

Godewind Immobilien AG

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

2019
 Results

RATING
PRICE TARGET **ADD**
 € 6.40
 Return Potential 1.6%
 Risk Rating Medium

COVIVIO BUSINESS COMBINATION ON TRACK; 2019 RESULTS IN LINE

Full year results were close to our expectations. Net rental income climbed to €31m in 2019 with FFO 1 of some €9m. The good performance owes to both portfolio expansion and operational measures that included strong vacancy reduction across the value-add assets. NAVPS rose to €6.1 vs €3.7 at YE18, while the portfolio value amounted to €1.1bn. In February, Godewind and Covivio X-Tend AG concluded a Business Combination Agreement (BCA), under which the latter launched a voluntary public takeover offer for 100% of Godewind's share capital. Despite the current market turbulence, the offer remains on track to wrap up in mid-May and GWD shares will be delisted. Our rating remains Add with a €6.4 target price.

Mixed office portfolio approach pays off Net rental income (NRI) reached €31m in 2019 and edged FBE of €29m. Annualised comparisons provide little insight into underlying growth, given the operational ramp up in 2018 (table 1 overleaf). On a quarterly basis, NRI improved sequentially to €10m vs €9m in Q3/19, thanks to the stronger contribution of the acquired properties and optimisation. Adjusted EBITDA, which reflects recurring operational profit excluding revaluation effects, amounted to €12.4m in 2019 and €4.1m in Q4 equating to a 4.2% Q/Q increase. FFO 1, the key industry indicator for recurring cash flow, was close to our estimate and totalled €8.9m for the year. On a quarterly basis, FFO 1 totalled €3.8m in Q4. FFOPS 1 equalled our €0.08 full year target. The company guides for 2020 FFO 1 of €17m to €21m.

EPRA NAVPS up 67% Y/Y As of 31 December, EPRA NAV totalled €655m (€6.1 / share) compared to €396m at year end 2018 (€3.7 / share, +67%). NAV growth (figure 1 overleaf) owes predominantly to the strong net profit of €188m recorded in 2019. Adjusted for deferred tax and the market value of financial instruments, EPRA NNNNAV, was reported at €777m or €5.4 / share. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E
Net rent (€m)	0.00	0.55	30.70	36.13	45.05
Adj. EBITDA (€m)	-0.45	-6.84	12.43	24.9	34.5
Net income (€m)	0.05	10.08	187.80	82.22	70.69
EPS (diluted) (€)	0.00	0.11	1.71	0.70	0.64
EPRA NAV (€m)	18.56	396.39	654.70	705.80	773.48
NAVPS (€)	0.00	3.65	6.10	6.58	7.21
DPS (€)	0.00	0.00	0.05	0.09	0.14
FFO 1 (€m)	0.05	-3.77	8.90	17.05	26.24
FFOPS 1 (€)	0.00	-0.04	0.08	0.16	0.24
Liquid assets (€m)	19.17	157.75	24.77	23.09	33.84

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.

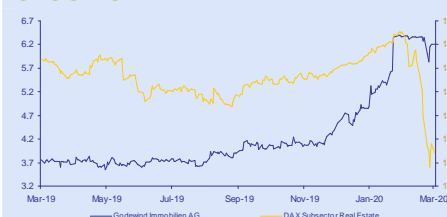
MARKET DATA

As of 24 Mar 2020

Closing Price	€ 6.30
Shares outstanding	107.25m
Market Capitalisation	€ 675.68m
52-week Range	€ 3.56 / 6.40
Avg. Volume (12 Months)	184,941

Multiples	2019	2020E	2021E
P/FFO 1	74.9	39.6	25.7
P/EPRA NAV	1.0	1.0	0.9
FFO 1 Yield	1.3%	2.5%	3.9%
Div. Yield	0.8%	1.5%	2.3%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 24.70m
Current Assets	€ 29.50m
EPRA NAV	€ 655.00m
Total Assets	€ 1,132.40m
Current Liabilities	€ 11.70m
Total Equity	€ 582.90m

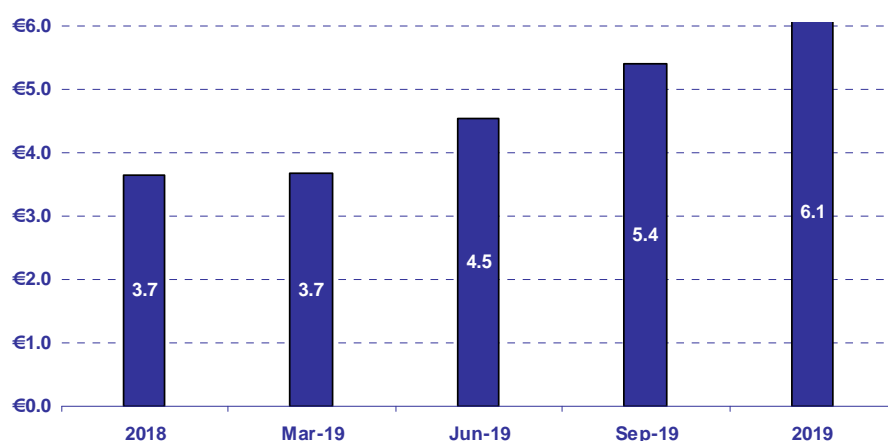
SHAREHOLDERS

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

**Table 1: 2019 results vs FBe and prior year**

in € '000	2019	2019E	variance	2018	variance	Q4/19	Q4/18	variance
Net rental income	30,699	28,801	6.6%	548	n.a.	10,282	548	n.m.
Adjusted EBITDA	12,444	12,677	-1.8%	-6,837	n.a.	4,100	-3,418	n.a.
Margin	41%	44%	-	n.a.	-	40%	n.a.	-
FFO 1	8,903	9,075	-1.9%	-3,768	n.a.	3,796	-1,936	n.a.
Margin	29%	32%	-	n.a.	-	37%	n.a.	-
FFOPS 1 (€)	0.08	0.08	-1.9%	-0.04	n.a.	0.03	-0.02	n.a.

Source: First Berlin Equity Research; Godewind

Figure 1: NAVPS development

Source: First Berlin Equity Research; Godewind

GWD invested some €557m into office properties across German hubs last year. The company exited the year with an office portfolio valued at €1.1m, which was boosted by some €214m in revaluation gains stemming chiefly from sharp vacancy reductions.

Table 2: Financial highlights

All figures in €'000	2019	2018	Variance
Cash and liquid assets	24,769	157,745	-84.3%
Investment property	1,096,037	300,905	264.2%
Total assets	1,132,443	503,054	125.1%
Net debt	486,440	-59,305	-
Total equity	582,931	397,251	46.7%
Equity ratio	51%	79%	-
EPRA NAV	654,705	396,393	65.2%
Loan-to-Value (LTV)	47%	-20%	-

Source: First Berlin Equity Research; Godewind

The debt structure featured an LTV of 47% alongside a ~1.36% average cost of debt with a 4.4 year maturity. The interest coverage ratio (ICR) stood at 1.2x.

Covid-19 won't derail the takeover In an 18 March press release, Covivio said it remains steadfast in pursuing the Godewind takeover. The company has secured 44% of GWD share capital for €316m. There is no threshold stipulated for a successful takeover. Plus, given the current environment, we expect all shareholders to happily accept the attractive offer. Our price target remains €6.4 in line with the takeout price.



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E
Net rental income	0	548	30,699	36,131	45,055
Recoverable operating costs	0	152	9,218	10,792	13,458
Revenue from other trade receivables	0	12	849	0	0
Property management income	0	712	40,766	46,923	58,513
Property OpEx	0	-134	-12,505	-8,850	-11,035
Gains on disposal	0	0	0	0	0
Revaluation gains	0	10,756	214,321	76,723	52,364
Other operating income	43	49	261	0	0
Personnel expenses	-8	-4,114	-6,710	-6,945	-7,188
Other operating expenses	-481	-3,350	-9,368	-6,187	-5,771
Depreciation & amortisation	0	-22	-809	-47	-59
Operating income	-446	3,897	225,956	101,617	86,824
Net financial result	496	-255	-10,022	-7,392	-7,585
Other financial expenses	0	0	0	0	0
Pre-tax income (EBT)	50	3,642	215,934	94,225	79,238
Income taxes	0	6,488	-5	-499	-690
Deferred taxes	0	0	-28,167	-11,508	-7,855
Net income / loss (NI)	50	10,129	187,762	82,218	70,693
Other tax & income	-616	-52	34	0	0
Comprehensive NI	-566	10,077	187,796	82,218	70,693
Minority interests	0	-758	-1,775	-740	-636
Net income after minorities	-566	9,319	186,021	81,478	70,057
Basic EPS (in €)	n.m.	0.11	1.73	0.75	0.64
Diluted EPS (in €)	n.m.	0.11	1.70	0.75	0.64
Adjusted EBITDA	-446	-6,837	12,444	24,941	34,518
Ratios					
Adj. EBITDA margin	n.m.	n.m.	40.5%	69.0%	76.6%
Tax rate	0.0%	0.0%	0.0%	2.0%	2.0%
Expenses as % of revenues					
Personnel expenses	n.m.	577.9%	16.5%	19.2%	16.0%
Other operating expenses	n.m.	470.6%	23.0%	13.2%	9.9%
Y-Y Growth					
Rental income	n.a.	n.m.	n.m.	15.1%	24.7%
Adj. EBITDA	n.a.	n.m.	n.m.	100.4%	38.4%
Net income/ loss	n.a.	n.a.	n.m.	-56.2%	-14.0%
Net income	50	10,129	187,762	82,218	70,693
Tax result	0	-6,488	28,172	12,007	8,545
Pre-tax income	50	3,641	215,934	94,225	79,238
Capital gains, property revaluations and other	0	-10,756	-214,321	-76,723	-52,364
Depreciation & amortisation	0	23	809	47	59
Result from disposals	0	0	0	0	0
Other non-cash expenses	0	1,242	1,907	0	0
One-off expenses	0	2,082	4,574	0	0
Tax expense relevant to FFO	0	0	0	-499	-690
Attributable to non-controlling interest	0	0	0	0	0
FFO 1	50	-3,768	8,903	17,050	26,243
FFOPS 1 (€)	0.00	-0.04	0.08	0.16	0.24



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020E	2021E
Assets					
Current assets, total	19,516	159,983	29,491	24,372	35,440
Cash and cash equivalents	19,172	157,745	24,769	23,086	33,837
Assets held for sale	0	0	0	0	0
Trade receivables	344	142	809	1,286	1,603
Other current assets	0	2,096	3,913	0	0
Non-current assets, total	95	343,071	1,102,952	1,224,911	1,284,529
Property, plant & equipment	0	480	1,014	1,037	1,067
Intangible assets	0	85	130	149	172
Investment property	0	300,905	1,096,037	1,217,760	1,277,123
Advanced payments	0	34,273	0	0	0
Deferred taxes	0	6,711	0	0	0
Other LT assets	95	617	5,771	5,965	6,166
Total assets	19,611	503,054	1,132,443	1,249,283	1,319,968
Shareholders' equity & debt					
Current liabilities, total	676	6,955	11,715	13,201	15,138
Short-term debt	0	0	606	0	0
Trade payables	668	4,795	5,824	7,387	8,743
Provisions & current liabilities	8	2,160	5,285	5,814	6,395
Long-term liabilities, total	374	98,848	537,797	576,275	584,560
Corporate debt	0	0	0	0	0
Long-term bank debt	0	87,528	496,566	523,116	523,116
Other liabilities	374	11,320	19,778	20,198	20,629
Deferred tax liabilities	0	0	21,453	32,961	40,816
Shareholders' equity	18,561	392,802	576,706	652,842	712,669
Minority interests	0	4,449	6,225	6,965	7,601
Total equity	18,561	397,251	582,931	659,807	720,270
Total consolidated equity and debt	19,611	503,054	1,132,443	1,249,283	1,319,968
Ratios					
EPRA NAV	18,561	396,393	654,704	705,803	773,485
NAVPS (€)	n.m.	3.7	6.1	6.6	7.2
Net debt	-19,172	-59,305	492,927	519,893	509,540
Interest cover (ICR)	-	-26.4x	1.2x	3.4x	4.6x
Equity ratio	94.6%	79.0%	51.5%	52.8%	54.6%
Loan-to-value (LTV)	-	32.7%	47.2%	44.6%	42.5%
Net LTV	-	-	45.0%	42.7%	39.9%



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E
Net income	50	10,129	187,762	82,218	70,693
Non-cash gains / losses	0	-10,756	-214,321	-76,723	-52,364
Gains / losses from measurement of securities	-511	0	0	0	0
Other non-cash expenses / income	0	1,231	2,105	0	0
Depreciation & amortisation	0	22	809	47	59
Net financial result	-1	255	10,022	7,392	7,585
Tax result	0	-6,488	28,172	12,007	8,545
Operating cash flow	-462	-5,607	14,549	24,941	34,518
Trade receivables & other assets	233	3,360	614	5,000	1,038
Trade & other payables	0	33	-104	948	1,012
Provisions and other liabilities	1	0	0	-499	-690
Tax paid					
Net operating cash flow	-228	-2,214	15,059	30,391	35,878
Investment in fixed/intangible assets	0	-857	-447	-89	-111
Outflows for investment property	0	-222,103	-542,678	-45,000	-7,000
Inflows from asset disposals	11,558	0	0	0	0
Outflows for financial assets	-5,591	0	0	-194	-202
Interest income	47	1	0	0	0
Cash flow from investing	6,014	-222,959	-543,125	-45,283	-7,313
Debt financing, net	-2,995	0	404,860	25,944	0
Equity financing, net	14,500	364,731	1	0	0
Interest paid	-47	-243	-5,632	-7,392	-7,585
Dividends paid	0	0	0	-5,342	-10,230
Others	0	-745	-4,139	0	0
Cash flow from financing	11,458	363,743	395,090	13,210	-17,815
Net cash flows	17,244	138,573	-132,976	-1,682	10,750
Cash, start of the year	1,928	19,172	157,745	24,769	23,086
Cash, end of the year	19,172	157,745	24,769	23,086	33,837
FFO 1	50	-3,768	8,903	17,050	26,243
FFOPS 1 (€)	n.m.	-0.04	0.08	0.16	0.24
Y-Y Growth					
FFO 1	n.m.	n.a.	n.m.	92%	54%
FFOPS 1	n.m.	n.a.	n.m.	89%	54%

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...7	↓	↓	↓	↓
8	13 November 2019	€4.23	Buy	€6.00
9	8 January 2020	€4.62	Buy	€6.00
10	19 February 2020	€6.40	Add	€6.40
11	Today	€6.30	Add	€6.40

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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 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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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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