

Grand City Properties S.A.

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

2024 prelims

RATING
BUY

PRICE TARGET
€ 14.40

Return Potential 51.6%
 Risk Rating Medium

BACK IN THE BLACK

Grand City Properties reported unaudited preliminary results ahead of the 2024 annual report now slated for 17 March. Headline KPIs were in line with FBe and landed close to the upper end of the guided range. Spurred by 3.8% LFL rental growth, FFO 1 tallied €188m vs guidance of €180m to €190m. Bottom line earnings were back in the black after last year's net loss. This is traced to a positive property revaluation result of €50m equal to +5% on a LFL basis. The company exited 2024 with a healthy €1.5bn liquidity position and was able to compress LTV to 33% (YE23: 37%). Positive market fundamentals for German resi remain intact and should drive further good operational performance in 2025. We maintain our Buy rating with a €14.4 TP (old: €15.4) after adjusting our WACC estimate for the recent jump in German bond yields.

Back in the black While AEBITDA and FFO 1 matched our forecasts, net income surprised by returning to the black after landing in red territory in 2023 on negative property revaluation results. GCP noted that 2024 revaluations were a positive €50m after the entire portfolio was reassessed in the December-quarter to capture the most up-to-date market conditions. This compares to minus €190m at the 9M/24 juncture and equates to +5% on a LFL basis. Bottom line FFO 1 earnings of €188m were close to the upper end of the FFO 1 guide (€180m to €190m). Earnings were propelled by solid operating momentum evident in the strong 3.8% LFL rental growth number (guidance: >3%). The good operational results were partially offset by the effect of net disposals.

More operational upside ahead Successful perpetual note exchanges and a new bond issuance strengthened the balance sheet and improved financial flexibility in 2024. Some €270m in net property sales contributed to 4 percentage point Y/Y decline in the LTV to 33% and helped trim net debt by ~9% Y/Y to €2.9bn. GCP noted a still sizable disposal pipeline but only if the price is right with the transaction market continuing to rebound. The table is . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024P*	2025E
Rental income (€m)	535.4	524.6	582.5	607.7	603.9	621.6
Y/Y growth	-4.4%	-2.0%	11.0%	4.3%	-0.6%	2.9%
Adj. EBITDA (€m)	299.8	298.6	308.1	319.6	335.0	350.5
Net income (€m)	449.1	617.1	179.1	-638.1	242.8	346.3
EPRA NTA (€m)	4,566.4	5,020.2	4,655.6	4,013.8	4,279.8	4,304.8
EPRA NTAPS (€)	26.5	30.4	27.0	23.2	24.3	24.4
DPS (€)	0.82	0.83	0.00	0.00	0.81	0.81
FFO 1 (€m)	182.2	186.3	192.2	183.9	187.5	187.3
FFOPS 1 (€)	1.07	1.11	1.14	1.07	1.08	1.08
Liquid assets (€m)	1,697.9	1,113.5	436.8	1,253.8	1,514.7	1,333.0

* 2024 numbers will be fully update with publication of audited results

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.

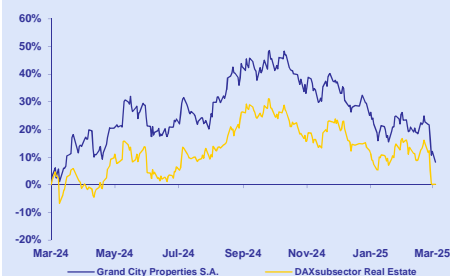
MARKET DATA

As of 11 Mar 2025

Closing Price	€ 9.50
Shares outstanding	176.19m
Market Capitalisation	€ 1,673.81m
52-week Range	€ 8.98 / 13.19
Avg. Volume (12 Months)	146,563

Multiples	2023	2024P	2025E
P/FFO 1	8.9	8.7	8.8
P/NTA	0.4	0.4	0.4
FFO 1 Yield	11.2%	11.4%	11.4%
Div. Yield	0.0%	8.6%	8.6%

STOCK OVERVIEW



COMPANY DATA*

As of 31 Dec 2024

Liquid Assets	€ 1,514.7m
Investment Properties	€ 8,629.0m
Total Assets	€ 11,218.8m
Current Liabilities	€ 808.4m
EPRA NTA	€ 4,279.8m
Total Equity	€ 5,414.2m

SHAREHOLDERS

Edolaxia Ltd.	62.0%
Treasury	2.0%
Free float	36.0%



. . . set for GCP to continue to extract the 24% reversionary upside embedded in the portfolio with seemingly no end in sight to Germany's tight residential market. For 2025, management are initially calling for FFO 1 of €185m to €190m. We will fully update the 2024 numbers following the publication of audited results now set for 17 March. The company will host its customary conference call at that time.

Table 1: 2024 prelims vs FBe and 2023 comps

in €m	Q4/24	Q4/24E	Variance	Q4/23	Variance	2024P	2023	Variance
Net rent	106	102	3.7%	94	13.2%	423	411	2.8%
Adjusted EBITDA	85	85	-0.6%	80	5.1%	335	320	4.7%
margin	80%	83%	-	86%	-	79%	78%	-
FFO 1 (after perpetuals)	47	46	1.2%	43	8.2%	188	184	1.9%
FFOPS 1 (€) (after perpetuals)	0.26	0.26	1.2%	0.25	6.1%	1.08	1.07	1.4%

Source: First Berlin Equity Research; Grand City Properties

Table 2: 2024 results vs guidance and prior year

	Unit	2024 Guidance		2024P	2023A
		Initial	Updated		
FFO 1	€m	175 - 185	180 - 190	188	184
FFOPS 1	€	1.01 - 1.07	1.04 - 1.10	1.08	1.07
DPS *	€	0.76 - 0.80	0.78 - 0.83	-	0.00
LFL net rent growth	%	~3.0	>3.0	3.8	3.3
LTV	%	< 45	< 45	33	37

*subject to market conditions and AGM approval

Source: First Berlin Equity Research; Grand City Properties

Table 3: Financial highlights

in €m	2024P	2023	Variance
Cash & liquid assets	1,515	1,230	23%
Investment property	8,629	8,629	0%
Unencumbered assets	6,400	6,607	-3%
Unencumbered assets ratio	73%	75%	-
Total equity	5,414	5,230	4%
EPRA NTA	4,280	4,014	7%
Net debt	2,921	3,202	-9%
Loan-to-Value (LTV)	33%	37%	-
Equity ratio	48%	49%	-

Source: First Berlin Equity Research; Grand City Properties



VALUATION MODEL

Maintain Buy rating We have adjusted the risk free rate in our WACC estimate from 2.4% to 2.8% to reflect the recent surge in the German bond yields. Our DCF now points to fair value of €14.4 per share (old: €15.4). We like the prospects for good operational momentum in 2025 and will comment further on residential market dynamics after the earnings call.

Table 4: DCF model

All figures in EURm	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
AEBITDA	351	371	391	410	429	448	467	488
(-) Tax	-47	-50	-53	-55	-58	-60	-63	-66
(=) Net operating cash flow	303	321	339	355	371	387	404	422
(-) Total investments (CapEx and WC)	-233	-218	-210	-199	-190	-184	-188	-192
(-) Capital expenditures	-223	-207	-198	-190	-181	-175	-178	-181
(-) Working capital	-10	-11	-11	-9	-9	-10	-10	-10
(=) Free cash flows (FCF)	70	103	129	156	181	203	216	230
PV of FCFs	67	94	111	128	141	150	152	154

All figures in EUR '000		Terminal AEBITDA margin							
		80.9%	81.4%	81.9%	82.4%	82.9%	83.4%	83.9%	
WACC	PV of FCFs in explicit period	4.7%	22.4	22.9	23.3	23.7	24.2	24.6	25.0
	PV of FCFs in terminal period	4.9%	19.0	19.4	19.8	20.2	20.6	20.9	21.3
	Enterprise value (EV)	5.1%	16.0	16.4	16.7	17.1	17.4	17.8	18.1
	+ Net cash / - net debt	5.3%	13.4	13.7	14.0	14.4	14.7	15.0	15.3
	Hybrid capital	5.5%	11.1	11.4	11.7	12.0	12.3	12.6	12.9
	Shareholder value	5.7%	9.0	9.3	9.5	9.8	10.1	10.4	10.6
	Fair value per share in EUR	5.9%	7.1	7.4	7.7	7.9	8.2	8.4	8.7
		Terminal growth rate							
		1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	
WACC	Cost of equity	4.7%	20.0	21.2	22.4	23.7	25.2	26.7	28.4
	Pre-tax cost of debt	4.9%	17.0	18.0	19.0	20.2	21.4	22.7	24.1
	Tax rate	5.1%	14.4	15.2	16.1	17.1	18.1	19.2	20.4
	After-tax cost of debt	5.3%	12.0	12.7	13.5	14.4	15.2	16.2	17.2
	Share of equity capital	5.5%	9.9	10.6	11.2	12.0	12.7	13.5	14.4
	Share of debt capital	5.7%	8.0	8.6	9.2	9.8	10.5	11.2	11.9
	WACC	5.9%	6.3	6.8	7.3	7.9	8.5	9.1	9.8

*Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes; net debt includes hybrid notes for DCF purposes



INCOME STATEMENT

All figures in EURm	2020	2021	2022	2023	2024P	2025E
Net rent	372	375	396	411	423	435
Rental and operating income	535	525	583	608	604	622
Property revaluations & capital gains	343	695	118	-890	50	142
Result from equity-accounted investees	4	4	0	0	0	0
Property expenses	-226	-218	-266	-279	-260	-262
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-5	-8	-10	-9	-9	-9
Operating income (EBIT)	640	986	413	-582	374	481
Finance expenses	-53	-46	-47	-57	-58	-72
Other financial results	-46	-149	-137	-86	0	0
Pre-tax income (EBT)	542	791	229	-724	316	409
Current tax	-31	-39	-39	-41	-42	-44
Deferred tax	-61	-135	-11	127	-32	-18
Tax result	-93	-174	-50	86	-74	-63
Minority interests	-54	-69	-25	124	-109	-156
Hybrid note investors	-33	-25	-25	-34	-42	-42
Net income	362	524	129	-548	91	149
AEBITDA	300	299	308	320	335	351
Ratios						
AEBITDA margin (% of net rent)	80.5%	79.7%	77.8%	77.7%	79.3%	80.6%
Tax rate	10.5%	13.1%	12.7%	-12.8%	12.5%	12.6%
Expenses (% of net rent)						
Property expenses	60.8%	58.2%	67.2%	67.8%	61.4%	60.1%
Administration expenses	2.9%	3.0%	2.7%	2.7%	2.5%	2.5%
Y-Y Growth						
Rental and operating income	-4.4%	-2.0%	11.0%	4.3%	-0.6%	2.9%
Total revenues	-4.4%	-2.0%	11.0%	4.3%	-0.6%	2.9%
Operating income	-7.6%	54.0%	-58.1%	n.m.	n.m.	28.6%
Adjusted EBITDA	0.7%	-0.4%	3.2%	3.7%	4.8%	4.6%
Net income/ loss	-11.0%	44.5%	-75.3%	n.m.	n.m.	63.1%
Funds from Operations (FFO)						
Operating profit	640	986	413	-582	374	481
Depreciation and amortisation	5	8	10	9	9	9
EBITDA	645	994	423	-572	383	491
Property revaluations & capital gains	-343	-695	-118	890	-50	-142
Others	-2	-1	3	2	2	2
Adjusted EBITDA	300	299	308	320	335	351
Financial expense	-53	-46	-47	-57	-58	-72
Tax	-31	-39	-39	-41	-42	-44
Minority & JV contributions	-1	-2	-5	-4	-5	-5
FFO 1 (before perpetuals)	215	211	217	218	230	229
Perpetual note adjustment	-33	-25	-25	-34	-42	-42
FFO 1	182	186	192	184	188	187



BALANCE SHEET

All figures in EURm	2020	2021	2022	2023	2024P	2025E
Current assets, total	2,264	1,679	1,134	1,841	2,012	1,842
Cash and cash equivalents	1,412	895	325	1,129	1,389	1,206
Traded securities at fair value though P&L	286	218	112	125	126	127
Trade and other receivables	395	452	353	391	397	409
Inventories - Trading property	16	0	0	0	0	0
Assets held for sale	155	114	344	196	100	100
Non-current assets, total	8,602	9,883	9,997	9,078	9,142	9,538
Equipment and intangible assets	27	70	77	64	70	77
Investment property	8,043	9,364	9,550	8,650	8,650	9,015
Equity accounted investees	108	0	0	0	0	0
Other LT assets	373	397	316	298	310	322
Deferred tax assets	51	51	54	66	113	124
Total assets	10,866	11,562	11,131	10,918	11,154	11,380
Current liabilities, total	427	773	309	654	612	923
Short-term debt	147	455	5	299	270	572
Trade and other payables	209	216	225	254	235	237
Other current liabilities	71	103	79	101	107	114
Long-term liabilities, total	4,884	4,986	4,908	5,034	5,144	4,895
Long-term debt	427	353	319	863	915	1,200
Convertible and straight bonds	3,639	3,642	3,612	3,271	3,286	2,724
Deferred taxes	634	760	789	662	694	712
Other LT liabilities	183	231	189	239	249	259
Minority interests	535	615	666	516	625	781
Shareholders' equity	5,020	5,188	5,249	4,714	4,774	4,781
Total consolidated equity and debt	10,866	11,562	11,131	10,918	11,154	11,380
Ratios						
EPRA NTA* (€m)	4,566	5,020	4,656	4,014	4,280	4,305
EPRA NTAPS* (€)	26.5	30.4	27.0	23.2	24.3	24.4
Net debt (€m)	2,521	3,342	3,506	3,202	2,957	3,163
Net debt / equity (x)	0.5	0.6	0.7	0.7	0.6	0.7
Net debt / EBITDA (x)	8.4	11.2	11.4	10.0	8.8	9.0
Interest cover (x)	5.7	6.4	6.6	5.6	5.7	4.8
Loan-to-value (LTV)	31%	36%	36%	37%	33%	33%
Equity ratio	51%	50%	53%	48%	48%	49%
Return on equity (ROE)	8.1%	10.6%	3.0%	-12.2%	4.5%	6.2%



CASH FLOW STATEMENT

All figures in EURm	2020	2021	2022	2023	2024P	2025E
Net income	449	617	179	-638	243	346
Depreciation and amortisation	5	8	10	9	9	9
Profit from equity accounted investees	-4	-4	0	0	0	0
Change in fair value of investment properties	-343	-695	-118	890	-50	-142
Net finance expenses	98	195	184	143	58	72
Tax result	93	174	50	-86	74	63
Others	2	3	3	2	0	0
Operating cash flow	300	299	308	320	334	349
Change in working capital	-29	-45	-61	-38	-56	-4
Tax paid	-28	-37	-31	-32	-42	-44
Net cash flow from operating activities	242	217	216	249	236	301
Investment in fixed/intangible assets	-7	-8	-5	-3	-15	-16
Net property investments / disposals	-492	-465	-242	51	146	-223
Acquisition of subsidiaries	547	333	-4	0	0	0
Proceeds from investments in financial assets	-439	-58	82	99	-13	-14
Cash flow from investing	-392	-198	-168	148	117	-253
Debt financing, net	559	-71	-486	496	39	25
Equity financing, net	0	17	0	0	0	0
Share buyback	0	-272	0	0	0	0
Dividend paid	-71	-54	-56	0	0	-140
Other financing activities	214	-109	-28	-40	-74	-42
Net paid financing expenses	-51	-50	-47	-49	-58	-72
Cash flow from financing	651	-537	-618	407	-93	-230
Fx effects	-3	2	-1	0	0	0
Net cash flows	498	-517	-571	804	260	-183
Cash, start of the year	914	1,412	895	325	1,129	1,389
Cash, end of the year	1,412	895	325	1,129	1,389	1,206
AEBITDA / share (€)	1.74	1.69	1.75	1.81	1.90	1.99
FFO 1	182	186	192	184	188	187
FFOPS 1 (€)	1.07	1.11	1.14	1.07	1.08	1.08
Y-Y Growth						
Operating cash flow	-2.9%	-10.4%	-0.4%	15.4%	-5.4%	27.5%
Adjusted EBITDA / share	-1.6%	-2.8%	3.2%	3.7%	4.8%	4.6%
FFO 1	1.8%	2.3%	3.2%	-4.3%	1.9%	-0.1%
FFOPS 1	0.3%	3.6%	2.8%	-6.8%	1.9%	-0.1%

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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...56	↓	↓	↓	↓
57	16 November 2023	€9.11	Buy	€12.60
58	18 March 2024	€8.98	Buy	€12.50
59	12 April 2024	€10.35	Buy	€12.50
60	15 April 2024	€10.64	Buy	€12.90
61	17 May 2024	€11.56	Buy	€13.70
62	15 August 2024	€11.70	Buy	€14.40
63	24 September 2024	€12.64	Buy	€15.10
64	15 November 2024	€11.97	Buy	€15.40
65	Today	€9.50	Buy	€14.40

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.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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