

GRAND CITY Properties S.A.

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

9M/20
 results

RATING
BUY

PRICE TARGET
€ 27.50

Return Potential 35.1%
 Risk Rating Medium

TRENDING TOWARDS FULL YEAR GUIDANCE

Nine month reporting showed steady results as the company continues to optimise the portfolio by disposing of non-core properties, while growing the Berlin and London portfolios. Net rent was lower Y/Y on net disposals, but adjusted EBITDA was up on an annualised basis thanks to lower property operating expenses. GCP confirmed 2020 guidance (FFOPS 1: €1.27 to €1.31), and €1.3bn in liquid assets provides good flexibility to react to fast changing markets. We remain Buy-rated on Grand City with an unchanged €27.5 price target.

Conference call takeaways Operations continued their solid performance thanks to a well diversified portfolio that has so far absorbed the dual impacts of covid-19—rent deferments ~1%, and the Berlin rent cap. The company was able to offset the decline in net rent traced to property disposals having sold a number of properties saddled with higher cost structures. The improved portfolio quality led to an 11% decline in property operating expenses for the nine month period and helped GCP record a 1.4% increase in adjusted EBITDA. The KPI was even better on a quarterly basis (Q3/20: +3%).

What else has changed? Not all that much since the end of June. Management had already baked the impacts of covid-19 and the Berlin rent cap into 2020 guidance (overleaf), and operations continued to run with few disruptions. The German residential market continues to be shaped by high demand vs low supply, while Berlin remains resilient despite the rent cap. Acquisition activity restarted at the end of H1, and GCP closed ~€236m in deals during the third quarter. The pipeline remains around €0.5bn with London remaining an attractive target, despite the capital's pandemic troubles. Management see a growing trend towards renting vs expensive ownership in the British capital and continue to target a 20% to 25% portfolio footprint. Meanwhile, we share the view of most market watchers that the days of the Berlin rent cap appear numbered. Management expect this to be overturned by the federal court sometime in H1/21. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E |
|------------------------------|---------|---------|---------|----------|----------|----------|
| Rental income (€m) | 435.67 | 494.89 | 544.98 | 560.30 | 549.81 | 569.40 |
| Y/Y growth | 30.6% | 13.6% | 10.1% | 2.8% | -1.9% | 3.6% |
| Adj. EBITDA (€m) | 224.73 | 247.98 | 275.53 | 297.66 | 309.27 | 321.43 |
| Net income ² (€m) | 542.5 | 534.6 | 488.6 | 406.9 | 447.4 | 396.9 |
| EPS (diluted) (€) | 3.25 | 3.06 | 2.76 | 2.29 | 2.45 | 2.17 |
| EPRA NAV ¹ (€m) | 3208.45 | 3993.06 | 4783.07 | 5150.48 | 5574.81 | 5880.84 |
| DPS (€) | 0.68 | 0.73 | 0.64 | 0.82 | 0.82 | 0.85 |
| FFO 1 (€m) | 160.12 | 178.01 | 197.85 | 211.97 | 215.61 | 223.97 |
| FFOPS 1 (€) | 1.05 | 1.12 | 1.19 | 1.27 | 1.28 | 1.30 |
| Liquid assets (€m) | 630.27 | 401.48 | 765.04 | 1,069.46 | 1,796.80 | 1,431.60 |

¹ including perpetual notes ² after 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.

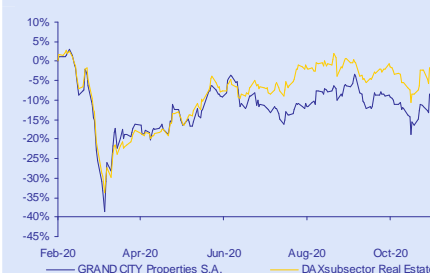
MARKET DATA

As of 16 Nov 2020

| | |
|-------------------------|-----------------|
| Closing Price | € 20.36 |
| Shares outstanding | 171.86m |
| Market Capitalisation | € 3499.07m |
| 52-week Range | € 14.28 / 23.94 |
| Avg. Volume (12 Months) | 275,975 |

| Multiples | 2019 | 2020E | 2021E |
|-------------|------|-------|-------|
| P/FFO 1 | 16.1 | 15.9 | 15.7 |
| P/EPRA NAV | 0.7 | 0.6 | 0.6 |
| FFO 1 Yield | 6.2% | 6.3% | 6.4% |
| Div. Yield | 4.0% | 4.0% | 4.1% |

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2020

| | |
|-----------------------|--------------|
| Liquid Assets | € 1,336.00m |
| Investment properties | € 7,842.00m |
| EPRA NAV ¹ | € 5,351.00m |
| Total Assets | € 10,731.00m |
| Current Liabilities | € 559.00m |
| Total Equity | € 5,212.00m |

¹ including perpetual notes

SHAREHOLDERS

| | |
|---------------|-------|
| Edolaxia Ltd. | 40.0% |
| Free float | 60.0% |



TRENDING TOWARDS FULL YEAR GUIDANCE

Revenue and net rent were marginally lower Y/Y due to the YTD net disposals. But adjusted EBITDA topped the Q3/19 result (~3%) and FFO 1 narrowly missed last year's mark. Thanks to improved portfolio quality and the better cost structure, property operating expenses were ~11% lower on an annualised basis.

Table 1: Third quarter results vs FBe and prior year

| in €m | Q3/20 | Q3/20E | Variance | Q3/19 | Variance | 9M/20 | 9M/19 | Variance |
|-----------------|-------|--------|----------|-------|----------|-------|-------|----------|
| Rental income | 133 | 130 | 2.5% | 140 | -4.6% | 401 | 418 | -4.1% |
| Net rent | 93 | 91 | 1.8% | 96 | -3.2% | 279 | 285 | -2.1% |
| Adjusted EBITDA | 76 | 74 | 2.6% | 74 | 3.0% | 223 | 220 | 1.4% |
| margin | 57% | 57% | - | 53% | - | 56% | 53% | - |
| FFO 1 | 54 | 52 | 3.8% | 54 | 0.0% | 162 | 160 | 1.3% |
| FFOPS 1 (€) | 0.31 | 0.30 | 3.8% | 0.32 | -2.6% | 0.96 | 0.96 | -0.1% |

Source: First Berlin Equity Research; Grand City Properties

On a nine month basis, net rent dipped some 4% on the aforementioned net disposals. Acquisition activities were shut down during the peak of the covid-19 crisis but resumed towards the end of June period resulting in a small Q3 uptick. Adjusted EBITDA edged the prior year figure and helped propel and a 1.3% gain in FFO 1 to €162m.

The results were spurred by another good like-for-like (LFL) performance. As of Q3, GCP realised total LFL net rental growth of 2.6% comprising 0.8% occupancy increases and 1.8% in-place rent. The latter contains 0.7% indexation and 1.1% re-letting. Indexing was somewhat lower in the period, due to solidarity gestures regarding rent increases.

Reported Q3 property revaluations and capital gains of €51m vs €86m in the prior year period was spurred by Berlin and London with the latter showing a 5% LFL performance. Roughly three quarters of the portfolio has been revalued thus far with the balance slated for Q4. Management expect the Q4 KPI to top the third quarter figure. 9M net income of €343m was below the prior year (9M/19: €365m), owing to non-recurring items in the 'other financial result'.

FFO 2 amounted to €270m in 9M (9M/19: €256m). GrandCity disposed of €350m in non-core and mature assets at a multiple of 15x rental income during the first nine months as part of its cash recycling strategy. Sold properties encompassed around 7k flats with a 15% vacancy rate in secondary locations of NRW. The management team also noted post-reporting signed disposals of ~€500m. 9M acquisitions topped €380m (H1/20: €150m), and GCP continues to pick up targets in London and Berlin and noted a 21x RI multiple.

**Table 2: Portfolio overview as of Q3**

| | 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 | 1,346 | 981 | 6.1% | 71 | 6.2 | 13,824 | 1,371 | 5.3% |
| Berlin | 1,866 | 571 | 4.7% | 57 | 8.6 | 7,729 | 3,268 | 3.0% |
| Dresden / Leipzig / Halle | 1,026 | 897 | 7.9% | 52 | 5.3 | 15,377 | 1,144 | 5.1% |
| Mannheim / KL / Frankfurt / Mainz | 400 | 195 | 2.1% | 19 | 8.2 | 3,270 | 2,054 | 4.8% |
| Nuremberg / Fürth / Munich | 307 | 116 | 3.5% | 13 | 9.4 | 1,802 | 2,648 | 4.3% |
| Hamburg / Bremen | 382 | 297 | 5.5% | 20 | 6.1 | 4,265 | 1,289 | 5.4% |
| London | 980 | 117 | 8.2% | 39 | 30.2 | 2,270 | 8,367 | 4.0% |
| Others | 943 | 872 | 6.7% | 60 | 6.4 | 14,686 | 1,082 | 6.3% |
| Development rights & new build | 609 | - | - | - | - | - | - | - |
| Total | 7,859 | 4,046 | 6.2% | 331 | 7.3 | 63,223 | 1,792 | 4.6% |

Source: First Berlin Equity Research; Grand City Properties

Portfolio value (€ / m²) hit 1,792 compared to 1,672 at H1 and 1,543 at YE19. The optimised NRW portfolio now features a 33% Cologne (Germany's fourth largest city) component vs 24% at the end of 2019. The London holdings now account for some 14% of portfolio value. Management hinted that London remains very attractive and covers around 50% of the overall €0.5bn acquisition pipeline. The London footprint could grow > 20% of the portfolio in the future.

EPRA NAV indicators As of Q3, EPRA NAV totalled €4.3bn (€25.1 / share) compared to €4.1bn at year end 2019 (€24.5 / share, +2%). The increase stems from net profits during 9M/20. Including the perpetual notes, which are classified as equity under IFRS, this KPI stood at €5.4bn or €31.1 / share.

NAVPS was diluted by the issuance of 3.9m new shares from the scrip dividend. Some 57% of shareholders opted for shares vs cash distribution. Adjusted for this effect, NAVPS is up 6% YTD.

Table 3: Financial highlights

| in €m | Q3/20 | 2019 | Variance |
|----------------------------------|-------|-------|----------|
| Cash & liquid assets | 1,336 | 1,063 | 26% |
| Investment property ¹ | 7,859 | 7,972 | -1% |
| Total equity | 5,212 | 4,967 | 5% |
| EPRA NAV incl. hybrid notes | 5,351 | 5,150 | 4% |
| EPRA NAV | 4,320 | 4,120 | 5% |
| Interest bearing debt | 569 | 559 | 2% |
| Straight bonds | 3,503 | 2,920 | 20% |
| Convertible bond | 277 | 275 | 1% |
| Loan-to-Value (LTV) | 35% | 33% | - |
| Equity ratio | 49% | 50% | - |

¹ including inventories-trading property

Source: First Berlin Equity Research; Grand City Properties

Balance sheet ratios remain steady Grand City exited the nine month period with cash & liquid assets of >€1.3bn giving management good financial flexibility to pursue acquisition opportunities, optimise the debt portfolio, and buffer against the resurgence in covid-19. Net debt stood at €3.0bn vs €2.7bn at YE19, and the debt structure features an LTV of 35%, 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 4.7x and 5.8x respectively at the end of Q3. The latter is comfortably above the >=2.0x covenant. The capital structure also includes €6.7bn in unencumbered assets or 79% of portfolio value.



CONFIRMED GUIDANCE TRACKING TOWARDS 2020 TARGETS

Table 4: 2020 guidance vs FBe

| | Unit | 2020 Guidance | FBe 2020 |
|---------------------|------|---------------|----------|
| FFO 1 | €m | 213 - 220 | 216 |
| FFOPS 1 | € | 1.27 - 1.31 | 1.28 |
| DPS | € | 0.82 - 0.85 | 0.83 |
| LFL net rent growth | % | 1.5 - 2.0 | 1.8 |
| LTV | % | <45 | 30 |

Source: First Berlin Equity Research; Grand City Properties

Changes to FBe include: (1) slightly lower rental income on higher disposals; (2) lower property operating expenses on the optimised portfolio; and (3) a higher diluted share count from the scrip dividend. The company expects to add some €100m in new properties in Q4, but this has no material impact on FBe. We still look for disposals to outpace acquisitions for the year. Guidance includes covid-19 and the Berlin rent cap effects (latter: €3m RI p.a. and < 1% of annualised rent). Our view that Grand City's under-rented portfolio can drive growth, while the pandemic effects play out, remains intact. We remain Buy-rated on GCP with an unchanged €27.5 price target.

Table 5: Changes to FBe

| | old | new | revision | upside | dividend yield | total upside |
|------------------|-------|------|----------|--------|----------------|--------------|
| Price target (€) | 27.5 | 27.5 | 0.0% | 35.1% | 4.0% | 39.1% |
| in €m | 2020E | | | 2021E | | |
| | Old | New | Variance | Old | New | Variance |
| Net rent (NRI) | 383 | 371 | -3.2% | 390 | 384 | -1.4% |
| Adj. EBITDA | 308 | 309 | 0.4% | 313 | 320 | 2.2% |
| margin (NRI) | 80% | 83% | - | 80% | 83% | - |
| FFO 1 | 215 | 216 | 0.5% | 217 | 223 | 2.9% |
| Margin | 56% | 58% | - | 56% | 58% | - |
| FFOPS 1 (€) | 1.28 | 1.28 | 0.5% | 1.29 | 1.30 | 2.9% |

Source: First Berlin Equity Research estimates



VALUATION MODEL

| in €m | 2020E | 2021E | 2022E | 2023E | TV |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| EBITDA | 309 | 320 | 339 | 358 | 361 |
| (+) Revaluations | 406 | 298 | 289 | 287 | 56 |
| (+) Investment income | 2 | 0 | 0 | 0 | 0 |
| (-) Tax expense | 108 | 93 | 94 | 97 | 63 |
| NOPAT | 610 | 526 | 534 | 548 | 355 |
| Total assets | 10,920 | 11,115 | 11,704 | 12,205 | 12,205 |
| (-) Current liabilities | 396 | 412 | 435 | 458 | 458 |
| (+) Current financial debt | 33 | 33 | 33 | 33 | 33 |
| (-) Cash | 1,533 | 1,167 | 1,202 | 1,156 | 1,156 |
| (+) Deferred taxes | 611 | 655 | 698 | 739 | 739 |
| Capital employed (CE) | 9,635 | 10,223 | 10,798 | 11,364 | 11,364 |
| ROCE | 6.5% | 5.3% | 5.1% | 4.9% | 3.1% |
| WACC | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| ROCE-WACC | 3.4% | 2.2% | 2.0% | 1.9% | 0.0% |
| Economic Profit | 321 | 220 | 209 | 206 | 4 |
| NPV | 320 | 212 | 196 | 187 | 185 |
| Fair value calculation | | | | | |
| Total return | 1,101 | | | | |
| (+) EPRA NAV (2019) | 4,120 | | | | |
| (-) Dividend paid | 138 | | | | |
| Equity value | 5,083 | | | | |
| Diluted SO (m) | 185 | | | | |
| Fair value per share (€) | 27.5 | | | | |
| Valuation metrics | 2020E | 2021E | 2022E | 2023E | |
| Price target (€) | 27.50 | 27.50 | 27.50 | 27.50 | |
| Share price (€) | 20.36 | 20.36 | 20.36 | 20.36 | |
| Return potential | 35.1% | 35.1% | 35.1% | 35.1% | |
| Dividend yield | 4.1% | 4.1% | 4.3% | 4.3% | |
| Total return potential | 39.1% | 39.2% | 39.4% | 39.4% | |
| FFOPS 1 yield | 6.3% | 6.4% | 6.6% | 6.8% | |
| DPS (€) | 0.82 | 0.84 | 0.84 | 0.89 | |



INCOME STATEMENT

| All figures in EURm | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E |
|--|------------|------------|------------|------------|------------|------------|
| Net rent | 285 | 328 | 364 | 383 | 371 | 384 |
| Rental and operating income | 436 | 495 | 545 | 560 | 550 | 569 |
| Revenue from sale of buildings | 7 | 2 | 0 | 0 | 0 | 0 |
| Revenue | 443 | 497 | 545 | 560 | 550 | 569 |
| Property revaluations & capital gains | 598 | 616 | 507 | 401 | 406 | 298 |
| Result from equity-accounted investees | 1 | 6 | 1 | 0 | 2 | 0 |
| Property expenses | -204 | -239 | -263 | -256 | -231 | -239 |
| Cost of buildings sold | -5 | -1 | 0 | 0 | 0 | 0 |
| Administration expenses | -10 | -11 | -11 | -13 | -12 | -13 |
| Operating income (EBIT) | 823 | 868 | 780 | 693 | 714 | 616 |
| Finance expenses | -36 | -40 | -46 | -45 | -57 | -60 |
| Other financial results | -11 | -43 | -36 | -33 | -30 | 0 |
| Pre-tax income (EBT) | 775 | 786 | 698 | 615 | 627 | 556 |
| Tax and deferred tax expenses | -122 | -146 | -115 | -121 | -101 | -86 |
| Minority interests | -88 | -80 | -64 | -53 | -46 | -41 |
| Hybrid note investors | -23 | -24 | -30 | -33 | -33 | -33 |
| Net income | 542 | 535 | 489 | 407 | 447 | 396 |
| Basic EPS (€) | 3.56 | 3.35 | 2.95 | 2.43 | 2.65 | 2.30 |
| Diluted EPS (€) | 3.25 | 3.06 | 2.76 | 2.29 | 2.45 | 2.17 |
| Adjusted EBITDA | 225 | 248 | 276 | 298 | 309 | 320 |
| Ratios | | | | | | |
| Adjusted EBITDA margin | 51.6% | 50.1% | 50.6% | 53.1% | 56.3% | 56.3% |
| Tax rate | 11.9% | -11.3% | -10.8% | -12.5% | 11.5% | 11.5% |
| Expenses as % of revenues | | | | | | |
| Property expenses | 46.8% | 48.3% | 48.2% | 45.6% | 42.0% | 42.0% |
| Administration expenses | 2.2% | 2.2% | 1.9% | 2.3% | 2.3% | 2.3% |
| Y-Y Growth | | | | | | |
| Rental and operating income | 30.6% | 13.6% | 10.1% | 2.8% | -1.9% | 3.6% |
| Total revenues | 32.7% | 12.2% | 9.7% | 2.8% | -1.9% | 3.6% |
| Operating income | 69.3% | 5.5% | -10.2% | -11.1% | 3.1% | -13.8% |
| Adjusted EBITDA | 26.8% | 10.3% | 11.1% | 8.0% | 3.9% | 3.6% |
| Net income/ loss | 57.7% | -1.5% | -8.6% | -16.7% | 9.9% | -11.5% |
| Funds from Operations (FFO) | | | | | | |
| Operating profit | 823 | 868 | 780 | 693 | 714 | 616 |
| Depreciation and amortisation | 2 | 2 | 3 | 4 | 3 | 3 |
| EBITDA | 825 | 871 | 782 | 697 | 717 | 619 |
| Capital gains, property revaluations and other | -598 | -616 | -507 | -401 | -406 | -298 |
| Result from disposal of trading properties | -2 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | -6 | 0 | 2 | -2 | 0 |
| Adjusted EBITDA | 225 | 248 | 276 | 298 | 309 | 320 |
| Financial expense | -36 | -40 | -46 | -45 | -57 | -60 |
| Tax | -27 | -28 | -30 | -37 | -36 | -37 |
| Minorities | -1 | -2 | -2 | -4 | -1 | -1 |
| FFO 1 | 160 | 178 | 198 | 212 | 216 | 223 |
| CapEx | -56 | -67 | -75 | -76 | -72 | -75 |
| AFFO | 104 | 111 | 122 | 136 | 143 | 148 |



BALANCE SHEET

| All figures in EURm | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E |
|--|--------------|--------------|--------------|--------------|---------------|---------------|
| Assets | | | | | | |
| Current assets, total | 1,028 | 796 | 1,238 | 1,629 | 2,387 | 2,036 |
| Cash and cash equivalents | 449 | 312 | 603 | 914 | 1,533 | 1,167 |
| Traded securities at fair value though P&L | 181 | 89 | 162 | 155 | 264 | 264 |
| Trade and other receivables | 220 | 260 | 319 | 342 | 377 | 390 |
| Inventories - Trading property | 27 | 12 | 17 | 16 | 13 | 13 |
| Assets held for sale | 150 | 123 | 136 | 201 | 201 | 201 |
| Non-current assets, total | 5,126 | 6,712 | 7,623 | 8,223 | 8,532 | 9,078 |
| Equipment and intangible assets | 16 | 20 | 24 | 27 | 30 | 33 |
| Investment property | 4,823 | 6,414 | 7,282 | 7,981 | 8,143 | 8,669 |
| Equity accounted investees | 118 | 37 | 26 | 21 | 113 | 113 |
| Other LT assets | 155 | 214 | 254 | 151 | 200 | 212 |
| Deferred tax assets | 15 | 28 | 37 | 42 | 47 | 51 |
| Total assets | 6,154 | 7,508 | 8,861 | 9,851 | 10,920 | 11,115 |
| Shareholders' equity & debt | | | | | | |
| Current liabilities, total | 338 | 371 | 306 | 454 | 396 | 412 |
| Short-term debt | 29 | 62 | 22 | 33 | 33 | 33 |
| Trade and other payables | 252 | 267 | 242 | 288 | 221 | 229 |
| Other current liabilities | 58 | 42 | 42 | 133 | 141 | 150 |
| Long-term liabilities, total | 2,750 | 3,288 | 3,887 | 4,431 | 5,089 | 4,971 |
| Long-term debt | 897 | 919 | 846 | 521 | 500 | 450 |
| Convertible and straight bonds | 1,478 | 1,810 | 2,450 | 3,195 | 3,805 | 3,681 |
| Deferred taxes | 326 | 500 | 523 | 592 | 657 | 706 |
| Other LT liabilities | 50 | 59 | 69 | 122 | 127 | 133 |
| Minority interests | 197 | 364 | 409 | 444 | 535 | 577 |
| Shareholders' equity | 2,868 | 3,485 | 4,258 | 4,523 | 4,899 | 5,155 |
| Total consolidated equity and debt | 6,154 | 7,508 | 8,861 | 9,851 | 10,920 | 11,115 |
| Ratios | | | | | | |
| Current ratio (x) | 3.04 | 2.15 | 4.04 | 3.59 | 6.03 | 4.94 |
| Equity ratio | 50% | 51% | 53% | 50% | 50% | 52% |
| EPRA NAV ¹ (€m) | 3,208 | 3,993 | 4,783 | 5,150 | 5,575 | 5,880 |
| Net debt (€m) | 1,783 | 2,393 | 2,560 | 2,690 | 2,541 | 2,733 |
| Net debt / equity (x) | 0.6 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 |
| Net debt / EBITDA (x) | 7.9 | 9.7 | 9.3 | 9.0 | 8.2 | 8.5 |
| Interest cover (x) | 6.2 | 6.2 | 6.0 | 6.6 | 5.4 | 5.4 |
| Loan-to-value (LTV) | 35% | 36% | 34% | 33% | 30% | 30% |
| Return on equity (ROE) | 21.3% | 16.6% | 12.5% | 9.9% | 9.7% | 8.2% |

¹ including perpetual notes



CASH FLOW STATEMENT

| All figures in EURm | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E |
|--|-------------|-------------|-------------|-------------|--------------|--------------|
| Net income | 653 | 639 | 583 | 493 | 526 | 470 |
| Depreciation and amortisation | 2 | 2 | 3 | 4 | 3 | 3 |
| Profit from equity accounted investees | -1 | -6 | -1 | 0 | -2 | 0 |
| Change in fair value of investment properties | -598 | -616 | -507 | -401 | -406 | -298 |
| Net finance expenses | 47 | 83 | 82 | 78 | 87 | 60 |
| Tax result | 122 | 146 | 115 | 121 | 101 | 86 |
| Others | 1 | 1 | 1 | 2 | 0 | 0 |
| Operating cash flow | 227 | 248 | 276 | 298 | 309 | 320 |
| Change in working capital | -7 | -24 | -23 | -20 | -89 | 3 |
| Tax paid | -19 | -23 | -28 | -28 | -36 | -37 |
| Net cash flow from operating activities | 201 | 202 | 225 | 249 | 185 | 287 |
| Investment in fixed/intangible assets | -3 | -6 | -6 | -7 | -5 | -6 |
| Net property investments / disposals | -476 | -374 | -501 | -194 | 244 | -228 |
| Acquisition of subsidiaries | -111 | -324 | -112 | 31 | -45 | 0 |
| Proceeds from investments in financial assets | 33 | 95 | -100 | 117 | -158 | -12 |
| Cash flow from investing | -557 | -608 | -718 | -53 | 36 | -246 |
| Debt financing, net | 487 | 597 | 916 | 360 | 588 | -173 |
| Equity financing, net | 171 | 176 | 312 | -33 | -33 | -33 |
| Dividend paid | -38 | -112 | -79 | -107 | -71 | -140 |
| Other financing activities | -5 | -345 | -306 | -55 | -30 | 0 |
| Net paid financing expenses | -46 | -47 | -56 | -50 | -57 | -60 |
| Cash flow from financing | 569 | 269 | 786 | 115 | 397 | -406 |
| Net cash flows | 213 | -137 | 291 | 311 | 619 | -365 |
| Cash, start of the year | 236 | 449 | 312 | 603 | 914 | 1,533 |
| Cash, end of the year | 449 | 312 | 603 | 914 | 1,533 | 1,167 |
| Adjusted EBITDA / share (€) | 1.46 | 1.50 | 1.65 | 1.77 | 1.80 | 1.86 |
| FFO I | 160 | 178 | 198 | 212 | 216 | 223 |
| FFOPS I (€) | 1.05 | 1.12 | 1.19 | 1.27 | 1.28 | 1.30 |
| Y-Y Growth | | | | | | |
| Operating cash flow | 27.8% | 0.5% | 11.0% | 11.1% | -25.8% | 54.8% |
| Adjusted EBITDA / share | 15.0% | 3.0% | 9.8% | 7.3% | 1.5% | 3.6% |
| FFO 1 | 25.1% | 11.2% | 11.1% | 7.1% | 1.7% | 3.4% |
| FFOPS 1 | 3.9% | 6.5% | 7.1% | 6.1% | 0.8% | 1.6% |

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

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First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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.

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 | 21 January 2013 | €4.37 | Buy | €14.30 |
| 2...31 | ↓ | ↓ | ↓ | ↓ |
| 32 | 21 May 2019 | €22.64 | Buy | €28.00 |
| 33 | 6 June 2019 | €23.44 | Buy | €28.00 |
| 34 | 20 August 2019 | €20.46 | Buy | €28.00 |
| 35 | 20 November 2019 | €21.44 | Buy | €28.00 |
| 36 | 10 March 2020 | €20.66 | Buy | €28.00 |
| 37 | 20 March 2020 | €16.04 | Buy | €28.00 |
| 38 | 19 May 2020 | €19.78 | Buy | €27.50 |
| 39 | 18 August 2020 | €20.72 | Buy | €27.50 |
| 40 | Today | €20.36 | Buy | €27.50 |

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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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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SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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