

Grand City Properties S.A.

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

2021
 Results

RATING
PRICE TARGET **BUY**
 € 28.00
 Return Potential 40.6%
 Risk Rating Medium

RIGHT ON TARGET

Full year reporting showcased GCP's operational proficiency. Headline figures were in line with FBe and 2021 guidance. Net rent totalled €375m for the period led by a 2.8% like-for-like (LFL) net rental income increase, which helped offset the impact of non-core property disposals on rental income. FFOPS 1 (after perpetual notes) of €1.11 beat the prior year figure by 3.7%, thanks to the effects of the €270m in share buybacks. NTAPS (Net Tangible Assets per share) tallied €30.4 equal to a 15% Y/Y increase. Management put 2022 guidance at FFOPS 1 of €1.13 to €1.18 underpinned by >2% LFL net rental growth. We maintain our Buy rating and €28 price target.

Operational highlights Grand City was highly active in optimising its stable of properties and capital structure last year. The company restocked its property portfolio with some €0.7bn in acquisitions across metropolitans, such as Berlin and London. GCP also sold properties totalling ~€0.4bn, which were closed at 22% above book value (BV). Portfolio vacancy hit another record low at 5.1% at the end of Q4, thanks to good letting activity in conjunction with disposal effects. IT investments in 2021 now allow GCP to handle letting activities (viewings, lease signings, service requests) digitally. These upgrades also mitigated inflationary effects on internal operations and margins. The capital structure remains a strength, thanks to: (1) the issuance of the Series X straight bonds (7 year, €1bn, 0.125% coupon) last January; and (2) the refinancing of higher cost debt totalling €1.1bn, which in turn resulted in further cost of debt compression to 1.0% (YE20: 1.3%). We think GCP is also well insulated from potential rate hikes to combat inflation. Only 3% of the company's debt portfolio has a variable interest rate. H2/21 property acquisitions and the full effects of share buybacks should help propel further topline and per share growth this year as the landlord continues to unlock embedded portfolio upside, even if the highly competitive residential market continues to limit external growth opportunities. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022E	2023E
Rental income (€m)	544.98	560.30	535.42	524.63	539.47	563.09
Y/Y growth	10.1%	2.8%	-4.4%	-2.0%	2.8%	4.4%
Adj. EBITDA (€m)	275.53	297.66	299.78	298.59	301.57	312.51
Net income ¹ (€m)	488.6	406.9	362.2	523.5	437.1	449.0
EPRA NTA (€m)	n.a.	4,357.70	4,566.43	5,020.19	5,391.68	5,777.28
EPRA NTAPS (€)	n.a.	25.90	26.55	30.40	32.68	35.02
DPS (€)	0.77	0.82	0.82	0.83	0.87	0.91
FFO 1* (€m)	167.59	178.97	182.21	186.33	192.24	199.68
FFOPS 1* (€)	1.01	1.07	1.07	1.11	1.17	1.21
Liquid assets (€m)	765.04	1,069.46	1,697.91	1,113.53	914.85	813.98

* after perpetual adjustment

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.

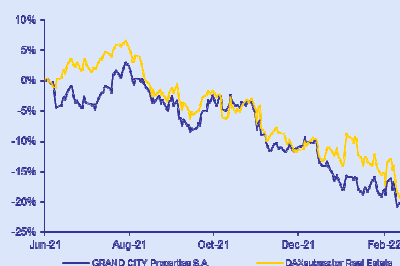
MARKET DATA

As of 17 Mar 2022

Closing Price	€ 19.92
Shares outstanding	176.18m
Market Capitalisation	€ 3509.51m
52-week Range	€ 18.24 / 23.92
Avg. Volume (12 Months)	400,069

Multiples	2021	2022E	2023E
P/FFO 1	17.9	17.1	16.5
P/EPRA NAV	0.7	0.6	0.6
FFO 1 Yield	5.6%	5.8%	6.1%
Div. Yield	4.2%	4.4%	4.6%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2021

Liquid Assets	€ 1,108.00m
Investment properties	€ 9,339.00m
EPRA NTA	€ 5,020.00m
Total Assets	€ 11,562.00m
Current Liabilities	€ 773.00m
Total Equity	€ 5,803.00m

SHAREHOLDERS

Edolaxia Ltd.	46.0%
Treasury	6.0%
Free float	48.0%



ANNUAL RESULT HIGHLIGHTS

Organic rental growth was driven by good operational performance leading to a 1% rise in net rent (RI). Grand City was a net buyer in 2021, but many of the new properties were acquired in H2/21 meaning the full impact was not reflected in the 2021 results. Adjusted EBITDA (AEBITDA) was stable vs the prior year figure.

Results were spurred by another good like-for-like (LFL) performance. GCP realised total LFL net rental growth of 2.8% comprising 0.6% occupancy increases and 2.2% in-place rent. In-place rent LFL contains 0.8% re-letting and 1.4% indexation with the strong performance of the latter owing to the reversal of the Berlin rent cap.

Table 1: 2021 results vs prior year and FBe

in €m	Q4/21	Q4/21E	Variance	Q4/20	Variance	2021	2020	Variance
Net rent	98	92	7.0%	93	6.3%	375	372	0.7%
AEBITDA	77	74	3.5%	77	-0.5%	299	300	-0.5%
margin	78%	80%	-	83%	-	80%	81%	-
FFO 1 (after perpetuals)	46	46	-1.0%	45	2.1%	186	182	2.4%
FFOPS 1 (€) (after perpetuals)	0.27	0.27	0.0%	0.26	3.8%	1.11	1.07	3.7%

Source: First Berlin Equity Research; Grand City Properties

FFO 1, the key industry indicator for recurring operational cash flow, matched our estimate at €46m in Q4/21 and beat the prior year result by 2.1% equating to FFOPS 1 of €0.27 (+3.8%). The company redefined FFO 1 last year to now include perpetual note attribution and reflect the revised EPRA Best Practice Recommendations. On a full year basis, FFO 1 rose 2.4% Y/Y to €186m or €1.11 per share (+3.7% Y/Y). Annualised FFOPS 1 corresponds to a 5.5% yield.

The bottom line FFO 1 performance owes to the aforementioned optimised financial structure, which also included the refinancing of the 3.75% perpetual notes. Lower financing costs helped offset higher tax expenses, while the higher per share upside is traced to the buyback effects.

FFO 2 amounted to €288m in 2021 (2020: €484m). Grand City disposed of €360m in non-core and mature assets during 2021 as part of its cash recycling strategy. AFFO (adjusted funds from operations), which strips out repositioning CapEx as a measure of recurring operational cash flows, increased to €123m vs €120m last year.

Table 2: 2021 performance vs guidance and FBe

	Unit	2021 Guidance	FBe 2021	2021A
FFO 1 (after perpetuals)	€m	183 - 192	186	186
FFOPS 1 (after perpetuals)	€	1.08 - 1.13	1.11	1.11
DPS	€	0.81 - 0.85	0.87	0.83
LFL net rent growth	%	2.0 - 3.0	2.5	2.8
LTV	%	< 45	36	36

Source: First Berlin Equity Research; Grand City Properties



NTAPS UP 15% ON AN ANNUALISED BASIS

Table 1: Expanded EPRA BPR reporting

in €m	2021	2020	Variance
EPRA NRV	5,229	4,776	9.5%
NRV/PS (€)	31.7	27.8	14.0%
EPRA NTA	5,020	4,566	9.9%
NTAPS (€)	30.4	26.5	14.7%
EPRA NDV	3,853	3,452	11.6%
NDV/PS (€)	23.3	20.1	15.9%

Source: First Berlin Equity Research; Grand City Properties

EPRA NTA totalled €5.0bn (€30.4 / share) compared to €4.6bn at year-end 2020 (€26.5 / share, +14.7%). Profits generated during the period were slightly mitigated by the share buyback (~€270m) and perpetual note repurchases (€84m).

However, the disproportionate uplift in NTAPS owes to the accretive effects of the share buyback programme. Some 70% of shareholders opted to receive their dividend in the form of GCP shares (scrip dividend). Adjusted for the €0.82 dividend distribution, EPRA NTAPS was up 18% Y/Y.

Capital structure developments Grand City exited the year with cash & liquid assets of ~€1.1bn giving management good financial flexibility to pursue acquisition opportunities, optimise the debt portfolio, and buffer against economic volatility. Net debt stood at €3.3bn vs €2.5bn at YE20, and the debt structure features an LTV of 36%, which remains well below the 45% internal limit set by the Management Board. Coverage ratios were solid with a debt service coverage ratio (DSCR) and an interest coverage ratio (ICR) of 5.9x and 6.4x respectively at the end of Q4. The latter is comfortably above the $\geq 2.0x$ covenant. The capital structure also includes €8.4bn in unencumbered assets or 88% of portfolio value.

Table 3: Financial highlights

in €m	2021	2020	Variance
Cash & liquid assets	1,108	1,692	-35%
Investment property	9,339	8,022	16%
Unencumbered assets	8,353	6,680	25%
Unencumbered assets ratio	88%	82%	-
Total equity	5,803	5,555	4%
EPRA NTA	5,020	4,566	10%
Interest bearing debt	358	437	-18%
Straight & convertible bonds	4,092	3,776	8%
Loan-to-Value (LTV)	36%	31%	-
Equity ratio	50%	51%	-

Source: First Berlin Equity Research; Grand City Properties



PORTFOLIO BREAKDOWN

The number of units now stands at 65k after the company bought some 6,700 flats for around €700m at an 18x RI multiple. These included ~2k units in London, Berlin, Dresden, Munich, and other German hubs.

Disposals of non-core assets in eastern German cities and secondary towns in NRW totalled around €360m at 22% above BV and at a 39% profit margin over cost including CapEx.

Table 4: YE portfolio overview

	Investment properties (€m)	Rentable area ('000 m ²)	EPRA vacancy	Annualised net rent (€m)	In-place rent (€/m ²)	Number of units	Value (€/m ²)	Rental yield
NRW	1,887	1,228	5.6%	88	6.1	17,941	1,537	4.7%
Berlin	2,049	578	4.2%	60	8.7	8,025	3,545	2.9%
Dresden / Leipzig / Halle	1,156	815	4.8%	52	5.5	13,997	148	4.5%
Mannheim / KL / Frankfurt / Mainz	467	194	3.6%	20	8.5	3,292	2,410	4.2%
Nuremberg / Fürth / Munich	278	80	7.0%	9	9.4	1,430	3,494	3.1%
Hamburg / Bremen	426	269	5.7%	20	6.6	4,051	1,584	4.7%
London	1,749	209	5.8%	78	33.5	3,901	8,355	4.4%
Others	1,021	723	4.6%	56	6.9	12,300	1,411	5.5%
Development rights & new build	306	-	-	-	-	-	-	-
Total	9,339	4,096	5.1%	383	8.1	64,937	2,205	4.2%

Source: First Berlin Equity Research; Grand City Properties

Portfolio KPIs continue to improve The portfolio value (€ / m²) hit 2,205 compared to 1,858 at YE20. This also corresponds to a 21% CAGR for the period 2018 to 2021. Meanwhile, in-place rent is now at €8.1 per square metre vs €7.4 at YE20 (+8%), while portfolio vacancy is at a new historical low of 5.1%. The good performance owes to the ongoing optimisation as well as improving letting activities.

Table 5: Portfolio KPI developments

	Unit	2021	2020
Rent multiple	x	23.6	22.2
Value	€/m ²	2,205	1,858
Market rental growth p.a.	%	1.7	1.4
Management cost per unit	€	269	260
Ongoing maintenance cost	€/m ²	9.2	8.7
Avg. discount rate	%	4.8	5.1
Avg. capitalisation rate	%	3.9	4.1

Source: First Berlin Equity Research; Grand City Properties



LOOKING AHEAD IN 2022

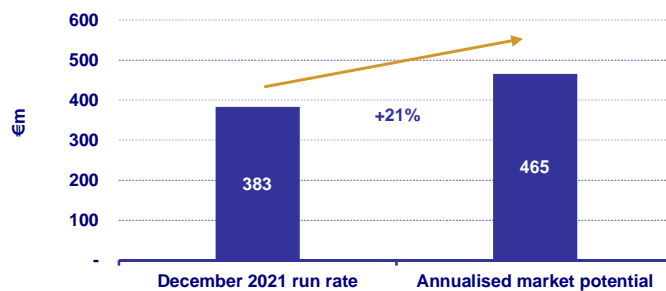
Table 6: Initial 2022 guidance vs FBe

	Unit	2022 Guidance	FBe 2022
FFO 1 (after perpetuals)	€m	188 - 197	192
FFOPS 1 (after perpetuals)	€	1.13 - 1.18	1.17
DPS	€	0.85 - 0.89	0.87
LFL net rent growth	%	>2.0	2.2
LTV	%	< 45	35

Source: First Berlin Equity Research estimates; Grand City Properties

We expect GCP to follow a similar acquisition / disposal strategy to 2021. Overall, the German market continues to be defined by a wide demand / supply gap that limits acquisition opportunities. Management commented that the deal pipeline stands at “a couple hundred million euros” on the conference call. Similar to the past two years, mature units will be considered for disposal to recycle cash, although we expect this will also be limited. With external growth largely idling, we think Grand City will focus on organic growth and has ample opportunity (figure 1) with the embedded value of its optimised portfolio.

Figure 1: Annualised RI vs market potential



Source: First Berlin Equity Research; Grand City Properties



VALUATION MODEL

We contend that the 37% discount to NAV (YE21: €30.4) provides an excellent opportunity to buy Grand City shares. The portfolio has been culled of mature low-performing assets, and the company has good embedded upside with its diverse portfolio to drive organic growth. A highly supportive German residential market to help unlock this upside also factors into our optimism. Our rating remains Buy with a €28 target price.

in €m	2022E	2023E	2024E	2025E	TV
EBITDA	302	313	327	341	345
(+) Revaluations	368	376	383	391	157
(+) Investment income	0	0	0	0	0
(-) Tax expense	100	103	107	110	75
NOPAT	569	585	604	622	426
Total assets	11,905	12,478	12,938	13,746	13,746
(-) Current liabilities	329	347	364	382	382
(+) Current financial debt	5	5	5	5	5
(-) Cash	697	596	374	497	497
(+) Deferred taxes	765	821	878	936	936
Capital employed (CE)	11,649	12,362	13,082	13,808	13,808
ROCE	5.1%	4.9%	4.7%	4.6%	3.1%
WACC	3.1%	3.1%	3.1%	3.1%	3.1%
ROCE-WACC	2.0%	1.8%	1.6%	1.5%	0.0%
Economic Profit	225	213	210	206	-1
NPV	220	202	193	184	-46
Fair value calculation					
Total return	751				
(+) EPRA NAV (2021)	4,641				
(-) Dividend paid	138				
Equity value	5,255				
Fair value per share (€)	28.0				
Valuation metrics					
Price target (€)	28.00				
Share price (€)	19.92				
Return potential	40.6%				
Dividend yield	4.4%				
Total return potential	44.9%				
FFOPS 1 yield	6.6%				
DPS (€)	0.87				



INCOME STATEMENT

All figures in EURm	2018	2019	2020	2021	2022E	2023E
Net rent	364	383	372	375	387	404
Rental and operating income	545	560	535	525	539	563
Property revaluations & capital gains	507	401	343	695	368	376
Result from equity-accounted investees	1	0	4	4	0	0
Property expenses	-263	-256	-226	-218	-224	-236
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-13	-11	-11	-13	-14
Operating income (EBIT)	780	693	645	994	670	688
Finance expenses	-46	-45	-53	-46	-44	-46
Other financial results	-36	-33	-46	-149	0	0
Pre-tax income (EBT)	698	615	547	799	626	642
Tax and deferred tax expenses	-115	-121	-93	-174	-100	-103
Minority interests	-64	-53	-54	-69	-57	-59
Hybrid note investors	-30	-33	-33	-25	-25	-25
Net income	489	407	367	532	444	456
Basic EPS (€)	2.95	2.43	2.13	3.12	2.65	2.72
AEBITDA	276	298	300	299	302	313
Ratios						
Adjusted EBITDA margin	50.6%	53.1%	56.0%	56.9%	55.9%	55.5%
Tax rate	-10.8%	-12.5%	-10.5%	-13.1%	13.0%	13.0%
Expenses as % of revenues						
Property expenses	48.2%	45.6%	42.3%	41.6%	41.6%	42.0%
Administration expenses	1.9%	2.3%	2.0%	2.1%	2.5%	2.5%
Y-Y Growth						
Rental and operating income	10.1%	2.8%	-4.4%	-2.0%	2.8%	4.4%
Total revenues	9.7%	2.8%	-4.4%	-2.0%	2.8%	4.4%
Operating income	-10.2%	-11.1%	-6.9%	54.1%	-32.6%	2.7%
Adjusted EBITDA	11.1%	8.0%	0.7%	-0.4%	1.0%	3.6%
Net income/ loss	-8.6%	-16.7%	-9.8%	44.8%	-16.6%	2.7%
Funds from Operations (FFO)						
Operating profit	780	693	640	986	663	681
Depreciation and amortisation	3	4	5	8	6	7
EBITDA	782	697	645	994	670	688
Property revaluations & capital gains	-507	-401	-343	-695	-368	-376
Others	0	2	-2	-1	0	0
Adjusted EBITDA	276	298	300	299	302	313
Financial expense	-46	-45	-53	-46	-44	-46
Tax	-30	-37	-31	-39	-39	-41
Minorities	-2	-4	-1	-2	-1	-1
FFO 1 (before perpetuals)	198	212	215	211	217	225
Perpetual note adjustment	-30	-33	-33	-25	-25	-25
FFO 1	168	179	182	186	192	200
CapEx	-75	-76	-62	-63	-74	-71
AFFO	92	103	120	123	118	129



BALANCE SHEET

All figures in EURm	2018	2019	2020	2021	2022E	2023E
Current assets, total	1,238	1,629	2,264	1,679	1,369	1,288
Cash and cash equivalents	603	914	1,412	895	697	596
Traded securities at fair value though P&L	162	155	286	218	218	218
Trade and other receivables	319	342	395	452	443	463
Inventories - Trading property	17	16	16	0	0	0
Assets held for sale	136	201	155	114	11	11
Non-current assets, total	7,623	8,223	8,602	9,883	10,536	11,191
Equipment and intangible assets	24	27	27	70	77	85
Investment property	7,282	7,981	8,043	9,364	9,988	10,614
Equity accounted investees	26	21	108	0	0	0
Other LT assets	254	151	373	397	413	430
Deferred tax assets	37	42	51	51	57	62
Total assets	8,861	9,851	10,866	11,562	11,905	12,478
Current liabilities, total	306	454	427	773	329	347
Short-term debt	22	33	147	455	5	5
Trade and other payables	242	288	209	216	215	227
Other current liabilities	42	133	71	103	109	115
Long-term liabilities, total	3,887	4,431	4,884	4,986	5,417	5,609
Long-term debt	846	521	427	353	700	800
Convertible and straight bonds	2,450	3,195	3,639	3,642	3,657	3,679
Deferred taxes	523	592	634	760	821	883
Other LT liabilities	69	122	183	231	238	246
Minority interests	409	444	535	615	672	731
Shareholders' equity	4,258	4,523	5,020	5,188	5,487	5,792
Total consolidated equity and debt	8,861	9,851	10,866	11,562	11,905	12,478
Ratios						
EPRA NTA (€m)	n.a.	4,358	4,566	5,020	5,392	5,777
EPRA NTAPS (€)	n.a.	25.9	26.5	30.4	32.7	35.0
Net debt (€m)	2,560	2,690	2,521	3,342	3,447	3,670
Net debt / equity (x)	0.6	0.6	0.5	0.6	0.6	0.6
Net debt / EBITDA (x)	9.3	9.0	8.4	11.2	11.4	11.7
Interest cover (x)	6.0	6.6	5.7	6.4	6.8	6.8
Loan-to-value (LTV)	34%	33%	31%	36%	35%	35%
Equity ratio	53%	50%	51%	50%	52%	52%
Return on equity (ROE)	12.5%	9.9%	8.1%	10.6%	8.4%	8.2%



CASH FLOW STATEMENT

All figures in EURm	2018	2019	2020	2021	2022E	2023E
Net income	583	493	449	617	519	533
Depreciation and amortisation	3	4	5	8	6	7
Profit from equity accounted investees	-1	0	-4	-4	0	0
Change in fair value of investment properties	-507	-401	-343	-695	-368	-376
Net finance expenses	82	78	98	195	44	46
Tax result	115	121	93	174	100	103
Others	1	2	2	3	0	0
Operating cash flow	276	298	300	299	302	313
Change in working capital	-23	-20	-29	-45	17	1
Tax paid	-28	-28	-28	-37	-39	-41
Net cash flow from operating activities	225	249	242	217	279	273
Investment in fixed/intangible assets	-6	-7	-7	-8	-14	-14
Net property investments / disposals	-501	-194	-492	-465	-154	-249
Acquisition of subsidiaries	-112	31	547	333	0	0
Proceeds from investments in financial assets	-100	117	-439	-58	-16	-17
Cash flow from investing	-718	-53	-392	-198	-183	-280
Debt financing, net	916	360	559	-71	-88	122
Equity financing, net	312	-33	207	-91	-25	-25
Share buyback	0	0	0	-272	0	0
Dividend paid	-79	-107	-71	-54	-138	-144
Other financing activities	-306	-55	7	0	0	0
Net paid financing expenses	-56	-50	-51	-50	-44	-46
Cash flow from financing	785	115	651	-537	-295	-93
Fx effects	-1	0	-3	2	0	0
Net cash flows	291	311	498	-517	-199	-101
Cash, start of the year	312	603	914	1,412	895	697
Cash, end of the year	603	914	1,412	895	697	596
AEBITDA / share (€)	1.65	1.77	1.74	1.69	1.71	1.77
FFO 1*	168	179	182	186	192	200
FFOPS 1* (€)	1.01	1.07	1.07	1.11	1.17	1.21
Y-Y Growth						
Operating cash flow	11.0%	11.1%	-2.9%	-10.4%	28.6%	-2.2%
Adjusted EBITDA / share	9.8%	7.3%	-1.6%	-2.8%	1.0%	3.6%
FFO 1	9.0%	6.8%	1.8%	2.3%	3.2%	3.9%
FFOPS 1	5.0%	5.8%	0.3%	3.6%	4.8%	3.9%

* adjusted for perpetual notes

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 18 March 2022 at 09:11

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

Copyright© 2022 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) 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.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Grand City Properties S.A. the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0,5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- 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;

With regard to the financial analyses of Grand City Properties S.A. the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

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 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.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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...39	↓	↓	↓	↓
40	17 November 2020	€20.36	Buy	€27.50
41	15 December 2020	€19.91	Buy	€27.50
42	22 February 2021	€20.42	Buy	€27.50
43	17 March 2021	€21.58	Buy	€27.50
44	15 April 2021	€22.26	Buy	€27.50
45	19 May 2021	€21.88	Buy	€27.50
46	17 August 2021	€23.40	Buy	€27.50
47	16 November 2021	€22.28	Buy	€28.00
48	Today	€19.92	Buy	€28.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.