

Godewind Immobilien AG

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

Operational
 update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 5.80

60.0%
 Medium

FRANKFURT PORTFOLIO INCREASED TO 4 OFFICE ASSETS

Godewind signed a purchase agreement for an office complex located in central in Frankfurt am Main for €85m. City Gate Tower features 23,308 m² of lettable area with a 13.4% vacancy and a ~6.7 year WALT. Potential annualised rental income amounts to €4.3m assuming optimised occupancy. This would translate into FFO of €3.4m. The company expects the deal to close in Q3 this year, which will boost the portfolio volume north of €900m. The deal is consistent with the company growth strategy of acquiring value-add and core office assets in primary locations. We maintain our Buy rating and raise our price target to €5.8 (old: €5.5).

Expanding footprint in Germany's financial capital City Gate is located at Nibelungenplatz in Frankfurt's Nordend district and benefits from good public transport connections. Godewind reported current rent per m² of €14.6, which is below current market levels (~€18/m²) providing good upside potential. Vacancy is currently 13.4% or 3,124m². The property expands the Core portfolio component and should provide steady cash flows, while the company optimises its value-add properties. Godewind recently showed evidence of its ability to execute on the value-add component of its portfolio with the major tenant win at its flagship office property – Frankfurt Airport Centre (FAC). The letting agreement trimmed FAC's vacancy rate from 20% at the start of the year to 8.2% (see note of 8 May).

Core property to provide steady cash flows We continue to like Godewind for its mixed portfolio approach, which includes value-add and Core properties, its external growth potential, and operational upside. We have updated our model to account for the acquisition. The Q3 closing means City Gate will not significantly move the rental income (RI) and earnings needle in 2019—we estimate additional RI of ~€0.9m this year (table 1 overleaf). We look for the full impact to approach €4.3m in 2020 assuming 5% LFL RI growth and FFO 1 of > €3.1m. We believe the company can comfortably finance City Gate within its targeted <55% LTV range. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E
Net rent (€m)	0.00	0.55	26.62	39.55	42.37
Adj. EBITDA (€m)	-0.45	-6.84	14.94	30.43	34.58
Net income (€m)	0.05	9.37	62.32	82.80	67.10
EPS (diluted) (€)	0.00	0.11	0.57	0.76	0.62
EPRA NAV (€m)	18.56	396.39	463.60	551.72	613.49
NAVPS (€)	0.00	3.65	4.26	5.07	5.64
DPS (€)	0.00	0.00	0.04	0.11	0.13
FFO 1 (€m)	0.05	-3.77	7.23	19.95	24.37
FFOPS 1 (€)	0.00	-0.04	0.07	0.18	0.22
Liquid assets (€m)	19.17	157.75	9.69	12.06	20.35

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 22 May 2019

Closing Price	€ 3.63
Shares outstanding	108.75m
Market Capitalisation	€ 394.22m
52-week Range	€ 2.79 / 3.88
Avg. Volume (12 Months)	86,589

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	54.5	19.8
P/EPRA NAV	1.0	0.9	0.7
FFO 1 Yield	n.a.	1.8%	5.1%
Div. Yield	0.0%	1.1%	3.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2019

Liquid Assets	€ 78.10m
Current Assets	€ 160.00m
EPRA NAV	€ 393.70m
Total Assets	€ 513.50m
Current Liabilities	€ 13.90m
Total Equity	€ 394.10m

SHAREHOLDERS

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

**Table 1: Revisions to forecasts and price target**

	old	new	revision	upside	dividend yield	
Price target (€)	5.5	5.8	5.5%	60.0%	1.1%	
All figures in € '000	2019E			2020E		
	old	new	revision	old	new	revision
Net rental income	25,288	26,617	5.3%	35,322	39,555	12.0%
Adjusted EBITDA	14,004	14,936	6.7%	26,116	30,430	16.5%
Margin (%)	55.4%	56.1%	-	73.9%	76.9%	-
FFO 1	6,766	7,233	6.9%	16,833	19,952	18.5%
FFOPS 1(€)	0.06	0.07	6.9%	0.15	0.18	18.5%

Source: First Berlin Equity Research

Raising price target to €5.8 per share Our previous valuation was based on no further acquisition growth. We believe investors will welcome this somewhat unexpected addition to the portfolio. Many had assumed the company was fully invested at this point. Godewind now controls some 119,000m² of lettable space in the central districts of Germany's financial capital, which presently benefits from strong macro trends. Our recalibrated model (overleaf) yields a new fair value of €5.8 per share (old: €55). Our rating remains Buy.



COMPANY VALUATION

ECONOMIC PROFIT MODEL

in €m	2019E	2020E	2021E	2022E	TV
EBITDA	15	30	35	38	38
(+) Revaluations	57	64	44	39	24
(-) Tax Expense	-2	-3	-2	-2	-6
NOPAT	69	92	77	75	57
Total assets	979	1,097	1,161	1,220	1,220
(-) Current liabilities	4	4	5	5	5
(+) Current financial debt	0	0	0	0	0
(-) Cash	10	12	20	35	35
(+) Deferred taxes	8	18	25	31	31
Capital employed (CE)	974	1,098	1,161	1,211	1,211
Average CE	656	1,036	1,130	1,186	1,211
ROCE	10.6%	8.9%	6.8%	6.3%	4.7%
WACC	4.3%	4.3%	4.3%	4.3%	4.3%
ROCE-WACC	6.3%	4.6%	2.5%	2.0%	0.4%
Economic Profit	41.2	47.5	28.0	23.6	4.7
NPV	40.1	44.4	25.1	20.3	145.3

Fair value calculation

Total return	275
(+) NAV 2018	396
(-) Dividend to be paid	0
Equity value	672
Diluted SO ('000)	109
Fair value per share (€)	6.20

DISCOUNTED DIVIDEND MODEL

	2019E	2020E	2021E	2022E	TV
FFOPS 1 (€)	0.07	0.18	0.22	0.25	0.26
Payout ratio	60%	60%	60%	60%	60%
Dividend (DPS) (€)	0.04	0.11	0.13	0.15	0.15
Y/Y	n.a.	176%	22%	13%	1.5%
NPV (€)	0.04	0.10	0.12	0.13	4.77
Terminal growth rate	1.5%				
Discount factor	4.3%				
NPV of dividends (€)	0.39				
NPV of TV (€)	4.77				
Fair value per share (€)	5.20				

PRICE TARGET OVERVIEW

	Weighting	Values
Economic profit model	60%	6.20
Discounted dividend model	40%	5.20
Target price (€)		5.80
Share price (€)		3.63
Return potential		60.0%
Dividend yield		1.1%
Total return potential		61.1%



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E
Net rental income	0	548	26,617	39,555	42,373
Recoverable operating costs	0	152	4,697	6,980	7,478
Revenue from other trade receivables	0	12	0	0	0
Property management income	0	712	31,314	46,535	49,850
Property OpEx	0	-134	-4,603	-6,212	-6,655
Gains on disposal	0	0	0	0	0
Revaluation gains	0	10,756	56,502	64,400	44,264
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	-31	-47	-50
Operating income	-446	3,897	71,406	94,784	78,793
Net financial result	496	-255	-5,715	-7,361	-7,554
Other financial expenses	0	0	0	0	0
Pre-tax income (EBT)	50	3,642	65,691	87,423	71,240
Income taxes	0	6,488	-1,971	-2,623	-2,137
Net income / loss (NI)	50	10,129	63,720	84,801	69,103
Other tax & income	-616	-52	0	0	0
Comprehensive NI	-566	10,077	63,720	84,801	69,103
Minority interests	0	-758	-1,400	-2,000	-2,000
Net income after minorities	-566	9,319	62,320	82,801	67,103
Basic EPS (in €)	n.m.	0.11	0.57	0.76	0.62
Diluted EPS (in €)	n.m.	0.11	0.57	0.76	0.62
Adjusted EBITDA	-446	-6,837	14,936	30,430	34,579
Ratios					
Adj. EBITDA margin	n.m.	n.m.	56.1%	76.9%	81.6%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses as % of revenues					
Personnel expenses	n.m.	577.9%	13.6%	11.1%	10.8%
Other operating expenses	n.m.	470.6%	24.0%	11.8%	8.1%
Y-Y Growth					
Rental income	n.a.	n.m.	4298.8%	48.6%	7.1%
Adj. EBITDA	n.a.	n.m.	n.m.	103.7%	13.6%
Net income/ loss	n.a.	n.a.	529.1%	33.1%	-18.5%
Net income	50	10,129	63,720	84,801	69,103
Tax result	0	-6,488	1,971	2,623	2,137
Pre-tax income	50	3,641	65,691	87,423	71,240
Capital gains, property revaluations and other	0	-10,756	-56,502	-64,400	-44,264
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 relevant to FFO	0	0	-1,971	-2,623	-2,137
Attributable to non-controlling interest	0	0	-451	-473	-497
FFO 1	50	-3,768	7,233	19,952	24,367



BALANCE SHEET

All figures in EUR '000	2017	2018	2019E	2020E	2021E
Assets					
Current assets, total	19,516	159,983	13,121	17,164	25,813
Cash and cash equivalents	19,172	157,745	9,690	12,064	20,350
Assets held for sale	0	0	0	0	0
Trade receivables	344	142	3,432	5,100	5,463
Other current assets	0	2,096	0	0	0
Non-current assets, total	95	343,071	965,891	1,079,379	1,135,123
Property, plant & equipment	0	480	496	519	544
Intangible assets	0	85	98	116	136
Investment property	0	300,905	920,007	1,029,407	1,080,671
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
Total assets	19,611	503,054	979,012	1,096,542	1,160,937
Shareholders' equity & debt					
Current liabilities, total	676	6,955	3,599	4,191	4,537
Short-term debt	0	0	0	0	0
Trade payables	668	4,795	1,223	1,577	1,662
Provisions & current liabilities	8	2,160	2,376	2,614	2,875
Long-term liabilities, total	374	98,848	514,442	550,920	557,836
Corporate debt	0	0	0	0	0
Long-term bank debt	0	87,528	494,388	520,938	520,938
Other liabilities	374	11,320	11,579	11,847	12,123
Deferred tax liabilities	0	0	8,475	18,135	24,775
Shareholders' equity	18,561	392,802	455,122	533,583	588,714
Minority interests	0	4,449	5,849	7,849	9,849
Total equity	18,561	397,251	460,971	541,432	598,563
Total consolidated equity and debt	19,611	503,054	979,012	1,096,542	1,160,937
Ratios					
EPRA NAV	18,561	396,393	463,597	551,718	613,489
NAVPS (€)	n.m.	3.7	4.3	5.1	5.6
Net debt	-19,172	-59,305	495,829	520,227	512,168
Interest cover (ICR)	-	-26.4x	2.6x	4.1x	4.6x
Equity ratio	94.6%	79.0%	47.1%	49.4%	51.6%
Loan-to-value (LTV)	-	32.7%	54.9%	51.7%	49.3%
Net LTV	-	-	53.9%	50.5%	47.4%



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E
Net income	50	10,129	63,720	84,801	69,103
Non-cash gains / losses	0	-10,756	-56,502	-64,400	-44,264
Gains / losses from measurement of securities					
Other non-cash expenses / income					
Depreciation & amortisation	0	22	31	47	50
Net financial result	-1	255	5,715	7,361	7,554
Tax result	0	-6,488	1,971	2,623	2,137
Operating cash flow	49	-6,838	14,936	30,430	34,579
Trade receivables & other assets	233	3,360	-4,766	-1,314	-278
Trade & other payables	0	33	8,950	10,165	7,177
Provisions and other liabilities	1	0	-1,971	-2,623	-2,137
Tax paid					
Net operating cash flow	283	-3,445	17,149	36,659	39,341
Investment in fixed/intangible assets	0	-857	-59	-88	-95
Outflows for investment property	0	-222,103	-566,229	-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
Cash flow from investing	6,014	-222,959	-566,350	-49,134	-11,530
Debt financing, net	-2,995	0	406,860	26,550	0
Equity financing, net	14,500	364,731	0	0	0
Interest paid	-47	-243	-5,715	-7,361	-7,554
Dividends paid	0	0	0	-4,340	-11,971
Cash flow from financing	11,458	364,488	401,145	14,849	-19,525
Net cash flows	17,755	138,084	-148,055	2,374	8,286
Cash, start of the year	1,928	19,683	157,767	9,712	12,086
Cash, end of the year	19,683	157,767	9,712	12,086	20,373
FFO 1	50	-3,768	7,233	19,952	24,367
FFOPS 1 (€)	n.m.	-0.04	0.07	0.18	0.22
Y-Y Growth					
FFO 1	n.m.	n.a.	n.m.	176%	22%
FFOPS 1	n.m.	n.a.	n.m.	176%	22%

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	8 May 2019	€3.73	Buy	€5.50
3	Today	€3.63	Buy	€5.80

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The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	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%

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

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

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