

# Grand City Properties S.A.

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

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 14.20**

Return Potential 35.2%  
 Risk Rating Medium

## S&P DOWNGRADE HAS ONLY MODERATE IMPACT

Standard & Poor's (S&P) has downgraded GCP's credit rating one notch to BBB with a stable outlook (old: BBB+ negative outlook), matching the re-rating of Arountown (62% stake). The ratings agency now thinks that a still sputtering German economy will hamper AT's 2025 disposal activity and its ability to hit S&P's leverage requirements. But Grand City's stand-alone credit profile (SACP) stays at BBB+, and S&P highlighted GCP's good operational performance and residential market fundamentals for Germany and London. GCP's bonds barely reacted to the news suggesting that the re-rating was priced in. We maintain our Buy rating and €14.2 TP (35% upside).

**S&P downgrade has only moderate impact** The residential landlord did yeoman's work in fortifying its capital structure last year with a series of successful perpetual note exchanges and new bond issuances. This allowed GCP to compress its debt-to-cap rate some 580 basis points over the course of 2024 to 43.5%—which sits firmly below S&P's prescribed 45% ceiling. But S&P considers GCP's strategic importance to Arountown in its assessment of GCP's creditworthiness, making their ratings inseparable at the moment. While an S&P downgrade is never great, we do not think it will stymie their respective businesses. In fact, particularly in the case of Arountown, there is a silver lining in that: (1) AT now has greater room to manoeuvre according to new criteria (overleaf) that include a debt-to-cap downgrade threshold towards 60% on a 50% to 52% forecast; (2) lower expected disposal volumes coupled with room for acquisitions; and (3) greater flexibility to deploy its ample liquidity position (YE24: €3.6bn). In short, the threat of a downgrade is no longer dangling like a sword over AT's head. Furthermore, there is a realistic path to an S&P upgrade based on the still improving leverage metrics. While the timing of the re-rating is unfortunate considering the turmoil GCP has overcome since the onset of the pandemic, S&P's conservative stance is . . . (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024	2025E	2026E
Rental income (€m)	524.6	582.5	607.7	597.0	607.3	625.7
Y/Y growth	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Adj. EBITDA (€m)	298.6	308.1	319.6	335.0	342.4	358.1
Net income (€m)	617.1	179.1	-638.1	242.1	398.2	410.7
EPRA NTA (€m)	5,020.2	4,655.6	4,013.8	4,279.8	4,511.7	4,745.8
EPRA NTAPS (€)	30.4	27.0	23.2	24.3	25.6	26.9
DPS (€)	0.83	0.00	0.00	0.81	0.81	0.81
FFO 1* (€m)	186.3	192.2	183.9	187.5	190.4	190.6
FFOPS 1* (€)	1.11	1.14	1.07	1.08	1.08	1.08
Liquid assets (€m)	1,113.5	436.8	1,253.8	1,519.8	1,484.3	1,320.3

### 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.

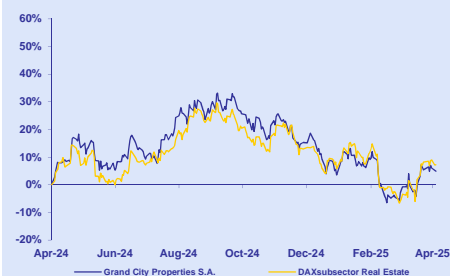
### MARKET DATA

As of 02 May 2025

Closing Price	€ 10.50
Shares outstanding	176.19m
Market Capitalisation	€ 1,850.00m
52-week Range	€ 9.26 / 13.19
Avg. Volume (12 Months)	151,091

Multiples	2024	2025E	2026E
P/FFO 1	9.7	9.7	9.7
P/NTA	0.4	0.4	0.4
FFO 1 Yield	10.3%	10.3%	10.3%
Div. Yield	7.7%	7.7%	7.7%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2024

Liquid Assets	€ 1,514.7m
Investment Properties	€ 8,629.0m
Total Assets	€ 11,218.8m
Current Liabilities	€ 705.3m
EPRA NTA	€ 4,279.8m
Total Equity	€ 5,414.2m

### SHAREHOLDERS

Edolaxia Ltd.	62.0%
Treasury	0.0%
Free float	38.0%



. . . understandable given the high level of macro-uncertainty presently swirling around the globe. Finally, GCP and AT bondholders have thus far mostly shrugged at the news, suggesting future bond issuances won't be saddled with higher costs.

**Table 1: S&P's forecasts and downgrade / upgrade scenarios for Aroundtown**

Ratio	Forecasts	Downgrade	Upgrade
Debt-to-cap	50% to 52%	tow ards 60%	w ell below 50%
EBITDA interest coverage	2.2x to 2.3x	tow ards 1.8X	> 2.4x
Debt/EBITDA	13x to 14x	material deviation	tow ards 13x

Source: First Berlin Equity Research; Standard & Poor's

**Staying Buy-rated on GCP with a €14.2 TP** AT brass had been straining to maintain the investment grade ratings. But we reckon removal of the risk will free up management to focus even further on the operational upside, which could, in turn, help trigger an upgrade scenario (table 1).

GCP's re-rating potential will hinge largely on Aroundtown, and we think the parent is closer to an upgrade than to another downward action by S&P based on the new estimates. For instance, including signed not closed disposals and collected vendor loans, we understand AT's debt-to-cap ratio is now at 51% on a pro forma basis—well within shooting distance of S&P's upgrade target.

The full S&P report can be found on GCP's homepage. We see nothing in the note to cause us to rein in our optimism that Grand City's business and capital structure are in good shape to capitalise on still red-hot residential markets in Germany and London.

**Table 2: DCF model**

All figures in EURm	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
AEBITDA	342	358	377	394	413	431	450	470
(-) Tax	-46	-48	-51	-53	-56	-58	-61	-63
(=) Net operating cash flow	296	310	326	341	357	373	389	407
(-) Total investments (CapEx and WC)	100	-98	-203	-197	-189	-184	-188	-192
(-) Capital expenditures	94	-87	-192	-188	-180	-174	-178	-182
(-) Working capital	6	-10	-11	-9	-9	-9	-10	-10
(=) Free cash flows (FCF)	396	212	123	144	168	189	202	214
PV of FCF's	382	194	107	119	132	141	143	144

All figures in EUR '000	WACC	Terminal AEBITDA margin						
		80.7%	81.2%	81.7%	82.2%	82.7%	83.2%	83.7%
PV of FCFs in explicit period	4.7%	21.4	21.8	22.2	22.6	23.0	23.4	23.8
PV of FCFs in terminal period	4.9%	18.3	18.7	19.0	19.4	19.8	20.1	20.5
Enterprise value (EV)	5.1%	15.6	16.0	16.3	16.6	17.0	17.3	17.6
(+) Net cash / (-) net debt	5.3%	13.3	13.6	13.9	14.2	14.5	14.8	15.1
Hybrid capital	5.5%	11.2	11.5	11.8	12.0	12.3	12.6	12.9
Shareholder value	5.7%	9.3	9.6	9.9	10.1	10.4	10.6	10.9
Fair value per share in EUR	5.9%	7.7	7.9	8.2	8.4	8.6	8.9	9.1

	WACC	Terminal growth rate						
		1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%
Cost of equity	4.7%	19.3	20.3	21.4	22.6	23.9	25.3	26.7
Pre-tax cost of debt	4.9%	16.6	17.5	18.4	19.4	20.5	21.7	22.9
Tax rate	5.1%	14.2	15.0	15.8	16.6	17.6	18.5	19.6
After-tax cost of debt	5.3%	12.1	12.8	13.5	14.2	15.0	15.8	16.7
Share of equity capital	5.5%	10.2	10.8	11.4	12.0	12.7	13.5	14.2
Share of debt capital	5.7%	8.5	9.0	9.6	10.1	10.7	11.4	12.0
WACC	5.9%	7.0	7.4	7.9	8.4	8.9	9.5	10.1

\*Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes; net debt includes hybrid notes for DCF purposes



## INCOME STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
<b>Net rent</b>	<b>375</b>	<b>396</b>	<b>411</b>	<b>423</b>	<b>429</b>	<b>442</b>
<b>Rental and operating income</b>	<b>525</b>	<b>583</b>	<b>608</b>	<b>597</b>	<b>607</b>	<b>626</b>
Property revaluations & capital gains	695	118	-890	44	196	200
Result from equity-accounted investees	4	0	0	0	0	0
Property expenses	-218	-266	-279	-254	-257	-259
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-8	-10	-9	-6	-7	-7
<b>Operating income (EBIT)</b>	<b>986</b>	<b>413</b>	<b>-582</b>	<b>370</b>	<b>529</b>	<b>549</b>
Finance expenses	-46	-47	-57	-59	-63	-67
Other financial results	-149	-137	-86	-11	0	0
<b>Pre-tax income (EBT)</b>	<b>791</b>	<b>229</b>	<b>-724</b>	<b>300</b>	<b>466</b>	<b>481</b>
Current tax	-39	-39	-41	-41	-43	-45
Deferred tax	-135	-11	127	-17	-25	-26
<b>Tax result</b>	<b>-174</b>	<b>-50</b>	<b>86</b>	<b>-58</b>	<b>-68</b>	<b>-71</b>
Minority interests	-69	-25	124	-3	-5	-5
Hybrid note investors	-25	-25	-34	-42	-41	-51
<b>Net income</b>	<b>524</b>	<b>129</b>	<b>-548</b>	<b>197</b>	<b>352</b>	<b>355</b>
<b>AEBITDA</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>335</b>	<b>342</b>	<b>358</b>
<b>Ratios</b>						
AEBITDA margin (% of net rent)	79.7%	77.8%	77.7%	79.3%	79.7%	80.9%
Tax rate	13.1%	12.7%	-12.8%	-12.3%	12.5%	12.5%
<b>Expenses (% of net rent)</b>						
Property expenses	58.2%	67.2%	67.8%	60.0%	59.7%	58.6%
Administration expenses	3.0%	2.7%	2.7%	2.5%	2.5%	2.5%
<b>Y-Y Growth</b>						
Rental and operating income	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Total revenues	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Operating income	54.0%	-58.1%	n.m.	n.m.	42.9%	3.7%
Adjusted EBITDA	-0.4%	3.2%	3.7%	4.8%	2.2%	4.6%
Net income/ loss	44.5%	-75.3%	n.m.	n.m.	78.8%	0.9%
<b>Funds from Operations (FFO)</b>						
<b>Operating profit</b>	<b>986</b>	<b>413</b>	<b>-582</b>	<b>370</b>	<b>529</b>	<b>549</b>
Depreciation and amortisation	8	10	9	6	7	7
<b>EBITDA</b>	<b>994</b>	<b>423</b>	<b>-572</b>	<b>377</b>	<b>536</b>	<b>555</b>
Property revaluations & capital gains	-695	-118	890	-44	-196	-200
Others	-1	3	2	2	2	2
<b>Adjusted EBITDA</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>335</b>	<b>342</b>	<b>358</b>
Financial expense	-46	-47	-57	-59	-63	-67
Tax	-39	-39	-41	-41	-43	-45
Minority & JV contributions	-2	-5	-4	-5	-5	-5
<b>FFO 1 (before perpetuals)</b>	<b>211</b>	<b>217</b>	<b>218</b>	<b>230</b>	<b>232</b>	<b>241</b>
Perpetual note adjustment	-25	-25	-34	-42	-41	-51
<b>FFO 1</b>	<b>186</b>	<b>192</b>	<b>184</b>	<b>188</b>	<b>190</b>	<b>191</b>



## BALANCE SHEET

All figures in EURm	2021	2022	2023	2024	2025E	2026E
<b>Current assets, total</b>	<b>1,679</b>	<b>1,134</b>	<b>1,841</b>	<b>2,202</b>	<b>2,017</b>	<b>1,865</b>
Cash and cash equivalents	895	325	1,129	1,373	1,336	1,170
Traded securities at fair value through P&L	218	112	125	147	148	150
Trade and other receivables	452	353	391	449	424	437
Inventories - Trading property	0	0	0	0	0	0
Assets held for sale	114	344	196	233	108	108
<b>Non-current assets, total</b>	<b>9,883</b>	<b>9,997</b>	<b>9,078</b>	<b>9,017</b>	<b>9,265</b>	<b>9,574</b>
Equipment and intangible assets	15	11	16	17	18	20
Investment property	9,364	9,550	8,650	8,650	8,877	9,164
Equity accounted investees	0	0	0	0	0	0
Other LT assets	453	382	345	266	277	288
Deferred tax assets	51	54	66	84	93	102
<b>Total assets</b>	<b>11,562</b>	<b>11,131</b>	<b>10,918</b>	<b>11,219</b>	<b>11,281</b>	<b>11,439</b>
<b>Current liabilities, total</b>	<b>773</b>	<b>309</b>	<b>654</b>	<b>705</b>	<b>974</b>	<b>1,030</b>
Short-term debt	455	5	299	270	549	592
Trade and other payables	216	225	254	279	260	263
Other current liabilities	103	79	101	156	165	175
<b>Long-term liabilities, total</b>	<b>4,986</b>	<b>4,908</b>	<b>5,034</b>	<b>5,099</b>	<b>4,680</b>	<b>4,556</b>
Long-term debt	353	319	863	917	1,000	1,420
Convertible and straight bonds	3,642	3,612	3,271	3,248	2,711	2,131
Deferred taxes	760	789	662	692	717	743
Other LT liabilities	231	189	239	243	252	263
Minority interests	615	666	516	502	507	512
<b>Shareholders' equity</b>	<b>5,188</b>	<b>5,249</b>	<b>4,714</b>	<b>4,913</b>	<b>5,120</b>	<b>5,341</b>
<b>Total consolidated equity and debt</b>	<b>11,562</b>	<b>11,131</b>	<b>10,918</b>	<b>11,219</b>	<b>11,281</b>	<b>11,439</b>
<b>Ratios</b>						
EPRA NTA* (€m)	5,020	4,656	4,014	4,280	4,512	4,746
EPRA NTAPS* (€)	30.4	27.0	23.2	24.3	25.6	26.9
Net debt (€m)	3,342	3,506	3,202	2,921	2,775	2,823
Net debt / equity (x)	0.6	0.7	0.7	0.6	0.5	0.5
Net debt / EBITDA (x)	11.2	11.4	10.0	8.7	8.1	7.9
Interest cover (x)	6.4	6.6	5.6	5.7	5.5	5.3
Loan-to-value (LTV)	36%	36%	37%	33%	31%	31%
Equity ratio	50%	53%	48%	48%	50%	51%
Return on equity (ROE)	10.6%	3.0%	-12.2%	4.5%	7.1%	7.0%



## CASH FLOW STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
<b>Net income</b>	<b>617</b>	<b>179</b>	<b>-638</b>	<b>242</b>	<b>398</b>	<b>411</b>
Depreciation and amortisation	8	10	9	6	7	7
Profit from equity accounted investees	-4	0	0	0	0	0
Change in fair value of investment properties	-695	-118	890	-44	-196	-200
Net finance expenses	195	184	143	70	63	67
Tax result	174	50	-86	58	68	71
Others	3	3	2	2	0	0
<b>Operating cash flow</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>335</b>	<b>340</b>	<b>356</b>
Change in working capital	-45	-61	-38	-10	16	0
Tax paid	-37	-31	-32	-41	-43	-45
<b>Net cash flow from operating activities</b>	<b>217</b>	<b>216</b>	<b>249</b>	<b>284</b>	<b>314</b>	<b>311</b>
Investment in fixed/intangible assets	-8	-5	-3	-3	-8	-9
Net property investments / disposals	-465	-242	51	-32	94	-87
Acquisition of subsidiaries	333	-4	0	0	0	0
Proceeds from investments in financial assets	-58	82	99	87	-12	-13
<b>Cash flow from investing</b>	<b>-198</b>	<b>-168</b>	<b>148</b>	<b>52</b>	<b>73</b>	<b>-109</b>
Debt financing, net	-71	-486	496	38	-175	-117
Equity financing, net	17	0	0	0	0	0
Share buyback	-272	0	0	0	0	0
Dividend paid	-54	-56	0	0	-143	-143
Treasury share disposal	0	0	0	43	0	0
Other financing activities	-108	-27	-42	-109	-42	-41
Net paid financing expenses	-50	-47	-49	-65	-63	-67
<b>Cash flow from financing</b>	<b>-537</b>	<b>-617</b>	<b>405</b>	<b>-93</b>	<b>-424</b>	<b>-368</b>
Assets held for sale	0	-1	2	0	0	0
Fx effects	2	-1	0	1	0	0
<b>Net cash flows</b>	<b>-517</b>	<b>-571</b>	<b>804</b>	<b>244</b>	<b>-37</b>	<b>-166</b>
Cash, start of the year	1,412	895	325	1,129	1,373	1,336
<b>Cash, end of the year</b>	<b>895</b>	<b>325</b>	<b>1,129</b>	<b>1,373</b>	<b>1,336</b>	<b>1,170</b>
<b>AEBITDA / share (€)</b>	<b>1.69</b>	<b>1.75</b>	<b>1.81</b>	<b>1.90</b>	<b>1.94</b>	<b>2.03</b>
<b>FFO 1</b>	<b>186</b>	<b>192</b>	<b>184</b>	<b>188</b>	<b>190</b>	<b>191</b>
<b>FFOPS 1 (€)</b>	<b>1.11</b>	<b>1.14</b>	<b>1.07</b>	<b>1.08</b>	<b>1.08</b>	<b>1.08</b>
<b>Y-Y Growth</b>						
Operating cash flow	-10.4%	-0.4%	15.4%	14.1%	10.3%	-0.7%
Adjusted EBITDA / share	-2.8%	3.2%	3.7%	4.8%	2.2%	4.6%
FFO 1	2.3%	3.2%	-4.3%	2.0%	1.5%	0.1%
FFOPS 1	3.6%	2.8%	-6.8%	1.8%	-0.5%	0.1%

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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 <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...58	↓	↓	↓	↓
59	12 April 2024	€10.35	Buy	€12.50
60	15 April 2024	€10.64	Buy	€12.90
61	17 May 2024	€11.56	Buy	€13.70
62	15 August 2024	€11.70	Buy	€14.40
63	24 September 2024	€12.64	Buy	€15.10
64	15 November 2024	€11.97	Buy	€15.40
65	12 March 2025	€9.50	Buy	€14.40
66	20 March 2025	€9.47	Buy	€14.20
67	Today	€10.50	Buy	€14.20

**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

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**

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