

# Godewind Immobilien AG

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

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 5.90**

Return Potential 59.0%  
 Risk Rating Medium

## HERZOGTERRASSEN VACANCY 0% AFTER MAJOR TENANT WIN

Godewind published an operational update on the letting progress of its value-add office property, Herzogterrassen, with 56k m<sup>2</sup> of lettable area. A new rental agreement reduces the property's ~40% vacancy rate to 0%. As a result, overall portfolio vacancy falls to 13% (H1 reporting: 23%) and the agreement lifts annualised net rental income (NRI) by €6.1m to €12.6m. In our view, the milestone confirms the company's ability to execute on the value-add component of its portfolio, and we expect the tenant win to have a strong positive impact on NAV. We reiterate our Buy rating and €5.9 price target.

**Significant tenant win in Düsseldorf** The company announced that it has inked a deal with a shared workspace company to move into its Herzogterrassen office complex. The 16 year letting agreement means Herzogterrassen is now fully let four months post-acquisition. We expect this to provide a significant operational boost to the property's projected annualised net rent of €12.6m (old: €6.5m; +94%) once the tenant moves in ~May 2020. GWD reported a new WALT of 11 years for the office property. Overall portfolio vacancy drops to 13% (old: 23%). The company has now filled up > 30k m<sup>2</sup> of vacant space since initial acquisitions. Prior deals include tenants wins at FAC and Y2 in Frankfurt, Quartier am Zeughaus (Hamburg), and Sunsquare (Munich).

**Expecting strong finish to the year** Q2 results earlier this month provided an initial gauge of GWD's operational strengths with both earnings and NAV rising strongly. Commercial properties totalled €855m (+184% YTD) or €950m on a pro-forma basis (+215% YTD). FFOPS 1 totalled €0.03 in H1 and NAVPS climbed 24% in the second quarter. The company is tracking well towards our full year targets (FFOPS: €0.08; NAVPS: €4.8). In our view, the latest tenant win should further boost investor confidence in the company's ability to execute on its value-add strategy. We thus think it is only a matter of time before the lacklustre share price performance begins to reflect the good operational momentum of the past months. (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	31.3	35.1
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	0.1	0.2	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.

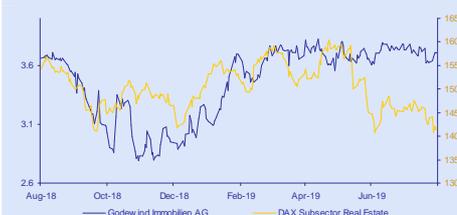
### MARKET DATA

As of 23 Aug 2019

Closing Price	€ 3.71
Shares outstanding	108.75m
Market Capitalisation	€ 403.46m
52-week Range	€ 2.79 / 3.83
Avg. Volume (12 Months)	84,392

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	44.5	19.3
P/EPRA NAV	1.0	0.8	0.7
FFO 1 Yield	n.a.	2.2%	5.2%
Div. Yield	0.0%	1.3%	3.1%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 14.48m
Current Assets	€ 20.05m
EPRA NAV	€ 487.73m
Total Assets	€ 891.30m
Current Liabilities	€ 7.61m
Total Equity	€ 467.12m

### SHAREHOLDERS

K. Ehlerding	13.5%
Stavros Efremidis	12.0%
Treasury shares	1.3%
Free Float	73.2%



## 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>85.1</b>	<b>46.6</b>	<b>25.3</b>	<b>20.0</b>	<b>108.6</b>
<b>Fair value calculation</b>					
<b>Total return</b>	<b>286</b>				
(+) NAV 2018	396				
(-) Dividend to be paid	0				
<b>Equity value</b>	<b>682</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 (€)		3.71
Return potential		59.0%
Dividend yield		1.3%
<b>Total return potential</b>		<b>60.4%</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	-511	0	0	0	0
Other non-cash expenses / income	0	1,231	0	0	0
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>-462</b>	<b>-5,607</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>-228</b>	<b>-2,214</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
Others	0	-745	0	0	0
<b>Cash flow from financing</b>	<b>11,458</b>	<b>363,743</b>	<b>401,665</b>	<b>13,744</b>	<b>-20,127</b>
<b>Net cash flows</b>	<b>17,244</b>	<b>138,573</b>	<b>-139,669</b>	<b>2,884</b>	<b>8,436</b>
Cash, start of the year	1,928	19,172	157,745	18,076	20,960
<b>Cash, end of the year</b>	<b>19,172</b>	<b>157,745</b>	<b>18,076</b>	<b>20,960</b>	<b>29,396</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	23 May 2019	€3.63	Buy	€5.80
3	23 July 2019	€3.79	Buy	€5.90
4	14 August 2019	€3.62	Buy	€5.90
5	Today	€3.71	Buy	€5.90

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

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- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

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### PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

### AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

### 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

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