

# Godewind Immobilien AG

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

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 6.00**

Return Potential 30.0%  
 Risk Rating Medium

## DEBT PORTFOLIO OPTIMISED WITH FAC REFINANCING

Godewind (GWD) refinanced Frankfurt Airport Center (FAC) with a redemption-free loan agreement for €130m. The new facility features a six year maturity and a 1.2% coupon compared to the old €92m loan at 1.87%. The improved terms owe to the successful vacancy reduction at FAC from 18% at acquisition to 3.8%. This drove some 39% in revaluation uplift since the property was acquired in December 2018 for €168m. The deal strengthens earnings and the capital structure, while creating financial flexibility for further growth. Our rating remains Buy with a €6 price target.

**Headroom for non-dilutive acquisitions?** In our view, the FAC milestone further validates management's ability to execute the value-add component of its mixed portfolio approach. Despite the higher FAC loan volume, GWD will save some €0.15m in annual interest. The optimised debt portfolio now features a 1.2% cost of debt and five year maturity (old: 1.4%, four year maturity). We reckon the company will use the extra cash (~€38m) to retire more expensive debt and top off the financial coffers for potential external growth. Plus, considering the roughly 60% GAV uplift at Herzogterrassen since acquisition, we expect GWD to refinance this office property soon. The company hinted that this could free up another ~€36m in cash to boost financial firepower (figure 1 overleaf). Assuming a 45% LTV for new targets, we think Godewind would be able to invest ~€80m without having to issue new shares.

**Discount to NAV persists despite recent share price gains** After setting new highs in December, Godewind shares are beginning to reflect the good operational performance. That said, the share price continues to trade at a 14% discount to the Q3 NAV (€5.4), which will certainly move much higher with the next reporting. Until the discount to NAV shrinks, we expect management to stick to a non-dilutive growth strategy focusing on embedded operational upside, while looking for opportunities to bolt on another office property or two with the freed up cash. (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	35.10
Net income (€m)	0.05	9.37	150.23	80.77	65.22
EPS (diluted) (€)	0.00	0.11	1.41	0.70	0.64
EPRA NAV (€m)	18.56	396.39	611.95	673.11	733.16
NAVPS (€)	0.00	3.65	5.71	6.28	6.84
DPS (€)	0.00	0.00	0.05	0.12	0.14
FFO 1 (€m)	0.05	-3.77	9.08	20.96	24.77
FFOPS 1 (€)	0.00	-0.04	0.08	0.20	0.23
Liquid assets (€m)	19.17	157.75	29.60	24.90	29.18

### 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.

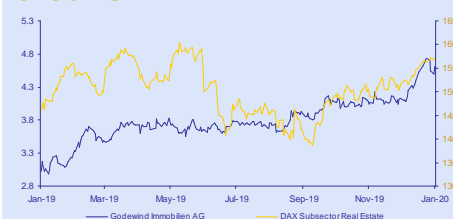
### MARKET DATA

As of 07 Jan 2020

Closing Price € 4.62  
 Shares outstanding 107.25m  
 Market Capitalisation € 494.96m  
 52-week Range € 2.99 / 4.74  
 Avg. Volume (12 Months) 77,723

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	54.5	23.6
P/EPRA NAV	1.3	0.8	0.7
FFO 1 Yield	n.a.	1.8%	4.2%
Div. Yield	0.0%	1.1%	2.5%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2019

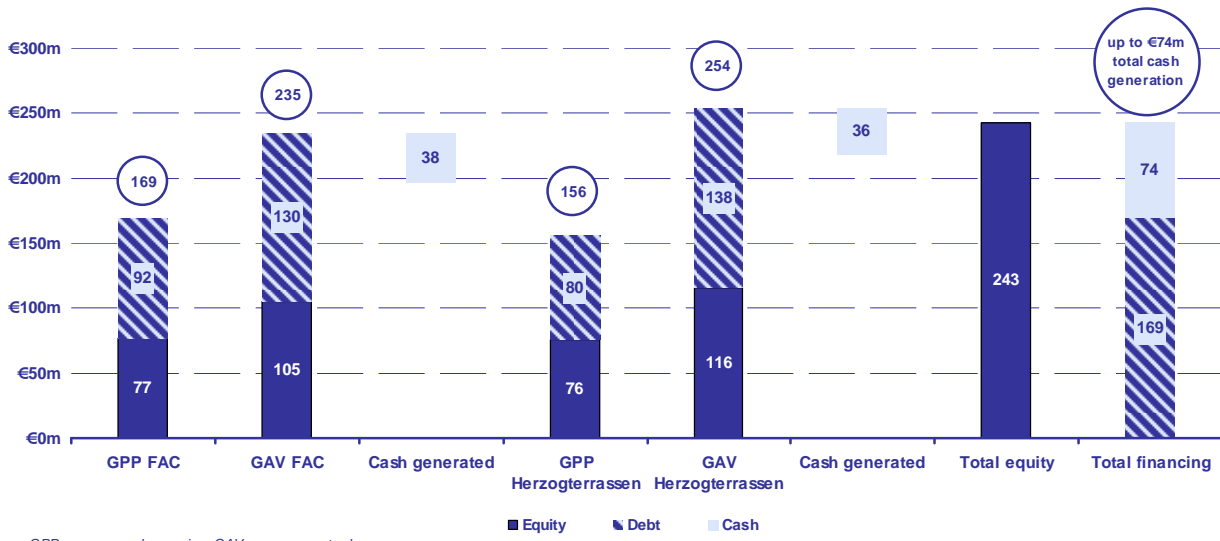
Liquid Assets € 27.71m  
 Current Assets € 30.17m  
 EPRA NAV € 579.11m  
 Total Assets € 1,059.36m  
 Current Liabilities € 43.45m  
 Total Equity € 529.13m

### SHAREHOLDERS

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



Figure 1: Potential cash generation via asset management



Source: First Berlin Equity Research; Godewind

**Office letting momentum remains supportive** The German office market continues to be defined by frothy occupier demand against a shortage of available stock with too little new build coming online to close the gap. We have seen little evidence to suggest this market dynamic is changing and expect good tailwinds for Godewind operations.



## VALUATION

### ECONOMIC PROFIT MODEL

in €m	2019E	2020E	2021E	2022E	TV
<b>EBITDA</b>	17	31	35	38	39
(+) Revaluations	168	72	49	43	26
(-) Tax Expense	-3	-2	-2	-2	-6
<b>NOPAT</b>	<b>182</b>	<b>101</b>	<b>82</b>	<b>79</b>	<b>59</b>
<b>Total assets</b>	<b>1,089</b>	<b>1,205</b>	<b>1,267</b>	<b>1,325</b>	<b>1,325</b>
(-) Current liabilities	5	5	6	6	6
(+) Current financial debt	0	0	0	0	0
(-) Cash	30	25	29	41	41
(+) Deferred taxes	25	36	43	50	50
<b>Capital employed (CE)</b>	<b>1,080</b>	<b>1,210</b>	<b>1,276</b>	<b>1,328</b>	<b>1,328</b>
Average CE	709	1,145	1,243	1,302	1,328
ROCE	25.7%	8.8%	6.6%	6.1%	4.4%
WACC	4.3%	4.3%	4.3%	4.3%	4.3%
ROCE-WACC	21.4%	4.5%	2.3%	1.8%	0.1%
Economic Profit	151.6	51.6	28.6	23.3	1.4
<b>NPV</b>	<b>151.6</b>	<b>49.5</b>	<b>26.3</b>	<b>20.5</b>	<b>43.0</b>
<b>Fair value calculation</b>					
<b>Total return</b>	<b>291</b>				
(+) NAV 2018	396				
(-) Dividend to be paid	0				
<b>Equity value</b>	<b>687</b>				
Diluted SO ('000)	107				
<b>Fair value per share (€)</b>	<b>6.40</b>				

### DISCOUNTED DIVIDEND MODEL

	2019E	2020E	2021E	2022E	TV
<b>FFOPS 1 (€)</b>	<b>0.08</b>	<b>0.20</b>	<b>0.23</b>	<b>0.26</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>0.13</b>	<b>0.13</b>	<b>4.94</b>
Terminal growth rate	1.5%				
Discount factor	4.3%				
NPV of dividends (€)	<b>0.42</b>				
NPV of TV (€)	<b>4.94</b>				
<b>Fair value per share (€)</b>	<b>5.40</b>				

### PRICE TARGET OVERVIEW

	Weighting	Values
Economic profit model	60%	6.40
Discounted dividend model	40%	5.40
<b>Target price (€)</b>		<b>6.00</b>
Share price (€)		4.62
Return potential		30.0%
Dividend yield		1.1%
<b>Total return potential</b>		<b>31.1%</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	167,848	72,195	49,388
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>184,943</b>	<b>103,428</b>	<b>84,397</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>179,747</b>	<b>96,067</b>	<b>76,843</b>
Income taxes	0	6,488	-2,838	-2,468	-2,216
Deferred taxes	0	0	-25,177	-10,829	-7,408
<b>Net income / loss (NI)</b>	<b>50</b>	<b>10,129</b>	<b>151,732</b>	<b>82,769</b>	<b>67,219</b>
Other tax & income	-616	-52	0	0	0
<b>Comprehensive NI</b>	<b>-566</b>	<b>10,077</b>	<b>151,732</b>	<b>82,769</b>	<b>67,219</b>
Minority interests	0	-758	-1,500	-2,000	-2,000
<b>Net income after minorities</b>	<b>-566</b>	<b>9,319</b>	<b>150,232</b>	<b>80,769</b>	<b>65,219</b>
<b>Basic EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>1.38</b>	<b>0.74</b>	<b>0.60</b>
<b>Diluted EPS (in €)</b>	<b>n.m.</b>	<b>0.11</b>	<b>1.38</b>	<b>0.74</b>	<b>0.60</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.	n.m.	40.2%	6.1%
Adj. EBITDA	n.a.	n.m.	n.m.	82.6%	12.1%
Net income/ loss	n.a.	n.a.	n.m.	-45.5%	-18.8%
<b>Net income</b>	<b>50</b>	<b>10,129</b>	<b>151,732</b>	<b>82,769</b>	<b>67,219</b>
Tax result	0	-6,488	28,015	13,297	9,624
<b>Pre-tax income</b>	<b>50</b>	<b>3,641</b>	<b>179,747</b>	<b>96,067</b>	<b>76,843</b>
Capital gains, property revaluations and other	0	-10,756	-167,848	-72,195	-49,388
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	-2,468	-2,216
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>20,956</b>	<b>24,769</b>
FFOPS 1 (€)	0.00	-0.04	0.08	0.20	0.23



## 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>33,317</b>	<b>30,105</b>	<b>34,699</b>
Cash and cash equivalents	19,172	157,745	29,604	24,898	29,175
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>1,055,525</b>	<b>1,174,477</b>	<b>1,232,777</b>
Property, plant & equipment	0	480	497	521	546
Intangible assets	0	85	99	118	138
Investment property	0	300,905	1,031,353	1,148,548	1,204,936
Advanced payments	0	34,273	13,709	15,080	16,588
Deferred taxes	0	6,711	3,356	3,456	3,560
Other LT assets	95	617	6,512	6,755	7,009
<b>Total assets</b>	<b>19,611</b>	<b>503,054</b>	<b>1,088,843</b>	<b>1,204,583</b>	<b>1,267,476</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>676</b>	<b>6,955</b>	<b>4,737</b>	<b>5,401</b>	<b>5,857</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	3,456	3,802	4,182
<b>Long-term liabilities, total</b>	<b>374</b>	<b>98,848</b>	<b>536,382</b>	<b>574,134</b>	<b>581,925</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	16,817	17,189	17,572
Deferred tax liabilities	0	0	25,177	36,006	43,415
<b>Shareholders' equity</b>	<b>18,561</b>	<b>392,802</b>	<b>541,775</b>	<b>617,099</b>	<b>669,745</b>
Minority interests	0	4,449	5,949	7,949	9,949
<b>Total equity</b>	<b>18,561</b>	<b>397,251</b>	<b>547,724</b>	<b>625,048</b>	<b>679,694</b>
<b>Total consolidated equity and debt</b>	<b>19,611</b>	<b>503,054</b>	<b>1,088,843</b>	<b>1,204,583</b>	<b>1,267,476</b>
<b>Ratios</b>					
EPRA NAV	18,561	396,393	611,952	673,106	733,160
NAVPS (€)	n.m.	3.7	5.7	6.3	6.8
Net debt	-19,172	-59,305	481,152	512,735	508,792
Interest cover (ICR)	-	-26.4x	3.3x	4.2x	4.6x
Equity ratio	94.6%	79.0%	50.3%	51.9%	53.6%
Loan-to-value (LTV)	-	32.7%	49.5%	46.8%	44.6%
Net LTV	-	-	46.7%	44.6%	42.2%



## 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>151,732</b>	<b>82,769</b>	<b>67,219</b>
Non-cash gains / losses	0	-10,756	-167,848	-72,195	-49,388
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	28,015	13,297	9,624
<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	6,793	718	763
Provisions and other liabilities	1	0	-2,838	-2,468	-2,216
Tax paid					
<b>Net operating cash flow</b>	<b>-228</b>	<b>-2,214</b>	<b>16,093</b>	<b>28,355</b>	<b>33,367</b>
Investment in fixed/intangible assets	0	-857	-64	-90	-96
Outflows for investment property	0	-222,103	-538,681	-46,472	-8,612
Inflows from asset disposals	11,558	0	0	0	0
Outflows for financial assets	-5,591	0	-5,895	-243	-255
Interest income	47	1	0	0	0
<b>Cash flow from investing</b>	<b>6,014</b>	<b>-222,959</b>	<b>-544,640</b>	<b>-46,805</b>	<b>-8,962</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	-12,574
Others	0	-745	-1,259	0	0
<b>Cash flow from financing</b>	<b>11,458</b>	<b>363,743</b>	<b>400,406</b>	<b>13,744</b>	<b>-20,127</b>
<b>Net cash flows</b>	<b>17,244</b>	<b>138,573</b>	<b>-128,141</b>	<b>-4,706</b>	<b>4,277</b>
Cash, start of the year	1,928	19,172	157,745	29,604	24,898
<b>Cash, end of the year</b>	<b>19,172</b>	<b>157,745</b>	<b>29,604</b>	<b>24,898</b>	<b>29,175</b>
<b>FFO 1</b>	<b>50</b>	<b>-3,768</b>	<b>9,075</b>	<b>20,956</b>	<b>24,769</b>
<b>FFOPS 1 (€)</b>	<b>n.m.</b>	<b>-0.04</b>	<b>0.08</b>	<b>0.20</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...5	↓	↓	↓	↓
6	14 August 2019	€3.62	Buy	€5.90
7	26 August 2019	€3.71	Buy	€5.90
8	13 November 2019	€4.23	Buy	€6.00
9	Today	€4.62	Buy	€6.00

**Authored by: Ellis Acklin, Senior Financial Analyst**

**Company responsible for preparation:**

**First Berlin Equity Research GmbH**

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com  
www.firstberlin.com

**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

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- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- 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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First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

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

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

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