

# CR Capital AG

Germany / Investment Holding  
 Primary exchange: Frankfurt  
 Bloomberg: CRZK GR  
 ISIN: DE000A2GS625

Six month 2022  
 reporting

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 53.00**

Return Potential 130.4%  
 Risk Rating High

## BUCKING THE TREND

Six month reporting featured another strong performance from the portfolio and has CR Capital tracking towards our full year targets. The company recorded close to €67m in net income, which pushed NAVPS up to €75.5 at the end of H1 (YE21: €59.4). The Terrabau holding spurred earnings, thanks to good progress with its pipeline. Although home construction operations have remained resilient in the economic downturn, the recent weakness in CRC shares reflects sector sentiment that has fallen off a cliff in the wake of jumbo interest rate hikes. We see good value in CRC shares, but investors need to be patient with no clear catalysts on the horizon beyond evolution of the macro environment. Our rating remains Buy with a €53 target price.

**Bucking the trend** The real estate sector has been hit by the one-two punch of rising interest rates and supply chain snarl ups. Although CRC has evolved away from its roots as a pure-play property developer into an investment entity that has diversified into sustainable technologies (see note of 21 July 2022), the portfolio remains vulnerable to the whiplash of the property markets through Terrabau. Plus, Solartec, a system integrator of rooftop solar rigs for year-round electrification of homes and commercial buildings, is also closely tied to the fortunes of the property sector. Management recently reiterated that Terrabau's home construction activities are well insulated from the current turbulence. Supply chains are secured for upcoming projects into 2024, and the home builder is not exposed to rising construction financing costs, thanks to its forward-selling business model and ability to self-finance projects.

**Good value in CRC shares but too many sector headwinds whipping up** Investors are dumping their property stocks and sector sentiment is bad right now. CRC shares have also been hit in the sector downdraft (-31% YTD) that has seen the German property bellwethers (Vonovia, Deutsche Wohnen, Grand City, LEG, and Aroundtown) shed over. . . (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Investment rev. (€m)	95.64	64.53	69.86	75.59	81.61	91.31
Y/Y growth	n.a.	-32.5%	8.2%	8.2%	8.0%	11.9%
EBIT (€m)	91.23	51.19	66.44	72.06	77.97	87.59
EBIT margin	95.4%	79.3%	95.1%	95.3%	95.5%	95.9%
Net income (€m)	92.47	51.27	65.39	70.98	76.80	86.28
EPS (diluted) (€)	24.69	13.65	17.11	17.04	17.01	19.10
DPS (€)	1.50	1.50	2.50	2.60	2.70	2.90
NAVPS (€)	33.30	47.50	59.44	68.82	83.43	99.84
Net gearing	4.7%	-0.5%	-0.6%	-3.6%	-4.6%	-5.4%
Liquid assets (€m)	1.07	0.84	1.49	11.34	17.33	24.22

## 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 is a Berlin-based investment holding focused on growth opportunities in the sustainable technology, private equity, and residential property development sectors in order to positively impact key social issues such as climate change, pension planning, and affordable housing. The company is listed on the Open Market of the Frankfurt Stock Exchange.

## MARKET DATA

As of 18 Oct 2022

Closing Price	€ 23.00
Shares outstanding	4.54m
Market Capitalisation	€ 104.42m
52-week Range	€ 19.90 / 39.80
Avg. Volume (12 Months)	1,360

Multiples	2021	2022E	2023E
P/NAV	0.4	0.3	0.3
EV/Sales	1.4	1.3	1.2
EV/EBIT	1.4	1.3	1.2
Div. Yield	10.9%	11.3%	11.7%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 8.90m
Current Assets	€ 9.10m
Financial Assets	€ 305.60m
Total Assets	€ 315.00m
Current Liabilities	€ 0.00m
Shareholders' Equity	€ 305.70m

## SHAREHOLDERS

MPH Group	57.0%
Free Float	43.0%

. . . €44bn in market capitalisation this year. But these are landlords with large portfolios exposed to asset valuation risks, whereas as CRC's workhorse holding, Terrabau, is a builder of affordable homes. Nevertheless, investors are shrugging at the stability offered by German residential and are clearly on the sidelines waiting for key catalysts such as: (1) signs that inflation has been tamed; (2) the Fed stops tightening; and (3) signals that values for German residential properties will remain stable vs current expectations of sharp declines.

## SIX MONTH REVIEW

**Strong start to the year** Portfolio revaluations accounted for the bulk of the €69m in investment revenue with Terrabau and Solartec contributing to the result. This flowed abundantly to the bottom line, thanks to low operating costs and no interest expense. Net income tallied €67m for the period topping the prior year total (€62m) and has CRC on track to meet our 2022 net income target of €71m.

**Table 1: Six month results vs prior year and FBe**

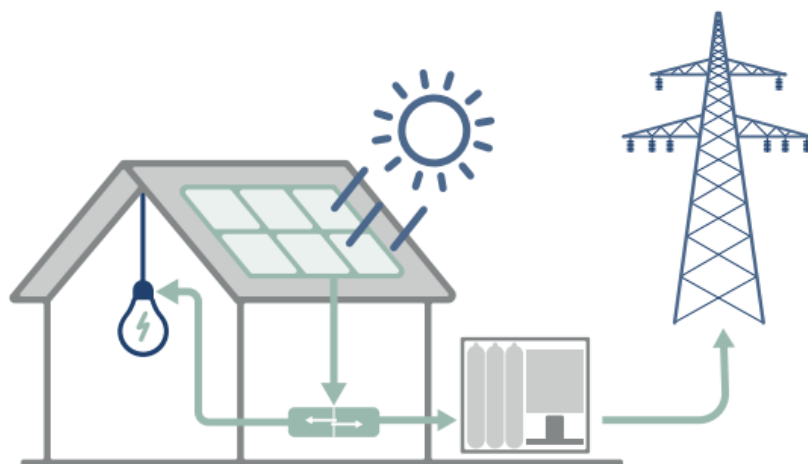
All figures in EUR '000	H1/22	H1/22E	Variance	H1/21	Variance
Investment revenue	68,997	67,500	2.2%	63,688	8.3%
EBITDA	67,708	66,146	2.4%	62,447	8.4%
Margin (%)	98%	98%	-	98%	-
Net income	66,796	65,347	2.2%	61,636	8.4%
EPS diluted (€)	16.5	16.2	2.2%	16.5	0.3%

Source: First Berlin Equity Research; CR Capital

## UPDATE ON SOLARTEC

Earlier this year, CR Capital took an 80% stake in Solartec GmbH. The company designs and installs climate-neutral energy systems, which combine rooftop solar PV rigs with hydrogen technology for year-round electrification of private homes.

**Figure 1: Solartec solutions for year-round electrification**



Source: First Berlin Equity Research; CR Capital

Solartec will work closely with Terrabau GmbH and plans to connect multiple homes to a single system to divvy up the investment costs among multiple homeowners. Aside from the residential business, Solartec plans to roll out a B2B model to commercial landlords. The company reckons these channels will lead to a €20m market opportunity over the near term, and the system integrator began to generate profitable turnover in H2/22. With key components secured and a ready-made customer in Terrabau, we think Solartec should have a strong operational start.

## UPDATE ON TERRABAU

The affordable home builder is the driving force behind CRC's portfolio performance and has a full pipeline through the end of 2023. The company looks to hand over around 200 town homes this year and up to 300 in 2023. All of the flats are forward-sold, which allows Terrabau to self-finance the developments with up-front payments (~30%) and avoid expensive construction financing. Plus, all key materials and labour are locked in.

Unlike the luxury home segment, demand for Terrabau's homes has so far not been dented by rising mortgage financing rates that now range between 3.5% and 4.0% in Germany. The company noted over 200 inquiries on a recent property listing and contends that owning a flat still makes more financial sense than renting in Germany's top hubs—even though the cost gap between renting vs owning has narrowed in this new era of more expensive money.

**Figure 2: Terrabau: Green home construction**



Source: First Berlin Equity Research; CR Capital

**Demand acts as a floor for residential sector** Demand for homes / flats in Terrabau's core markets—particularly Berlin—still vastly outstrips supply, and we do not see this gap closing significantly anytime soon. Net immigration levels are also expected to approach the 2015 peak (>1m) this year and ratchet up the pressure on already limited supply. Plus, buoyant job markets, hordes of millennials approaching their home-buying years, and remote working trends have all spurred demand for more living space.

## UPDATE ON CR OPPORTUNITIES (CRO)

New bond issuances are being considered alongside options to expand the portfolio. CRO holds a 20% stake in Solartec and other operators along the renewable energy value chain. Given the tailwinds whipped up in this sector by Germany's mounting energy crises and the stampede of companies committed to net-zero targets, we believe CRO has the right focus.



## FINANCIAL PERFORMANCE

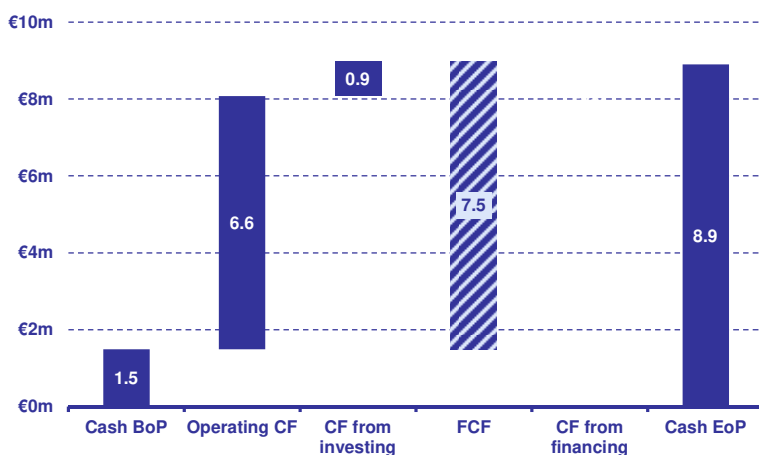
**Table 2: H1/22 financial highlights**

All figures in EUR '000	H1/22	2021	Variance
Cash & equivalents	8,924	1,486	501%
Current assets	9,138	2,241	308%
Financial assets	305,634	229,468	33%
Total assets	315,008	248,020	27%
Financial debt (short- and long-term)	0	0	-
Shareholders' equity	305,724	240,784	27%
Equity ratio	97%	97%	-

Source: First Berlin Equity Research; CR Capital

**Free cash flow tops €7.5m in H1** CRC exited H1/22 with €8.9m in cash, thanks largely to €6.6m in operating cash flow (figure 2), which showed a sizable jump on the prior year comp (€0.6m). The good result stems from cash distributions from the participations with the bulk coming from Terrabau.

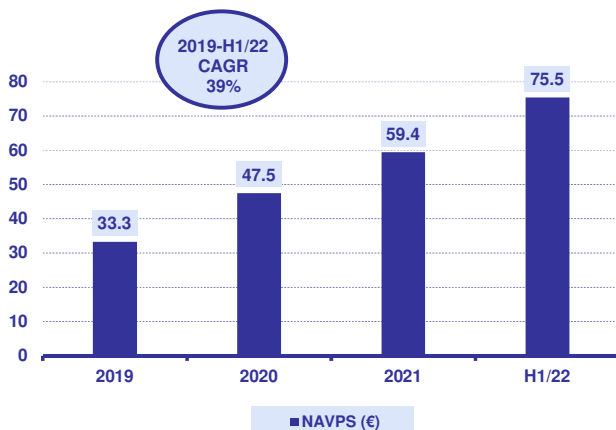
**Figure 3: H1/22 Cash flow developments**



Source: First Berlin Equity Research; CR Capital

**NAV CAGR of 39%** The NAV climbed 27% in the first six months to €306m, while NAVPS stood at €75.5 at end of the reporting period (+25% YTD). The uplift is occasioned by the €67m in net profit for the period.

**Figure 4: NAVPS development**



Source: First Berlin Equity Research; CR Capital



## VALUATION MODEL

**Maintain Buy rating and €53 target price** Six month results have the company tracking well towards our full year targets setting up potential for another attractive dividend payout. Despite current market turmoil, management continue to project a resilient, confident picture for the company and plan to stick to their dividend policy. Given the recent decline in the CR Capital share price the dividend yield is now hovering around double digit levels.

**Table 3: Discounted dividend model**

	Unit	2022E	2023E	2024E	2025E	2026E	2027E	2028E	TV
<b>EPS</b>	€	17.0	17.0	19.1	21.1	23.2	25.1	26.4	30.1
Payout ratio	%	15	16	15	15	15	15	15	15
Dividend (DPS)	€	2.6	2.7	2.9	3.2	3.5	3.8	4.0	4.5
Y/Y	%	4.0	3.8	7.4	10.3	9.4	8.6	5.3	-
<b>NPV</b>	€	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>26.1</b>
CAGR 2022 -2026	%	7.0							
Terminal growth rate	%	2.0							
Discount factor	%	8.8							
NPV of dividends	€	27							
Terminal value (TV)	€	26							
<b>Fair value per share</b>	€	<b>53.0</b>							

*\*Our model runs through 2033 and we have only shown the abbreviated version for formatting purposes*

Cost of equity	8.8%	After-tax cost of debt	4.9%
Pre-tax cost of debt	5.0%	Share of equity capital	100.0%
Tax rate	2.0%	Share of debt capital	0.0%
<b>WACC</b>	<b>8.8%</b>		

Source: First Berlin Equity Research estimates



## INCOME STATEMENT

in € '000	2019	2020	2021	2022E	2023E	2024E
Investment income	93,604	64,378	68,914	74,624	80,625	90,300
Other operating income	1,172	156	942	970	990	1,009
<b>Investment income</b>	<b>95,639</b>	<b>64,534</b>	<b>69,856</b>	<b>75,594</b>	<b>81,615</b>	<b>91,309</b>
Personnel expenses	-1,494	-815	-828	-861	-887	-905
Other impairments	0	-10,203	0	0	0	0
Other operating expenses	-2,878	-2,326	-2,540	-2,642	-2,721	-2,775
<b>EBITDA</b>	<b>91,267</b>	<b>51,190</b>	<b>66,488</b>	<b>72,092</b>	<b>78,007</b>	<b>87,630</b>
Depreciation & amortisation	-40	0	-47	-35	-35	-35
<b>Operating income (EBIT)</b>	<b>91,227</b>	<b>51,190</b>	<b>66,441</b>	<b>72,057</b>	<b>77,972</b>	<b>87,595</b>
Interest expense	-254	-207	-178	0	0	0
Interest income	368	282	160	0	0	0
<b>Pre-tax income (EBT)</b>	<b>91,341</b>	<b>51,265</b>	<b>66,423</b>	<b>72,057</b>	<b>77,972</b>	<b>87,595</b>
Tax expense	1,129	0	-1,032	-1,081	-1,170	-1,314
Minority expense	0	0	0	0	0	0
<b>Net income / loss</b>	<b>92,470</b>	<b>51,265</b>	<b>65,391</b>	<b>70,976</b>	<b>76,802</b>	<b>86,281</b>
<b>Diluted EPS (in €)</b>	<b>24.7</b>	<b>13.6</b>	<b>17.1</b>	<b>17.0</b>	<b>17.0</b>	<b>19.1</b>
<b>Ratios</b>						
EBITDA margin on revenues	95.4%	79.3%	95.2%	95.4%	95.6%	96.0%
EBIT margin on revenues	95.4%	79.3%	95.1%	95.3%	95.5%	95.9%
Net margin on revenues	96.7%	79.4%	93.6%	93.9%	94.1%	94.5%
Tax rate	-1.2%	0.0%	1.6%	1.5%	1.5%	1.5%
<b>Expenses as % of revenues</b>						
Personnel expenses	1.6%	1.3%	1.2%	1.1%	1.1%	1.0%
Other operating expenses	3.0%	3.6%	3.6%	3.5%	3.3%	3.0%
<b>Y-Y Growth</b>						
Revenues	n.m.	-32.5%	8.2%	8.2%	8.0%	11.9%
Operating income	n.m.	-43.9%	29.8%	8.5%	8.2%	12.3%
Net income/ loss	n.m.	-44.6%	27.6%	8.5%	8.2%	12.3%

\* IFRS 10 reporting as of 2019



## BALANCE SHEET

in € '000	2019	2020	2021	2022E	2023E	2024E
<b>Assets</b>						
<b>Current assets, total</b>	<b>19,282</b>	<b>18,888</b>	<b>2,306</b>	<b>11,648</b>	<b>17,649</b>	<b>24,548</b>
Cash and cash equivalents	1,071	841	1,486	11,337	17,329	24,219
Accounts receivable	285	0	0	0	0	0
Other ST assets	13,605	18,047	820	311	320	330
<b>Non-current assets, total</b>	<b>117,622</b>	<b>169,577</b>	<b>245,714</b>	<b>306,879</b>	<b>367,368</b>	<b>435,113</b>
Intangible assets & goodwill	6,586	5	77	87	97	107
Tangible assets	105	96	77	87	97	107
Financial assets	100,531	169,476	245,560	306,705	367,174	434,899
<b>Total assets</b>	<b>136,904</b>	<b>188,465</b>	<b>248,020</b>	<b>318,527</b>	<b>385,017</b>	<b>459,662</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>2,821</b>	<b>173</b>	<b>146</b>	<b>161</b>	<b>177</b>	<b>194</b>
Accounts payable	1,136	173	146	161	177	194
ST debt	1,685	0	0	0	0	0
<b>Long-term liabilities, total</b>	<b>8,992</b>	<b>10,315</b>	<b>7,090</b>	<b>7,557</b>	<b>8,059</b>	<b>8,599</b>
Deferred tax liabilities	2,353	1,445	2,324	2,556	2,812	3,093
Provisions	1,253	50	119	121	124	126
Other LT liabilities	176	8,820	4,647	4,879	5,123	5,379
LT debt	5,210	0	0	0	0	0
<b>Shareholders' equity, total</b>	<b>125,091</b>	<b>177,977</b>	<b>240,784</b>	<b>310,810</b>	<b>376,781</b>	<b>450,868</b>
<b>Total consolidated equity and debt</b>	<b>136,904</b>	<b>188,465</b>	<b>248,020</b>	<b>318,527</b>	<b>385,017</b>	<b>459,662</b>
<b>Ratios</b>						
Current ratio (x)	6.8	109.2	15.8	72.5	99.9	126.3
Net debt / (cash)	5,824	-841	-1,486	-11,337	-17,329	-24,219
Net debt /EBITDA (x)	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover (x)	-2.3	-0.3	1.0	1.4	1.5	1.5
Net gearing	5%	0%	-1%	-4%	-5%	-5%
Equity ratio	91%	94%	97%	98%	98%	98%
NAV	125,091	177,977	240,784	310,810	376,781	450,868
NAVPS (€)	33.3	47.5	59.4	68.8	83.4	99.8

\* IFRS 10 reporting as of 2019



## CASH FLOW STATEMENT

in € '000	2019	2020	2021	2022E	2023E	2024E
<b>Net income</b>	<b>92,470</b>	<b>51,265</b>	<b>65,391</b>	<b>70,976</b>	<b>76,802</b>	<b>86,281</b>
Depreciation & amortisation	40	10,203	47	35	35	35
Income from investments	-48,000	0	9,993	6,075	12,488	14,842
Result from at equity participations	-41,589	-61,293	-64,986	-70,424	-76,225	-85,900
Financial result	-114	-75	18	0	0	0
Tax Result	-1,131	0	1,032	1,081	1,170	1,314
Change in working capital	-4,108	-426	3,983	991	509	548
<b>Operating cash flow</b>	<b>-2,432</b>	<b>-326</b>	<b>15,478</b>	<b>8,733</b>	<b>14,779</b>	<b>17,119</b>
Tax paid	-78	0	-1,032	-1,081	-1,170	-1,314
<b>Net operating cash flow</b>	<b>-2,510</b>	<b>-326</b>	<b>14,446</b>	<b>7,652</b>	<b>13,609</b>	<b>15,805</b>
<b>Cash flow from investing</b>	<b>-372</b>	<b>647</b>	<b>-11,145</b>	<b>-55</b>	<b>-55</b>	<b>-55</b>
Dividend paid to shareholders	-2,809	0	-5,619	-950	-10,831	-12,194
Dividends received	0	0	3,141	3,204	3,268	3,333
Debt inflow , net	3,402	0	0	0	0	0
Equity inflow , net	0	0	0	0	0	0
Interest expense	-253	-207	-178	0	0	0
<b>Cash flow from financing</b>	<b>340</b>	<b>-207</b>	<b>-2,656</b>	<b>2,254</b>	<b>-7,563</b>	<b>-8,860</b>
Cash, start of the year	3,940	1,071	841	1,486	11,337	17,329
Consolidation changes	-327	-344	0	0	0	0
Change in cash, net	-2,542	114	645	9,851	5,992	6,890
<b>Cash, end of the year</b>	<b>1,071</b>	<b>841</b>	<b>1,486</b>	<b>11,337</b>	<b>17,329</b>	<b>24,219</b>
<b>Free cash flow (FCF)</b>	<b>-2,882</b>	<b>321</b>	<b>3,301</b>	<b>7,597</b>	<b>13,554</b>	<b>15,750</b>
FCFPS (in €)	-0.8	0.1	0.9	1.8	3.0	3.5
<b>Y-Y Growth</b>						
Net operating cash flow	n.m.	n.m.	n.m.	-47.0%	77.8%	16.1%
Free cash flow	n.m.	n.m.	928.3%	130.2%	78.4%	16.2%
FCFPS	n.m.	n.m.	910.9%	111.2%	64.6%	16.2%

\* IFRS 10 reporting as of 2019



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**PRICE TARGET DATES**

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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 <sup>1</sup>	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%

<sup>1</sup> 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	23 July 2014	€0.95	Buy	€10.50
2...5	↓	↓	↓	↓
6	23 May 2017	€1.60	Buy	€14.00
7	29 April 2019	€31.80	Buy	€20.00
8	30 September 2019	€25.20	Buy	€35.00
9	4 June 2020	€28.90	Buy	€37.00
10	7 April 2020	€21.70	Buy	€37.00
11	17 September 2021	€34.00	Buy	€58.00
12	21 July 2022	€30.50	Buy	€53.00
13	Today	€23.00	Buy	€53.00

**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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- **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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