

# FCR Immobilien

Retail - Property / Germany

## Significant acquisition in German retail

Significant news - 09/04/2021

The company has acquired a retail park in Görlitz (57,000 inhabitants, Eastern Germany, near to both the Polish and Czech Republic borders). It will add c.8% to the running rents (vs. 31 December 2020 pro forma).

### Fact

- The 28,000sqm built in 1992 on a 74,000sqm plot benefit from a high 97% occupancy rate. Key tenants are first ranked occupiers (Rewe, McDonald's, TÜV SÜD...).
- The rents amount to €1.6m per annum but the purchasing price was unavailable. We can't therefore match the gross yield against the company's usual standards (c.9%).
- With the WAULT being an attractive six years, this is above FCR Immobilien's average of 5.1 years in December 2020.
- According to the company, this asset will generate a €0.9m FFO1 in a running FY 22 (transformation rate of 56% of passing rents into "free cash flow before loans' principal repayment").
- FCR Immobilien reiterated its intention to buy €160m of real estate in FY 21. Should the acquisition price in Görlitz reflect a 9% gross yield, it suggests a capex of €18m. The free cash flow, net of loan repayments (our assumption), should be slightly positive. Therefore €142m remains to be spent up to December 2021 to reach the guidance.

### Analysis

#### Contributing to FFO1 and EPS

The company is expecting a €0.9m contribution to FFO1 in FY 22, we can deduce that it will bring c.€0.7m in FY 21 on a proportionate basis. It should weigh 22% of expected incremental FFO in FY 2021: i/ €5m in FY 20 (FFO including capital gains, not FFO1) vs. ii/ guidance of a €8m in FY 21 (FFO including capital gains, not FFO1).

With both the purchasing price and financing structure unavailable (average cost of debt, contract lengths, fixed or variable loans, leverage equity / debt), we can't investigate the deal any deeper, nor equate rents with debt repayments to calculate free cash flow, net of principal loan repayments. This transaction is accretive for certain, from an EPS point of view. It is attributable to the classical high leverage applied, coupled with the low cost of financial resources presumably.

#### Core transactions and disposals

Such a transaction is in line with FCR Immobilien's strategy of acquiring high yield German assets in secondary locations. By supposedly using €3.6m of cash (20% of estimated acquisition price of €18m and a gross additional debt of €14.4m), some cash remains from the €7m capital raised in February 2021. On top, FCR Immobilien can use the second tranche of the €10m promised through its €20m 2020-25 bond.

The press release doesn't mention any strong non-core disposals, on which FCR Immobilien is still working on, we guess. Only the planned disposal of the full non-core assets will enable it to accelerate its acquisition policy. To reach the FY 21 FFO1 estimates, deriving from the bare FY 21 FFO guidance, the full disposals will

# Baader Europe



<b>Add</b>	<b>Upside: 15.4%</b>
Target Price (6 months)	€ 13.7
Share Price	€ 11.9
Market Cap. €M	116
Price Momentum	<b>GOOD</b>
Extremes 12Months	9.09 ▶ 12.4
Sustainability score	5.1 /10
Credit Risk	B →
Fundamental Strength	0 /10
Bloomberg	FC9 GY Equity
Reuters	FC9.DE


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PERF	1w	1m	3m	12m
FCR Immobilien AG	-0.83%	8.18%	-3.78%	21.9%
Real Estate	2.64%	5.59%	5.16%	22.7%
STOXX 600	1.07%	3.91%	6.25%	33.7%

Sector Opinion	<b>Underweight</b>
Strongest upside	Mercialys
Worst potential	Wereldhave

[Complete Sector Analysis](#)

Last updated: 29/03/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	20.5	13.3	7.36	7.06
Dividend yield (%)	2.67	2.94	3.36	3.78
EV/EBITDA(R) (x)	25.8	25.2	17.6	16.5
Adjusted EPS (€)	0.55	0.90	1.62	1.69
Growth in EPS (%)	n/a	63.7	80.6	4.22
Dividend (€)	0.30	0.35	0.40	0.45
Sales (€M)	42.1	77.2	53.3	55.5
EBITDA/R margin (%)	35.1	22.9	50.9	50.3
Attributable net profit (€M)	9.55	11.3	18.0	18.3
ROE (after tax) (%)	10.7	11.2	15.6	14.1
Gearing (%)	237	242	258	247

[Company Valuation](#) - [Company Financials](#)

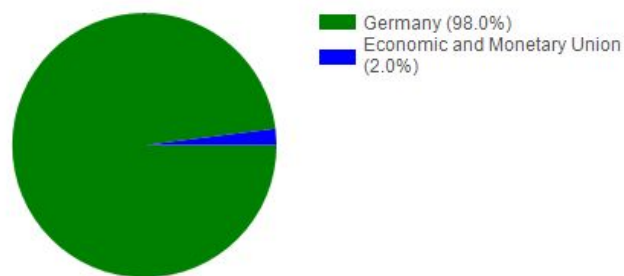
have to occur in May-June 2021, in our view.

### ■ **Impact**

This acquisition was already integrated in our FY 21 estimates, assuming a €120m global capex (guidance: €160m). FCR Immobilien should accelerate its disposals/acquisitions soon to reach its own FY 21 targets.

Consequently, our estimates are unchanged.

## Sales by Geography



## Consolidated P&amp;L Accounts

	12/20A	12/21E	12/22E
Sales	€M 42.1	77.2	53.3
Change in sales	% -19.5	83.2	-31.0
Change in staff costs	% -28.3	-20.0	-10.0
EBITDA	€M 12.9	16.2	25.9
<b>EBITDA(R) margin</b>	<b>% 30.6</b>	<b>21.0</b>	<b>48.6</b>
Depreciation	€M -0.76	-0.42	-0.45
Underlying operating profit	€M 12.1	15.8	25.5
<b>Operating profit (EBIT)</b>	<b>€M 12.9</b>	<b>19.8</b>	<b>28.1</b>
Net financial expense	€M -2.92	-6.80	-8.10
of which related to pensions	€M 0.00	0.00	0.00
Exceptional items & other	€M 1.47	1.20	0.40
Corporate tax	€M -1.95	-2.92	-2.41
Equity associates	€M		
Minority interests	€M		
<b>Adjusted attributable net profit</b>	<b>€M 5.00</b>	<b>8.47</b>	<b>15.8</b>
NOPAT	€M 9.06	13.8	19.7

## Cashflow Statement

	12/20A	12/21E	12/22E
EBITDA	€M 12.9	16.2	25.9
Change in WCR	€M 5.18	0.00	0.00
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M 0.10	-2.92	-2.41
Exceptional items	€M 11.0	45.0	10.0
Other operating cash flows	€M 1.47	1.20	0.40
Total operating cash flows	€M 30.7	59.5	33.9
Capital expenditure	€M -26.6	-120	-70.0
Total investment flows	€M -26.6	-120	-70.0
Net interest expense	€M -2.92	-6.80	-8.10
Dividends (parent company)	€M -2.74	-2.74	-3.42
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 0.00	7.00	0.00
Total financial flows	€M 6.80	59.9	35.7
Change in cash position	€M 10.9	0.00	0.00
<b>Free cash flow (pre div.)</b>	<b>€M 1.19</b>	<b>-67.3</b>	<b>-44.2</b>

## Per Share Data

	12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...)	Mio 9.15	9.76	9.76
Number of diluted shares (average)	Mio 9.15	9.45	9.76
<b>Benchmark EPS</b>	<b>€ 0.55</b>	<b>0.90</b>	<b>1.62</b>
Restated NAV per share	€ 11.7	11.8	13.3
<b>Net dividend per share</b>	<b>€ 0.30</b>	<b>0.35</b>	<b>0.40</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 13.4	55%	● Wereldhave
Dividend Yield	€ 13.8	20%	● Unibail-Rodamco-...
DCF	€ 15.1	10%	● Mercialys
P/E	€ 14.8	10%	● Klépierre
P/Book	€ 12.0	5%	● Hammerson
TARGET PRICE	€ 13.7	100%	

## NAV/SOTP Calculation

## Balance Sheet

	12/20A	12/21E	12/22E
Goodwill	€M 1.50	1.50	1.50
Total intangible	€M 1.50	1.50	1.50
Tangible fixed assets	€M 315	394	456
Financial fixed assets	€M 5.95	5.95	5.95
WCR	€M 4.39	4.39	4.39
Other assets	€M 10.8	10.8	10.8
Total assets (net of short term liab.)	€M 338	417	479
<b>Ordinary shareholders' equity</b>	<b>€M 92.4</b>	<b>108</b>	<b>123</b>
Quasi Equity & Preferred	€M		
Minority interests	€M 0.00	0.00	0.00
Provisions for pensions	€M 0.00	0.00	0.00
Other provisions for risks and liabilities	€M 0.00	0.00	0.00
Total provisions for risks and liabilities	€M 0.00	0.00	0.00
Tax liabilities	€M 15.6	16.2	16.7
Other liabilities	€M		
<b>Net debt (cash)</b>	<b>€M 230</b>	<b>292</b>	<b>340</b>
Total liab. and shareholders' equity	€M 338	417	479

## Capital Employed

	12/20A	12/21E	12/22E
Capital employed after depreciation	€M 327	406	468

## Profits &amp; Risks Ratios

	12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	<b>% 10.7</b>	<b>11.2</b>	<b>15.6</b>
ROCE	% 2.77	3.41	4.21
<b>Gearing (at book value)</b>	<b>% 237</b>	<b>242</b>	<b>258</b>
Adj. Net debt/EBITDA(R)	x 17.8	18.0	13.1
Interest cover (x)	x 4.17	2.32	3.14

## Valuation Ratios

	12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x 20.5</b>	<b>13.3</b>	<b>7.36</b>
Free cash flow yield	% 1.16	-57.9	-38.0
P/Book	x 1.11	1.08	0.95
<b>Dividend yield</b>	<b>% 2.67</b>	<b>2.94</b>	<b>3.36</b>

## EV Calculation

	12/20A	12/21E	12/22E
Market cap	€M 103	116	116
+ Provisions	€M 0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00
+ Net debt at year end	€M 230	292	340
+ Leases debt equivalent	€M 0.00	0.00	0.00
- Financial fixed assets (fair value)	€M 0.00	0.00	0.00
+ Minority interests (fair value)	€M 0.00	0.00	0.00
= EV	€M 333	409	456
<b>EV/EBITDA(R)</b>	<b>x 25.8</b>	<b>25.2</b>	<b>17.6</b>
EV/Sales	x 7.90	5.29	8.55

Analyst : Christian Auzanneau, Changes to Forecasts : 29/03/2021.

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