

FCR Immobilien AG

Germany / Real Estate
 Frankfurt Stock Exchange
 Bloomberg: FC9 GR
 ISIN: DE000A1YC913

Preliminary
 2018 results

RATING
BUY

PRICE TARGET
€ 25.00

Return Potential 39.3%
 Risk Rating High

REVENUE & PROFITABILITY UP STRONGLY Y/Y; DIVIDEND PROPOSED

Preliminary results showed strong annualised growth on all headline figures. Revenue rose 126% Y/Y to €37m, while EBITDA reached €10m. The performance was driven by the commercial portfolio, which spurred both rental income and disposal growth. FCR also recently wrapped up an equity issuance for gross proceeds of €3.3m to facilitate its growth strategy and boost balance sheet metrics. Management also will also propose a €0.35 per share dividend on the 2018 results. Our updated model still yields a €25 price target after adjusting for the higher than expected 2018 performance and the new share count. Our rating remains Buy.

Prelims slightly ahead of our forecasts Thanks to a stronger than expected top line, EBITDA of €10.1m edged our projection (FBe: €9.8m). FFO 2, which includes gains from property disposals, was in line with our number owing to slightly higher interest expenses. The top line upside stems largely from higher rental income than we had forecast. We have adjusted our 2018 estimates to reflect the preliminary KPI's (table 2 overleaf) and will review our 2019 outlook with publication of the full year results expected late March.

First tranche of capital increase completed FCR announced the successful placement of 186,072 new shares at a €17.5 subscription price concluding the first phase of its planned two part capital increase. Gross proceeds for the initial round amounted to some €3.3m, and the share count now stands at 4,405,660 (old: 4,219,588). The new shares will be entitled to dividends as of 1 January 2018. The company plans to kick off the second phase of the cap hike in Q2 for the unsubscribed shares from the allotted 521,156 in authorised capital. The new issuance will run throughout the summertime, and the price will be determined by the share price performance and resonance from institutional investors ahead of the start date. A successful second tranche could push overall gross proceeds above €9m, which would strengthen the rather low equity ratio (7%).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018E	2019E	2020E
Revenue (€m)	12.13	16.39	36.95	43.12	61.10
Y/Y growth	n.a.	35.1%	125.4%	16.7%	41.7%
EBIT (€m)	2.33	3.74	7.58	16.44	18.80
Net income (€m)	0.44	0.97	2.60	7.91	9.06
EPS (diluted) (€)	0.12	0.23	0.62	1.83	2.06
NAV (€m)	40.31	75.81	88.29	132.11	136.59
NAVPS (€)	9.72	18.28	20.92	29.99	31.00
DPS (€m)	0.07	0.00	0.35	1.03	1.15
FFO 2 (€m)	1.29	2.11	5.17	10.18	11.67
Liquid assets (€m)	6.31	4.95	10.30	12.22	7.96

RISKS

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

COMPANY PROFILE

FCR Immobilien AG is a specialist real estate company focused on investing in and managing commercial retail properties primarily located in secondary markets throughout Germany.

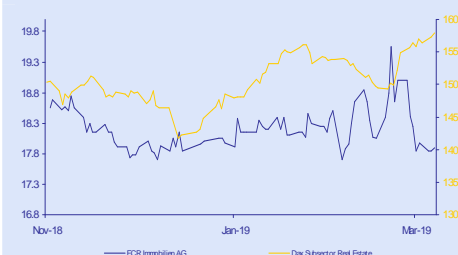
MARKET DATA

As of 19 Mar 2019

Closing Price	€ 17.95
Shares outstanding	4.22m
Market Capitalisation	€ 75.75m
52-week Range	€ 17.70 / 19.55
Avg. Volume (12 Months)	766

Multiples	2018P	2019E	2020E
P/FFO 2	35.2	14.5	7.6
P/NAV	0.9	0.6	0.6
FFO 2 Yield	6.9%	13.1%	14.8%
Div. Yield	1.9%	5.7%	6.4%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2018

Liquid Assets	€ 15.18m
Current Assets	€ 19.31m
NAV	€ 75.00m
Total Assets	€ 95.98m
Current Liabilities	€ 0.18m
Shareholders' Equity	€ 7.97m

SHAREHOLDERS

RAT Asset & Trading AG	70.5%
FAME Invest	9.2%
Free Float	20.2%



Management set dividend on 2018 results Thanks to strong operating results, management will propose a €0.35 per share dividend to shareholders at this year's AGM. The proposed payout would more than double our original dividend forecast (FBe: €0.15) and stems from the good full year results. The dividend would equate to a 1.9% yield for shareholders.

Table 1: Preliminary KPI's vs forecasts

in €'000	2018P	2018E	Variance	2017	Variance
Revenues	37,000	33,149	11.6%	16,390	126%
EBITDA	10,100	9,818	2.9%	4,872	107%
margin	27%	30%	-	30%	-
FFO 2	5,140	5,181	-0.8%	2,113	143%

Source: First Berlin Equity Research; FCR Immobilien AG

Core strategy drives strong results; maintain Buy rating FCR mixes a classic buy and hold concept with opportunistic asset rotation applied to retail properties throughout Germany's secondary cities. The strategy spurred excellent results last year with headline figures more than doubling the prior year performance.

Table 2: Updated forecasts

in €'000	2018E			2019E		
	Old	New	Variance	Old	New	Variance
Rental income	12,139	15,698	29.3%	15,617	15,617	0.0%
Property disposal income	21,010	21,251	1.1%	27,500	27,500	0.0%
Revenues	33,149	36,949	11.5%	43,117	43,117	
EBITDA	9,818	10,152	3.4%	18,710	18,710	0.0%
margin	30%	27%	-	43%	43%	-
FFO 2	5,181	5,170	-0.2%	10,178	10,178	0.0%
Margin	16%	14%	-	24%	24%	-
FFOPS 2 (€)	1.24	1.24	-0.3%	2.41	2.36	-2.1%

Source: First Berlin Equity Research estimates

We adjusted our forecasts to account for the preliminary result upside and have factored the recent equity raise into our model. Our price target remains unchanged at €25 with operational upside offsetting the slightly higher share count. We stick to our Buy rating.



ECONOMIC PROFIT MODEL

in €'000	2018E	2019E	2020E	TV
EBITDA	10,152	18,710	21,408	21,622
Investment income	0	0	0	0
Tax Expense	-532	-1,395	-1,599	-1,614
NOPAT	9,621	17,315	19,809	20,008
Total assets	186,135	299,830	384,724	384,724
(-) Current liabilities	3,152	3,247	4,437	4,437
(+) Current financial debt	0	0	0	0
(-) Cash	10,298	12,217	7,961	7,961
(-) Deferred taxes	479	526	579	579
Capital employed (CE)	172,207	283,839	371,747	371,747
Average CE	122,678	228,023	327,793	327,793
ROCE	7.8%	7.6%	6.0%	6.1%
WACC	5.7%	5.7%	5.7%	5.7%
ROCE-WACC	2.2%	1.9%	0.4%	0.4%
Economic Profit	2,665	4,386	1,224	1,422
NPV	2,665	4,200	1,109	27,868
Fair value calculation				
Total return	35,842			
(+) NAV (2017)	75,807			
(-) Dividend	1,453			
Equity value	110,196			
Number of shares (000's, fully diluted)	4,406			
Fair value per share (€)	25.00			

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EUR '000	2016	2017	2018E	2019E	2020E
Rental income	5,729	8,490	15,698	15,617	21,103
Property disposal income	6,400	7,900	21,251	27,500	40,000
Revenues	12,129	16,390	36,949	43,117	61,103
Property OpEx	-3,000	-3,067	-4,552	-3,123	-4,221
Costs from buildings sold	-4,511	-5,300	-16,206	-16,500	-30,000
Other operating income	273	206	480	200	200
Personnel expenses	-739	-1,297	-3,236	-2,615	-2,903
Other operating expenses	-1,617	-2,020	-3,232	-2,369	-2,772
Depreciation & amortisation	-775	-1,192	-2,576	-2,273	-2,610
Operating income (EBIT)	2,333	3,735	7,577	16,437	18,798
Net financial result	-1,484	-2,457	-4,450	-7,137	-8,142
Other financial expenses	0	0	0	0	0
Pre-tax income (EBT)	849	1,278	3,127	9,300	10,657
Income taxes	-408	-304	-532	-1,395	-1,599
Net income / loss	441	974	2,595	7,905	9,058
Minority interests	-64	0	0	0	0
Net income after minorities	505	974	2,595	7,905	9,058
Basic EPS (in €)	0.12	0.23	0.62	1.83	2.06
Diluted EPS (in €)	0.12	0.23	0.62	1.83	2.06
EBITDA	3,020	4,872	10,152	18,710	21,408
Ratios					
EBITDA margin	24.9%	29.7%	27.5%	43.4%	35.0%
EBIT margin	19.2%	22.8%	20.5%	38.1%	30.8%
Tax rate	28.9%	23.6%	17.0%	15.0%	15.0%
Expenses as % of revenues					
Personnel expenses	6.1%	7.9%	8.8%	6.1%	4.8%
Other operating expenses	13.3%	12.3%	8.7%	5.5%	4.5%
Y-Y Growth					
Revenues	23.8%	35.1%	125.4%	16.7%	41.7%
EBITDA	-1.8%	61.3%	108.4%	84.3%	14.4%
EBIT	-23.1%	60.1%	102.9%	116.9%	14.4%
Net income/ loss	-67.5%	120.9%	166.4%	204.6%	14.6%
Operating income¹	444	1,135	2,532	5,437	8,798
Depreciation & amortisation	687	1,137	2,575	2,273	2,610
Capital gains, property revaluations	0	0	0	0	0
Result from disposals	1,889	2,600	5,045	11,000	10,000
Adjusted EBITDA	3,020	4,872	10,152	18,710	21,408
Financial expense	-1,484	-2,457	-4,450	-7,137	-8,142
Tax	-245	-302	-532	-1,395	-1,599
FFO 2	1,291	2,113	5,170	10,178	11,668
FFOPS 2 (€)	0.31	0.51	1.24	2.36	2.65

¹ adjusted for disposal income



BALANCE SHEET

All figures in EUR '000	2016	2017	2018E	2019E	2020E
Assets					
Current assets, total	12,517	8,309	14,333	16,585	13,784
Cash and cash equivalents	6,312	4,946	10,298	12,217	7,961
Inventories	238	248	626	591	1,031
Trade receivables	5,239	1,758	2,025	2,363	3,348
Other current assets	728	1,357	1,385	1,414	1,443
Non-current assets, total	33,551	71,837	171,802	283,244	370,940
Property, plant & equipment	42	338	386	441	520
Investment property	31,573	62,758	161,577	272,921	360,477
Other LT assets	1,936	8,741	9,839	9,882	9,943
Total assets	46,068	80,146	186,135	299,830	384,724
Shareholders' equity & debt					
Current liabilities, total	1,155	1,615	3,152	3,247	4,437
Short-term debt	0	0	0	0	0
Trade payables	449	592	1,422	1,344	2,344
Provisions & current liabilities	706	1,023	1,730	1,903	2,093
Long-term liabilities, total	38,983	71,627	172,483	276,375	355,448
Bonds	9,311	20,676	45,676	62,000	75,000
Long-term debt	28,187	49,537	125,330	212,830	278,830
Other liabilities	679	979	999	1,019	1,039
Deferred tax liabilities	806	435	479	526	579
Shareholders' equity	5,930	6,904	10,500	20,208	24,839
Minority interests	0	0	0	0	0
Total equity	5,930	6,904	10,500	20,208	24,839
Total consolidated equity and debt	46,068	80,146	186,135	299,830	384,724
Ratios					
NAV	40,305	75,807	88,290	132,105	136,587
NAVPS (€)	9.7	18.3	20.9	30.0	31.0
Net debt	31,186	65,267	160,708	262,613	345,869
Interest cover (ICR)	1.9x	1.6x	2.3x	2.6x	2.6x
Equity ratio	12.9%	8.6%	5.6%	6.7%	6.5%
Return on equity (ROE)	7.4%	14.1%	24.7%	39.1%	36.5%
Loan-to-value (LTV)	56.9%	46.0%	67.6%	71.4%	74.9%
Net LTV	47.3%	42.8%	63.6%	68.2%	73.2%



CASH FLOW STATEMENT

All figures in EUR '000	2016	2017	2018E	2019E	2020E
Net income	442	974	2,595	7,905	9,058
Proceeds from disposal of trading properties	-1,920	-4,642	-5,423	-10,966	-10,440
Depreciation & amortisation	687	1,137	2,575	2,273	2,610
Net financial result	1,484	2,457	4,450	7,137	8,142
Tax result	245	-370	532	1,395	1,599
Operating cash flow	938	-444	4,729	7,744	10,968
Trade and other receivables	-4,713	2,854	-295	-367	-1,015
Trade & other payables	995	-37	830	-78	1,000
Provisions and other liabilities	177	317	770	241	263
Tax paid	0	0	-532	-1,395	-1,599
Net operating cash flow	-2,603	2,690	5,503	6,145	9,618
Investment in fixed/intangible assets	-38	-10	-148	-172	-244
Outflows for investment property	-15,145	-41,705	-117,500	-130,000	-120,000
Inflows from asset disposals	6,400	7,901	21,251	27,500	40,000
Outflows for financial assets	-638	-978	-1,097	-43	-61
Interest income	86	644	0	0	0
Cash flow from investing	-9,335	-34,148	-97,494	-102,716	-80,306
Debt financing, net	13,159	33,192	100,793	103,824	79,000
Equity financing, net	2,963	0	1,000	3,256	0
Interest paid	-1,570	-3,100	-4,450	-7,137	-8,142
Dividends paid	-3,259	0	0	-1,453	-4,427
Cash flow from financing	11,293	30,092	97,343	98,490	66,432
Net cash flows	-645	-1,366	5,352	1,920	-4,256
Cash, start of the year	6,957	6,312	4,946	10,298	12,218
Cash, end of the year	6,312	4,946	10,298	12,218	7,962
FFO 2	1,291	2,113	5,170	10,178	11,668
FFOPS 2 (€)	0.31	0.51	1.24	2.36	2.65
Y-Y Growth					
FFO 2	n.a.	64%	145%	97%	15%
FFOPS 2	n.a.	64%	143%	91%	12%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	12 November 2018	€17.85	Buy	€25.00
2	Today	€17.95	Buy	€25.00

Authored by: Ellis Acklin, Analyst

Company responsible for preparation:

First Berlin Equity Research GmbH
 Mohrenstraße 34
 10117 Berlin

Tel. +49 (0)30 - 80 93 96 83 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com
 www.firstberlin.com

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

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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.

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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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