

# WCM Beteiligungs- und Grundbesitz-AG

Germany / Financial Services  
 Frankfurt Stock Exchange  
 Bloomberg: WCMK GR  
 ISIN: DE000A1X3X33

Preliminary  
 2016 KPIs

**RATING**  
**PRICE TARGET**  
 Return Potential  
 Risk Rating

**ADD**  
**€3.70**  
 22.1%  
 High

## HEADLINE FIGURES CONFIRM PROFITABLE GROWTH

Preliminary figures confirmed profitable growth for the year. FFO I rose some 127% on the prior year figure to €18m and matched our estimate. Rental income more than tripled to €32.6m (FY15: €10.4m) and was also in line with our projection. Management gave an initial FFO I guidance of €23m - €24m for the 2017. The dividend policy remains unchanged at 50% of FFO I. Given the current deal pipeline, we believe further growth will drive the portfolio towards the €1bn target this year. In view of its attractive FFO I yield and strong underlying portfolio metrics, we believe the WCM share represents good value at current levels. Due to the positive share price development, our rating is now Add (previously: Buy). Our price target remains unchanged at €3.70.

**Preliminary KPIs right in line with forecasts and guidance** Rental income of €32.6m matched our target of €32.3m, while FFO I hit our number and guidance at €18m. We attribute the growth to accretive acquisitions and in house management of the portfolio. The company plans to pay out 50% of FFO I in a dividend to shareholders. We calculate this at €0.07/share, which equates to a 2.3% dividend yield. The portfolio features a gross yield of 5.8%, a WALT (weighted average lease time) of 8.9 years, and an EPRA vacancy rate of 3.8%. The pro-forma gross asset value (GAV) totals €796m including the November 2016 and February 2017 deals. The former is expected to close at the end of Q1/17.

**Expect further growth in 2017** We believe WCM still has a healthy acquisition pipeline to support further growth this year and propel the company towards its targeted €1bn in assets. In our view, opportunities in the retail segment than in the office space which will pass the company's rigorous screening process. WCM reported annualised rental income of €47.5m for the portfolio including the aforementioned transactions. We leave our rental income and FFO I estimates unchanged at present and will update our forecasts with publication of the full year results slated for 28 April. We expect only minor adjustments to our 2017 forecasts in view of the indications in today's announcement.

## FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016E	2017E	2018E	2019E
Rental income (€m)	0.00	10.45	32.32	43.60	52.52	57.97
Y/Y growth	n.a.	n.a.	209.4%	34.9%	20.5%	10.4%
Adj. EBITDA (€m)	-0.67	10.73	25.30	32.62	41.00	46.62
Net income (€m)	1.2	57.7	36.0	57.1	67.2	73.0
EPS (€)	0.08	0.72	0.27	0.38	0.42	0.44
EPRA NAV (€m)	31.81	290.61	364.13	454.54	533.04	605.29
DPS (€)	0.00	0.00	0.07	0.09	0.10	0.12
FFO I (€m)	0.00	7.93	18.15	25.12	32.03	36.56
Net gearing	-36.4%	96.8%	86.6%	86.8%	86.4%	80.7%
Liquid assets (€m)	19.64	11.31	19.70	18.49	24.95	38.60

## RISKS

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

## COMPANY PROFILE

WCM Beteiligungs- und Grundbesitz-AG is a real estate company focused on the acquisition and management of commercial properties, particularly offices and retail properties located in Germany's major commercial districts.

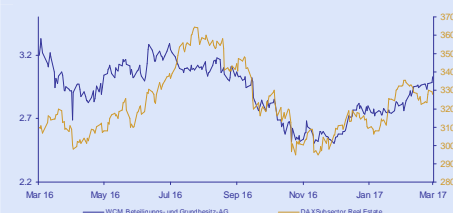
## MARKET DATA

As of 21 Mar 2017

Closing Price	€ 3.03
Shares outstanding	131.96m
Market Capitalisation	€ 399.85m
52-week Range	€ 2.50 / 3.33
Avg. Volume (12 Months)	344,816

Multiples	2015	2016E	2017E
P/FFO I	28.9	21.8	17.6
P/EPRA NAV	1.3	1.2	1.0
FFO I Yield	3.5%	4.6%	5.7%
Div. Yield	0.0%	2.3%	2.8%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Sep 2016

Liquid Assets	€ 34.30m
Current Assets	€ 54.10m
EPRA NAV	€ 338.30m
Total Assets	€ 660.30m
Current Liabilities	€ 26.80m
Total Equity	€ 313.50m

## SHAREHOLDERS

DIC OF RE 2 GmbH	26.0%
Karl P. Ehlerding	4.9%
John F. Ehlerding	4.9%
Karl Ehlerding	4.2%
Stavros Efremidis	2.6%
Free Float	57.4%



## VALUATION MODEL

In €'000	2016E	2017E	2018E	2019E
Shareholders' equity	347,251	432,088	504,272	569,851
Consolidated NAV	356,913	444,035	518,908	587,406
NAV per share	2.75	3.06	3.36	3.71
Deferred taxes	7,218	10,505	14,129	17,886
Revaluation of trading properties	-	-	-	-
EPRA NAV	364,131	454,540	533,037	605,292
<b>EPRA NAV per share</b>	<b>2.62</b>	<b>3.00</b>	<b>3.39</b>	<b>3.78</b>
FFO	18,154	25,121	32,031	36,559
Revaluation results	25,679	32,868	36,241	37,577
New Equity	48,779	37,127	19,202	10,960
<b>Total return</b>	<b>92,611</b>	<b>95,116</b>	<b>87,474</b>	<b>85,096</b>

In €'000				
EPRA NAV	364,131	454,540	533,037	605,292
Return on NAV	32%	26%	19%	16%
Cost of equity	7%	7%	7%	7%
<b>Spread (percentage points)</b>	<b>25%</b>	<b>19%</b>	<b>12%</b>	<b>9%</b>

In €'000				
WACC	6%	6%	6%	6%
Value creation	90,593	86,964	65,326	54,327
NPV	90,593	83,111	58,915	48,987
Dividends paid	-	9,077	12,561	16,016
Present value of dividends paid	-	8,675	11,328	14,442

Fair value calculation	
PV of total value created	281,607
NAV (2015)	269,582
Adjustments	0
Equity value	551,189
PV of dividends	34,444
Fair value	585,633
Number of shares (000's, fully diluted)	159,783
<b>Fair value per share (€)</b>	<b>3.70</b>



## INCOME STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
<b>Rental income</b>	<b>0</b>	<b>10,445</b>	<b>32,322</b>	<b>43,595</b>	<b>52,521</b>
Property OpEx	0	-885	-2,263	-3,706	-4,464
<b>Net rental income</b>	<b>0</b>	<b>9,560</b>	<b>30,059</b>	<b>39,890</b>	<b>48,056</b>
Disposals	0	0	799	0	0
Capital gains, property revaluations & gains from disposals	0	54,904	25,679	32,868	36,241
Other operating income	996	3,012	1,000	1,000	1,000
Pesonnel expenses	-180	-1,530	-4,202	-2,616	-2,731
Other operating expenses	-1,489	-6,715	-9,554	-5,657	-5,330
Depreciation & amortisation	0	-359	-646	-872	-1,050
<b>Operating income (EBIT)</b>	<b>-673</b>	<b>58,872</b>	<b>43,135</b>	<b>64,613</b>	<b>76,186</b>
Net financial result	-209	-2,076	-6,137	-7,495	-8,964
Other financial expenses	1	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-881</b>	<b>56,796</b>	<b>36,998</b>	<b>57,118</b>	<b>67,222</b>
Income taxes	2,087	879	-1,012	0	0
<b>Net income / loss</b>	<b>1,206</b>	<b>57,675</b>	<b>35,985</b>	<b>57,118</b>	<b>67,222</b>
Minority interests	0	3,383	1,439	2,285	2,689
<b>Net income after minorities</b>	<b>1,206</b>	<b>54,292</b>	<b>34,546</b>	<b>54,833</b>	<b>64,533</b>
<b>Basic EPS (in €)</b>	<b>0.08</b>	<b>0.72</b>	<b>0.27</b>	<b>0.38</b>	<b>0.42</b>
<b>Diluted EPS (in €)</b>	<b>0.08</b>	<b>0.72</b>	<b>0.26</b>	<b>0.38</b>	<b>0.42</b>
<b>Adjusted EBITDA</b>	<b>-673</b>	<b>10,727</b>	<b>25,303</b>	<b>32,617</b>	<b>40,995</b>
<b>Ratios</b>					
Adjusted EBITDA margin	n.m.	102.7%	78.3%	74.8%	78.1%
Tax rate	4.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>					
Property OpEx	n.m.	8.5%	7.0%	8.5%	8.5%
Pesonnel expenses	n.m.	14.6%	13.0%	6.0%	5.2%
<b>Y-Y Growth</b>					
Revenues	n.m.	n.m.	209.4%	34.9%	20.5%
Operating income	n.m.	n.m.	-26.7%	49.8%	17.9%
Adjusted EBITDA	n.m.	n.m.	135.9%	28.9%	25.7%
Net income/ loss	n.m.	4682.3%	-37.6%	58.7%	17.7%



## BALANCE SHEET

All figures in EUR '000	2014	2015	2016E	2017E	2018E
<b>Assets</b>					
<b>Current assets, total</b>	<b>23,311</b>	<b>30,446</b>	<b>36,117</b>	<b>35,525</b>	<b>42,473</b>
Cash and cash equivalents	19,376	11,136	19,525	18,309	24,763
Property held for sale	0	4,185	0	0	0
Trade receivables	0	309	1,771	2,389	2,878
Other current assets	3,935	14,816	14,821	14,827	14,832
<b>Non-current assets, total</b>	<b>20,578</b>	<b>520,478</b>	<b>662,987</b>	<b>829,575</b>	<b>970,668</b>
Property, plant & equipment	483	4,807	4,903	5,001	5,101
Investment property	17,337	501,546	641,327	804,465	941,767
Other LT assets	2,758	14,125	16,757	20,109	23,799
<b>Total assets</b>	<b>43,889</b>	<b>550,924</b>	<b>699,104</b>	<b>865,099</b>	<b>1,013,140</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>5,879</b>	<b>88,877</b>	<b>78,697</b>	<b>82,636</b>	<b>96,595</b>
Short-term debt	1,966	76,316	64,069	65,585	76,702
Trade payables	3,628	10,733	12,343	14,194	16,324
Provisions & current liabilities	285	1,828	2,285	2,856	3,570
<b>Long-term liabilities, total</b>	<b>6,201</b>	<b>192,465</b>	<b>263,494</b>	<b>338,429</b>	<b>397,637</b>
Long-term debt	6,201	187,815	256,276	327,924	383,508
Deferred tax liabilities	0	4,650	7,218	10,505	14,129
Minority interests	1,050	8,223	9,662	11,947	14,636
<b>Shareholders' equity</b>	<b>30,759</b>	<b>261,359</b>	<b>347,251</b>	<b>432,088</b>	<b>504,272</b>
Loss carryforward / retained earnings	-16,799	62,420	96,966	142,722	194,694
<b>Total consolidated equity and debt</b>	<b>43,889</b>	<b>550,924</b>	<b>699,104</b>	<b>865,099</b>	<b>1,013,140</b>
<b>Ratios</b>					
Current ratio (x)	3.97	0.34	0.46	0.43	0.44
Equity ratio	72.5%	48.9%	51.1%	51.3%	51.2%
Financial leverage	-36.4%	96.8%	86.6%	86.8%	86.4%
Book value per share (€)	2.11	3.45	2.66	2.96	3.26
Return on equity (ROE)	3.9%	22.1%	10.4%	13.2%	13.3%
Loan-to-value (LTV)	n.a.	52.2%	50.0%	48.9%	48.9%



## CASH FLOW STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
<b>Net income</b>	<b>1,206</b>	<b>57,675</b>	<b>35,985</b>	<b>57,118</b>	<b>67,222</b>
Capital gains, property revaluations & other	0	-54,904	-26,478	-32,868	-36,241
Depreciation & amortisation	0	359	646	872	1,050
Net finance expenses	0	2,076	6,137	7,495	8,964
Tax result	0	722	1,012	0	0
<b>Operating cash flow</b>	<b>1,206</b>	<b>5,928</b>	<b>17,303</b>	<b>32,617</b>	<b>40,995</b>
Proceeds from disposal of trading properties	0	0	4,984	0	0
Changes in working capital	2,348	-11,850	79	1,163	1,568
Provisions and other liabilities	-1,868	3,324	457	571	714
Tax paid	0	12	-1,012	0	0
<b>Net operating cash flow</b>	<b>1,686</b>	<b>-2,586</b>	<b>21,811</b>	<b>34,351</b>	<b>43,277</b>
CapEx/ intangibles	0	-4,748	-743	-970	-1,150
Outflows for investment property	-3,086	-347,658	-114,102	-130,270	-101,061
Inflows from disposal of PP&E	319	66	0	0	0
<b>Cash flow from investing</b>	<b>-2,767</b>	<b>-352,340</b>	<b>-114,844</b>	<b>-131,240</b>	<b>-102,211</b>
Debt financing, net	2,860	176,133	56,214	73,164	66,700
Equity financing, net	17,593	172,765	51,346	39,081	20,212
Interest paid	0	-2,212	-6,137	-7,495	-8,964
Dividends paid	0	0	0	-9,077	-12,561
<b>Cash flow from financing</b>	<b>20,453</b>	<b>346,686</b>	<b>101,423</b>	<b>95,673</b>	<b>65,388</b>
<b>Net cash flows</b>	<b>19,372</b>	<b>-8,240</b>	<b>8,389</b>	<b>-1,216</b>	<b>6,454</b>
Cash, start of the year	4	19,376	11,136	19,525	18,310
<b>Cash, end of the year</b>	<b>19,376</b>	<b>11,136</b>	<b>19,525</b>	<b>18,310</b>	<b>24,763</b>
<b>Adjusted EBITDA/share (in €)</b>	<b>n.m.</b>	<b>0.14</b>	<b>0.19</b>	<b>0.22</b>	<b>0.27</b>
<b>FFO I</b>	<b>1,205</b>	<b>7,930</b>	<b>18,154</b>	<b>25,121</b>	<b>32,031</b>
<b>FFO I/share</b>	<b>0.08</b>	<b>0.10</b>	<b>0.139</b>	<b>0.17</b>	<b>0.21</b>
<b>Y-Y Growth</b>					
Operating cash flow	n.m.	n.m.	n.m.	57.5%	26.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	n.m.	36.5%	15.6%	18.5%

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	8 December 2015	€2.59	Buy	€3.60
2...3	↓	↓	↓	↓
4	11 November 2016	€2.52	Buy	€3.90
5	29 November 2016	€2.62	Buy	€3.70
6	21 February 2017	€2.81	Buy	€3.70
7	Today	€3.03	Add	€3.70

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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:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

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#### Legally required information regarding

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

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

**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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