

Grand City Properties S.A.

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

2022 results

RATING	BUY
PRICE TARGET	€ 12.80
Return Potential	75.0%
Risk Rating	Medium

BATTENING DOWN THE HATCHES

Full year reporting was close to FBe, but management continue to batten down the hatches with macro headwinds growing stronger. GCP will now recommend to the June AGM that a dividend not be paid on 2022 earnings in order to preserve liquidity. This follows the December decision not to call the January 2023 perpetual notes or defer coupon payments. Rental growth potential will also be gated this year with portfolio vacancies at a record low (4.2%) and tenants wrestling with inflation and soaring energy bills. FFO 1 will take a hit in 2023 (guidance: €170m to €180m), mainly or the reset perpetual notes. We have also upped the risk free rate in our model to 2.4% (1.5%) to track the development in the German 10y Bund, which points to a €12.8 TP (old: €16.8). Our rating remains Buy.

Battening down the hatches. . . GCP announced that it will not pay a dividend on 2022 earnings, given the overarching market uncertainty and desire to husband cash. The company is expecting up to €10m in higher perpetual note expenses in 2023 after deciding not to call the January 2023 notes (overleaf) or defer coupon payments. No decision has been taken on the October 2023 notes, but we have already factored the reset to 2.432% plus Euribor into our estimates. LFL rental growth will probably be off last year's pace with lower rent indexation. Tenants are wrestling with soaring energy costs, a higher cost of living vs scant hikes in take-home pay, while apartment turnover is also expected to remain low and limit opportunities to increase rents via re-letting (2022: 1.3% LFL). The German transaction market also remains frozen. This not only limits disposal opportunities but also hurts property valuations with the absence of transaction comps. Combined with climbing discount rates, management continue to expect portfolio valuation risk of around minus 5% over the coming 12 – 18 months, which is reflected in 2023 FBe.

. . . to gird for fiendishly challenging macro-environment Grand City exited 2022 with €458m in liquid assets and debt coverage into Q2/25. Plus, the high amount of unencumbered assets (88%) gives management good. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Rental income (€m)	560.3	535.4	524.6	582.5	594.4	606.9
Y/Y growth	2.8%	-4.4%	-2.0%	11.0%	2.0%	2.1%
Adj. EBITDA (€m)	297.7	299.8	298.6	308.1	309.3	321.1
Net income (€m)	406.9	362.2	523.5	129.2	-45.2	261.6
EPRA NTA (€m)	4,357.7	4,566.4	5,020.2	5,115.7	5,040.9	5,201.8
EPRA NTAPS (€)	25.9	26.5	30.4	29.6	29.3	30.2
DPS (€)	0.82	0.82	0.83	0.00	0.76	0.74
FFO 1* (€m)	179.0	182.2	186.3	192.2	174.1	170.1
FFOPS 1* (€)	1.07	1.07	1.11	1.14	1.01	0.99
Liquid assets (€m)	1,069.5	1,697.9	1,113.5	436.8	941.6	787.0

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.

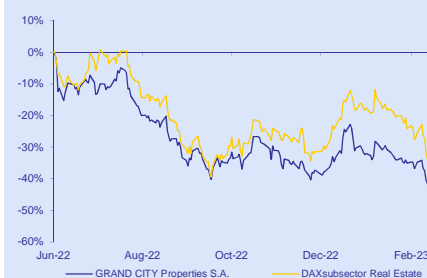
MARKET DATA

As of 20 Mar 2023

Closing Price	€ 7.32
Shares outstanding	176.18m
Market Capitalisation	€ 1,288.76m
52-week Range	€ 7.32 / 20.28
Avg. Volume (12 Months)	253,103

Multiples	2022	2023E	2024E
P/FFO 1	6.4	7.2	7.4
P/NTA	0.2	0.3	0.2
FFO 1 Yield	15.6%	13.8%	13.5%
Div. Yield	0.0%	10.4%	10.1%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 427.3m
Current Assets	€ 9,529.6m
Intangible Assets	€ 5,115.7m
Total Assets	€ 11,131.3m
Current Liabilities	€ 308.7m
Shareholders' Equity	€ 5,914.2m

SHAREHOLDERS

Edolaxia Ltd.	59.0%
Treasury	2.0%
Free float	39.0%



. . . access to bank financing at a ~1.5% margin with a credit pipeline of around €200m. Thanks to 93% hedging, the average cost of debt is only expected to rise to 1.4% by YE23 (YE22: 1.3%). The German residential market continues to be defined by a large supply gap, which we don't expect to change with many new projects idling or cancelled, due to high construction costs. Further, the rise in mortgage rates means that many urbanites can no longer afford to buy and are staying put thus ratcheting up the pressure on rental supply.

ANNUAL RESULT HIGHLIGHTS

Good operational performance spurred a 6.0% rise in net rent (NRI) to €396m. The performance is traced to the combined impact of net acquisitions and solid like-for-like (LFL) performance during the year. Grand City was again a net buyer in 2022 with some €250 in accretive acquisitions (2021: €700m) comprising ~1k units in Berlin and London. Q4 NRI was close to our estimate (table 1).

GCP realised total LFL net rental growth of 2.9% in the January-to-December period comprising 0.7% occupancy increases and 2.2% in-place rent. In-place rent LFL contains 1.3% re-letting and 0.9% indexation. The portfolio vacancy hit a historic low of 4.2% vs 5.1% at YE21.

Table 1: 2022 and Q4 results vs prior year and FBe

in €m	Q4/22	Q4/22E	Variance	Q4/21	Variance	2022	2021	Variance
Net rent	101	97	4.4%	99	2.3%	396	375	5.7%
Adjusted EBITDA	78	75	4.0%	77	1.8%	308	299	3.2%
margin	77%	77%	-	77%	-	78%	80%	-
FFO 1 (after perpetuals)	48	47	1.3%	46	3.6%	192	186	3.2%
FFOPS 1 (€) (after perpetuals)	0.27	0.27	1.3%	0.27	0.0%	1.14	1.11	2.7%

Source: First Berlin Equity Research; Grand City Properties

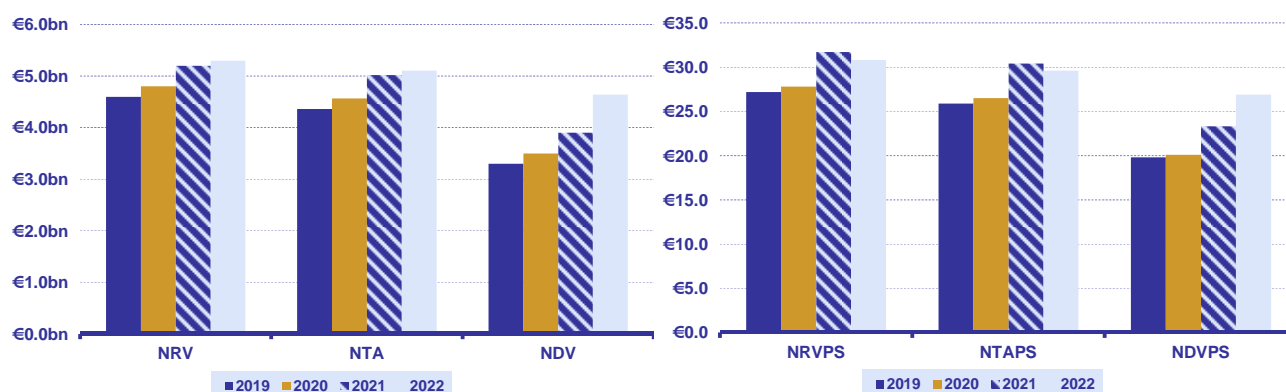
The net acquisitions, closed mainly at the end of Q2/22, contributed to the 3% year-on-year increase in AEBITDA. However, the margin was around 200 basis points lower Y/Y at 78% on inflationary effects, mainly visible in higher personnel and service provider costs, that somewhat offset operational gains.

FFO 1, the key industry indicator for recurring operational cash flow, also moved 3% higher Y/Y, while FFOPS 1 was moderately impacted by the uptick in the share count stemming from the high participation in the scrip dividend. FFO 2 tallied €201m in 2022 with the transaction market largely stuck in a wait-and-see mode.



Property values take a small hit in Q4 Grand City booked revaluation gains of €115m in 2022 but this included devaluations of roughly €119m in Q4 in the wake of rising discount rates and a frozen transaction market. The latter issue removes suitable comps critical for property assessors in their valuations. The company has hinted at portfolio devaluation risk of ~5% this year, which is factored into our 2023 forecasts.

Figure 1: EPRA BPR reporting



Source: First Berlin Equity Research; Grand City Properties

Table 2: YE portfolio overview

	Investment properties (€m)	Rentable area ('000 m²)	EPRA vacancy	Annualised net rent (€m)	In-place rent (€/m²)	Number of units	Value (€/m²)	Rental yield
NRW	2,031	1,226	4.2%	93	6.3	17,917	1,657	4.6%
Berlin	2,177	618	4.1%	66	9.0	8,442	3,520	3.1%
Dresden / Leipzig / Halle	1,252	815	3.5%	54	5.7	13,997	1,535	4.3%
Mannheim / KL / Frankfurt / Mainz	439	176	3.3%	19	8.7	3,013	2,500	4.2%
Nuremberg / Fürth / Munich	303	80	6.1%	9	10.2	1,430	3,796	3.1%
Hamburg / Bremen	430	263	5.7%	21	6.8	3,996	1,631	4.8%
London	1,673	203	3.8%	78	33.3	3,840	8,262	4.7%
Others	981	688	4.9%	53	6.8	11,646	1,426	5.4%
Development rights & new build	244	-	-	-	-	-	-	-
Total YE22	9,530	4,069	4.2%	393	8.2	64,281	2,282	4.2%
Total YE21	9,339	4,096	5.1%	383	8.1	64,937	2,205	4.2%

Source: First Berlin Equity Research; Grand City Properties

Portfolio value up 3.5% Y/Y to €2,282 / m² In-place rent stood at €8.2 / m² vs €8.1 / m² at YE21, while the portfolio vacancy rate dipped to a record low of 4.2%. Valuation momentum stalled in Q3 and the 'value / m²' indicator took a 1.5% sequential hit in Q4. Annualised net rent tallied €393m at the end of 2022 reporting.

Table 3: Portfolio KPI developments

	Unit	2022	2021
Rent multiple	x	23.6	23.6
Value	€/m²	2,282	2,205
Market rental growth p.a.	%	1.8	1.7
Management cost per unit	€	291	269
Ongoing maintenance cost	€/m²	10.2	9.2
Avg. discount rate	%	4.8	4.8
Avg. capitalisation rate	%	3.8	3.9

Source: First Berlin Equity Research; Grand City Properties



PRIORITISING LIQUIDITY PRESERVATION

The balance sheet featured a stable LTV of 36% (2021: 36%) and a net debt / EBITDA ratio of 11.4x. The KPIs stood at 46% and 15.4x respectively assuming perpetual notes are counted as debt. The interest coverage ratio (ICR) was at 6.6x at YE22.

Table 1: Financial highlights

in €m	2022	2021	Variance
Cash & liquid assets	429	1,108	-61%
Investment property	9,530	9,339	2%
Unencumbered assets	8,665	8,353	4%
Unencumbered assets ratio	88%	88%	-
Total equity	5,914	5,803	2%
EPRA NTA	5,116	5,020	2%
Loans and borrowings	323	358	-10%
Straight & convertible bonds	3,612	4,092	-12%
Loan-to-Value (LTV)	36%	36%	-
Equity ratio	53%	50%	-

Source: First Berlin Equity Research; Grand City Properties

The landlord has cash and liquid assets of around €458m—enough to cover debt maturities into mid-2025 with no maturities until Q2/24 (~€370m). Plus, GCP said it has access to another €200m in undrawn credit lines at much more favourable rates (margin: ~1.5%) than currently available in the bond markets. Thanks to some €8.7bn in unencumbered assets (88% ratio), GCP could swap out more expensive unsecured debt with bank debt if needed.

Update on perpetual notes GCP announced in December that it will not call the outstanding perpetual notes (€200m) scheduled for reset in January 2023 (ISIN XS1491364953) or exercise its option to defer coupon payments.

Management currently prioritise cash preservation, a low-LTV, and covenant headroom. Thus, the decision not to call the bonds is understandable, given that replacement cost remains “significantly higher” than the coupon reset (6.332%). Meanwhile, deferring payments may have further unnerved rattled bond investors.

Importantly, the perpetuals will continue to be accounted as equity under IFRS and for the financial covenant calculations, while the company does not believe its BBB+ from S&P will be adversely impacted.

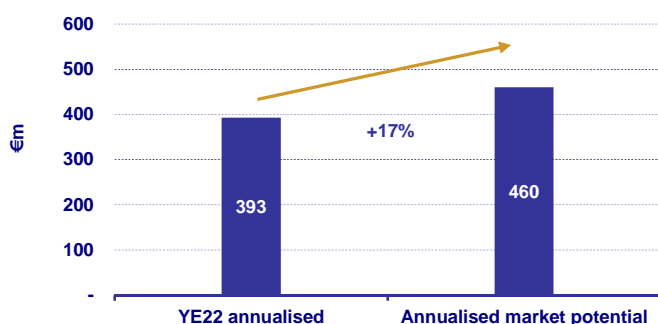
GCP brass are still mulling over options for the October 2023 notes (€350m). The coupon will reset to 2.432% + 5-year mid swap, if the perpetuals are not called. We do not see this happening and had already factored the higher coupon payments (~€10m) into our previous update (see note of 18 November 2022).



LOOKING AHEAD

Good value but fiendishly challenging macro-environment Grand City still controls a well-diversified portfolio in top locations across the German market that will likely be defined by an acute shortage of flats for at least the near-term. The 17% upside to market rents (figure 2) remains attractive, and the ability to extract this should help the landlord absorb rising financial costs (debt, perpetuals), even if FFO 1 takes a near-term hit.

Figure 2: Annualised RI vs market potential



Source: First Berlin Equity Research; Grand City Properties

We introduce 2024 FBe in table 5 overleaf and have made minor changes to 2023 targets to reflect the latest operational performance. The perpetual reset was already factored into our previous numbers.

Table 4: Initial 2023 guidance vs FBe

	Unit	2023 Guidance	FBe 2023	2022A
FFO 1	€m	170 -180	174	192
FFOPS 1	€	0.99 - 1.04	1.01	1.14
DPS *	€	0.74 - 0.78	0.76	0.00
LFL net rent growth	%	1.0 - 2.0	2.0	2.9
LTV	%	< 45	35	36

*subject to market conditions and AGM approval

Source: First Berlin Equity Research; Grand City Properties

Grand City will recommend to the June AGM that a dividend not be paid on 2022 earnings. However, we regard this as a one-off event and retain our discounted dividend model (overleaf) for now. The dividend guidance for 2023 will again hinge upon market conditions.



Table 5: Revisions to FBe and target price

	old	new	revision	upside	dividend yield	total upside
Price target (€)	16.8	12.8	-23.8%	75.0%	10.4%	85.3%
	2023E			2024E		
in €m	Old	New	Variance	Old	New	Variance
Net rent (NRI)	395	404	2.2%	-	413	-
AEBITDA	298	309	3.6%	-	321	-
margin (NRI)	75%	77%	-	-	78%	-
FFO 1	179	174	-2.6%	-	170	-
Margin	45%	43%	-	-	41%	-
FFOPS 1 (€)	1.04	1.01	-2.6%	-	0.99	-

Source: First Berlin Equity Research; Grand City Properties

VALUATION MODEL

Our target price is now €12.8 (old: €16.8) after increasing our risk free rate to 2.4% (old: 1.5%) to track the development of the German 10y Bund. It is difficult to predict when property stocks might trough, but the rebound potential will be good for GCP shares once the macro environment stabilises. We remain confident that the landlord can batten down the hatches in the meantime to ride out the storm and stick to our Buy rating.

Table 6: Discounted dividend model

	Unit	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
FFOPS 1	€	1.01	0.99	1.02	1.03	0.99	0.96	0.94	1.00	1.01
Payout ratio	%	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Dividend (DPS)	€	0.76	0.74	0.76	0.77	0.74	0.72	0.70	0.75	0.76
Y/Y	%	n.a.	-0.02	0.03	0.01	-0.04	-0.03	-0.02	0.07	n.a.
NPV	€	0.72	0.66	0.64	0.61	0.55	0.49	0.45	0.45	8.2
Terminal growth rate	%	1.0								
Discount rate	%	6.7								
NPV of dividends	€	4.6								
NPV of TV	€	8.2								
Fair value per share	€	12.8								

		Terminal growth						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
Discount rate	6.1%	11.8	12.5	13.3	14.2	15.4	16.8	18.7
	6.3%	11.5	12.1	12.8	13.7	14.8	16.1	17.7
	6.5%	11.2	11.7	12.4	13.2	14.2	15.4	16.8
	6.7%	10.8	11.4	12.0	12.8	13.6	14.7	16.0
	6.9%	10.6	11.1	11.6	12.3	13.1	14.1	15.3
	7.1%	10.3	10.8	11.3	11.9	12.7	13.6	14.7
	7.3%	10.0	10.5	11.0	11.6	12.2	13.1	14.1

		Cost of debt						
		2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
Discount rate	6.1%	16.5	15.8	15.0	14.2	13.5	12.7	11.9
	6.3%	15.9	15.2	14.4	13.7	13.0	12.2	11.5
	6.5%	15.3	14.6	13.9	13.2	12.5	11.8	11.1
	6.7%	14.8	14.1	13.4	12.8	12.1	11.4	10.7
	6.9%	14.3	13.6	13.0	12.3	11.7	11.0	10.4
	7.1%	13.8	13.2	12.5	11.9	11.3	10.7	10.1
	7.3%	13.3	12.7	12.1	11.6	11.0	10.4	9.8



INCOME STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
Net rent	383	372	375	396	404	413
Rental and operating income	560	535	525	583	594	607
Property revaluations & capital gains	401	343	695	118	-217	152
Result from equity-accounted investees	0	4	4	0	0	0
Property expenses	-253	-226	-218	-266	-274	-275
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-4	-5	-8	-10	-9	-9
Operating income (EBIT)	693	640	986	413	83	464
Finance expenses	-45	-53	-46	-47	-56	-60
Other financial results	-33	-46	-149	-137	0	0
Pre-tax income (EBT)	615	542	791	229	27	404
Current tax	-37	-31	-39	-39	-39	-41
Deferred tax	-84	-61	-135	-11	0	-15
Tax result	-121	-93	-174	-50	-39	-56
Minority interests	-53	-54	-69	-25	1	-42
Hybrid note investors	-33	-33	-25	-25	-35	-45
Net income	407	362	524	129	-45	262
Basic EPS (€)	2.43	2.13	3.12	0.77	-0.26	1.52
AEBITDA	298	300	299	308	309	321
Ratios						
AEBITDA margin (% of net rent)	77.8%	80.5%	79.7%	77.8%	76.5%	77.8%
Tax rate	12.5%	10.5%	13.1%	12.7%	12.7%	12.7%
Expenses (% of net rent)						
Property expenses	66.2%	60.8%	58.2%	67.2%	67.9%	66.6%
Administration expenses	3.0%	2.9%	3.0%	2.7%	2.6%	2.6%
Y-Y Growth						
Rental and operating income	2.8%	-4.4%	-2.0%	11.0%	2.0%	2.1%
Total revenues	2.8%	-4.4%	-2.0%	11.0%	2.0%	2.1%
Operating income	-11.1%	-7.6%	54.0%	-58.1%	-79.8%	456.7%
Adjusted EBITDA	8.0%	0.7%	-0.4%	3.2%	0.4%	3.8%
Net income/ loss	-16.7%	-11.0%	44.5%	-75.3%	n.m.	n.m.
Funds from Operations (FFO)						
Operating profit	693	640	986	413	83	464
Depreciation and amortisation	4	5	8	10	9	9
EBITDA	697	645	994	423	92	473
Property revaluations & capital gains	-401	-343	-695	-118	217	-152
Others	2	-2	-1	3	0	0
Adjusted EBITDA	298	300	299	308	309	321
Financial expense	-45	-53	-46	-47	-56	-60
Tax	-37	-31	-39	-39	-39	-41
Minority & JV contributions	-4	-1	-2	-5	-5	-5
FFO 1 (before perpetuals)	212	215	211	217	209	215
Perpetual note adjustment	-33	-33	-25	-25	-35	-45
FFO 1	179	182	186	192	174	170
CapEx	-76	-62	-63	-99	-49	-53
AFFO	103	120	123	93	125	117



BALANCE SHEET

All figures in EURm	2019	2020	2021	2022	2023E	2024E
Current assets, total	1,629	2,264	1,679	1,134	1,214	1,068
Cash and cash equivalents	914	1,412	895	325	682	527
Traded securities at fair value though P&L	155	286	218	112	112	112
Trade and other receivables	342	395	452	353	407	416
Inventories - Trading property	16	16	0	0	0	0
Assets held for sale	201	155	114	344	13	13
Non-current assets, total	8,223	8,602	9,883	9,997	9,876	10,270
Equipment and intangible assets	27	27	70	77	85	93
Investment property	7,981	8,043	9,364	9,550	9,403	9,769
Equity accounted investees	21	108	0	0	0	0
Other LT assets	151	373	397	316	329	342
Deferred tax assets	42	51	51	54	59	65
Total assets	9,851	10,866	11,562	11,131	11,090	11,338
Current liabilities, total	454	427	773	309	344	349
Short-term debt	33	147	455	5	5	5
Trade and other payables	288	209	216	225	256	256
Other current liabilities	133	71	103	79	84	89
Long-term liabilities, total	4,431	4,884	4,986	4,908	5,017	5,076
Long-term debt	521	427	353	319	400	750
Convertible and straight bonds	3,195	3,639	3,642	3,612	3,631	3,317
Deferred taxes	592	634	760	789	789	804
Other LT liabilities	122	183	231	189	197	205
Minority interests	444	535	615	666	664	706
Shareholders' equity	4,523	5,020	5,188	5,249	5,066	5,207
Total consolidated equity and debt	9,851	10,866	11,562	11,131	11,090	11,338
Ratios						
EPRA NTA (€m)	4,358	4,566	5,020	5,116	4,893	5,054
EPRA NTAPS (€)	25.9	26.5	30.4	29.6	28.4	29.3
Net debt (€m)	2,690	2,521	3,342	3,506	3,242	3,433
Net debt / equity (x)	0.6	0.5	0.6	0.7	0.6	0.7
Net debt / EBITDA (x)	9.0	8.4	11.2	11.4	10.5	10.7
Interest cover (x)	6.6	5.7	6.4	6.6	5.5	5.3
Loan-to-value (LTV)	33%	31%	36%	36%	35%	35%
Equity ratio	50%	51%	50%	53%	52%	52%
Return on equity (ROE)	9.9%	8.1%	10.6%	3.0%	-0.2%	5.9%



CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
Net income	493	449	617	179	-12	348
Depreciation and amortisation	4	5	8	10	9	9
Profit from equity accounted investees	0	-4	-4	0	0	0
Change in fair value of investment properties	-401	-343	-695	-118	217	-152
Net finance expenses	78	98	195	184	56	60
Tax result	121	93	174	50	39	56
Others	2	2	3	3	0	0
Operating cash flow	298	300	299	308	309	321
Change in working capital	-20	-29	-45	-61	-17	-1
Tax paid	-28	-28	-37	-31	-39	-41
Net cash flow from operating activities	249	242	217	216	253	279
Investment in fixed/intangible assets	-7	-7	-8	-5	-17	-18
Net property investments / disposals	-194	-492	-465	-242	261	-214
Acquisition of subsidiaries	31	547	333	-4	0	0
Proceeds from investments in financial assets	117	-439	-58	82	-13	-13
Cash flow from investing	-53	-392	-198	-168	232	-245
Debt financing, net	360	559	-71	-486	101	36
Equity financing, net	-33	207	-91	-25	-25	-35
Share buyback	0	0	-272	0	0	0
Dividend paid	-107	-71	-54	-56	-148	-131
Other financing activities	-55	7	0	-2	0	0
Net paid financing expenses	-50	-51	-50	-47	-56	-60
Cash flow from financing	115	651	-537	-617	-128	-189
Fx effects	0	-3	2	-1	0	0
Net cash flows	311	498	-517	-571	357	-155
Cash, start of the year	603	914	1,412	895	325	682
Cash, end of the year	914	1,412	895	325	682	527
AEBITDA / share (€)	1.77	1.74	1.69	1.75	1.76	1.82
FFO 1	179	182	186	192	174	170
FFOPS 1 (€)	1.07	1.07	1.11	1.14	1.01	0.99
Y-Y Growth						
Operating cash flow	11.1%	-2.9%	-10.4%	-0.4%	17.2%	10.3%
Adjusted EBITDA / share	7.3%	-1.6%	-2.8%	3.2%	0.4%	3.8%
FFO 1	6.8%	1.8%	2.3%	3.2%	-9.4%	-2.3%
FFOPS 1	5.8%	0.3%	3.6%	2.8%	-11.6%	-2.3%

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
Friedrichstr. 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, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 21 March 2023 at 11:15

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

Copyright© 2023 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;

First Berlin F.S.B. Investment-Beratungsgesellschaft mbH (hereafter FBIB), a company of the First Berlin Group, holds a stake of under 0.5% of the shares in the company which has been covered in this analysis. The analyst is not subject to any restrictions with regard to his recommendation and is therefore independent, so that we believe there is no conflict of interest.

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...44	↓	↓	↓	↓
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	18 March 2022	€19.92	Buy	€28.00
49	18 May 2022	€16.43	Buy	€24.50
50	16 August 2022	€13.86	Buy	€24.00
51	12 October 2022	€9.29	Buy	€19.00
52	17 November 2022	€10.51	Buy	€16.80
53	Today	€7.32	Buy	€12.80

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.