

# Godewind Immobilien AG

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

H1 Prelims

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 5.90**

Return Potential 55.9%  
 Risk Rating Medium

## H1 PRELIMS SHOWCASE RECENT PORTFOLIO PROGRESS

Godewind (GWD) published preliminary six month results highlighting the good operational progress of the past months. Rental income is expected to reach €11.5m in H1/19 with FFO 1 of some €2.8m. The company looks for H1 net income to top €73m, thanks in particular to strong vacancy reductions, which drove strong revaluations in Q2. NAVPS will thus reach €4.5 vs €3.7 at YE19 (+24% YTD). These KPI's are well ahead of our forecasts. Management also guide for FFO 1 of €8.5m to €9.5m for the full year. We have raised our estimates on the better than expected performance. Our price target is now €5.9 (old: €58). We reiterate our Buy rating.

**Early gauge of portfolio earnings potential** After a lacklustre Q1, rental income and earnings showed a solid uptick in the second quarter. This is traced to greater contributions from the assets acquired early in the year that had a low impact on Q1 reporting. Plus, GWD noted better than expected financing costs YTD. The company looks for rental income of €11.5m and FFO 1 of €2.8m for the six month period. We expect these figures to improve in H2 with much stronger contributions from the five properties acquired in H1—as well as City Gate in Frankfurt, which will close in Q3. Based on the good Q2 performance and increased guidance, we have increased our forecasts (table 2 overleaf).

**NAVPS moves higher on good performance** Godewind pursues a value-add strategy for a portion of its portfolio, which included several high vacancy properties. Portfolio vacancy stood at ~28% in Q1 but has been trimmed to proforma 22.5%—including City Gate, which was signed 22 May. This owes chiefly to several sizable tenant wins, particularly at Frankfurt Airport Centre (FAC), Quartier am Zeughaus (Hamburg), and Sunsquare in Munich (table 1 overleaf). The performance spurred high revaluation gains in Q2 and an excellent bottom line >€73m. NAV thus climbed to €488m (NAVPS: €4.5) in Q2 compared to €396m (NAVPS: €3.7) at YE19. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E
Net rent (€m)	0.00	0.55	28.80	40.39	42.84
Adj. EBITDA (€m)	-0.45	-6.84	17.13	31.28	35.06
Net income (€m)	0.05	9.37	109.30	86.96	69.58
EPS (diluted) (€)	0.00	0.11	1.01	0.80	0.64
EPRA NAV (€m)	18.56	396.39	517.35	609.00	672.96
NAVPS (€)	0.00	3.65	4.76	5.60	6.19
DPS (€)	0.00	0.00	0.05	0.12	0.14
FFO 1 (€m)	0.05	-3.77	9.07	20.96	24.77
FFOPS 1 (€)	0.0	-0.04	0.08	0.19	0.23
Liquid assets (€m)	19.17	157.75	18.08	20.96	29.40

### 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.

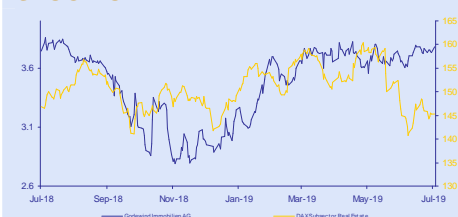
### MARKET DATA

As of 22 Jul 2019

Closing Price	€ 3.79
Shares outstanding	108.75m
Market Capitalisation	€ 411.62m
52-week Range	€ 2.79 / 3.86
Avg. Volume (12 Months)	84,619

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	45.4	19.6
P/EPRA NAV	1.0	0.8	0.7
FFO 1 Yield	n.a.	2.2%	5.1%
Div. Yield	0.0%	1.3%	3.1%

### 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%



Investment properties rose to €855m at the end of H1 and pro-forma €950m with the expected closure of City Gate. This compares to €301m at YE19 and €452m at the end of Q1. Given the strong performance and good reversionary upside embedded in the manage-to-core component of the portfolio, NAV should easily top the €0.5bn threshold for the full year (FBe: €517m).

**Table 1: Impact of recent tenant wins on vacancy and rental income (RI)**

	Lettable area (m <sup>2</sup> )	Vacancy (old)	Vacancy (new)	RI (€m) p.a. (old)	RI (€m) p.a. (new)
Y2, Frankfurt <sup>1</sup>	30,930	35.3%	28.3%	2.7	2.9
Frankfurt Airport Centre	48,495	19.5%	9.5%	10.0	11.4
Zeughaus, Hamburg	43,522	10.6%	4.8%	7.3	7.9
Sunsquare, Munich	19,492	62.8%	47.8%	0.8	1.3

<sup>1</sup> Rent agreement to commence 1 February 2020

Source: First Berlin Equity Research; Godewind

**Edging forecasts higher** Our prior figures failed to capture the pace of portfolio optimisation in Q2. This featured several tenant wins as shown in table 1. In particular the vacancy reductions led to much higher revaluation gains that we had forecasted. We now expect this KPI to top €100m for 2019 (old: €57m). Management now guide for FFO 1 of €8.5m to €9.5m (old: mid single-digit €m). We regard our revised targets as quite conservative.

**Table 2: Revisions to forecasts**

	old	new	revision	upside	dividend yield	
Price target (€)	5.8	5.9	1.7%	55.9%	1.3%	
	2019E			2020E		
All figures in €'000	old	new	revision	old	new	revision
Net rental income	26,617	28,801	8.2%	39,555	40,389	2.1%
Adjusted EBITDA	14,004	17,128	22.3%	30,430	31,280	2.8%
Margin (%)	52.6%	59.5%	-	76.9%	77.4%	-
FFO 1	6,766	9,075	34.1%	19,952	20,955	5.0%
FFOPS 1(€)	0.07	0.08	34.1%	0.18	0.19	5.0%

Source: First Berlin Equity Research estimates



## VALUATION

### ECONOMIC PROFIT MODEL

in €m	2019E	2020E	2021E	2022E	TV
<b>EBITDA</b>	17	31	35	38	39
(+) Revaluations	102	68	46	41	25
(-) Tax Expense	-3	-2	-2	-2	-6
<b>NOPAT</b>	<b>116</b>	<b>96</b>	<b>79</b>	<b>77</b>	<b>58</b>
<b>Total assets</b>	<b>1,033</b>	<b>1,154</b>	<b>1,220</b>	<b>1,281</b>	<b>1,281</b>
(-) Current liabilities	4	4	5	5	5
(+) Current financial debt	0	0	0	0	0
(-) Cash	18	21	29	44	44
(+) Deferred taxes	15	25	32	38	38
<b>Capital employed (CE)</b>	<b>1,026</b>	<b>1,154</b>	<b>1,219</b>	<b>1,271</b>	<b>1,271</b>
Average CE	682	1,090	1,186	1,245	1,271
ROCE	17.0%	8.8%	6.7%	6.2%	4.6%
WACC	4.3%	4.3%	4.3%	4.3%	4.3%
ROCE-WACC	12.7%	4.5%	2.4%	1.9%	0.3%
Economic Profit	86.5	49.4	28.0	23.1	3.5
<b>NPV</b>	<b>84.9</b>	<b>46.4</b>	<b>25.3</b>	<b>20.0</b>	<b>108.4</b>

### Fair value calculation

<b>Total return</b>	<b>285</b>
(+) NAV 2018	396
(-) Dividend to be paid	0
<b>Equity value</b>	<b>681</b>
Diluted SO ('000)	109
<b>Fair value per share (€)</b>	<b>6.30</b>

### DISCOUNTED DIVIDEND MODEL

	2019E	2020E	2021E	2022E	TV
<b>FFOPS 1 (€)</b>	<b>0.08</b>	<b>0.19</b>	<b>0.23</b>	<b>0.25</b>	<b>0.26</b>
Payout ratio	60%	60%	60%	60%	60%
Dividend (DPS) (€)	0.05	0.12	0.14	0.15	0.16
Y/Y	n.a.	131%	18%	12%	1.5%
<b>NPV (€)</b>	<b>0.05</b>	<b>0.11</b>	<b>0.12</b>	<b>0.13</b>	<b>4.84</b>
Terminal growth rate	1.5%				
Discount factor	4.3%				
NPV of dividends (€)	<b>0.41</b>				
NPV of TV (€)	<b>4.84</b>				
<b>Fair value per share (€)</b>	<b>5.30</b>				

### PRICE TARGET OVERVIEW

	Weighting	Values
Economic profit model	60%	6.30
Discounted dividend model	40%	5.30
<b>Target price (€)</b>		<b>5.90</b>
Share price (€)		3.79
Return potential		55.9%
Dividend yield		1.3%
<b>Total return potential</b>		<b>57.2%</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>28,801</b>	<b>40,389</b>	<b>42,844</b>
Recoverable operating costs	0	152	5,083	7,127	7,561
Revenue from other trade receivables	0	12	0	0	0
<b>Property management income</b>	<b>0</b>	<b>712</b>	<b>33,884</b>	<b>47,516</b>	<b>50,405</b>
Property OpEx	0	-134	-4,981	-6,343	-6,729
Gains on disposal	0	0	0	0	0
Revaluation gains	0	10,756	101,637	67,560	46,341
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	-34	-48	-50
<b>Operating income</b>	<b>-446</b>	<b>3,897</b>	<b>118,731</b>	<b>98,793</b>	<b>81,350</b>
Net financial result	496	-255	-5,195	-7,361	-7,554
Other financial expenses	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>50</b>	<b>3,642</b>	<b>113,536</b>	<b>91,432</b>	<b>73,797</b>
Income taxes	0	6,488	-2,838	-2,469	-2,214
<b>Net income / loss (NI)</b>	<b>50</b>	<b>10,129</b>	<b>110,698</b>	<b>88,963</b>	<b>71,583</b>
Other tax & income	-616	-52	0	0	0
<b>Comprehensive NI</b>	<b>-566</b>	<b>10,077</b>	<b>110,698</b>	<b>88,963</b>	<b>71,583</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>109,298</b>	<b>86,963</b>	<b>69,583</b>
<b>Basic EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>1.01</b>	<b>0.80</b>	<b>0.64</b>
<b>Diluted EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>1.01</b>	<b>0.80</b>	<b>0.64</b>
<b>Adjusted EBITDA</b>	<b>-446</b>	<b>-6,837</b>	<b>17,128</b>	<b>31,280</b>	<b>35,060</b>
<b>Ratios</b>					
Adj. EBITDA margin	n.m.	n.m.	59.5%	77.4%	81.8%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>					
Personnel expenses	n.m.	577.9%	12.6%	10.9%	10.6%
Other operating expenses	n.m.	470.6%	22.2%	11.5%	8.0%
<b>Y-Y Growth</b>					
Rental income	n.a.	n.m.	4659.8%	40.2%	6.1%
Adj. EBITDA	n.a.	n.m.	n.m.	82.6%	12.1%
Net income/ loss	n.a.	n.a.	992.8%	-19.6%	-19.5%
<b>Net income</b>	<b>50</b>	<b>10,129</b>	<b>110,698</b>	<b>88,963</b>	<b>71,583</b>
Tax result	0	-6,488	2,838	2,469	2,214
<b>Pre-tax income</b>	<b>50</b>	<b>3,641</b>	<b>113,536</b>	<b>91,432</b>	<b>73,797</b>
Capital gains, property revaluations and other	0	-10,756	-101,637	-67,560	-46,341
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	-2,838	-2,469	-2,214
Attributable to non-controlling interest	0	0	-451	-473	-497
<b>FFO 1</b>	<b>50</b>	<b>-3,768</b>	<b>9,075</b>	<b>20,955</b>	<b>24,771</b>



## 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>21,789</b>	<b>26,167</b>	<b>34,920</b>
Cash and cash equivalents	19,172	157,745	18,076	20,960	29,396
Assets held for sale	0	0	0	0	0
Trade receivables	344	142	3,713	5,207	5,524
Other current assets	0	2,096	0	0	0
<b>Non-current assets, total</b>	<b>95</b>	<b>343,071</b>	<b>1,011,029</b>	<b>1,127,677</b>	<b>1,185,499</b>
Property, plant & equipment	0	480	497	521	546
Intangible assets	0	85	99	118	138
Investment property	0	300,905	965,142	1,077,702	1,131,043
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>1,032,818</b>	<b>1,153,844</b>	<b>1,220,418</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>676</b>	<b>6,955</b>	<b>3,657</b>	<b>4,213</b>	<b>4,550</b>
Short-term debt	0	0	0	0	0
Trade payables	668	4,795	1,281	1,599	1,675
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>521,213</b>	<b>558,164</b>	<b>565,392</b>
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	15,246	25,380	32,331
<b>Shareholders' equity</b>	<b>18,561</b>	<b>392,802</b>	<b>502,100</b>	<b>583,618</b>	<b>640,628</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>507,949</b>	<b>591,467</b>	<b>650,477</b>
<b>Total consolidated equity and debt</b>	<b>19,611</b>	<b>503,054</b>	<b>1,032,818</b>	<b>1,153,844</b>	<b>1,220,418</b>
<b>Ratios</b>					
EPRA NAV	18,561	396,393	517,345	608,997	672,958
NAVPS (€)	n.m.	3.7	4.8	5.6	6.2
Net debt	-19,172	-59,305	487,443	511,331	503,122
Interest cover (ICR)	-	-26.4x	3.3x	4.2x	4.6x
Equity ratio	94.6%	79.0%	49.2%	51.3%	53.3%
Loan-to-value (LTV)	-	32.7%	52.4%	49.4%	47.1%
Net LTV	-	-	50.5%	47.4%	44.5%



## 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>110,698</b>	<b>88,963</b>	<b>71,583</b>
Non-cash gains / losses	0	-10,756	-101,637	-67,560	-46,341
Gains / losses from measurement of securities					
Other non-cash expenses / income					
Depreciation & amortisation	0	22	34	48	50
Net financial result	-1	255	5,195	7,361	7,554
Tax result	0	-6,488	2,838	2,469	2,214
<b>Operating cash flow</b>	<b>49</b>	<b>-6,838</b>	<b>17,128</b>	<b>31,280</b>	<b>35,060</b>
Trade receivables & other assets	233	3,360	-4,990	-1,176	-241
Trade & other payables	0	33	15,721	10,639	7,489
Provisions and other liabilities	1	0	-2,838	-2,469	-2,214
Tax paid					
<b>Net operating cash flow</b>	<b>283</b>	<b>-3,445</b>	<b>25,021</b>	<b>38,275</b>	<b>40,094</b>
Investment in fixed/intangible assets	0	-857	-64	-90	-96
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
<b>Cash flow from investing</b>	<b>6,014</b>	<b>-222,959</b>	<b>-566,355</b>	<b>-49,136</b>	<b>-11,531</b>
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	-5,195	-7,361	-7,554
Dividends paid	0	0	0	-5,445	-12,573
<b>Cash flow from financing</b>	<b>11,458</b>	<b>364,488</b>	<b>401,665</b>	<b>13,744</b>	<b>-20,127</b>
<b>Net cash flows</b>	<b>17,755</b>	<b>138,084</b>	<b>-139,669</b>	<b>2,884</b>	<b>8,436</b>
Cash, start of the year	1,928	19,683	157,767	18,098	20,982
<b>Cash, end of the year</b>	<b>19,683</b>	<b>157,767</b>	<b>18,098</b>	<b>20,982</b>	<b>29,418</b>
<b>FFO 1</b>	<b>50</b>	<b>-3,768</b>	<b>9,075</b>	<b>20,955</b>	<b>24,771</b>
<b>FFOPS 1 (€)</b>	<b>n.m.</b>	<b>-0.04</b>	<b>0.08</b>	<b>0.19</b>	<b>0.23</b>
<b>Y-Y Growth</b>					
FFO 1	n.m.	n.a.	n.m.	131%	18%
FFOPS 1	n.m.	n.a.	n.m.	131%	18%

**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...1	↓	↓	↓	↓
2	7 March 2019	€3.49	Buy	€5.50
3	8 May 2019	€3.73	Buy	€5.50
4	23 May 2019	€3.63	Buy	€5.80
5	Today	€3.79	Buy	€5.90

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### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

#### ASSET RECOMMENDATION

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 <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.

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.

#### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

### INVESTMENT HORIZON

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#### Legally required information regarding

- 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/>

**SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt**

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