CR Capital Real Estate AG

Germany / Real Estate
Primary exchange: Frankfurt
Bloomberg: CRZ GR
ISIN: DE000A0WMQ53

Update

RATING	**BUY**
PRICE TARGET	**€ 40.00**
Return Potential	25.8%
Risk Rating	High

RESIDENTIAL PROJECT DEVELOPER HITTING ITS STRIDE

Preliminary reporting showed a strong rise in profitability with net income expected to reach €7.7m vs €5.8m in the prior year. CR Capital handed over ~100 terraced homes from phase I of its Leipzig project and started phase II (200 units) construction in H2/18. The strong 2018 performance suggests development activities in Leipzig have hit their stride after a sluggish start. In our view, the German residential property developer is well positioned to capitalise on an environment driven by short supply and urbanisation trends. We increase our price target to €40 (old: €28) on recalibrated profitability assumptions more reflective of current operations. Our rating remains Buy.

Earnings well ahead of forecasts Preliminary revenue of €23.2m is set to more than double (+123%) on an annualised basis owing to strong project development activities in Leipzig. We expect the company to have handed over some 100 flats from its Schkeuditz project last year. Net income is expected to top €7.7m for the full year. We trace the strong profitability to a business model that leverages a modular construction process, excellent procurement of building materials and contractor capacity, and low marketing costs. Our previous forecasts (note of 23 May 2017) did not fully capture these operational strengths, and we have recalibrated our estimates to better reflect the improving profitability of the project development operations.

Capitalising on operational strengths and market trends We like CR Capital for its position in the affordable housing segment. The acute shortage of living space in Germany is now making international headlines. The bad optics of tenant's revolt in Berlin will ratchet up the pressure on politicians to better incentivise residential developers in the non-luxury segments. The company is on track to hand over the keys to 70+ units this year, and CR Capital has good options in its core regions to replenish the pipeline as current construction phases in Leipzig are completed. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€ m)	8.97	17.50	10.41	23.12	33.45	37.21
Y-o-y growth	-51.0%	95.1%	-40.5%	122.1%	44.7%	11.2%
EBIT (€ m)	2.72	2.38	3.99	8.91	12.68	14.21
EBIT margin	30.3%	13.6%	38.4%	38.5%	37.9%	38.2%
Net income (€ m)	1.69	2.17	5.77	7.65	11.00	12.01
EPS (diluted) (€)	0.90	1.15	3.07	4.08	5.86	6.40
DPS (€)	0.00	0.00	1.00	1.50	1.76	1.92
FCF (€m)	-1.33	10.57	-10.19	9.21	6.50	7.89
Net gearing	17.6%	-14.6%	24.7%	-0.3%	-8.5%	-15.6%
Liquid assets (€ m)	1.95	5.44	1.98	3.10	9.63	13.98

RISKS

Risks include but are not limited to: increasing competition, the company's focus on the residential market in Berlin, and the loss of key personnel.

COMPANY PROFILE

CR Capital Real Estate AG is a property developer focused on the residential segment of the Berlin, Brandenburg, and Leipzig regions. The Berlin-based company specialises in the construction of affordable housing and is listed on the Open Market of the Frankfurt Stock Exchange.

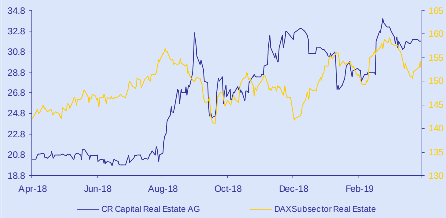
MARKET DATA

As of 26 Apr 2019

Closing Price	€ 31.80
Shares outstanding	1.88m
Market Capitalisation	€ 59.72m
52-week Range	€ 19.80 / 34.00
Avg. Volume (12 Months)	1,343

Multiples	2017	2018E	2019E
P/E	10.4	7.8	5.4
EV/Sales	6.2	2.8	1.9
EV/EBIT	16.1	7.2	5.1
Div. Yield	3.1%	4.7%	5.5%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2018

Liquid Assets	€ 4.07m
Current Assets	€ 14.80m
Intangible Assets	€ 10.41m
Total Assets	€ 45.09m
Current Liabilities	€ 7.99m
Shareholders' Equity	€ 30.49m

SHAREHOLDERS

MPH Group	61.0%
Free Float	39.0%

Analyst: Ellis Acklin, Tel. +49 (0)30 - 80 93 96 83

EXECUTIVE SUMMARY

Established property developer
Founded in 2008, CR Capital Real Estate (CRC) is a project developer focused on the German residential market. The company specialises in the construction of affordable housing predominantly in the Leipzig, Berlin, and the Berlin exurbs. Buyers are typically private individuals as well as yield-seeking investors. We estimate CRC presently controls a development pipeline worth ~€100m, which management aim to realise over the next three years. The company benefits from a strong in-house sales team, access to construction capacity and low costs using high-quality, pre-fabricated materials, and proven construction management.

A full project pipeline
CR Capital generally balances visibility and risk with a three year construction pipeline. The company handed over some 100 housing units from its Schkeuditz project in Leipzig in H2/18 and is on pace to deliver another 70+ units in 2019. We also expect CRC to break ground on several other projects in the Berlin area this year supporting our near term forecasts. The development pipeline includes a new project in the heart of Berlin's exurbs. The developer has some 60 homes planning permitted in the Berlin exurbs (24km northwest of Berlin in Brandenburg) to go alongside another 180 flats scheduled for construction in phase II of the Leipzig project.

Broad market themes fundamentally supportive We expect housing prices to continue their ascent in the coming years until: (1) supply substantially rises; (2) demand for housing abates; and (3) interest rates rise significantly. Apartment prices in Germany continue to climb, due to the persistent housing shortages recently estimated at some 1.9m residential units by the Hans Böckler Foundation. We see no evidence that these factors are about to change. The German Economic Institute in Cologne says Germany needs to build some 380k new apartments p.a. just to keep up with demand the next two years. This environment should allow CR Capital to extract excellent value from its current projects and explore further development opportunities.

Metropolises are bursting at the seams
There is simply a paucity of undeveloped dirt in Germany's metropolitan hubs that support affordable housing economics. Construction is thus dominated by high priced luxury flats. As a result, urbanites are increasingly looking to the exurbs, where pricing is more accessible for lower income earners but proximity remains attractive. CRC focuses its activities on these growing communities and is currently developing projects located 30 minutes from Berlin's Alexanderplatz and Kurfürstendamm in addition to its Leipzig development. These are affordable for young families and early career workers.

Raising price target on improved profitability
We arrive at a €40 price target (old: €28) based on a discounted cash flow model, which demonstrates CRC's ability to generate value from its construction pipeline. The main drivers for potential value generation are execution of the current pipeline (gross development value: ~€100m), and strong tailwinds in a residential market that is years away from closing the demand / supply gap. Plus, the company can diversify into the landlord business depending on market conditions. The company's affordable housing position is working and this could gain further political support. Investors will also surely welcome the proposed 50% dividend increase to €1.50 / share equal to an attractive 4.7% yield.

SWOT ANALYSIS

STRENGTHS

- **Attractive market position** CR Capital recently shifted its operational focus to the development of affordable housing. We believe this will position the company well between larger developers focused on inner city luxury projects.

- **High margin structure** CR Capital runs with low staffing and admin requirements. Financing expenditures are also tenable, thanks to cash recycling from completed projects. This setup allows revenues to filter quite cleanly to the bottom line.

- **The right geographic exposure** The Berlin-based developer has a long track in Berlin and more recently in Leipzig – two of Germany's strongest property markets. The German capital in particular suffers from an acute apartment supply shortage, whereas Leipzig is one of Germany's hottest cities.

WEAKNESSES

- **Project delays** Unforeseen stoppages are inherent to project development. The Leipzig project was slowed by unearthed archaeological findings in the early stages that halted development. Such instances often result in growth interruption or postponement of expected profits and stretch the balance sheet.

- **Low transparency reporting** Some investors have been critical of the company's reporting and lack of operational transparency. CRC reports on a half year basis according to IFRS. However, the information provides little operational insight beyond headline financial figures.

- **Procurement bottlenecks** Execution is heavily dependent on the ability to source materials and external contractor capacity. Long standing supply chains help offset these risks; however orchestrating these resources in the face of social pressure to build more flats could hamper operations as completion heats up.

Opportunities

- **Expansion beyond Leipzig and Berlin regions** The geographic focus is presently small. The company could look at further Big 7 exurbs, if the current market environment persists forcing more urbanites to the outskirts.

- **Forward-selling** CR Capital has thus far made little use of forward selling mechanisms. Pre-sales could lock in revenues, facilitate quicker cash recycling, and help the company deliver projects on budget and on time, while providing greater visibility.

- **Stronger move into the landlord business** The 2017 acquisition of KENT signalled interest in keeping some of its flats on the balance sheet to allow CRC to capture attractive rental incomes and funds from operation (FFO). This could help smooth out some of the choppy cash flows associated with project development.

Threats

- **German landlords move into development** Headlines of the tenant revolt and housing shortage in Berlin are increasing pressure on regulators and the big listed residential landlords. This may push them into increasing their development activities, which could encroach on the business of the much smaller CR Capital.

- **The tailgating economy** A faltering economy is the juggernaut looming in the rear view mirror of a residential property market entering the eleventh year of the cycle. A prolonged economic downturn could dampen demand, hurt housing prices in secondary locations, and negatively impact CR Capital's margins.

- **Cost inflation** The company bears some of the cost overrun risk. There is a particular shortage of contractor capacity, which could accelerate normal cost inflation and eat into company margins if the market boils over.

VALUATION

We use a DCF model to value CR Capital. We regard the company as a manufacturing operation for residential real estate and believe this approach is best suited to this business model. We expect the company to continue its growth trajectory in the mid term and forecast a two-year revenue CAGR of 27%. CRC features good cash generation, thanks to high operational scalability. We believe the gross margin should top 38% over the mid term, while the bottom line is also exceptionally strong, due to scalability and low tax expenses owing to the effect tax losses carried forward.

We assign a WACC of 9.3% based on our multifactor risk model which takes into account company specific risks such as (1) strength of management; (2) earnings quality; (3) transparency; (4) financial risk; (5) competitive position; (6) as well as company size and free float. The primary risk in our view is potential sourcing bottlenecks and the lack of transparency into operations making it difficult to track cash flows.

Our model discounts cash flows from 2028 for a total enterprise value of €82m, of which 53% stems from the explicit period. Our fair value of €75m corresponds to €40 / share based on a 1.9m basic share count after the reverse stock split in 2017.

All figures in € '000	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Net sales	**23,122**	**33,453**	**37,206**	**40,464**	**44,491**	**48,922**	**53,801**	**59,161**
NOPLAT	**6,236**	**8,876**	**9,945**	**10,431**	**11,043**	**11,401**	**11,613**	**12,043**
(+) Depreciation & amortisation	35	50	56	61	67	73	81	89
(-) Revaluation profits	-1,205	-1,272	-1,442	-1,399	-1,277	-713	-383	-406
Net operating cash flow	**5,065**	**7,655**	**8,558**	**9,093**	**9,833**	**10,761**	**11,311**	**11,726**
(-) Capital expenditures	-332	-327	-815	-438	-464	-536	-638	-748
(-) Working capital	-481	-3,228	-2,775	-2,474	-2,861	-3,278	-3,734	-4,278
Free cash flows (FCF)	4,252	4,099	4,969	6,181	6,507	6,947	6,938	6,700
PV of FCF's	**4,252**	**3,859**	**4,281**	**4,873**	**4,695**	**4,587**	**4,193**	**3,705**

PV of FCFs in explicit period (2018-2028E)	43,319
PV of FCFs in terminal period	38,349
Enterprise value (EV)	81,668
Net cash / - net debt	-7,018
Investments / minority interests	0
Shareholder value	74,650
Fair value per share in EUR	40.00

Terminal EBIT margin

WACC	23.1%	24.1%	25.1%	26.1%	27.1%	28.1%	29.1%
6.3%	51.00	57.00	62.00	68.00	73.00	79.00	84.00
7.3%	43.00	47.00	51.00	55.00	59.00	63.00	67.00
8.3%	37.00	40.00	**43.00**	**46.00**	**49.00**	52.00	56.00
9.3%	32.00	35.00	**37.00**	**40.00**	**42.00**	45.00	47.00
10.3%	29.00	31.00	**33.00**	**35.00**	**37.00**	39.00	41.00
11.3%	26.00	28.00	29.00	31.00	33.00	34.00	36.00
12.3%	24.00	25.00	27.00	28.00	29.00	31.00	32.00

Cost of equity	11.8%
Pre-tax cost of debt	5.0%
Tax rate	30.0%
After-tax cost of debt	3.5%
Share of equity capital	70.0%
Share of debt capital	30.0%
WACC	9.3%

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.3%	56.00	59.00	63.00	68.00	74.00	82.00	93.00
7.3%	47.00	49.00	52.00	55.00	59.00	63.00	69.00
8.3%	41.00	42.00	**44.00**	**46.00**	**49.00**	51.00	55.00
9.3%	36.00	37.00	**38.00**	**40.00**	**41.00**	43.00	45.00
10.3%	32.00	33.00	**34.00**	**35.00**	**36.00**	37.00	39.00
11.3%	29.00	30.00	30.00	31.00	32.00	33.00	34.00
12.3%	26.00	27.00	27.00	28.00	29.00	29.00	30.00

**for layout purposes the model shows only to 2025 but runs until 2028*

COMPANY PROFILE

CR Capital Real Estate AG is a high-growth real estate developer. The company focuses on the construction of affordable housing for owner-occupiers and yield-seeking institutional investors. This market segment has been largely overlooked by developers focused on high price segments, where economics are currently better.

CRC boasts an in-house development team and network that has optimised construction planning and execution to meet the high demand in the affordable housing segment. The current construction pipeline encompasses projects in Leipzig, Berlin and the outskirts of the German capital. Over the past three years, CRC has completed and handed over some 150 units to new owners in Leipzig and the greater Berlin regions.

CR Capital floated its shares on the Frankfurt Stock Exchange in October 2008 and is presently listed in the exchange's Open Market segment.

FLAGSHIP PROJECT IN LEIPZIG

Core project development activities are currently centred on the Schkeuditz project in Leipzig. With Berlin bursting at the seams, Leipzig has benefited from a strong influx of young urbanites and large corporates.

After several early stage delays, the company broke ground on the 85k m² project in April 2017. The project features good location quality with a 30 minute commute to Leipzig's central station and direct overground service to the city centre. The regional airport is also located 7km from the development. We expect Schkeuditz to remain the main revenue driver in 2019 after the company kicked off on phase II in H2/18. This includes some 200 units. Given the frenzied demand and low supply of new housing coming online, we expect the company to corral excellent value from these completed terraced homes.

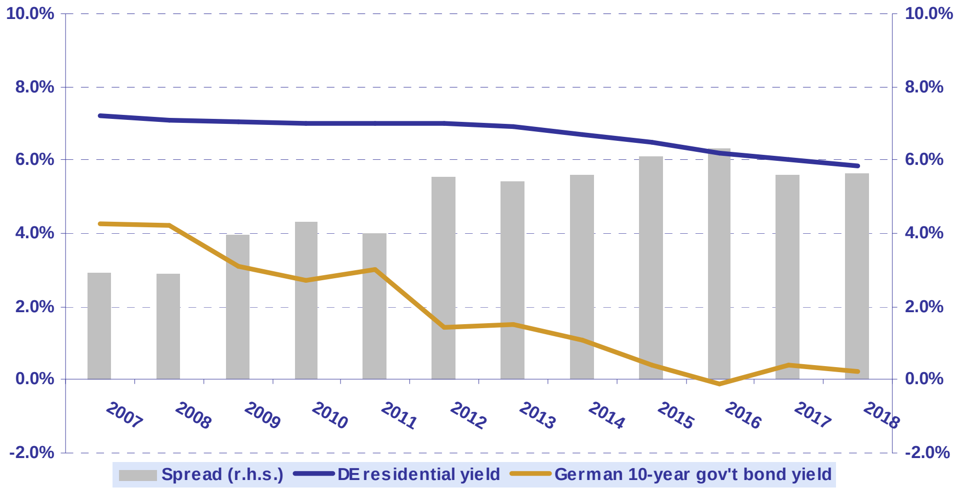
Figure 1: Model of Schkeuditz unit

Source: CR Capital Real Estate

Aside from Leipzig, the company has put the shovel in the dirt in the Berlin exurbs and expects to hand over several new flats later this year. Overall, the running construction provides good mid-term visibility through 2021.

MACRO THEMES TO TRACK

Figure 2: German Big 7 residential yields over German bond yields



Source: Source: BulwienGesa, Bloomberg

Bond yield spread offers considerable comfort . . . A key driver for the investment demand has been the attractive yields offered by real estate relative to alternative assets. A year ago, investors grew jittery in the wake of rising bond yields and a narrowing spread when the German 10-year bond yield hit 0.8% last February. However, such fears are hardly supported by the fundamental evidence depicted in the figure above. Even if German bond yields edge higher to normalised levels, we think the spread will remain comfortably wide. After peaking at 0.6% in October 2018, the German 10-year bond has been in a steady downtrend and dipped into negative territory at the end of March. Given this development, we see little danger of the spread narrowing to unattractive levels.

. . . but the tailgating economy won't back off For equity investors, a faltering economy is the juggernaut looming in the rear view mirror of a bull market that has lost its steam. At home, Germany narrowly avoided a technical recession after posting flat GDP growth in the fourth quarter. This followed the first contraction since 2015 in Q3 (-0.2%) fuelling concerns that the long expansion period is coming to an end just as the European Central Bank ended its stimulus package. The Q1 report is likewise expected to be flat. One bright spot is that with Brexit pushed back until the end of October, a "crashing out" scenario is now unlikely making the reduced GDP forecasts for EU constituents more tenable.

TENANT UPROAR IN BERLIN

A debate has been raging in Berlin for months now in the wake of years of soaring rents. Angry tenants want the government to expropriate apartments from the large listed landlords that control +3k flats in the German capital. The debate is now garnering international headlines as a new socialist revolution.

Even if the activists collect the required number of signatures, article 15 of Germany's post war constitution has not been applied once in over 70 years. Moreover, Berlin is chronically underfunded and saddled with over €57bn in debt (close to recent historical highs). Plus, "poor but sexy" Berlin is traditionally the largest recipient of the *Länderfinanzausgleich* (equalisation payments), which obliges the wealthy states (Bavaria, Baden-Wuerttemberg, Hesse, and Hamburg) to transfer funds to the 12 less affluent states. Berlin received the lion's share (€4.2bn) of the last €11.2bn doled out. It is therefore hard to imagine the southern states being supportive when the capital's financial resources are already stretched. Finally, expropriation would ultimately only cap rents for roughly 200k tenants, but all Berlin taxpayers would have to shoulder the cost, which we estimate at circa €35bn.

The government could instead take more palatable steps to support renters, boost construction and increase supply by: (1) relaxing regulations; (2) accelerating approval processes; (3) giving tax breaks to developers; (3), cracking down on rampant short-term apartment rentals; and (4) better incentivising "non-luxury" apartment builders. In our view, such measures could benefit CR Capital as long as it can box out larger rivals that might be incentivised to move into property development to augment their landlord operations.

LATEST FINANCIAL DEVELOPMENTS

CR Capital will publish its annual report in May at which time we will provide a more in depth financial assessment. The balance sheet remained stable at the six month mark and the expected profitability from the announced prelims should further solidify balance sheet metrics highlighted below.

Table 1: Balance sheet developments

All figures in EUR '000	H1/18	YE17	*Variance*	YE16	*Variance*
Cash	4,072	1,984	*105.2%*	5,441	*-63.5%*
Assets held for sale	5,687	9,381	*-39.4%*	5,277	*77.8%*
Investment properties	13,220	10,852	*21.8%*	9,175	*18.3%*
Total assets	45,092	42,066	*7.2%*	27,378	*53.6%*
Financial debt (short- and long-term)	1,886	9,016	*-79.1%*	2,116	*326.1%*
Net debt	-2,186	7,032	-	-3,325	-
Shareholders' equity	30,492	28,388	*7.4%*	22,705	*25.0%*
Equity ratio	*67.6%*	*67.5%*	-	*82.9%*	-

Source: First Berlin Equity Research; CR Capital Real Estate

CR Capital ended H1/18 with total assets of €45m. The 65% increase over the YE16 total stems primarily from the rise in intangible assets associated with the KENT Immobilienmanagement GmbH deal in November 2017. Investment properties rose as a result of the acquisition of a medical facility in Leipzig, which will generate rental income streams for the company. Thanks to the positive net result, shareholders' equity increased to €30.5m at the H1 juncture, and the equity ratio remained steady at 68%.

Management plan to increase the dividend by 50% Last year CR Capital rewarded investors with a first time dividend of €1 per share. The board will propose a €1.5 / share dividend on 2018 earnings to the AGM, which would equate to an attractive 4.7% yield. This tops most real estate operators with the street calling a 2.6% 2019 dividend yield for residential landlords.

Profitability is much improved The substantial increase in our profitability assumptions stems from a shift in the operational mix, which includes more development and less rental income revenue. And the company is hitting its stride in terms of handing over units to lock in profits. In our view, the pipeline is also better balanced with cherry-picked projects than in our previous forecasts (note of 23 May 2017), and the company is better positioned in the affordable housing segment.

Table 2: Changes to forecasts

		2018E			2019E	
All figures in € '000	**New**	**Old**	***Variance***	**New**	**Old**	***Variance***
Revenue	23,122	26,571	*-13.0%*	33,453	32,571	*2.7%*
Gross profit	9,018	5,391	*67.3%*	13,048	6,591	*98.0%*
Margin (%)	39.0%	20.3%	-	39.0%	20.2%	-
EBIT	8,909	4,144	*115.0%*	12,682	5,324	*138.2%*
Margin (%)	38.5%	15.6%	-	37.9%	16.3%	-
Net income	7,653	3,613	*111.8%*	11,001	4,454	*147.0%*
EPS diluted (€)	4.08	1.96	*107.9%*	5.86	2.42	*142.0%*

Source: First Berlin Equity Research estimates

We therefore now look for the gross margin to remain closer to 38% going forward (old: 20%), while a scalable infrastructure means operating costs should remain stable for now. We have also factored in higher revaluation gains and lower tax expenses accounting for the higher rise in our EBIT / net income estimates.

Long term strategy: diversify more into property management

CR Capital acquired KENT Immobilienmanagement GmbH in November 2017. The property management company manages some 2,200 residential and commercial properties in the Berlin, Potsdam and Leipzig regions providing an ideal overlap with CR Capital's operational footprint and opens the opportunity for the project developer to cover a greater part of the RE value chain.

Given the current trajectory of the housing market, earmarking a portion of its construction assets for long term cash flow generation makes sense and allows the company to capture a greater part of the RE value chain. In the meantime, KENT will handle property management duties for CRC.

EXECUTIVE BOARD

Chief Financial Officer (CFO)

Ms Christiane Bohm joined CR Capital in June 2015 and was promoted to the executive board in October 2018 as CFO. Previously, she was head of controlling at the company. Ms Bohm studied business administration at Humboldt University in Berlin.

Chief Operating Officer (COO)

Mr Thomas Zienterski has orchestrated acquisition and operational activities at CR Capital since December 2014. He was responsible for driving the low-cost development strategy pursued by the company and has assumed a greater operational role as COO. Mr Zienterski studied business administration at Steinbeis-Hochschule-Berlin.

SUPERVISORY BOARD

Chairman

Mr Stefan Krach was born in 1959 in Ludwigsburg and has been Chairman of the CR Capital Supervisory Board since the company was founded. He studied law in Munich and Toronto and was admitted to the bar in 1988.

Member

Mr Uwe Zimdars held a senior position with Arthur Andersen in auditing and management consulting. He was also previously managing director of a large logistics service provider. His main areas of expertise include strategic and operational planning and digitisation. Currently, Mr Zimdars serves as Chief Executive Office at HAEMATO AG, a publicly listed pharmaceutical company. He studied business administration and computer science.

Member

Mr Peter Peitz has been an independent architect since 1989 and studied architecture in Munich. He is founder and managing partner of the Lörrach-based Peitz und Partner Planungsgesellschaft mbH and Peitz Bausachverständige GmbH. Since 2004, Mr Peitz has been working as an expert on damaged buildings and he is publicly appointed and sworn in by the Hochrhein-Bodensee Chamber of Commerce and Industry.

INCOME STATEMENT

in € '000	2015	2016	2017	2018E	2019E	2020E
Revenue	8,970	17,498	10,409	23,122	33,453	37,206
Cost of goods sold	-9,073	-16,002	-10,777	-14,104	-20,407	-22,696
Gross profit	**-103**	**1,496**	**-368**	**9,018**	**13,048**	**14,512**
Personnel expenses	-785	-706	-1,208	-1,256	-1,344	-1,452
Depreciation & amortisation	-28	-23	-291	-35	-50	-56
Other impairments	-704	0	-24	0	0	0
Other operating expenses	-995	-853	-1,128	-1,173	-1,244	-1,318
Other operating income	1,391	813	7,013	1,150	1,000	1,080
Revaluation gains	3,943	1,649	0	1,205	1,272	1,442
Operating income (EBIT)	**2,719**	**2,376**	**3,994**	**8,909**	**12,682**	**14,209**
Interest expense	-246	-176	-117	-212	-181	-241
Interest income	56	12	0	0	0	0
Pre-tax income (EBT)	**2,529**	**2,212**	**3,877**	**8,697**	**12,501**	**13,968**
Tax expense	-840	-46	1,890	-1,044	-1,500	-1,955
Net income / loss	**1,689**	**2,166**	**5,767**	**7,653**	**11,001**	**12,012**
Diluted EPS (in €)	**0.90**	**1.15**	**3.07**	**4.08**	**5.86**	**6.40**
EBITDA	**2,747**	**2,399**	**4,285**	**8,944**	**12,732**	**14,265**
Ratios						
Gross margin	-1.1%	8.5%	-3.5%	39.0%	39.0%	39.0%
EBITDA margin on revenues	30.6%	13.7%	41.2%	38.7%	38.1%	38.3%
EBIT margin on revenues	30.3%	13.6%	38.4%	38.5%	37.9%	38.2%
Net margin on revenues	18.8%	12.4%	55.4%	33.1%	32.9%	32.3%
Tax rate	33.2%	2.1%	-48.7%	12.0%	12.0%	14.0%
Expenses as % of revenues						
Personnel expenses	8.8%	4.0%	11.6%	5.4%	4.0%	3.9%
Other operating expenses	11.1%	4.9%	10.8%	5.1%	3.7%	3.5%
Y-Y Growth						
Revenues	-51.1%	95.1%	-40.5%	122.1%	44.7%	11.2%
Operating income	-62.7%	-12.6%	68.1%	123.0%	42.3%	12.0%
Net income/ loss	-63.7%	-12.5%	75.2%	124.3%	43.7%	11.7%

BALANCE SHEET

in € '000	2015	2016	2017	2018E	2019E	2020E
Assets						
Current assets, total	**15,849**	**11,199**	**14,136**	**15,765**	**25,795**	**33,027**
Cash and cash equivalents	1,947	5,440	1,984	3,100	9,630	13,978
Accounts receivable	520	377	2,187	2,217	2,750	3,058
Other assets	308	171	438	451	465	479
ST financial assets	34	31	146	146	146	146
Assets held for sale	13,040	5,180	9,381	9,850	12,805	15,366
Non-current assets, total	**19,803**	**16,182**	**27,933**	**26,361**	**28,078**	**29,952**
Intangible assets & goodwill	6,588	6,588	16,979	16,991	17,007	17,026
Tangible assets	65	32	96	108	124	143
Investment properties	13,150	9,179	10,854	9,259	10,943	12,779
Other LT assets	0	383	4	4	4	4
Total assets	**35,652**	**27,380**	**42,068**	**42,126**	**53,873**	**62,978**
Shareholders' equity & debt						
Current liabilities, total	**11,261**	**611**	**1,774**	**1,826**	**2,120**	**2,251**
Accounts payable	255	198	562	580	839	933
Provisions	1,523	221	252	257	262	267
ST debt	3,434	93	386	386	386	386
Other current liabilities	6,049	99	575	604	634	666
Long-term liabilities, total	**3,851**	**4,063**	**11,905**	**6,135**	**9,406**	**9,669**
Deferred tax assets	1,730	2,033	3,289	3,519	3,766	4,029
LT debt	2,121	2,030	8,616	2,616	5,640	5,640
Shareholders' equity, total	**20,540**	**22,706**	**28,390**	**34,165**	**42,348**	**51,058**
Total consolidated equity and debt	**35,652**	**27,380**	**42,068**	**42,126**	**53,873**	**62,978**
Ratios						
Current ratio (x)	1.4	18.3	8.0	8.6	12.2	14.7
Net debt	3,608	-3,317	7,018	-99	-3,604	-7,952
Net gearing	18%	-15%	25%	0%	-9%	-16%
Return on equity (ROE)	8%	10%	20%	22%	26%	24%
Capital employed (CE)	27,608	23,456	41,985	41,105	46,275	51,164
Return on capital employed (ROCE)	7%	9%	19%	19%	26%	25%

CASH FLOW STATEMENT

in € '000	2015	2016	2017	2018E	2019E	2020E
Net income	**1,689**	**2,166**	**5,767**	**7,653**	**11,000**	**12,010**
Depreciation & amortisation	28	23	291	35	50	56
Revaluation result	-3,943	-1,649	-158	-1,205	-1,272	-1,442
Financial result	190	164	116	212	181	241
Tax Result	840	46	-1,733	1,044	1,500	1,955
Change in receivables/ other assets	6,181	7,743	-8,060	-43	-546	-322
Change in payables and other liabilities	-1,928	-5,990	366	282	541	395
Operating cash flow	**3,057**	**2,503**	**-3,411**	**7,977**	**11,454**	**12,893**
Tax paid	-24	-329	0	-1,044	-1,500	-1,955
Interest income	7	12	0	0	0	0
Net operating cash flow	**3,040**	**2,186**	**-3,411**	**6,933**	**9,954**	**10,937**
Purchase PP&E	-9	-12	-68	-35	-50	-56
Purchase intangibles	-4,250	-3	-1	-23	-33	-37
Purchase investment property	-109	-376	-8,326	-1,669	-4,293	-4,049
Proceeds from investment property disposals	0	8,773	1,612	4,000	926	1,094
Cash flow from investing	**-4,368**	**8,382**	**-6,783**	**2,273**	**-3,451**	**-3,048**
Dividend paid to shareholders	0	0	0	-1,878	-2,817	-3,300
Debt inflow, net	562	-3,433	6,878	-6,000	3,024	0
Equity inflow, net	-9	0	-84	0	0	0
Interest expense	-243	-176	-117	-212	-181	-241
Cash flow from financing	**310**	**-3,609**	**6,677**	**-8,090**	**26**	**-3,541**
Consolidation changes to financial assets	0	-3,467	61	0	0	0
Cash, start of the year	2,965	1,947	5,440	1,984	3,100	9,630
Change in cash, net	-1,018	6,959	-3,517	1,116	6,529	4,348
Cash, end of the year	**1,947**	**5,440**	**1,984**	**3,100**	**9,630**	**13,978**
Free cash flow (FCF)	**-1,328**	**10,568**	**-10,194**	**9,206**	**6,503**	**7,890**
FCFPS (in €)	-0.71	5.63	-5.43	4.90	3.46	4.20
Y-Y Growth						
Net operating cash flow	-11.3%	-28.1%	n.m.	n.m.	43.6%	9.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-29.4%	21.3%
FCFPS	n.m.	n.m.	n.m.	n.m.	-29.4%	21.3%

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Report No.:	Date of publication	Previous day ¹closing price	Recommendation	Price target
Initial Report	23 July 2014	€0.95	Buy	€21.00
2...3	↓	↓	↓	↓
4	1 September 2015	€1.50	Buy	€28.00
5	13 October 2016	€1.19	Buy	€28.00
6	23 May 2017	€1.60	Buy	€28.00
7	Today	€31.80	Buy	€40.00

¹ Historical closing prices reflect the share count prior to the reverse stock split

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

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