

# Grand City Properties S.A.

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

Nine Month  
 Results

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 12.60**

Return Potential 38.3%  
 Risk Rating Medium

## TONE STILL CAUTIOUS DESPITE ENCOURAGING OPERATIONS

LFL rental growth of 3.1% led good operational performance in Q3. Management bumped up their LFL guide to ~3.0% (old: >2.0%), while hinting that 2024 could see similar growth shaped by the steadfast low supply and high occupancy rates of German resi. As anticipated, FFO 1 took a small hit in Q3 (-1.3%) due to higher financing costs and perpetual note attribution. Cash and liquid assets tallied €1.1bn and cover debt maturities until Q2/26. Property stocks and GCP shares (+8%) caught a bid Tuesday on America's new inflation data showing that real estate investors are still laser focused on interest rate expectations. We remain Buy-rated on GCP with a €12.6 target price (old: €12.8).

**Transaction and financing markets remain tricky** Operations continued their good momentum in Q3 (overleaf), prompting GCP brass to bump up the LFL rental growth guide. Topline and operating KPI's extended their gradual ascent, helping offset higher financing costs. Nevertheless, management continue to sound a cautious tone pointing towards a largely dormant transaction market aside from a few small volume deals. Offers for larger portfolios have dried up with higher financing costs the culprit, and GCP didn't venture to guess when this may improve. Banks are also becoming more selective, which is lengthening loan processing times and may ultimately tighten access to liquidity for landlords. GCP has secured €550m in bank debt YTD at a 1.4% margin over Euribor. This includes €110m signed in Q4. The landlord still has a ~€7bn pool of unencumbered assets in its debt management tool belt vs €8.7bn at YE22, and GCP remains in talks with its lenders for further debt and wants to stay ahead of the tightening signals from bankers.

**More conference call takeaways** Residential property peer, TAG Immobilien AG, announced earlier this week it will not propose a dividend to next year's AGM in order to husband cash. When asked on the earnings call about their thoughts on next year's dividend, GCP management noted that. . . (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Rental income (€m)	560.3	535.4	524.6	582.5	599.4	607.8
Y/Y growth	2.8%	-4.4%	-2.0%	11.0%	2.9%	1.4%
Adj. EBITDA (€m)	297.7	299.8	298.6	308.1	313.1	321.6
Net income (€m)	406.9	362.2	523.5	129.2	-650.6	113.4
EPRA NTA (€m)	4,357.7	4,566.4	5,020.2	4,655.6	3,888.3	3,865.8
EPRA NTAPS (€)	25.9	26.5	30.4	27.0	22.6	22.4
DPS (€)	0.82	0.82	0.83	0.00	0.77	0.74
FFO 1* (€m)	179.0	182.2	186.3	192.2	176.5	169.4
FFOPS 1* (€)	1.07	1.07	1.11	1.14	1.02	0.98
Liquid assets (€m)	1,069.5	1,697.9	1,113.5	436.8	933.9	716.8

\*Updated to exclude RETT

### 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.

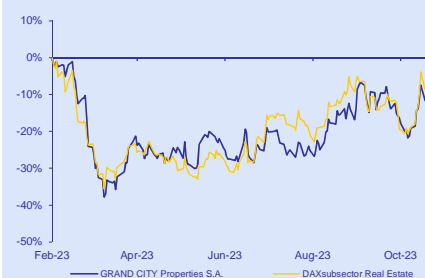
### MARKET DATA

As of 15 Nov 2023

Closing Price	€ 9.11
Shares outstanding	176.18m
Market Capitalisation	€ 1,605.00m
52-week Range	€ 6.09 / 11.35
Avg. Volume (12 Months)	225,527

Multiples	2022	2023E	2024E
P/FFO 1	8.0	9.0	9.4
P/NTA	0.3	0.4	0.4
FFO 1 Yield	12.4%	11.1%	10.7%
Div. Yield	0.0%	8.4%	8.1%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2023

Liquid Assets	€ 1,070.6m
Investment Properties	€ 8,983.0m
EPRA NTA	€ 4,262.0m
Total Assets	€ 11,151.0m
Current Liabilities	€ 681.3m
Total Equity	€ 5,508.4m

### SHAREHOLDERS

Edolaxia Ltd.	60.0%
Treasury	2.0%
Free float	38.0%



. . . “it doesn’t look good” from today’s perspective citing the high rate environment. We reckon, GCP brass will wait until the 11th hour for things to play out before taking a decision on a payout on 2023 performance. For now the company is sticking to its usual 75% of FFO1 policy.

GCP had the entire portfolio assessed by external auditors in Q2. Higher discount and cap rates on the back of higher interest rates led to decrease in property valuations of some €532m. Now the landlord wants to repeat the exercise in Q4 to capture the most up-to-date market conditions for full year 2023 reporting. While not wanting to make a firm call on the downside risk, management hinted that we could see additional write-downs of 5% with the next assessment. We have now factored this into 2023 FBe.

## Q3 RESULT HIGHLIGHTS

GCP realised total LFL net rental growth of 3.1% comprising 0.3% occupancy increases and 2.8% in-place rent. In-place LFL rent contains 1.4% re-letting and 1.4% indexation. The strong performance owes to the aforementioned macro trends in the German market with hubs such as Hamburg, Nuremberg, Bremen and Leipzig spearheading the KPI.

The high rate environment and tight supply also mean that tenants are far more reluctant to move out of their flats. The portfolio featured another record vacancy low, and GCP expects occupancy growth to remain limited until market fundamentals change.

**Table 1: Third quarter vs prior year and FBe**

in €m	Q3/23	Q3/23E	Variance	Q3/22	Variance	9M/23	9M/22	Variance
Rental income	147	147	-0.3%	152	-3.9%	456	424	7.4%
Net rent	104	103	0.5%	100	3.7%	308	295	4.3%
Adjusted EBITDA	80	80	-0.5%	78	1.9%	240	230	4.1%
margin	77%	78%	-	78%	-	78%	78%	-
FFO 1 (after perpetuals)	47	47	-0.4%	48	-1.3%	141	145	-2.5%
FFOPS 1 (€) (after perpetuals)	0.28	0.28	-0.4%	0.28	-1.3%	0.82	0.87	-5.7%
	0							

Source: First Berlin Equity Research; Grand City Properties

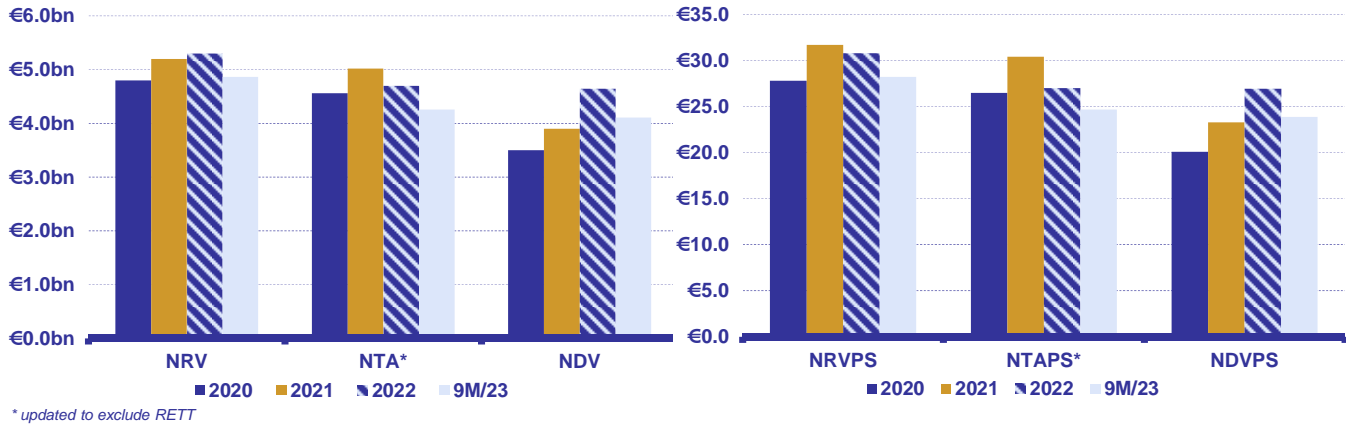
AEBITDA rose 2% Y/Y in the July-to-September period, driven chiefly by the rise in net rental income. FFO 1, the key industry indicator for recurring operational cash flow, matched our estimate at €47m in Q3/23 but fell shy of the prior year result by 1.3%, mainly due to higher financing costs from new and existing debt plus perpetual note attribution. FFOPS 1 of €0.28 was also ~1.3% lower Y/Y.

On a nine month basis, the headline KPIs outperformed on par with Q3 figures. FFO 1 took a 2.5% hit during the nine months before October, owing to higher financing costs that offset the increases in NRI and AEBITDA in 9M/23. FFO 2 was up 16% in 9M on the €270m in disposals executed at ~3% below book value. These allowed GCP to crystallise gains of ~€36m and boost liquidity. Much of this work was accomplished in 2022 and H1 with the transaction market largely at a standstill of late.



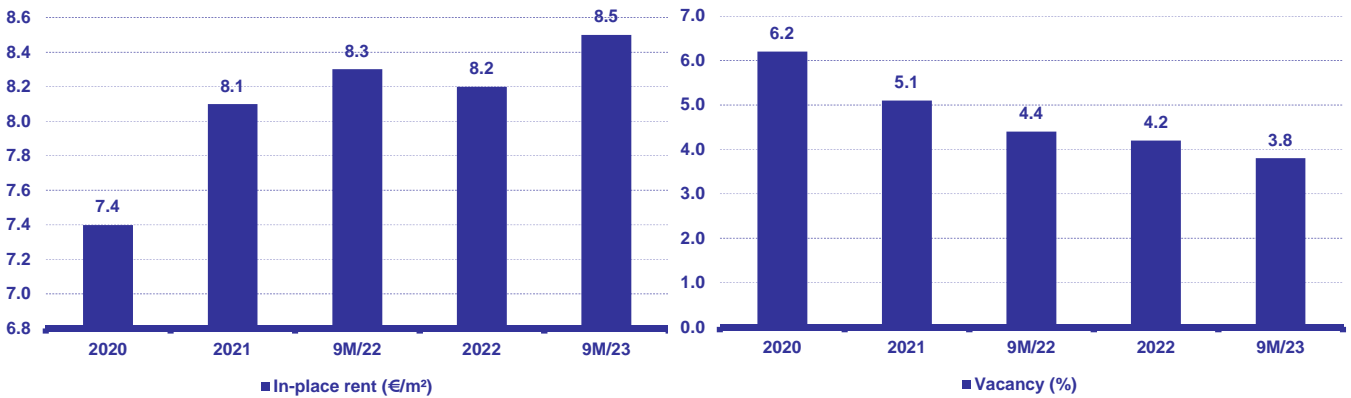
**Portfolio value steady at €2,180 / m<sup>2</sup> (Q2/23: €2,183/ m<sup>2</sup>)** The company made no material acquisitions in 9M/23. Q3 in-place rent stood at €8.5 / m<sup>2</sup> vs €8.4 / m<sup>2</sup> at the end of Q2 and €8.2 / m<sup>2</sup> at YE22, while the portfolio vacancy rate remained at a record low of 3.8%. Annualised net rent tallied €402m at the end of the reporting period compared to €398m in Q2. The portfolio currently has rent reversionary potential to €470m (~17%) to be captured over the mid- to long-term.

**Figure 1: EPRA BPR reporting**



Source: First Berlin Equity Research; Grand City Properties

**Figure 2: In-place rent and vacancy developments**



Source: First Berlin Equity Research; Grand City Properties

**More devaluations on the way** The balance sheet featured a stable LTV of 36% (YE22: 36%), or 47% assuming perpetual notes are counted as debt. The net debt / EBITDA and interest coverage (ICR) ratios stood at 10.1x and 5.7x respectively at the end of Q3. We note that another €500m decrease in property valuations is possible in Q4.

**Table 2: Overview of perpetual notes**

Currency	Outstanding Volume (m)	Current Coupon (%)	Reset Rate (%)	Call Date
EUR	200	6.332	3.887 + 5Y mid-Sw ap	22-Jan-2028
EUR	350	5.901	2.682 + 5Y mid-Sw ap	24-Oct-2028
EUR	700	1.500	2.184 + 5Y mid-Sw ap	09-Jun-2026

Source: First Berlin Equity Research; Grand City Properties

**The next hybrid reset** Grand City has roughly €1.25bn in hybrid notes on the balance sheet and recently let the coupon on the October hybrid notes reprice at a sharply higher level of 5.901% (old: 2.50%). Given still unfavourable refinancing terms, we had already factored a reset of the October notes into our model. The full effect of the two resets will be a nearly €19m increase in coupon payments on an annualised basis. The reset for the largest note (€700m) isn't until June 2026, which may be far enough out for rates to retreat to allow for a more palatable refinancing.

**Table 3: Financial highlights**

in €m	9M/23	2022	Variance
Cash & liquid assets	1,071	429	149.7%
Investment property	8,983	9,530	-5.7%
Unencumbered assets	6,963	8,665	-19.6%
Unencumbered assets ratio	76%	88%	-
Total equity	5,508	5,914	-6.9%
EPRA NTA*	4,262	4,656	-8.5%
Loans and borrowings	759	323	135.0%
Straight & convertible bonds	3,533	3,612	-2.2%
Loan-to-Value (LTV)	36%	36%	-
Equity ratio	49%	53%	-

\* updated to exclude RETT

Source: First Berlin Equity Research; Grand City Properties

**Table 4: Confirmed guidance vs FBe**

	Unit	Guidance		FBe 2023	2022A
		Initial	Current		
FFO 1	€m	170 -180	175 -185	177	192
FFOPS 1	€	0.99 - 1.04	1.01 - 1.07	1.02	1.14
DPS *	€	0.74 - 0.78	0.76 - 0.80	0.77	0.00
LFL net rent growth	%	1.0 - 2.0	~3.0	2.8	2.9
LTV	%	< 45	< 45	36	36

\*subject to market conditions and AGM approval

Source: First Berlin Equity Research; Grand City

We have updated our 2023 forecasts to reflect the YTD operational performance. 2023 FBe also now factors in a further €500m decrease in property valuations with the communicated portfolio reassessment in Q4. Following the latest rise in German bonds yields, we have upped our risk free rate to 2.6% (old: 2.4%). The net impact of these changes points to a €12.6 TP (old: €12.8). We maintain our Buy rating.

**Table 5: Changes to FBe and target price**

	old	new	revision	upside	dividend yield	total upside
Price target (€)	12.8	12.6	-1.6%	38.3%	8.4%	46.7%
	2023E			2024E		
in €m	Old	New	Variance	Old	New	Variance
Net rent (NRI)	408	408	0.0%	413	413	0.1%
AEBITDA	311	313	0.5%	320	322	0.5%
margin (NRI)	76%	77%	-	-	78%	-
FFO 1	175	177	0.8%	168	169	0.8%
Margin	43%	43%	-	-	41%	-
FFOPS 1 (€)	1.01	1.02	0.8%	0.97	0.98	0.8%

Source: First Berlin Equity Research estimates



## DISCOUNTED DIVIDEND MODEL

	Unit	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
<b>FFOPS 1</b>	€	<b>1.02</b>	<b>0.98</b>	<b>1.03</b>	<b>1.03</b>	<b>0.99</b>	<b>0.96</b>	<b>0.94</b>	<b>1.00</b>	<b>1.01</b>
Payout ratio	%	75	75	75	75	75	75	75	75	75
Dividend (DPS)	€	0.77	0.74	0.77	0.78	0.75	0.72	0.70	0.75	0.76
Y/Y	%	n.a.	-0.04	0.05	0.01	-0.04	-0.04	-0.02	0.07	n.a.
<b>NPV</b>	€	<b>0.76</b>	<b>0.68</b>	<b>0.67</b>	<b>0.63</b>	<b>0.56</b>	<b>0.51</b>	<b>0.46</b>	<b>0.46</b>	<b>7.9</b>
Terminal growth rate	%	1.0								
Discount rate	%	7.0								
NPV of dividends	€	4.7								
NPV of TV	€	7.9								
<b>Fair value per share</b>	€	<b>12.6</b>								

		Terminal growth						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
Discount rate	6.4%	11.7	12.4	13.1	13.9	15.0	16.2	17.8
	6.6%	11.4	12.0	12.7	13.5	14.4	15.6	17.0
	6.8%	11.1	11.7	12.3	13.0	13.9	14.9	16.2
	7.0%	10.9	11.4	11.9	12.6	13.4	14.4	15.6
	7.2%	10.6	11.1	11.6	12.2	13.0	13.9	14.9
	7.4%	10.3	10.8	11.3	11.9	12.6	13.4	14.4
	7.6%	10.1	10.5	11.0	11.5	12.2	12.9	13.8



## INCOME STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
<b>Net rent</b>	<b>383</b>	<b>372</b>	<b>375</b>	<b>396</b>	<b>408</b>	<b>413</b>
<b>Rental and operating income</b>	<b>560</b>	<b>535</b>	<b>525</b>	<b>583</b>	<b>599</b>	<b>608</b>
Property revaluations & capital gains	401	343	695	118	-1,025	-35
Result from equity-accounted investees	0	4	4	0	0	0
Property expenses	-253	-226	-218	-266	-277	-275
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-4	-5	-8	-10	-9	-9
<b>Operating income (EBIT)</b>	<b>693</b>	<b>640</b>	<b>986</b>	<b>413</b>	<b>-723</b>	<b>278</b>
Finance expenses	-45	-53	-46	-47	-57	-61
Other financial results	-33	-46	-149	-137	-40	0
<b>Pre-tax income (EBT)</b>	<b>615</b>	<b>542</b>	<b>791</b>	<b>229</b>	<b>-820</b>	<b>217</b>
Current tax	-37	-31	-39	-39	-40	-41
Deferred tax	-84	-61	-135	-11	144	4
<b>Tax result</b>	<b>-121</b>	<b>-93</b>	<b>-174</b>	<b>-50</b>	<b>104</b>	<b>-37</b>
Minority interests	-53	-54	-69	-25	100	-22
Hybrid note investors	-33	-33	-25	-25	-35	-45
<b>Net income</b>	<b>407</b>	<b>362</b>	<b>524</b>	<b>129</b>	<b>-651</b>	<b>113</b>
Basic EPS (€)	2.43	2.13	3.12	0.77	-3.78	0.66
<b>AEBITDA</b>	<b>298</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>313</b>	<b>322</b>
<b>Ratios</b>						
AEBITDA margin (% of net rent)	77.8%	80.5%	79.7%	77.8%	76.8%	77.8%
Tax rate	12.5%	10.5%	13.1%	12.7%	12.7%	12.7%
<b>Expenses (% of net rent)</b>						
Property expenses	66.2%	60.8%	58.2%	67.2%	67.9%	66.6%
Administration expenses	3.0%	2.9%	3.0%	2.7%	2.6%	2.6%
<b>Y-Y Growth</b>						
Rental and operating income	2.8%	-4.4%	-2.0%	11.0%	2.9%	1.4%
Total revenues	2.8%	-4.4%	-2.0%	11.0%	2.9%	1.4%
Operating income	-11.1%	-7.6%	54.0%	-58.1%	n.m.	n.m.
Adjusted EBITDA	8.0%	0.7%	-0.4%	3.2%	1.6%	2.7%
Net income/ loss	-16.7%	-11.0%	44.5%	-75.3%	n.m.	n.m.
<b>Funds from Operations (FFO)</b>						
<b>Operating profit</b>	<b>693</b>	<b>640</b>	<b>986</b>	<b>413</b>	<b>-723</b>	<b>278</b>
Depreciation and amortisation	4	5	8	10	9	9
<b>EBITDA</b>	<b>697</b>	<b>645</b>	<b>994</b>	<b>423</b>	<b>-714</b>	<b>287</b>
Property revaluations & capital gains	-401	-343	-695	-118	1,025	35
Others	2	-2	-1	3	1	0
<b>Adjusted EBITDA</b>	<b>298</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>313</b>	<b>322</b>
Financial expense	-45	-53	-46	-47	-57	-61
Tax	-37	-31	-39	-39	-40	-41
Minority & JV contributions	-4	-1	-2	-5	-5	-5
<b>FFO 1 (before perpetuals)</b>	<b>212</b>	<b>215</b>	<b>211</b>	<b>217</b>	<b>211</b>	<b>214</b>
Perpetual note adjustment	-33	-33	-25	-25	-35	-45
<b>FFO 1</b>	<b>179</b>	<b>182</b>	<b>186</b>	<b>192</b>	<b>177</b>	<b>169</b>
CapEx	-76	-62	-63	-99	-62	-62
<b>AFFO</b>	<b>103</b>	<b>120</b>	<b>123</b>	<b>93</b>	<b>114</b>	<b>108</b>



## BALANCE SHEET

All figures in EURm	2019	2020	2021	2022	2023E	2024E
<b>Current assets, total</b>	<b>1,629</b>	<b>2,264</b>	<b>1,679</b>	<b>1,134</b>	<b>1,458</b>	<b>1,146</b>
Cash and cash equivalents	914	1,412	895	325	822	605
Traded securities at fair value though P&L	155	286	218	112	112	112
Trade and other receivables	342	395	452	353	411	416
Inventories - Trading property	16	16	0	0	0	0
Assets held for sale	201	155	114	344	113	13
<b>Non-current assets, total</b>	<b>8,223</b>	<b>8,602</b>	<b>9,883</b>	<b>9,997</b>	<b>8,941</b>	<b>9,241</b>
Equipment and intangible assets	27	27	70	77	79	87
Investment property	7,981	8,043	9,364	9,550	8,475	8,747
Equity accounted investees	21	108	0	0	0	0
Other LT assets	151	373	397	316	329	342
Deferred tax assets	42	51	51	54	59	65
<b>Total assets</b>	<b>9,851</b>	<b>10,866</b>	<b>11,562</b>	<b>11,131</b>	<b>10,399</b>	<b>10,387</b>
<b>Current liabilities, total</b>	<b>454</b>	<b>427</b>	<b>773</b>	<b>309</b>	<b>346</b>	<b>350</b>
Short-term debt	33	147	455	5	5	5
Trade and other payables	288	209	216	225	258	257
Other current liabilities	133	71	103	79	84	89
<b>Long-term liabilities, total</b>	<b>4,431</b>	<b>4,884</b>	<b>4,986</b>	<b>4,908</b>	<b>4,880</b>	<b>4,851</b>
Long-term debt	521	427	353	319	500	750
Convertible and straight bonds	3,195	3,639	3,642	3,612	3,538	3,256
Deferred taxes	592	634	760	789	645	641
Other LT liabilities	122	183	231	189	197	205
Minority interests	444	535	615	666	565	587
<b>Shareholders' equity</b>	<b>4,523</b>	<b>5,020</b>	<b>5,188</b>	<b>5,249</b>	<b>4,608</b>	<b>4,599</b>
<b>Total consolidated equity and debt</b>	<b>9,851</b>	<b>10,866</b>	<b>11,562</b>	<b>11,131</b>	<b>10,399</b>	<b>10,387</b>
<b>Ratios</b>						
EPRA NTA* (€m)	4,358	4,566	5,020	4,656	3,888	3,866
EPRA NTAPS* (€)	25.9	26.5	30.4	27.0	22.6	22.4
Net debt (€m)	2,690	2,521	3,342	3,506	3,109	3,294
Net debt / equity (x)	0.6	0.5	0.6	0.7	0.7	0.7
Net debt / EBITDA (x)	9.0	8.4	11.2	11.4	9.9	10.2
Interest cover (x)	6.6	5.7	6.4	6.6	5.5	5.3
Loan-to-value (LTV)	33%	31%	36%	36%	36%	38%
Equity ratio	50%	51%	50%	53%	50%	50%
Return on equity (ROE)	9.9%	8.1%	10.6%	3.0%	-13.8%	3.5%

\* updated to exclude RETT





## CASH FLOW STATEMENT

All figures in EURm	2019	2020	2021	2022	2023E	2024E
<b>Net income</b>	<b>493</b>	<b>449</b>	<b>617</b>	<b>179</b>	<b>-716</b>	<b>180</b>
Depreciation and amortisation	4	5	8	10	9	9
Profit from equity accounted investees	0	-4	-4	0	0	0
Change in fair value of investment properties	-401	-343	-695	-118	1,025	35
Net finance expenses	78	98	195	184	97	61
Tax result	121	93	174	50	-104	37
Others	2	2	3	3	0	0
<b>Operating cash flow</b>	<b>298</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>312</b>	<b>322</b>
Change in working capital	-20	-29	-45	-61	-18	0
Tax paid	-28	-28	-37	-31	-40	-41
<b>Net cash flow from operating activities</b>	<b>249</b>	<b>242</b>	<b>217</b>	<b>216</b>	<b>254</b>	<b>281</b>
Investment in fixed/intangible assets	-7	-7	-8	-5	-11	-17
Net property investments / disposals	-194	-492	-465	-242	281	-207
Acquisition of subsidiaries	31	547	333	-4	0	0
Proceeds from investments in financial assets	117	-439	-58	82	-13	-13
<b>Cash flow from investing</b>	<b>-53</b>	<b>-392</b>	<b>-198</b>	<b>-168</b>	<b>258</b>	<b>-237</b>
Debt financing, net	360	559	-71	-486	107	-32
Equity financing, net	-33	207	-91	-25	-25	-35
Share buyback	0	0	-272	0	0	0
Dividend paid	-107	-71	-54	-56	0	-132
Other financing activities	-55	7	0	-2	-40	0
Net paid financing expenses	-50	-51	-50	-47	-57	-61
<b>Cash flow from financing</b>	<b>115</b>	<b>651</b>	<b>-537</b>	<b>-617</b>	<b>-15</b>	<b>-261</b>
Fx effects	0	-3	2	-1	0	0
<b>Net cash flows</b>	<b>311</b>	<b>498</b>	<b>-517</b>	<b>-571</b>	<b>497</b>	<b>-217</b>
Cash, start of the year	603	914	1,412	895	325	822
<b>Cash, end of the year</b>	<b>914</b>	<b>1,412</b>	<b>895</b>	<b>325</b>	<b>822</b>	<b>605</b>
<b>AEBITDA / share (€)</b>	<b>1.77</b>	<b>1.74</b>	<b>1.69</b>	<b>1.75</b>	<b>1.78</b>	<b>1.83</b>
<b>FFO 1</b>	<b>179</b>	<b>182</b>	<b>186</b>	<b>192</b>	<b>177</b>	<b>169</b>
<b>FFOPS 1 (€)</b>	<b>1.07</b>	<b>1.07</b>	<b>1.11</b>	<b>1.14</b>	<b>1.02</b>	<b>0.98</b>
<b>Y-Y Growth</b>						
Operating cash flow	11.1%	-2.9%	-10.4%	-0.4%	17.6%	10.5%
Adjusted EBITDA / share	7.3%	-1.6%	-2.8%	3.2%	1.6%	2.7%
FFO 1	6.8%	1.8%	2.3%	3.2%	-8.2%	-4.1%
FFOPS 1	5.8%	0.3%	3.6%	2.8%	-10.4%	-4.1%

## Imprint / Disclaimer

### First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH  
Friedrichstr. 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](mailto:info@firstberlin.com)

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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, Friedrichstraße 69, 10117 Berlin**

The production of this recommendation was completed on 16 November 2023 at 12:06

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

**Copyright© 2023 First Berlin Equity Research GmbH** No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

### **INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.**

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

### **CONFLICTS OF INTEREST**

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Grand City Properties S.A. the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of Grand City Properties S.A. the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

**INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).**

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

**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 <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	21 January 2013	€4.37	Buy	€14.30
2...48	↓	↓	↓	↓
49	18 March 2022	€19.32	Buy	€28.00
50	18 May 2022	€16.43	Buy	€24.50
51	16 August 2022	€13.86	Buy	€24.00
52	12 October 2022	€9.29	Buy	€19.00
53	17 November 2022	€10.51	Buy	€16.80
54	21 March 2023	€7.32	Buy	€12.80
55	21 May 2023	€7.18	Buy	€12.80
56	17 August 2023	€7.32	Buy	€12.80
57	Today	€9.11	Buy	€12.60

**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.

### SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

**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**

### EXCLUSION OF LIABILITY (DISCLAIMER)

#### RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

#### RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

#### INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

#### NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

#### NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

#### DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

#### SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

#### APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

#### NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

#### QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

**This report is not intended for distribution in the USA and/or Canada.**