GRAND CITY Properties S.A.

Luxembourg / Real Estate
Frankfurt
Bloomberg: GYC GR
ISIN: LU0775917882

Update

RATING	**BUY**
PRICE TARGET	**€ 28.00**
Return Potential	32.0%
Risk Rating	Medium

FUNDAMENTALS UNSUPPORTIVE OF RECENT SHARE WEAKNESS

German residential property stocks have been under pressure in recent weeks in the wake of a tenant initiative in Berlin. Tenants are fed up with soaring rents and are calling for large landlords to sell their Berlin portfolios to the city. Expropriation uncertainties consequently hit share prices and investor sentiment. Although Grand City has a sizable Berlin portfolio (+8k flats), we believe investor jitters are overblown, and that GCP's expropriation exposure is minimal. We expect the poor sentiment to recalibrate once investors closely examine the company and sector fundamentals, many of which remain solid. We maintain our Buy rating and €28 price target.

Is the German residential property sector off limits? The residential sector is admittedly late in the cycle. Investors see little reason for stocks to go up and have been taking profits on long-term positions. But a look at the reversionary upside of the Big 7 residential landlords suggests there is plenty of upside from on-balance sheet assets to provide attractive returns, particularly with few good options in alternative asset classes. Based on recent full year reporting, the group's reversionary mean tops 35%. This should allow the residential landlords to grow cash earnings and reward investors with attractive FFO 1 and dividend yields for years to come. And Grand City ranks favourably relative to its peers based on these metrics.

Tenant uproar is largely media hype The already poor sector sentiment plummeted in March when a tenant revolt in Berlin began making international headlines. Shares of Deutsche Wohnen, ADO Properties, and Grand City retreated from their yearly highs, due to their Berlin portfolio exposures. ADO shares suffered the most owing to its pure Berlin portfolio. After examining a theoretical expropriation scenario, we think Grand City has little valuation downside risk. However, stocks could remain volatile until the media frenzy subsides. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018	2019E	2020E
Rental income (€m)	333.50	435.67	494.89	544.98	596.96	633.62
Y/Y growth	53.8%	30.6%	13.6%	10.1%	9.5%	6.1%
Adj. EBITDA (€m)	177.27	224.73	247.98	275.53	298.18	315.86
Net income[2] (€m)	343.9	542.5	534.6	488.6	414.8	416.3
EPS (diluted) (€)	2.35	3.25	3.06	2.76	2.33	2.34
EPRA NAV[1] (€m)	2402.09	3208.45	3993.06	4783.07	5170.47	5533.10
DPS (€)	0.25	0.68	0.73	0.77	0.83	0.88
FFO 1 (€m)	128.04	160.12	178.01	197.85	211.95	226.82
FFOPS 1 (€)	1.01	1.05	1.12	1.19	1.27	1.36
Liquid assets (€m)	388.93	630.27	401.48	765.04	776.49	674.44

[1] including perpetual notes [2]after minority interests and hybrid investors

RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and departure of key personnel.

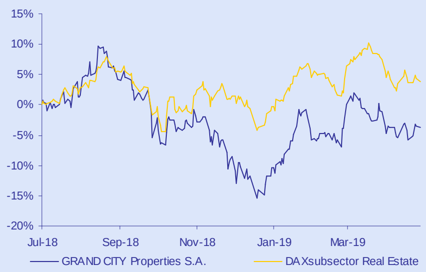
COMPANY PROFILE

Grand City Properties is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The overarching strategy is to improve the portfolio through targeted modernisation and intensive tenant management and thus create value by subsequently raising occupancy and rental levels.

MARKET DATA	As of 06 May 2019
Closing Price	€ 21.22
Shares outstanding	166.72m
Market Capitalisation	€ 3537.80m
52-week Range	€ 18.62 / 24.16
Avg. Volume (12 Months)	225,823

Multiples	2018	2019E	2020E
P/FFO 1	17.8	16.7	15.6
P/EPRA NAV	0.7	0.7	0.6
FFO 1 Yield	5.6%	6.0%	6.4%
Div. Yield	3.6%	3.9%	4.2%

STOCK OVERVIEW



COMPANY DATA	As of 31 Dec 2018
Liquid Assets	€ 760.00m
Current Assets	€ 1,237.00m
EPRA NAV[1]	€ 4,783.00m
Total Assets	€ 8,861.00m
Current Liabilities	€ 306.00m
Total Equity	€ 4,667.00m

[1] including perpetual notes

SHAREHOLDERS

Edolaxia Ltd.	38.7%
Free Float	61.3%

Analyst: Ellis Acklin, Tel. +49 (0)30 - 80 93 96 83

TENANT UPROAR IN BERLIN

A debate has been gathering steam in the German capital for months now. Angered by soaring rents, tens of thousands of angry Berliners marched through the city in early April to gather signatures to force a citywide vote to compel big landlords that control +3k flats to sell their apartments to the city.

There is a constitutional provision that allows for privately held assets to be transferred to the public, and the tenant proposal is now garnering international headlines as a new socialist revolution. This referendum impacts some 250k flats or roughly 15% of the capital's housing stock, in a city where over 85% of householders are renters.

Figure 1: Pressure on Germany's big landlords

Source: Sandra Mirjanić

Even if the activists collect the required number of signatures, article 15 of Germany's post war constitution has not been applied once in over 70 years. Moreover, Berlin is chronically underfunded and saddled with over €57bn in debt (close to recent historical highs). Plus, "poor but sexy" Berlin is traditionally the largest recipient of the *Länderfinanzausgleich* (equalisation payments), which obliges the wealthy states (Bavaria, Baden-Wuerttemberg, Hesse, and Hamburg) to transfer funds to the 12 less affluent states. Berlin received the lion's share (€4.2bn) of the last €11.2bn doled out. It is therefore hard to imagine the southern states being supportive of expropriation when the capital's financial resources are already stretched.

Finally, expropriation would ultimately only cap rents for roughly 250k tenants (not solving the supply problem), but all Berlin taxpayers would have to shoulder the cost, which we estimate at circa €35bn or ~€9k per capita. Recent local polls also suggest that the initiate also a long way from having enough support, with 58% of Berliners against expropriation (up since January), only 35% in favour (down since January), and 7% undecided.

Don't blame the landlords; the issue is supply The government could instead take more effective steps to support renters through increasing supply by: (1) relaxing regulations; (2) accelerating approval processes; (3) giving tax breaks to developers; (3), cracking down on rampant short-term apartment rentals; and (4) better incentivising "non-luxury" apartment builders. City planners badly miscalculated Berlin's growth potential 15 year ago and bulldozed its oversupply of housing stock. Now the city is bursting at the seams with a strong inflow of young urbanites. It will take years for developers to close the supply gap.

Too much red tape and bad economics for developers In our view, the expropriation debate ignores the sputtering supply of new housing. New construction continues to be gated by slow permitting and burdensome regulations. City planners look / hope for 30,000 units to be completed this year; however, market watchers regard this as ambitious and believe 20k is more realistic. We think it makes more sense to loosen the regulatory reins holding back new build and better incentivise developers.

In our view, the mismanaged housing market ranks alongside the perpetually delayed Berlin Brandenburg Airport as city planners' top blunders. Given their woeful track record, turning over the management of 250k flats to the city makes even less sense.

POTENTIAL IMPACT ON GCP EARNINGS AND VALUATION

Although we see little chance of expropriation, a sensitivity check on future earnings should give Grand City shareholders comfort that the company value would not fall off a cliff in this scenario.

As of full year 2018 reporting, GCP owned some 8,140 units in the capital valued at €1.6bn and accounting for some 23% of portfolio GAV (gross asset value). Berlin assets generated about €55m in annualised rental income at YE18, which implies FFO 1 of €30m or €0.18 per share. Assuming GCP would have to hand over its Berlin properties at the end of 2020, our running 2021 forecasts would be subjected to the following revisions.

Table 1: Theoretical changes to 2021 forecasts excluding Berlin properties

€m	NRI	Adj EBITDA	FFO 1	FFOPS 1 (€)
2021E	435	333	244	1.46
2021E (ex-Berlin)	374	284	205	1.23
Variance	*-14%*	*-15%*	*-16%*	*-16%*

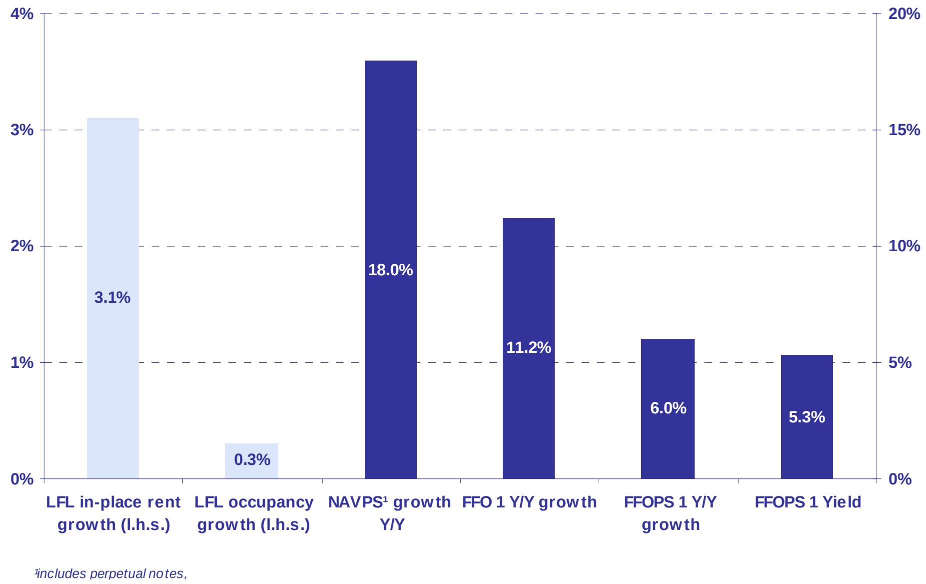
Source: First Berlin Equity Research estimates

Despite the decline in potential earnings shown above, fair value remains stable at €27.5 per share, due to the corresponding reduction in capital employed. This assumes a 10% discount to book value in the expropriation scenario. And for simplicity, we likewise assume that the Berlin properties are converted into cash. But in the real world, management would certainly put the cash back to work or possibly reward investors with a special dividend if market conditions and yields were unfavourable for new investment.

TIME TO REVISIT OPERATIONAL STRENGTHS

Value-add strategy distinguishes GCP's Buy and Hold strategy is focused on the purchase of value-add residential portfolios located in densely populated metropolitan locations that offer good rent revisionary potential and revaluation upside with targeted modernisation investments. This strategy has spurred strong rental income (RI) and earnings growth alongside unit expansion over the years and will drive operational growth as the residential sector progresses through the late stages of the current cycle.

Figure 2: Operating performance in 2018



Source: First Berlin Equity Research; Company

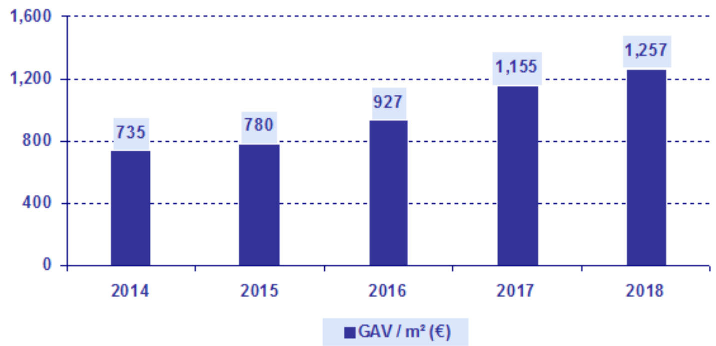
As property investors grapple with the late-stage cycle and expropriation narratives, we see little evidence that Grand City is unable to create further value in a market that is defined by a scarcity of assets at the right price. With external growth opportunities limited in its home market, the company reported solid full year 2018 results (figure 1), thanks to execution of its value-add strategy. And we believe GCP is primed for another year of solid FFO 1 and NAV growth (FBe: FFOPS +6.4%, NAVPS +10.0%).

FOUR KEY OPERATIONAL FACTORS

Although unit growth has stagnated the past two years, the company continues to ratchet up the key measurables of its portfolio. We highlight four key charts below as evidence of a growing track record.

The portfolio GAV/m² has steadily increased the last five years and climbed some 9% in 2019, despite being well into the cycle. Grand City also began to purify the portfolio in 2018 by disposing of non-core properties acquired as part of large portfolio deals for a value of €500m—4% over net book value. This generated a €137m economic profit at a roughly 38% margin resulting in FFO 2 of €334m for the year (2017: €204m; +64%).

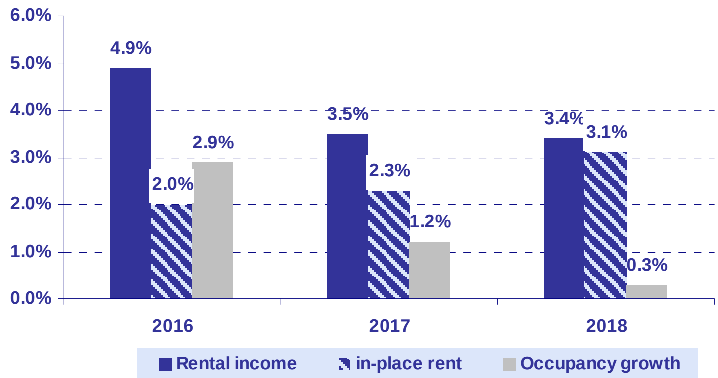
Figure 3: Portfolio value evolution per square metre



Source: First Berlin Equity Research; Company

Grand City has an impressive turnaround track record for increasing in-place rent levels in its portfolio while compressing vacancy rates. The company began reporting quarterly LFL (like-for-like) rent and occupancy growth updates in Q4/16. At the end of 2018, LFL in-place rent growth was reported at 3.1% alongside 0.3% LFL occupancy growth. EPRA vacancy stood at 7.1% and in-place rent was €6.0m².

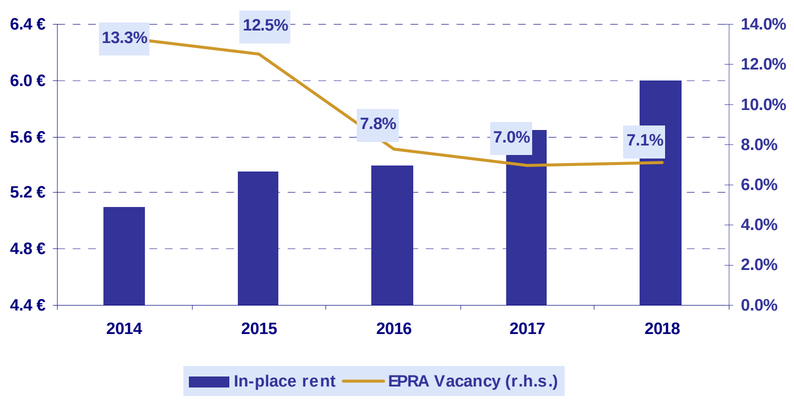
Figure 4: LFL rental income, in-place rent and occupancy developments



Source: First Berlin Equity Research; Company

Management guide for > 3.5% LFL net rental growth in 2019, which looks readily achievable given the persistent housing shortages across Germany recently estimated at some 1.9m residential units by the Hans Böckler Foundation. We see no indication that this is about to change. The German Economic Institute in Cologne says Germany needs to build some 380k new apartments p.a. just to keep up with demand the next two years.

Figure 5: EPRA vacancy and in-place rent developments

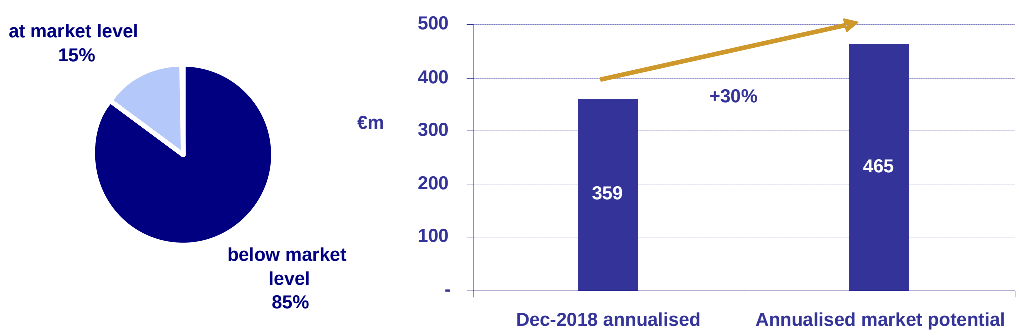


Source: First Berlin Equity Research; Grand City

Proven ability to extract value We continue to regard GCP's operational competence as a differentiating factor in the residential sector. The company has steadily increased rents and compressed vacancy as shown above, and there is still plenty of upside.

Grand City reports reversionary upside on a quarterly basis. Currently, the on-balance sheet residential portfolio contains 30% further operational upside through rent and vacancy optimisation. The annualised market potential of €465m equates to additional net rent of €106m over the next six years. Assuming the operating structure continues to scale at its present trajectory, we expect this to translate into €57m in additional FFO 1 or €0.34 FFOPS 1.

Figure 6: In place rent vs market levels; embedded net rental income upside



Source: First Berlin Equity Research; Grand City

We expect this embedded upside to be the primary earnings and value driver over the near term until market conditions become more favourable for acquisition growth, or if Grand City continues widen its geographic lens when assessing new deals. We note that the company established a solid foothold in London in 2018 and exited the year with a British capital GAV of €0.3bn (4% of portfolio).

STACKING UP THE GERMAN RESIDENTIAL LANDLORDS

In our view, the notion that the residential sector is on the verge of a major correction is false. Although we regard the residential sector as late cycle, we believe fundamentals are merely levelling off, not peaking. We expect Grand City to benefit from its operational structure to continue its current growth trajectory. The regulated rental market combined with strong pent up demand has created a large rental backlog, which drives sustainable, solid earnings growth and high cash flow visibility.

Table 2: Portfolio and balance sheet KPI comperables

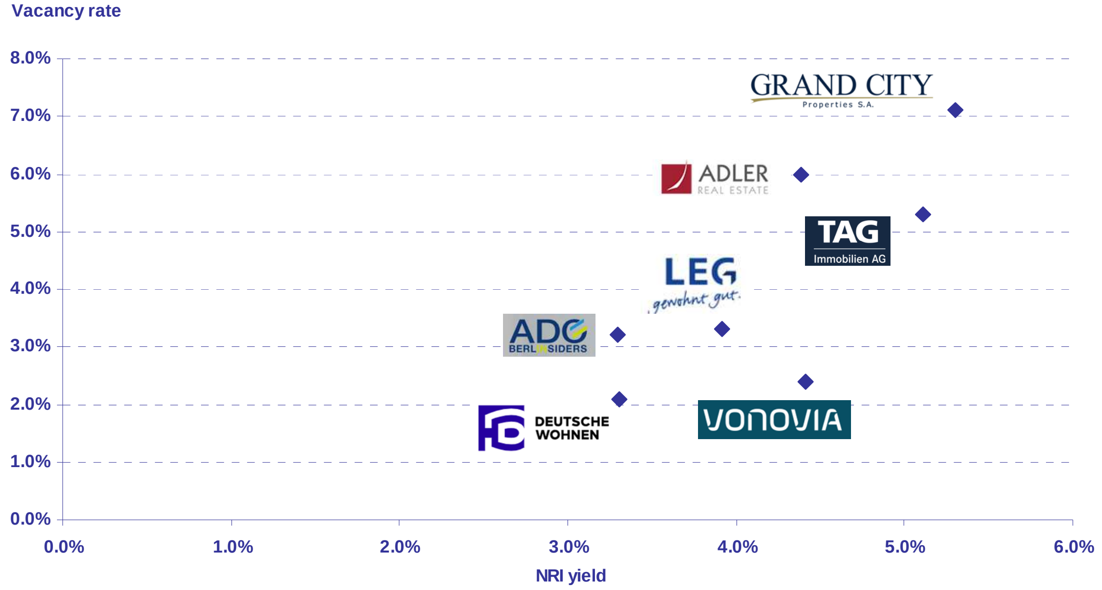
		Grand City Properties	Adler Real Estate	ADO Properties	Deutsche Wohnen	LEG Immobilien	TAG Immobilien	Vonovia	Mean	Upper quartile
Gross asset value (GAV)	€m	7,244	4,989	4,092	23,782	10,709	4,815	42,883	14,073	17,246
Rental yield (NRI)	%	5.3	4.4	3.3	3.3	3.9	5.1	4.4	4.2	4.8
Vacancy rate	%	7.1	6	3.2	2.1	3.3	5.3	2.4	4.2	5.65
Annualised NRI	€m	364	219	135	786	419	246	1,894	580	603
Total units	Number	83,671	58,113	22,238	164,265	133,969	84,426	395,765	134,635	149,117
Lettable space	000 m²	5,350	3,547	1,638	9,899	8,570	5,133	24,863	8,429	9,235
GAV / m²	€	1,257	1,095	2,488	2,157	1,198	938	1,648	1,540	1,903
Avg rent per m²	€ / month	6.0	5.5	6.7	6.6	5.7	5.3	6.5	6.0	6.6
Reversionary upside	%	30	n.a.	40	31	33	n.a.	36	34	36
Portfolio split	Basis	GAV	GAV	GRI	GAV	GAV	GAV	GAV	GAV	GAV
Residential	%	93	98	84	97	96	98	100	95	98
Commercial	%	0	2	14	0	4	0	0	2.8	2.9
Other	%	7	0	2	3	0	2	0	2	3
Berlin component	%	23	3	100	70	0	14	16	32	47

		Grand City Properties	Adler Real Estate	ADO Properties	Deutsche Wohnen	LEG Immobilien	TAG Immobilien	Vonovia	Mean	Upper quartile
LTV	%	34	61	40	36	41	47	43	43	38
Cost of debt (CoD)	%	1.6	2.2	1.7	1.3	1.6	1.9	1.8	1.7	1.6
Maturity (years)	Years	8.3	3.9	4.7	7.8	7.7	8.1	7.8	6.9	8.0
Net debt /EBITDA	x	9	22	17	14	11	11	13	14	11
Equity ratio	%	53	27	53	48	43	41	40	43	50
Interest cover (ICR)	x	6.0	2.3	3.9	6.0	5.3	3.8	4.7	5	6
LTV target	%	< 45	< 55	40	35 - 40	n.a.	50	< 45	-	-
Moody's rating	-	BBB +	n.a.	Baa3	A3	Baa1	Baa3	n.a.	-	-
S&P rating	-	Baa1	BB	n.a.	A-	n.a.	n.a.	BBB+	-	-

Source: First Berlin Equity Research, Grand City Properties, Adler Real Estate, ADO Properties, Deutsche Wohnen, LEG Immobilien, TAG Immobilien, Vonovia

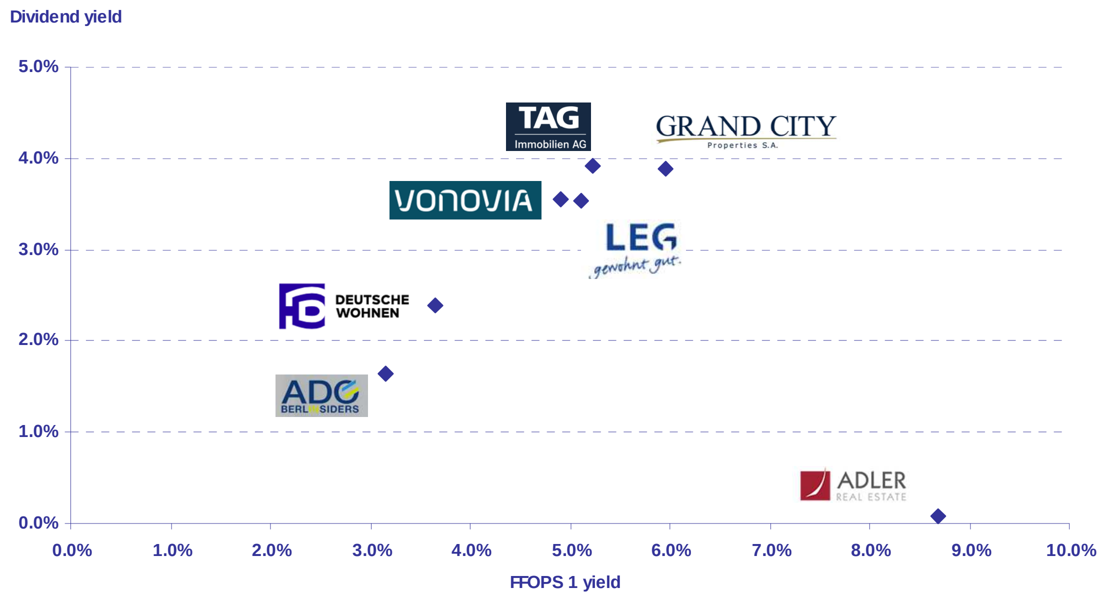
Sector fundamentals are better than most think We argue that the sector as a group remains attractive for investors, thanks to good revisionary upside (mean >34%) and ample dividend and FFO yields that continue to expand. Although Grand City ranks in the middle of the pack on several portfolio metrics, the company ranks at the top in terms of financial strength and capital structure.

Figure 7: German residential NRI yield and portfolio vacancy comparison as of YE18



Source: First Berlin Equity Research, Grand City Properties, Adler Real Estate, ADO Properties, Deutsche Wohnen, LEG Immobilien, TAG Immobilien, Vonovia

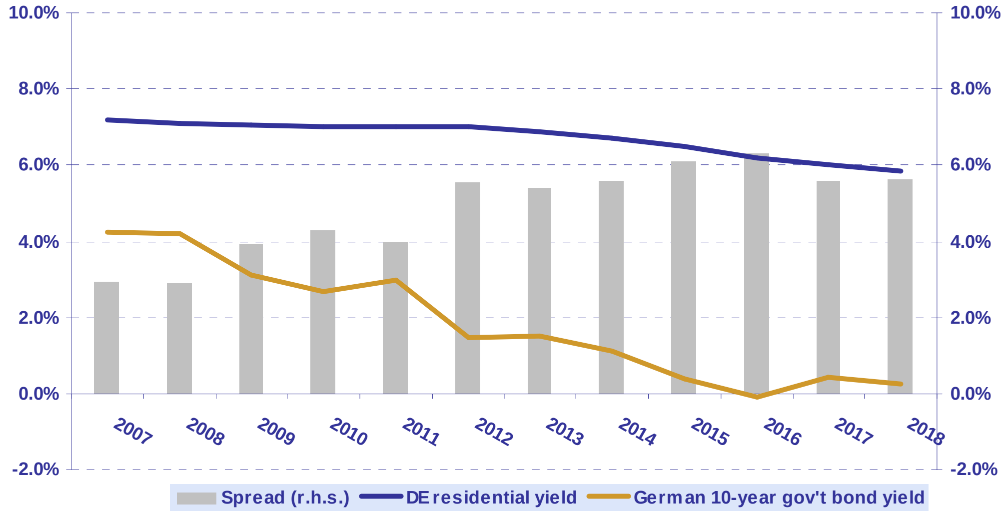
Figure 8: German residential yield and portfolio vacancy comparison as of YE18



Source: First Berlin Equity Research, Grand City Properties, Adler Real Estate, ADO Properties, Deutsche Wohnen, LEG Immobilien, TAG Immobilien, Vonovia

Idle investment capital in the system There remains a paucity of alternative investment options to match real estate yields or income potential. The gap between government bond and German residential yields also remains historically wide, and a number of pension funds and insurers are under pressure to put copious amounts of idle capital to work. Given their size, even minor shifts in their investment strategy can have a sizable impact on the property markets.

Figure 9: German residential over government bond yields



Source: BulwienGesa, Bloomberg

Mesmerised by the renewed surge in the US markets, spearheaded by the tech sectors, European investment capital has been flooding oversees of late. Although US stock market performances have admittedly been far more rewarding than the comparatively lacklustre performance of the DAX and its constituents, we still regard investment in German residential property stocks as a virtual safe-haven investment for risk prudent portfolios that also seek attractive yields.

VALUATION

in €m	2019E	2020E	2021E	2022E	TV
EBITDA	298	316	333	350	354
(+) Revaluations	342	322	312	260	50
(+) Investment income	2	2	2	2	2
(-) Tax expense	96	96	97	92	61
NOPAT	**546**	**543**	**550**	**520**	**345**
Total assets	**9,513**	**9,962**	**10,233**	**10,975**	**10,975**
(-) Current liabilities	307	327	339	355	355
(+) Current financial debt	22	22	22	22	22
(-) Cash	615	513	253	480	480
(+) Deferred taxes	541	588	635	681	681
Capital employed (CE)	**9,153**	**9,732**	**10,298**	**10,842**	**10,842**
Average CE	8,806	9,443	10,015	10,570	10,842
ROCE	6.2%	5.8%	5.5%	4.9%	3.2%
WACC	3.1%	3.1%	3.1%	3.1%	3.1%
ROCE-WACC	3.1%	2.7%	2.4%	1.8%	0.1%
Economic Profit	275	253	242	195	11
NPV	**275**	**240**	**223**	**174**	**478**
Fair value calculation					
Total return	**1,391**				
(+) EPRA NAV (2018)	3,753				
(-) Dividend to be paid	129				
Equity value	**5,015**				
Diluted SO ('000)	179				
Fair value per share (€)	**28.00**				

Valuation metrics	2019E	2020E	2021E	2022E
Price target (€)	28.00	28.00	28.00	28.00
Share price (€)	21.22	21.22	21.22	21.22
Return potential	32.0%	32.0%	32.0%	32.0%
Dividend yield	3.9%	4.2%	4.5%	4.6%
Total return potential	**35.8%**	**36.1%**	**36.4%**	**36.5%**
FFOPS 1 yield	5.6%	6.0%	6.4%	6.9%
DPS (€)	0.83	0.88	0.95	0.94

INCOME STATEMENT

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Net rent	**220**	**285**	**328**	**364**	**388**	**412**
Rental and operating income	**333**	**436**	**495**	**545**	**597**	**634**
Revenue from sale of buildings	0	7	2	0	0	0
Revenue	**333**	**443**	**497**	**545**	**597**	**634**
Capital gains, property revaluations & other	311	598	616	507	342	322
Result from equity-accounted investees	0	1	6	1	2	2
Property expenses	-152	-204	-239	-263	-288	-305
Cost of buildings sold	0	-5	-1	0	0	0
Administration expenses	-7	-10	-11	-11	-13	-14
Operating income (EBIT)	**486**	**823**	**868**	**780**	**639**	**637**
Finance expenses	-26	-36	-40	-46	-52	-53
Other financial results	0	-11	-43	-36	0	0
Pre-tax income (EBT)	**460**	**775**	**786**	**698**	**588**	**584**
Tax and deferred tax expenses	-66	-122	-146	-115	-90	-86
Minority interests	-35	-88	-80	-64	-50	-50
Hybrid note investors	-15	-23	-24	-30	-33	-33
Net income	**344**	**542**	**535**	**489**	**415**	**416**
Basic EPS (€)	2.71	3.56	3.35	2.95	2.49	2.50
Diluted EPS (€)	2.35	3.25	3.06	2.76	2.33	2.34
Adjusted EBITDA	**177**	**225**	**248**	**276**	**298**	**316**
Ratios						
Adjusted EBITDA margin	53.2%	51.6%	50.1%	50.6%	50.0%	49.9%
Tax rate	12.8%	11.9%	-11.3%	-10.8%	10.8%	10.8%
Expenses as % of revenues						
Property expenses	45.4%	46.8%	48.3%	48.2%	48.2%	48.2%
Administration expenses	2.1%	2.2%	2.2%	1.9%	2.3%	2.3%
Y-Y Growth						
Rental and operating income	53.8%	30.6%	13.6%	10.1%	9.5%	6.1%
Total revenues	44.1%	32.7%	12.2%	9.7%	9.5%	6.1%
Operating income	41.9%	69.3%	5.5%	-10.2%	-18.0%	-0.4%
Adjusted EBITDA	58.3%	26.8%	10.3%	11.1%	8.2%	5.9%
Net income/ loss	67.3%	57.7%	-1.5%	-8.6%	-15.1%	0.4%
Funds from Operations (FFO)						
Operating profit	**486**	**823**	**868**	**780**	**639**	**637**
Depreciation and amortisation	2	2	2	3	2	2
EBITDA	**488**	**825**	**871**	**782**	**642**	**639**
Capital gains, property revaluations and other	-311	-598	-616	-507	-342	-322
Result from disposal of trading properties	0	-2	0	0	0	0
Others	1	0	-6	0	-2	-2
Adjusted EBITDA	**177**	**225**	**248**	**276**	**298**	**316**
Financial expense	-26	-36	-40	-46	-52	-53
Tax	-23	-27	-28	-30	-32	-34
Minorities	-1	-1	-2	-2	-2	-2
FFO 1	**128**	**160**	**178**	**198**	**212**	**227**
CapEx	-34	-56	-67	-75	-83	-89
AFFO	**94**	**104**	**111**	**122**	**129**	**138**

BALANCE SHEET

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Assets						
Current assets, total	**627**	**1,028**	**796**	**1,238**	**1,289**	**1,210**
Cash and cash equivalents	236	449	312	603	615	513
Traded securities at fair value though P&L	153	181	89	162	162	162
Trade and other receivables	226	220	260	319	360	382
Inventories - Trading property	12	27	12	17	16	17
Assets held for sale	0	150	123	136	136	136
Non-current assets, total	**4,062**	**5,126**	**6,712**	**7,623**	**8,224**	**8,752**
Equipment and intangible assets	9	16	20	24	26	29
Investment property	3,846	4,823	6,414	7,282	7,861	8,364
Equity accounted investees	0	118	37	26	28	29
Other LT assets	195	155	214	254	269	285
Deferred tax assets	11	15	28	37	40	44
Total assets	**4,689**	**6,154**	**7,508**	**8,861**	**9,513**	**9,962**
Shareholders' equity & debt						
Current liabilities, total	**277**	**338**	**371**	**306**	**342**	**362**
Short-term debt	55	29	62	22	22	22
Trade and other payables	190	252	267	242	276	293
Other current liabilities	32	58	42	42	45	47
Long-term liabilities, total	**2,239**	**2,750**	**3,288**	**3,887**	**4,135**	**4,203**
Long-term debt	792	897	919	846	884	884
Convertible and straight bonds	1,168	1,478	1,810	2,450	2,598	2,612
Deferred taxes	239	326	500	523	581	633
Other LT liabilities	40	50	59	69	72	75
Minority interests	142	197	364	409	459	509
Shareholders' equity	**2,030**	**2,868**	**3,485**	**4,258**	**4,576**	**4,888**
Total consolidated equity and debt	**4,689**	**6,154**	**7,508**	**8,861**	**9,513**	**9,962**
Ratios						
Current ratio (x)	2.26	3.04	2.15	4.04	3.77	3.34
Equity ratio	46.3%	49.8%	51.3%	52.7%	52.9%	54.2%
EPRA NAV[1] (€m)	2,402	3,208	3,993	4,783	5,170	5,533
Net debt (€m)	1,626	1,783	2,393	2,560	2,727	2,843
Net debt / equity	0.8	0.6	0.7	0.6	0.6	0.6
Net debt / EBITDA (x)	9.2	7.9	9.7	9.3	9.1	9.0
Interest cover (x)	6.9	6.2	6.2	6.0	5.7	6.0
Loan-to-value (LTV)	41.9%	34.9%	36.4%	34.3%	34.0%	33.3%
Return on equity (ROE)	18.1%	21.3%	16.6%	12.5%	9.9%	9.2%

[1] including perpetual notes

CASH FLOW STATEMENT

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Net income	**394**	**653**	**639**	**583**	**497**	**499**
Depreciation and amortisation	2	2	2	3	2	2
Profit from equity accounted investees	0	-1	-6	-1	-2	-2
Change in fair value of investment properties	-311	-598	-616	-507	-342	-322
Net finance expenses	26	47	83	82	52	53
Tax result	66	122	146	115	90	86
Others	1	1	1	1	0	0
Operating cash flow	**177**	**227**	**248**	**276**	**298**	**316**
Inventories - trading properties	-1	2	-6	-6	1	-1
Trade & other receivables	-25	-6	-39	-38	-40	-22
Trade & other payables	20	3	19	18	34	17
Provisions for other liabilities	5	-6	3	3	2	2
Tax paid	-19	-19	-23	-28	-32	-34
Net cash flow from operating activities	**157**	**201**	**202**	**225**	**262**	**277**
Investment in fixed/intangible assets	-4	-3	-6	-6	-5	-5
Investments & acquisitions of investment property	-406	-476	-374	-501	-236	-182
Acquisition of subsidiaries	-446	-111	-324	-112	0	0
Proceeds from investments in financial assets	-359	33	95	-100	-15	-16
Cash flow from investing	**-1,215**	**-557**	**-608**	**-718**	**-256**	**-202**
Debt financing, net	440	487	597	916	187	14
Equity financing, net	640	171	176	312	0	0
Other financing activities	-24	-44	-457	-385	-129	-138
Net paid financing expenses	-33	-46	-47	-56	-52	-53
Cash flow from financing	**1,023**	**569**	**269**	**786**	**6**	**-177**
Net cash flows	**-34**	**213**	**-137**	**291**	**11**	**-102**
Cash, start of the year	270	236	449	312	603	615
Cash, end of the year	**236**	**449**	**312**	**603**	**615**	**513**
Adjusted EBITDA / share (€)	**1.27**	**1.46**	**1.50**	**1.65**	**1.79**	**1.89**
FFO I	**128**	**160**	**178**	**198**	**212**	**227**
FFOPS I (€)	**1.01**	**1.05**	**1.12**	**1.19**	**1.27**	**1.36**
Y-Y Growth						
Operating cash flow	38.3%	27.8%	0.5%	11.0%	16.6%	5.9%
Adjusted EBITDA / share	34.5%	15.0%	3.0%	9.8%	8.2%	5.9%
FFO 1	68.2%	25.1%	11.2%	11.1%	7.1%	7.0%
FFOPS 1	52.8%	3.9%	6.5%	7.1%	6.4%	7.0%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 January 2013	€4.37	Buy	€14.30
2...27	↓	↓	↓	↓
28	20 August 2018	€23.08	Buy	€27.00
29	21 November 2018	€20.66	Buy	€27.00
30	21 March 2019	€21.92	Buy	€28.00
31	Today	€21.22	Buy	€28.00

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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.

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

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