

GRAND CITY Properties S.A.

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

2018
 Results

RATING
BUY

PRICE TARGET
€ 28.00

Return Potential 27.7%
 Risk Rating Medium

ANNUAL RESULTS EXTEND GROWTH AND PROFITABILITY ARCS

Full year results showed strong annualised growth. Net rental income (NRI) and FFO 1 each climbed 11% Y/Y and were in line with our forecasts. FFOPS 1 increased 6% to €1.19. The residential portfolio climbed 13% Y/Y to €7.2bn and continues to feature high location quality with Berlin accounting for 24% of the properties. The company plans to pay out a €0.77 per share dividend equating to a 3.4% yield, and guidance points to another strong year. Our economic profit model yields a price target of €28 (old: €27). We maintain our Buy rating.

New guidance calls for FFOPS 1 growth of 5.9% to 6.7% We expect the positive operational arc to continue driven by organic growth and value extraction, while GCP continues to filter its ~€300m pipeline with a 5.0% unlevered NOI (net operating income) as a hurdle rate for future acquisitions. Management expect FFO 1 to reach €211m – €213m this year, spurred by > 3.5% like-for-like (LFL) growth. We view this as highly achievable. Our updated forecasts (table 6 overleaf) translate into 6.4% FFOPS 1 and 10.0% EPRA NAVPS growth in 2019.

No changes on the positive narrative The €7.2bn portfolio embeds 30% revisionary upside led by: Berlin 50%, North Rhine-Westphalia 25%, and the east German assets (Dresden, Leipzig and Halle) 30%. Annualised net rent market potential, including vacancy compression, now stands at €465m. The company believes this upside can be corralled in the next six to eight years. Germany's residential market continues to suffer from a widening supply / demand gap especially in Berlin (24% of GCP portfolio), where demand is fuelled in particular by a thriving startup economy. The sector continues to lure a steady stream of smart creatives to the German capital exacerbating demand for central living space. The newly acquired London properties are in the late snagging stages. Management believe Brexit risks are priced into the market and expect the London portfolio to deliver a 5.0% NRI yield once occupancy increases. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018	2019E	2020E
Rental income (€m)	333.50	435.67	494.89	544.98	596.96	633.62
Y/Y growth	53.8%	30.6%	13.6%	10.1%	9.5%	6.1%
Adj. EBITDA (€m)	177.27	224.73	247.98	275.53	298.18	315.86
Net income ² (€m)	343.9	542.5	534.6	488.6	414.8	416.3
EPS (diluted) (€)	2.35	3.25	3.06	2.76	2.33	2.34
EPRA NAV ¹ (€m)	2402.09	3208.45	3993.06	4783.07	5170.47	5533.10
DPS (€)	0.25	0.68	0.73	0.77	0.83	0.88
FFO 1 (€m)	128.04	160.12	178.01	197.85	211.95	226.82
FFOPS 1 (€)	1.01	1.05	1.12	1.19	1.27	1.36
Liquid assets (€m)	388.93	630.27	401.48	765.04	776.49	674.44

¹ including perpetual notes ²after minority interests and hybrid investors

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 20 Mar 2019

Closing Price	€ 21.92
Shares outstanding	166.72m
Market Capitalisation	€ 3654.50m
52-week Range	€ 18.62 / 24.16
Avg. Volume (12 Months)	230,427

Multiples	2018	2019E	2020E
P/FFO 1	18.3	17.2	16.1
P/EPRA NAV	0.8	0.7	0.7
FFO 1 Yield	5.4%	5.8%	6.2%
Div. Yield	3.5%	3.8%	4.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2018

Liquid Assets	€ 760.00m
Current Assets	€ 1,237.00m
EPRA NAV ¹	€ 4,783.00m
Total Assets	€ 8,861.00m
Current Liabilities	€ 306.00m
Total Equity	€ 4,667.00m

¹ including perpetual notes

SHAREHOLDERS

Edolaxia Ltd.	38.7%
Free Float	61.3%



This compares to the prevailing 3.4% in the British capital where vacancy is at a rock bottom 1.8%. GCP also noted on the conference call that the acquisition pipeline contains a ~€100m London component and updated its London target to 12% (old: 10%) of the overall portfolio. Management also hinted that they are in early stages of assessing opportunities in the US but reiterated that Germany will remain the company's core market (> 75%) long term.

Trouble brewing in Berlin? The city's acute housing shortage recently triggered a radical expropriation initiative. The debate targets landlords with +3,000 flats in Berlin including Vonovia, Deutsche Wohnen, Grand City Properties, ADO Properties and the Swedish Akelius. We see little risk however. Even a successful referendum would not obligate the city to nationalise the flats. Not to mention, Berlin is already saddled with some €60bn in debt and hardly has the resources to pay the tab for the ~200k flats mentioned in the initiative. We suspect that expropriation would likewise adversely impact the city's credit rating.

Too much red tape and bad economics for developers In our view, the expropriation debate ignores the sputtering supply of new housing. New construction continues to be gated by slow permitting and burdensome regulations. City planners look for 30,000 units to be completed this year; however, market watchers regard this as ambitious and believe 20k is more realistic. We think it makes more sense to loosen the regulatory reins holding back new build and better incentivise developers.

ANNUAL RESULTS DELIVER DOUBLE DIGIT GROWTH

Both the top line and earnings showed solid performances led by a 10% Y/Y rise in net rent. This was spurred by continued strong like-for-like (LFL) performance. Last year, GCP realised total LFL net rental growth of 3.4% comprising 3.1% in-place rent and 0.3% occupancy increases.

Table 1: Full year results vs forecasts

in €m	2018	2018E	Variance	2017	Variance	Q4/18	Q4/17	Variance
Rental income	545	539	1.1%	495	10.1%	142	129	10.1%
Net rent	364	353	3.1%	328	11.0%	92	86	7.0%
Adjusted EBITDA	276	276	0.0%	248	11.3%	72	65	10.8%
margin	50.6%	51.2%	-	50.1%	-	50.7%	50.4%	-
FFO 1	198	196	1.0%	178	11.2%	48	48	0.0%
FFOPS 1 (€)	1.19	1.19	0.0%	1.12	6.2%	0.28	0.29	-3.4%

Source: First Berlin Equity Research; Grand City Properties

FFO 1, the key industry indicator for recurring cash flow, matched our estimate and prior year result in Q4/18 at €48m equating to FFOPS 1 of €0.28. The flat Y/Y performance is traced to higher interest and tax expenses in Q4/18. On a full year basis, FFO 1 rose 11% Y/Y to €198m or € 1.19 per share (+8% Y/Y). The strong bottom line performance owes chiefly to the 3.4% LFL rental income growth, while a slightly higher share count accounts for variance in per share growth. FFOPS 1 corresponds to a 5.3% yield and translates to a 6% CAGR for the period the 2015 to 2018. Adjusted for perpetual note attribution, FFOPS 1 equalled €1.01 vs €0.96 in 2017 (table 2 overleaf).

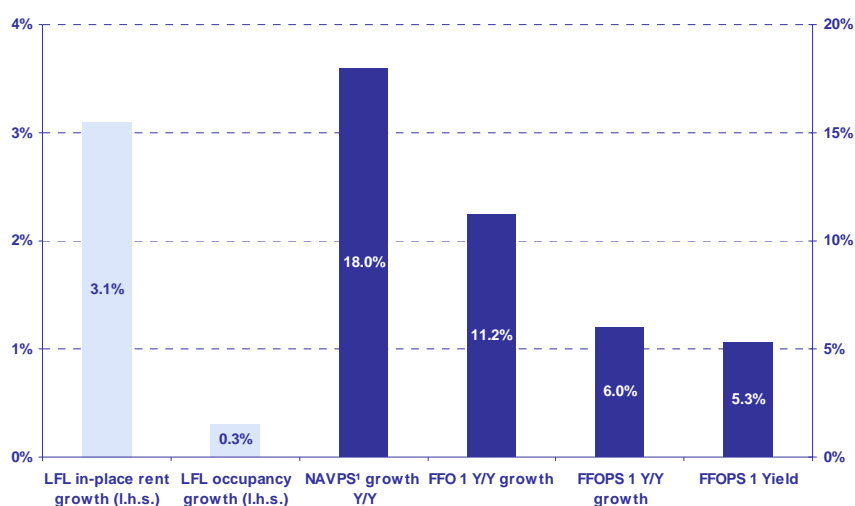
**Table 2: FFO performance**

€m	H1/18	H1/17	Variance
FFO 1	99	85	16%
Adjustment for accrued perpetual note attribution	-14	-12	-
FFO 1 after perpetual note attribution	85	73	16%
Weighted avg. basic share count ('000)	164,789	154,336	-
FFOPS 1 after perpetual note attribution	0.52	0.47	11%

As part of its capital recycling strategy, Grand City disposed of non-core properties acquired as part of large portfolio deals in 2018 for a value of €500m—4% over net book value. This generated a €137m economic profit at a roughly 38% margin resulting in FFO 2 of €334m for the year (2017: €204m; +64%). AFFO (adjusted funds from operations), which considers repositioning CapEx as a measure of recurring operational cash flows, increased to €122m vs €110m last year (+11%).

The 'capital gains, property revaluations and other income' line item totalled €122m for the quarter (Q4/17: €235m, -48%). For the full year period, this KPI totalled €507m compared to €616m in 2017. The continued strong development relates to GCP's value-add business model: acquiring properties with strong value upside and repositioning the assets to unlock this potential. At year end, the average value per m² determined by external auditors climbed to €1,257 vs €1,155 YE17 and corresponded to a net rental income yield of 5.3%.

Adjusted EBITDA, which reflects recurring operational profit excluding capital gains and revaluation effects, rose 11% Y/Y to €72m in Q4 (Q4/17: €67m) and 7% Q/Q. The 2018 figure climbed 11% Y/Y to €276m (2017: €248m). The operational performance demonstrates the scalability of the business. We also note that growth was achieved despite the aforementioned capital recycling measures.

Figure 1: Operating KPI's in 2018

*includes perpetual notes,

Source: First Berlin Equity Research; Grand City Properties

As of YE 2018, EPRA NAV totalled €3.8bn (€22.5 / share) compared to €3.3bn at year end 2017 (€20.2 / share, +11%). EPRA NAV growth owes predominantly to the strong net profit of €489m recorded for the year. Including the perpetual notes, which are classified as equity under IFRS, this KPI stood at €4.8bn or €28.7 / share(+19%).



The portfolio continues to feature strong clusters in Berlin (24%), North Rhine-Westphalia (27%), and Dresden, Leipzig, Halle (14%). The NRI yield topped 5.3% at YE vs 5.5% at the end of 2017.

Table 3: Portfolio overview as of YE18

	Investment properties (€m)	Rentable area ('000 m ²)	EPRA vacancy	Annualised net rent (€m)	In-place rent (€/m ²)	Number of units	Value (€/m ²)	Rental yield
NRW	1,950	1,843	8.0%	116	5.6	27,591	1,058	5.9%
Berlin	1,553	635	6.3%	55	7.6	8,141	2,443	3.5%
Dresden / Leipzig / Halle	1,020	1,076	8.3%	59	5.0	18,537	948	5.7%
Mannheim / KL / Frankfurt / Mainz	395	270	5.0%	22	7.0	4,477	1,464	5.5%
Nuremberg / Fürth / Munich	213	103	4.3%	10	7.9	1,471	2,073	4.6%
Bremen / Hamburg / Hanover	352	297	4.7%	20	5.9	4,272	1,183	5.7%
London	294	40	9.5%	12	28.8	730	7,326	4.2%
Others	948	1,086	6.6%	65	5.5	18,452	874	6.9%
Development rights & new build*	519	-	-	-	-	-	-	-
Total	7,244	5,350	7.1%	359	6.00	83,671	1,257	5.3%

* land for development, building rights on existing buildings (€164m) and premarketed new buildings in London (€281m)

Source: First Berlin Equity Research; Grand City Properties

Capital structure remains robust and steady GCP exited 2018 with cash and liquid assets of €760m compared to €402m at the end of last year, while net debt stood at €2.6bn vs €2.4bn at the end of 2017. The debt structure features an LTV of 34%, which remains well below the 45% internal limit set by the Management Board. Coverage ratios were solid with a debt service coverage ratio (DSCR) and an interest coverage ratio (ICR) of 4.9x and 6.0x respectively at the end of Q4. The debt structure carries an 8.2 year maturity with a 1.6% average cost of debt, while 99% of the capital structure is hedged. Management reiterated its desire to extend debt maturities as opportunities arise and confirmed financial firepower of some €1bn to go alongside the overall €300m pipeline, while keeping the LTV below 45%.

Table 4: Financial highlights

in €m	2018	2017	Variance
Cash & liquid assets	760	402	89%
Investment property ¹	7,244	6,388	13%
Total equity	4,479	3,850	16%
EPRA NAV incl. hybrid notes	4,783	3,993	20%
EPRA NAV	3,753	3,327	13%
Interest bearing debt	871	941	-7%
Straight bonds	2,177	1,423	53%
Convertible bond	272	432	-37%
Loan-to-Value (LTV)	34%	36%	-
Equity ratio	53%	51%	-

¹ including inventories-trading property

Source: First Berlin Equity Research; Grand City Properties



GOOD PROSPECTS FOR 2019

Organic growth narrative intact We have adopted the 3.5% LFL rental growth guidance for 2019 and believe this will normalise at ~3.4% over the mid-term. Based on the communicated €300m pipeline, we have modelled some €230m in acquisitions this year. To simplify calculations, we also assume 50% of in-place rent for newly acquired properties in the acquisition year. Our NRI assumptions equate to a 6% CAGR for 2019 – 2021 and 7% FFO 1 CAGR for the time frame. We outline our key growth assumptions as follows:

Table 5: Rental income assumptions

in €m	2019E	2020E	2021E
Net rental income	388	412	435
Y/Y	6.5%	6.1%	5.5%
Gross rental income	597	634	669
Y/Y	9.5%	6.1%	5.5%
Gross asset value (GAV)			
Rental yield (NRI)	5.3%	5.2%	5.2%
Investments	236	182	171
Disposals	0	0	0
Revaluations	342	322	312
Investment properties	7,806	8,309	8,792
Rental income forecasts			
Organic rent	382	407	430
LFL RI growth (incl. vacancies)	3.5%	3.5%	3.4%
Acquisitions	236	182	171
Multiple (x)	20	20	20
Initial yield	5.0%	5.0%	5.0%
Initial rental income (RI)	12	9	9
Weighted RI	6	5	4
Reported rental income	388	412	435

Source: First Berlin Equity Research estimates

Table 6: Changes to our estimates

in €m	2019E			2020E		
	Old	New	Variance	Old	New	Variance
Rental income	588	597	1.5%	629	634	0.7%
Net rent	384	388	1.0%	411	412	0.2%
Adj. EBITDA	300	298	-0.6%	320	316	-1.3%
margin	78%	77%	-	78%	77%	-
FFO 1	214	212	-1.0%	232	227	-2.2%
Margin	56%	55%	-	56%	55%	-
FFOPS 1 (€)	1.27	1.27	0.1%	1.34	1.36	1.5%

Source: First Berlin Equity Research estimates

Last year, GCP provided annual guidance in place of its traditional monthly run rates, due to the stability of external growth. New guidance is as follows:

Table 7: Guidance

	Unit	2018A	2019 Guidance
FFO 1	€m	198	211 - 213
FFOPS 1	€	1.19	1.26 - 1.27
DPS	€	0.77	0.82 - 0.83
FFOPS 1 (exc. Perpetual attribution)	€	1.01	1.06 - 1.07
LFL net rent growth	%	3.4	> 3.5
LTV	%	34	< 45

Source: First Berlin Equity Research; Grand City Properties



ECONOMIC PROFIT MODEL

We expect external growth to remain opportunistic and assume a rate similar to the prior year. Guidance appears highly achievable and could yield some upside if new external growth opportunities emerge throughout the course of the year.

Given the stability of external growth, we now use an economic profit model (old: discounted EPRA NAV method) to value Grand City. In general, we believe this method best illustrates the company's ability to add value through its rental income streams and reward shareholders with attractive dividend and FFO yields.

in €m	2019E	2020E	2021E	2022E	TV
EBITDA	298	316	333	350	354
(+) Revaluations	342	322	312	260	50
(+) Investment income	2	2	2	2	2
(-) Tax expense	96	96	97	92	61
NOPAT	546	543	550	520	345
Total assets	9,513	9,962	10,233	10,975	10,975
(-) Current liabilities	307	327	339	355	355
(+) Current financial debt	22	22	22	22	22
(-) Cash	615	513	253	480	480
(+) Deferred taxes	541	588	635	681	681
Capital employed (CE)	9,153	9,732	10,298	10,842	10,842
ROCE	6.2%	5.8%	5.5%	4.9%	3.2%
WACC	3.1%	3.1%	3.1%	3.1%	3.1%
ROCE-WACC	3.1%	2.6%	2.4%	1.8%	0.1%
Economic Profit	271	249	238	191	7
NPV	271	235	218	170	278
Fair value calculation					
Total return	1,002				
(+) EPRA NAV (2018)	4,140				
(-) Dividend to be paid	129				
Equity value	5,014				
Diluted SO ('000)	179				
Fair value per share (€)	28.00				
Valuation metrics					
Price target (€)	27.90	27.90	27.90	27.90	
Share price (€)	21.92	21.92	21.92	21.92	
Return potential	27.3%	27.3%	27.3%	27.3%	
Dividend yield	3.8%	4.0%	4.3%	4.4%	
Total return potential	31.1%	31.3%	31.6%	31.7%	
FFOPS 1 yield	5.4%	5.8%	6.2%	6.7%	
DPS (€)	0.83	0.88	0.95	0.94	

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Net rent	220	285	328	364	388	412
Rental and operating income	333	436	495	545	597	634
Revenue from sale of buildings	0	7	2	0	0	0
Revenue	333	443	497	545	597	634
Capital gains, property revaluations & other	311	598	616	507	342	305
Result from equity-accounted investees	0	1	6	1	2	2
Property expenses	-152	-204	-239	-263	-288	-305
Cost of buildings sold	0	-5	-1	0	0	0
Administration expenses	-7	-10	-11	-11	-13	-14
Operating income (EBIT)	486	823	868	780	639	621
Finance expenses	-26	-36	-40	-46	-52	-53
Other financial results	0	-11	-43	-36	0	0
Pre-tax income (EBT)	460	775	786	698	588	568
Tax and deferred tax expenses	-66	-122	-146	-115	-90	-83
Minority interests	-35	-88	-80	-64	-50	-49
Hybrid note investors	-15	-23	-24	-30	-33	-33
Net income	344	542	535	489	415	404
Basic EPS (€)	2.71	3.56	3.35	2.95	2.49	2.42
Diluted EPS (€)	2.35	3.25	3.06	2.76	2.33	2.27
Adjusted EBITDA	177	225	248	276	298	316
Ratios						
Adjusted EBITDA margin	53.2%	51.6%	50.1%	50.6%	50.0%	49.9%
Tax rate	12.8%	11.9%	-11.3%	-10.8%	10.8%	10.8%
Expenses as % of revenues						
Property expenses	45.4%	46.8%	48.3%	48.2%	48.2%	48.2%
Administration expenses	2.1%	2.2%	2.2%	1.9%	2.3%	2.3%
Y-Y Growth						
Rental and operating income	53.8%	30.6%	13.6%	10.1%	9.5%	6.1%
Total revenues	44.1%	32.7%	12.2%	9.7%	9.5%	6.1%
Operating income	41.9%	69.3%	5.5%	-10.2%	-18.0%	-2.9%
Adjusted EBITDA	58.3%	26.8%	10.3%	11.1%	8.2%	5.9%
Net income/ loss	67.3%	57.7%	-1.5%	-8.6%	-15.1%	-2.6%
Funds from Operations (FFO)						
Operating profit	486	823	868	780	639	621
Depreciation and amortisation	2	2	2	3	2	2
EBITDA	488	825	871	782	642	623
Capital gains, property revaluations and other	-311	-598	-616	-507	-342	-305
Result from disposal of trading properties	0	-2	0	0	0	0
Others	1	0	-6	0	-2	-2
Adjusted EBITDA	177	225	248	276	298	316
Financial expense	-26	-36	-40	-46	-52	-53
Tax	-23	-27	-28	-30	-32	-34
Minorities	-1	-1	-2	-2	-2	-2
FFO 1	128	160	178	198	212	227
CapEx	-34	-56	-67	-75	-83	-89
AFFO	94	104	111	122	129	138



BALANCE SHEET

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Assets						
Current assets, total	627	1,028	796	1,238	1,289	1,210
Cash and cash equivalents	236	449	312	603	615	513
Traded securities at fair value though P&L	153	181	89	162	162	162
Trade and other receivables	226	220	260	319	360	382
Inventories - Trading property	12	27	12	17	16	17
Assets held for sale	0	150	123	136	136	136
Non-current assets, total	4,062	5,126	6,712	7,623	8,224	8,736
Equipment and intangible assets	9	16	20	24	26	29
Investment property	3,846	4,823	6,414	7,282	7,861	8,348
Equity accounted investees	0	118	37	26	28	29
Other LT assets	195	155	214	254	269	285
Deferred tax assets	11	15	28	37	40	44
Total assets	4,689	6,154	7,508	8,861	9,513	9,945
Shareholders' equity & debt						
Current liabilities, total	277	338	371	306	342	362
Short-term debt	55	29	62	22	22	22
Trade and other payables	190	252	267	242	276	293
Other current liabilities	32	58	42	42	45	47
Long-term liabilities, total	2,239	2,750	3,288	3,887	4,135	4,201
Long-term debt	792	897	919	846	884	884
Convertible and straight bonds	1,168	1,478	1,810	2,450	2,598	2,612
Deferred taxes	239	326	500	523	581	630
Other LT liabilities	40	50	59	69	72	75
Minority interests	142	197	364	409	459	508
Shareholders' equity	2,030	2,868	3,485	4,258	4,576	4,875
Total consolidated equity and debt	4,689	6,154	7,508	8,861	9,513	9,945
Ratios						
Current ratio (x)	2.26	3.04	2.15	4.04	3.77	3.34
Equity ratio	46.3%	49.8%	51.3%	52.7%	52.9%	54.1%
EPRA NAV ¹ (€m)	2,402	3,208	3,993	4,783	5,170	5,518
Net debt (€m)	1,626	1,783	2,393	2,560	2,727	2,843
Financial leverage	80.1%	62.2%	68.7%	60.1%	59.6%	58.3%
Loan-to-value (LTV)	41.9%	34.9%	36.4%	34.3%	34.0%	33.4%
Return on equity (ROE)	18.1%	21.3%	16.6%	12.5%	9.9%	9.0%



CASH FLOW STATEMENT

All figures in EURm	2015	2016	2017	2018	2019E	2020E
Net income	394	653	639	583	497	485
Depreciation and amortisation	2	2	2	3	2	2
Profit from equity accounted investees	0	-1	-6	-1	-2	-2
Change in fair value of investment properties	-311	-598	-616	-507	-342	-305
Net finance expenses	26	47	83	82	52	53
Tax result	66	122	146	115	90	83
Others	1	1	1	1	0	0
Operating cash flow	177	227	248	276	298	316
Inventories - trading properties	-1	2	-6	-6	1	-1
Trade & other receivables	-25	-6	-39	-38	-40	-22
Trade & other payables	20	3	19	18	34	17
Provisions for other liabilities	5	-6	3	3	2	2
Tax paid	-19	-19	-23	-28	-32	-34
Net cash flow from operating activities	157	201	202	225	262	277
Investment in fixed/intangible assets	-4	-3	-6	-6	-5	-5
Investments & acquisitions of investment property	-406	-476	-374	-501	-236	-182
Acquisition of subsidiaries	-446	-111	-324	-112	0	0
Proceeds from investments in financial assets	-359	33	95	-100	-15	-16
Cash flow from investing	-1,215	-557	-608	-718	-256	-202
Debt financing, net	440	487	597	916	187	14
Equity financing, net	640	171	176	312	0	0
Other financing activities	-24	-44	-457	-385	-129	-138
Net paid financing expenses	-33	-46	-47	-56	-52	-53
Cash flow from financing	1,023	569	269	786	6	-177
Net cash flows	-34	213	-137	291	11	-102
Cash, start of the year	270	236	449	312	603	615
Cash, end of the year	236	449	312	603	615	513
Adjusted EBITDA / share (€)	1.27	1.46	1.50	1.65	1.79	1.89
FFO I	128	160	178	198	212	227
FFOPS I (€)	1.01	1.05	1.12	1.19	1.27	1.36
Y-Y Growth						
Operating cash flow	38.3%	27.8%	0.5%	11.0%	16.6%	5.9%
Adjusted EBITDA / share	34.5%	15.0%	3.0%	9.8%	8.2%	5.9%
FFO I	68.2%	25.1%	11.2%	11.1%	7.1%	7.0%
FFOPS I	52.8%	3.9%	6.5%	7.1%	6.4%	7.0%

FIRST BERLIN 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...26	↓	↓	↓	↓
27	22 May 2018	€22.74	Buy	€27.00
28	20 August 2018	€23.08	Buy	€27.00
29	21 November 2018	€20.66	Buy	€27.00
30	Today	€21.92	Buy	€28.00

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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

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