC OCCUPANCY

Godewind published an operational update on the letting progress of its flagship office property – Frankfurt Airport Centre (FAC) with 48k m<sup>2</sup> of lettable area. A new rental agreement reduces the property's 20% vacancy rate by some 60% down to 8%. In our view, the milestone confirms the company's ability execute on the value-add component of its portfolio with 39% vacancy to optimise. Q1 results are due this week, but we believe six month reporting in August will be a better gauge of operating performance, due to several late closings that have yet to impact earnings. We reiterate our Buy rating and €5.5 price target.

**Major tenant win at FAC** The company announced an MDAX company is set to move into the FAC office adjacent to Terminal 1. We expect this to provide a significant operational boost with projected annualised net rent of €11.5m (+13%) once the tenant moves in 1 October. The letting agreement trims FAC's vacancy rate from 20% at the start of the year to 8.2%, while overall portfolio vacancy drops to 26% (old: 28%). Management are in talks with further potential FAC tenants and expect the property to be fully let by the end of the year. The tenant win should boost investor confidence in the company's ability to execute on its value-add strategy.

**All eyes on operational updates and H1/19 results** We continue to like Godewind for its mixed portfolio approach, which includes value-add properties, its external growth potential, and operational upside. The company acquired several high vacancy assets to capitalise on frothy occupier demand and the shortage of available stock. We regard vacancy reduction as the key near term driver as acquisition growth idles. The FAC update bolsters confidence in our full year 2019 forecasts (FFOPS 1: €0.06; NAVPS: €4.3). Meanwhile, Godewind has inked several debt agreements for its on-balance sheet properties in line with our LTV and financing targets as highlighted overleaf. GWD will publish first quarter results on 10 May. Similar to the 2018 results (overleaf), we do not expect Q1 to be reflective of the true operating performance. Investors should rather wait for H1/18 to gauge performance. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E
Net rent (€m)	0.00	0.55	25.29	35.32	37.93
Adj. EBITDA (€m)	-0.45	-6.84	14.00	26.12	30.05
Net income (€m)	0.05	9.37	61.85	73.73	59.92
EPS (diluted) (€)	0.00	0.11	0.57	0.68	0.55
EPRA NAV (€m)	18.56	396.39	463.13	541.57	597.44
NAVPS (€m)	0.00	3.65	4.26	4.98	5.49
DPS (€)	0.00	0.00	0.04	0.09	0.12
FFO 1 (€m)	0.05	-3.77	6.77	16.83	21.10
FFOPS 1 (€)	0.00	-0.04	0.06	0.15	0.19
Liquid assets (€m)	19.17	157.75	8.21	7.15	13.48

### RISKS

Risks include, but are not limited to, geopolitical uncertainties, weaker than expected trends for German office markets, failure to capture expected reversionary potential, or weaker than forecasted acquisitions.

### COMPANY PROFILE

Godewind is a real estate landlord specialised in the acquisition and management of commercial properties throughout Germany. The company focuses on building a diverse portfolio of Core(+) and value-add assets and presently concentrates on office buildings.

### MARKET DATA

As of 07 May 2019

Closing Price	€ 3.73
Shares outstanding	108.75m
Market Capitalisation	€ 405.64m
52-week Range	€ 2.79 / 3.88
Avg. Volume (12 Months)	87,092

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	60.0	24.1
P/EPRA NAV	1.0	0.9	0.7
FFO 1 Yield	n.a.	1.7%	4.1%
Div. Yield	0.0%	1.0%	2.5%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2018

Liquid Assets	€ 157.80m
Current Assets	€ 160.00m
EPRA NAV	€ 396.40m
Total Assets	€ 503.10m
Current Liabilities	€ 7.00m
Total Equity	€ 397.30m

### SHAREHOLDERS

K.P.Ehlerding	8.3%
Stavros Efremidis	12.0%
K. Ehlerding	13.5%
J.F. Ehlerding	3.3%
Free Float	62.9%



## ANNUAL REPORT RECAP

**Table 1: Results vs our forecasts and prior year**

in € '000	2018	2018E	variance	2017	variance
Net rental income	548	1,433	-61.8%	0	n.a.
Adjusted EBITDA	-4,756	-5,549	n.a.	0	n.a.
FFO 1	-3,769	-5,659	n.a.	0	n.a.
FFOPS 1 (€)	-0.04	-0.07	n.a.	0	n.a.

Source: First Berlin Equity Research, Godewind

Full year reporting contained little information reflective of the portfolio's operating potential, due to the aforementioned late closings. Business during the first year was largely shaped by the IPO and subsequent ramp up of personnel and infrastructure needed to embark on its acquisition campaign. GWD made its first acquisition in mid-September but only realised modest rental income in FY18 with first closures occurring December 2018. Both the top line and earnings were thus insignificant for the year.

**Table 2: Balance sheet developments**

All figures in EUR '000	2018	2017	variance
Cash and liquid assets	157,745	19,172	723%
Investment property	300,905	0	-
Shareholders' equity	392,803	18,561	2016%
EPRA NAV	396,394	n.a.	-
Total assets	503,054	19,611	2465%
Interest bearing debt (short- and long-term)	98,355	668	-
Net debt	-59,390	-18,504	221%
Loan-to-Value	-19.7%	n.a.	-
Equity ratio	78.1%	94.6%	-

Source: First Berlin Equity Research, Godewind

Investment properties topped €300m at year end and EPRA NAV stood at €396m or €3.65 / share. GWD exited 2018 with cash and liquid assets of €158m compared to €19m at the end of last year, while net cash stood at €59m owing to the proceeds from the IPO that were invested in Q1/19. The debt structure thus featured a negative LTV.



**On-balance sheet properties now fully financed** Godewind secured €76m in debt financing for its three remaining unlevered office properties (Y2 in Frankfurt, Sunsquare and Eight Dornach in Greater Munich) this week. These office properties were acquired for a net purchase price of €113m. The news follows the €92 debt agreement signed for the Quartier am Zeughaus property in Hamburg, and the current debt load now carries a 1.38% weighted average cost of debt (WACD). This is in line with our LTV target (< 55%).

**Table 3: Last reported portfolio KPIs prior to recent FAC signings**

	Type	Lettable area (m <sup>2</sup> )	Vacancy	GAV (€'000)	GAV (€/m <sup>2</sup> )	R (€'000) p.a.	Rent /€m <sup>2</sup>	Yield	WALT
<b>Core (+) properties</b>									
ComCon, Frankfurt	Office	16,264	12%	33,500	2,060	2,039	10.5	6.0%	2.9
Airport Centre, Düsseldorf	Office	13,077	17%	40,000	3,059	1,800	13.0	4.6%	3.7
Pentahof, Hamburg	Office	24,747	0%	60,600	2,449	2,952	9.4	4.9%	4.6
Zeughaus, Hamburg	Office	43,522	11%	153,000	3,515	7,300	12.9	4.8%	3.1
<b>Core (+) total</b>		<b>97,610</b>	<b>9%</b>	<b>287,100</b>	<b>2,941</b>	<b>14,091</b>	<b>11.7</b>	<b>4.9%</b>	<b>3.5</b>
<b>Manage-to-core</b>									
Sunsquare, Munich	Office	18,820	63%	30,500	1,621	803	11.5	2.6%	3.4
Frankfurt Airport Centre	Office	48,495	20%	168,000	3,464	9,970	20.7	5.9%	5.8
Y2, Frankfurt	Office	31,256	35%	52,000	1,681	2,700	11.1	5.2%	5.2
Aschheim, Munich	Office	17,612	51%	30,000	1,703	1,100	10.0	3.7%	4.0
Herzog-Terrassen, Düsseldorf	Office	55,717	45%	140,000	2,513	6,700	19.0	4.8%	6.2
<b>Manage-to-core total</b>		<b>171,900</b>	<b>39%</b>	<b>420,500</b>	<b>2,446</b>	<b>21,273</b>	<b>16.8</b>	<b>5.1%</b>	<b>4.7</b>
<b>Portfolio total</b>		<b>269,510</b>	<b>28%</b>	<b>707,600</b>	<b>2,626</b>	<b>35,364</b>	<b>14.4</b>	<b>5.0%</b>	<b>4.8</b>

Source: First Berlin Equity Research, Godewind

Godewind now controls a stable of nine office assets with an annualised rental income run rate of €35m. We expect the company to generate net rental income (NRI) of €25m this year and €6.8m in FFO 1 (funds from operations). The operational update underpins our positive views, and we reiterate our Buy rating and €5.5 price target.



## COMPANY VALUATION

### ECONOMIC PROFIT MODEL

in €m	2019E	2020E	2021E	2022E	TV
<b>EBITDA</b>	14	26	30	33	34
(+) Revaluations	57	58	40	35	24
(-) Tax Expense	-2	-2	-2	-2	-5
<b>NOPAT</b>	<b>69</b>	<b>82</b>	<b>68</b>	<b>67</b>	<b>53</b>
<b>Total assets</b>	<b>892</b>	<b>1,000</b>	<b>1,059</b>	<b>1,112</b>	<b>1,112</b>
(-) Current liabilities	4	4	4	5	5
(+) Current financial debt	0	0	0	0	0
(-) Cash	8	7	13	26	26
(+) Deferred taxes	8	17	23	29	29
<b>Capital employed (CE)</b>	<b>889</b>	<b>1,006</b>	<b>1,064</b>	<b>1,110</b>	<b>1,110</b>
Average CE	614	948	1,035	1,087	1,110
ROCE	11.2%	8.7%	6.6%	6.1%	4.8%
WACC	4.3%	4.3%	4.3%	4.3%	4.3%
ROCE-WACC	6.9%	4.4%	2.3%	1.8%	0.5%
Economic Profit	42.1	41.4	23.9	19.9	5.3
<b>NPV</b>	<b>40.9</b>	<b>38.6</b>	<b>21.3</b>	<b>17.1</b>	<b>164.1</b>

Fair value calculation	
<b>Total return</b>	<b>282</b>
(+) NAV 2018	396
(-) Dividend to be paid	0
<b>Equity value</b>	<b>678</b>
Diluted SO ('000)	109
<b>Fair value per share (€)</b>	<b>6.20</b>

### DISCOUNTED DIVIDEND MODEL

	2019E	2020E	2021E	2022E	TV
<b>FFOPS 1 (€)</b>	<b>0.06</b>	<b>0.15</b>	<b>0.19</b>	<b>0.22</b>	<b>0.23</b>
Payout ratio	60%	60%	60%	60%	60%
Dividend (DPS) (€)	0.04	0.09	0.12	0.13	0.14
Y/Y	n.a.	149%	25%	15%	1.5%
<b>NPV (€)</b>	<b>0.04</b>	<b>0.09</b>	<b>0.10</b>	<b>0.11</b>	<b>4.20</b>
Terminal growth rate	1.5%				
Discount factor	4.3%				
NPV of dividends (€)	<b>0.34</b>				
NPV of TV (€)	<b>4.20</b>				
<b>Fair value per share (€)</b>	<b>4.50</b>				

### PRICE TARGET OVERVIEW

	Weighting	Values
Economic profit model	60%	6.20
Discounted dividend model	40%	4.50
<b>Target price (€)</b>		<b>5.50</b>
Share price (€)		3.73
Return potential		47.5%
Dividend yield		1.0%
<b>Total return potential</b>		<b>48.5%</b>



## INCOME STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E
<b>Net rental income</b>	<b>0</b>	<b>548</b>	<b>25,288</b>	<b>35,322</b>	<b>37,928</b>
Recoverable operating costs	0	152	4,463	6,233	6,693
Revenue from other trade receivables	0	12	0	0	0
<b>Property management income</b>	<b>0</b>	<b>712</b>	<b>29,751</b>	<b>41,556</b>	<b>44,622</b>
Property OpEx	0	-134	-3,972	-5,548	-5,957
Gains on disposal	0	0	0	0	0
Revaluation gains	0	10,756	56,502	58,450	40,354
Other operating income	43	49	0	0	0
Personnel expenses	-8	-4,114	-4,258	-4,407	-4,561
Other operating expenses	-481	-3,350	-7,517	-5,485	-4,055
Depreciation & amortisation	0	-22	-30	-42	-45
<b>Operating income</b>	<b>-446</b>	<b>3,897</b>	<b>70,476</b>	<b>84,525</b>	<b>70,357</b>
Net financial result	496	-255	-5,267	-6,451	-6,522
Other financial expenses	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>50</b>	<b>3,642</b>	<b>65,209</b>	<b>78,074</b>	<b>63,836</b>
Income taxes	0	6,488	-1,956	-2,342	-1,915
<b>Net income / loss (NI)</b>	<b>50</b>	<b>10,129</b>	<b>63,253</b>	<b>75,732</b>	<b>61,921</b>
Other tax & income	-616	-52	0	0	0
<b>Comprehensive NI</b>	<b>-566</b>	<b>10,077</b>	<b>63,253</b>	<b>75,732</b>	<b>61,921</b>
Minority interests	0	-758	-1,400	-2,000	-2,000
<b>Net income after minorities</b>	<b>-566</b>	<b>9,319</b>	<b>61,853</b>	<b>73,732</b>	<b>59,921</b>
<b>Basic EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>0.57</b>	<b>0.68</b>	<b>0.55</b>
<b>Diluted EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>0.57</b>	<b>0.68</b>	<b>0.55</b>
<b>Adjusted EBITDA</b>	<b>-446</b>	<b>-6,837</b>	<b>14,004</b>	<b>26,116</b>	<b>30,048</b>
<b>Ratios</b>					
Adj. EBITDA margin	n.m.	n.m.	55.4%	73.9%	79.2%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>					
Personnel expenses	n.m.	577.9%	14.3%	12.5%	12.0%
Other operating expenses	n.m.	470.6%	25.3%	13.2%	9.1%
<b>Y-Y Growth</b>					
Rental income	n.a.	n.m.	4079.3%	39.7%	7.4%
Adj. EBITDA	n.a.	n.m.	n.m.	86.5%	15.1%
Net income/ loss	n.a.	n.a.	524.5%	19.7%	-18.2%
<b>Net income</b>	<b>50</b>	<b>10,129</b>	<b>63,253</b>	<b>75,732</b>	<b>61,921</b>
Tax result	0	-6,488	1,956	2,342	1,915
<b>Pre-tax income</b>	<b>50</b>	<b>3,641</b>	<b>65,209</b>	<b>78,074</b>	<b>63,836</b>
Capital gains, property revaluations and other	0	-10,756	-56,502	-58,450	-40,354
Depreciation & amortisation	0	23	24	25	26
Result from disposals	0	0	0	0	0
Other non-cash expenses	0	1,242	0	0	0
One-off expenses	0	2,082	441	0	0
Tax expense relavent to FFO	0	0	-1,956	-2,342	-1,915
Attributable to non-controlling interest	0	0	-451	-473	-497
<b>FFO 1</b>	<b>50</b>	<b>-3,768</b>	<b>6,766</b>	<b>16,833</b>	<b>21,096</b>
FFOPS 1 (€)	0.00	-0.04	0.06	0.15	0.19



## BALANCE SHEET

All figures in EUR '000	2017	2018	2019E	2020E	2021E
<b>Assets</b>					
<b>Current assets, total</b>	<b>19,516</b>	<b>159,983</b>	<b>11,466</b>	<b>11,704</b>	<b>18,367</b>
Cash and cash equivalents	19,172	157,745	8,205	7,150	13,477
Assets held for sale	0	0	0	0	0
Trade receivables	344	142	3,260	4,554	4,890
Other current assets	0	2,096	0	0	0
<b>Non-current assets, total</b>	<b>95</b>	<b>343,071</b>	<b>880,890</b>	<b>988,423</b>	<b>1,040,252</b>
Property, plant & equipment	0	480	495	516	538
Intangible assets	0	85	97	114	131
Investment property	0	300,905	835,007	938,457	985,811
Advanced payments	0	34,273	37,700	41,470	45,617
Deferred taxes	0	6,711	6,912	7,120	7,333
Other LT assets	95	617	679	747	821
<b>Total assets</b>	<b>19,611</b>	<b>503,054</b>	<b>892,355</b>	<b>1,000,127</b>	<b>1,058,618</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>676</b>	<b>6,955</b>	<b>3,563</b>	<b>4,078</b>	<b>4,419</b>
Short-term debt	0	0	0	0	0
Trade payables	668	4,795	1,187	1,464	1,544
Provisions & current liabilities	8	2,160	2,376	2,614	2,875
<b>Long-term liabilities, total</b>	<b>374</b>	<b>98,848</b>	<b>428,288</b>	<b>463,873</b>	<b>470,202</b>
Corporate debt	0	0	0	0	0
Long-term bank debt	0	87,528	408,234	434,784	434,784
Other liabilities	374	11,320	11,579	11,847	12,123
Deferred tax liabilities	0	0	8,475	17,243	23,296
<b>Shareholders' equity</b>	<b>18,561</b>	<b>392,802</b>	<b>454,655</b>	<b>524,327</b>	<b>574,148</b>
Minority interests	0	4,449	5,849	7,849	9,849
<b>Total equity</b>	<b>18,561</b>	<b>397,251</b>	<b>460,504</b>	<b>532,176</b>	<b>583,997</b>
<b>Total consolidated equity and debt</b>	<b>19,611</b>	<b>503,054</b>	<b>892,355</b>	<b>1,000,127</b>	<b>1,058,618</b>
<b>Ratios</b>					
EPRA NAV	18,561	396,393	463,130	541,570	597,444
NAVPS (€)	n.m.	3.7	4.3	5.0	5.5
Net debt	-19,172	-59,305	411,159	438,986	432,887
Interest cover (ICR)	-	-26.4x	2.7x	4.0x	4.6x
Equity ratio	94.6%	79.0%	51.6%	53.2%	55.2%
Loan-to-value (LTV)	-	32.7%	50.2%	47.5%	45.3%
Net LTV	-	-	49.2%	46.8%	43.9%



## CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E
<b>Net income</b>	<b>50</b>	<b>10,129</b>	<b>63,253</b>	<b>75,732</b>	<b>61,921</b>
Non-cash gains / losses	0	-10,756	-56,502	-58,450	-40,354
Gains / losses from measurement of securities					
Other non-cash expenses / income					
Depreciation & amortisation	0	22	30	42	45
Net financial result	-1	255	5,267	6,451	6,522
Tax result	0	-6,488	1,956	2,342	1,915
<b>Operating cash flow</b>	<b>49</b>	<b>-6,838</b>	<b>14,004</b>	<b>26,116</b>	<b>30,048</b>
Trade receivables & other assets	233	3,360	-4,630	-1,017	-256
Trade & other payables	0	33	8,950	9,273	6,591
Provisions and other liabilities	1	0	-1,956	-2,342	-1,915
Tax paid					
<b>Net operating cash flow</b>	<b>283</b>	<b>-3,445</b>	<b>16,368</b>	<b>32,030</b>	<b>34,468</b>
Investment in fixed/intangible assets	0	-857	-57	-79	-85
Outflows for investment property	0	-222,103	-481,229	-48,977	-11,361
Inflows from asset disposals	11,558	0	0	0	0
Outflows for financial assets	-5,591	0	-62	-68	-75
Interest income	47	1	0	0	0
<b>Cash flow from investing</b>	<b>6,014</b>	<b>-222,959</b>	<b>-481,347</b>	<b>-49,124</b>	<b>-11,520</b>
Debt financing, net	-2,995	0	320,706	26,550	0
Equity financing, net	14,500	364,731	0	0	0
Interest paid	-47	-243	-5,267	-6,451	-6,522
Dividends paid	0	0	0	-4,060	-10,100
<b>Cash flow from financing</b>	<b>11,458</b>	<b>364,488</b>	<b>315,439</b>	<b>16,040</b>	<b>-16,622</b>
<b>Net cash flows</b>	<b>17,755</b>	<b>138,084</b>	<b>-149,540</b>	<b>-1,055</b>	<b>6,326</b>
Cash, start of the year	1,928	19,683	157,767	8,228	7,172
<b>Cash, end of the year</b>	<b>19,683</b>	<b>157,767</b>	<b>8,228</b>	<b>7,172</b>	<b>13,499</b>
<b>FFO 1</b>	<b>50</b>	<b>-3,768</b>	<b>6,766</b>	<b>16,833</b>	<b>21,096</b>
FFOPS 1 (€)	n.m.	-0.04	0.06	0.15	0.19
<b>Y-Y Growth</b>					
FFO 1	n.m.	n.a.	n.m.	149%	25%
FFOPS 1	n.m.	n.a.	n.m.	149%	25%

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	7 March 2019	€3.49	Buy	€5.50
2	Today	€3.73	Buy	€5.50

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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