

Godewind Immobilien AG

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

Update

RATING	ADD
PRICE TARGET	€ 6.40
Return Potential	0.0%
Risk Rating	Medium

CASHING IN ON OPERATIONAL SUCCESS

Godewind (GWD) and Covivio X-Tend AG concluded a Business Combination Agreement (BCA), under which the latter will launch a voluntary public takeover offer for 100% of Godewind's share capital. According to offer terms, each shareholder will receive €6.4 per share in cash and GWD shares will be delisted. IPO investors will be rewarded with a 60% return equal to a 28.7% annualised return since April 2018. The offer also amounts to a 6.7% premium to our street-high € price target. Given management support and the attractive 4.1% to 5.8% premium to projected YE19 NAV (€6.05 to €6.15), we expect full acceptance by shareholders. We raise our price target to €6.4 (old €6.0) in line with the offer. Our rating moves to Add (old: Buy).

Deal maximises value for shareholders The €6.4 takeout price matches management's NAVPS per share expectations for YE20. This assumes vacancy reduction down to ~5% (pro-forma vacancy 10% as of November 2019) alongside rent increases. The business plan also included successful development of Sunsquare, Kirchheim / Munich. Assuming GWD were to hit all of these operational targets to ratchet up NAVPS to €6.4, the markets generally discount the share price by around 10%, which would correspond to a share price of ~€5.76. We therefore believe the deal maximises value for shareholders, while eliminating execution risks. We also note that the 28.7% IRR since GWD's April 2018 IPO at €4 sets a new standard for real estate IPOs in Europe topping the returns for both Green REIT and AXIA RE at exit. This also ranks as the top 'blind pool' IPO in Germany. The deal is the third successful exit orchestrated by the Godewind team following the sale of WCM Beteiligungs- und Grundbesitz AG in 2017 to TLG Immobilien AG and the sale of KWG to Conwert Immobilien in 2012.

No hurdles to clear; delisting planned for mid-May Once documentation is published in March, the offer will run until the end of May with an extension period of up to 10 weeks if needed. (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	35.1
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	656.95	683.11	713.16
NAVPS (€)	0.00	3.65	6.13	6.37	6.65
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.

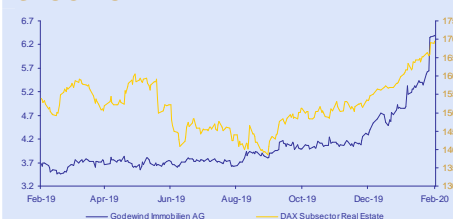
MARKET DATA

As of 18 Feb 2020

Closing Price	€ 6.40
Shares outstanding	107.25m
Market Capitalisation	€ 686.40m
52-week Range	€ 3.46 / 6.40
Avg. Volume (12 Months)	149,368

Multiples	2018	2019E	2020E
P/FFO 1	n.a.	75.6	32.8
P/EPRA NAV	1.8	1.0	1.0
FFO 1 Yield	n.a.	1.3%	3.1%
Div. Yield	0.0%	0.8%	1.8%

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%



The binding share purchase agreements make up some 35% of Godewind's share capital on a fully diluted basis and include shares from Stavros Efremidis (CEO) and Karl Ehlerding (supervisory board member) as well as treasury shares and exercised options. There is no threshold stipulated for a successful takeover; therefore, shareholders should not expect an increase to the €6.4 per share offer. We increase our price target to €6.4 (old: €6.0) in line with the offer and expect all shareholders to accept the attractive price.



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E
Net rental income	0	548	28,801	40,389	42,844
Recoverable operating costs	0	152	5,083	7,127	7,561
Revenue from other trade receivables	0	12	0	0	0
Property management income	0	712	33,884	47,516	50,405
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
Operating income	-446	3,897	184,943	103,428	84,397
Net financial result	496	-255	-5,195	-7,361	-7,554
Other financial expenses	0	0	0	0	0
Pre-tax income (EBT)	50	3,642	179,747	96,067	76,843
Income taxes	0	6,488	-2,838	-2,468	-2,216
Deferred taxes	0	0	-25,177	-10,829	-7,408
Net income / loss (NI)	50	10,129	151,732	82,769	67,219
Other tax & income	-616	-52	0	0	0
Comprehensive NI	-566	10,077	151,732	82,769	67,219
Minority interests	0	-758	-1,500	-2,000	-2,000
Net income after minorities	-566	9,319	150,232	80,769	65,219
Basic EPS (in €)	n.m.	0.11	1.38	0.74	0.60
Diluted EPS (in €)	n.m.	0.11	1.38	0.74	0.60
Adjusted EBITDA	-446	-6,837	17,128	31,280	35,060
Ratios					
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%
Expenses as % of revenues					
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%
Y-Y Growth					
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%
Net income	50	10,129	151,732	82,769	67,219
Tax result	0	-6,488	28,015	13,297	9,624
Pre-tax income	50	3,641	179,747	96,067	76,843
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
FFO 1	50	-3,768	9,075	20,956	24,769
FFOPS 1 (€)	0.00	-0.04	0.08	0.20	0.23



BALANCE SHEET

All figures in EUR '000	2017	2018	2019E	2020E	2021E
Assets					
Current assets, total	19,516	159,983	33,317	30,105	34,699
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
Non-current assets, total	95	343,071	1,055,525	1,174,477	1,232,777
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
Total assets	19,611	503,054	1,088,843	1,204,583	1,267,476
Shareholders' equity & debt					
Current liabilities, total	676	6,955	4,737	5,401	5,857
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
Long-term liabilities, total	374	98,848	536,382	574,134	581,925
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
Shareholders' equity	18,561	392,802	541,775	617,099	669,745
Minority interests	0	4,449	5,949	7,949	9,949
Total equity	18,561	397,251	547,724	625,048	679,694
Total consolidated equity and debt	19,611	503,054	1,088,843	1,204,583	1,267,476
Ratios					
EPRA NAV	18,561	396,393	656,952	683,106	713,160
NAVPS (€)	n.m.	3.7	6.1	6.4	6.6
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
Net income	50	10,129	151,732	82,769	67,219
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
Operating cash flow	-462	-5,607	17,128	31,280	35,060
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					
Net operating cash flow	-228	-2,214	16,093	28,355	33,367
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
Cash flow from investing	6,014	-222,959	-544,640	-46,805	-8,962
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
Cash flow from financing	11,458	363,743	400,406	13,744	-20,127
Net cash flows	17,244	138,573	-128,141	-4,706	4,277
Cash, start of the year	1,928	19,172	157,745	29,604	24,898
Cash, end of the year	19,172	157,745	29,604	24,898	29,175
FFO 1	50	-3,768	9,075	20,956	24,769
FFOPS 1 (€)	n.m.	-0.04	0.08	0.20	0.23
Y-Y Growth					
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...6	↓	↓	↓	↓
7	26 August 2019	€3.71	Buy	€5.90
8	13 November 2019	€4.23	Buy	€6.00
9	8 January 2020	€4.62	Buy	€6.00
10	Today	€6.40	Add	€6.40

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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 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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