

FCR Immobilien AG

Germany | Real Estate | MCap EUR 149.4m

23 March 2023

UPDATE



FY22 with record earnings and further improvements in other relevant KPI's

What's it all about?

FCR Immobilien AG ("FCR") has released its preliminary FY22 results, which showed record earnings and further improvements in other relevant KPI's. Despite the difficult market environment, FCR was able to increase its property portfolio by almost EUR 100m, now totaling well above the EUR 400m threshold (FY22: EUR 437m). Going forward, FCR is likely to continue to expand its existing property portfolio through acquisitions. In addition, FCR should continue to improve its funds from operations (FFO) through operational measures (e.g. the use of indexed leases), but also through significantly improved financing conditions after the recent redemption and refinancing of the 6% coupon bond. We reiterate our BUY recommendation with an unchanged PT of EUR 23.50 and note that FCR remains a bright spot in the troubled real estate market.

IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

BUY (BUY)

Target price	EUR 23.50 (23.50)
Current price	EUR 15.30
Up/downside	53.6%

 **ResearchHub** 

MAIN AUTHOR

Thomas Wissler

t.wissler@alsterresearch.com

+49 40 309 293-58

alsterresearch.com

This research is the product of AlsterResearch, which is registered with the BaFin in Germany.

FCR Immobilien AG

Germany | Real Estate | MCap EUR 149.4m | EV EUR 402.1m

BUY (BUY)

Target price EUR 23.50 (23.50)
Current price EUR 15.30
Up/downside 53.6%

MAIN AUTHOR

Thomas Wissler
t.wissler@alsterresearch.com
+49 40 309 293-58

FY22 with record earnings and further improvements in KPI's

Record earnings Yesterday, FCR Immobilien AG ("FCR") published its preliminary results. Despite the challenging market environment, FCR achieved record results and improved other important KPIs. EBITDA increased by a strong 49% yoy to EUR 26.6m. In our view, this good result was mainly driven by rising recurring rental income (EUR 32m / +32% yoy) and tight cost control. In addition, we expect the revaluation of investment properties to have contributed around EUR 9-10m to these results (2021: EUR 4.8m). The latter also highlights that FCR can usually buy assets with a discount to fair values which therefore immediately trigger revaluation gains. Excluding these effects, EBITDA would still have increased by around 33% yoy.

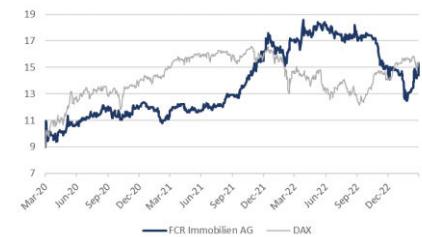
FFO nearly doubled within two years Funds from operations (FFO) were EUR 9.4m, up 32% yoy. Although this figure was a bit low compared to AlsterResearch's expectations (eAR ~12m), it should not hide the fact that FCR has almost doubled its FFO over the last two years. This underlines management's commitment to continuously improve cash generation through a mix of further acquisitions, operational improvements (e.g. indexed leases) and more favorable financing terms. In any case, part of the shortfall to our expectations should only be due to the timing effects of consolidating the newly acquired properties. Annualized FFO (last reported) was ~14m.

Vacancy rate further improved. In 2022, FCR managed to further reduce the vacancy rate of its property portfolio. During the year, the vacancy rate of the entire portfolio was further reduced and stood at 6.7% at the end of 2022, compared to 7.1% in 2021. In fact, FCR has managed to reduce its vacancy rate by as much as 8 pps over the last five years, underlining the continued success of its asset management, but also the quality of FCR's property locations and access to a large pool of potential anchor tenants. The latter is particularly important in securing follow-on leases. In addition, FCR uses a proprietary software solution to match vacancies with potential tenants. FCR's weighted average unexpired lease term (WAULT) remained stable at 5.2 years.

Conclusion: FCR reported record results and further improvements in important KPIs. Its property portfolio at year end reached a volume of EUR 437m (c. EUR +100m yoy), showing that FCR continues to find attractive properties with lucrative initial yields even in uncertain and more challenging markets. We therefore see FCR as a bright spot in the troubled property market and reiterate our BUY rating with an unchanged PT of EUR 23.50. Note: our reduced estimates merely reflects a slightly lower acquisition trajectory.

FCR Immobilien AG	2019	2020	2021	2022E	2023E	2024E
Sales	49.7	38.9	52.5	35.8	39.6	44.4
<i>Growth yoy</i>	33.2%	-21.7%	34.9%	-31.8%	10.8%	12.0%
EBIT	18.1	14.4	18.5	28.1	27.2	30.4
FFO	-3.7	4.9	7.1	9.4	12.0	15.2
FFO-Margin	-19.5%	21.6%	29.4%	29.5%	32.7%	36.8%
Net profit	9.7	9.6	12.1	14.5	15.5	17.5
Net debt (net cash)	208.8	226.9	252.7	306.7	328.7	361.7
LTV	66.4%	69.7%	71.5%	68.9%	67.4%	67.9%
EPS recurring	1.07	1.05	1.25	1.49	1.59	1.80
FFOPS	-0.41	0.54	0.73	0.96	1.23	1.56
DPS	0.30	0.30	0.35	0.35	0.40	0.45
<i>Dividend yield</i>	2.0%	2.0%	2.3%	2.3%	2.6%	2.9%
FFO-yield	-2.7%	3.5%	4.8%	6.3%	8.0%	10.2%
EV/EBIT	19.8x	26.1x	21.7x	16.3x	17.6x	16.8x
P/E	14.4x	14.6x	12.2x	10.3x	9.6x	8.5x

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks 18.60 / 12.50
Price/Book Ratio 1.4x

Ticker / Symbols

ISIN DE000A1YC913
WKN A1YC91
Bloomberg FC9:GR

Changes in estimates

		Sales	EBIT	EPS
2022E	old	35.3	23.3	1.35
	Δ	1.5%	20.6%	10.0%
2023E	old	41.9	28.7	1.72
	Δ	-5.5%	-5.3%	-7.4%
2024E	old	47.4	32.6	1.98
	Δ	-6.4%	-6.8%	-9.4%

Key share data

Number of shares: (in m pcs) 9.76
Book value per share: (in EUR) 11.14
Ø trading volume: (12 months) 4,000

Major shareholders

RAT Asset & Trading AG 64.4%
FaMe Invest & Mgmt GmbH 8.0%
WWK Lebensvers. 3.4%
Free Float 27.6%

Company description

FCR Immobilien AG is a German-based company in the real estate sector. The public limited company focuses on retail properties in established secondary locations in Germany with anchor tenants that are mainly highly credible grocery stores.

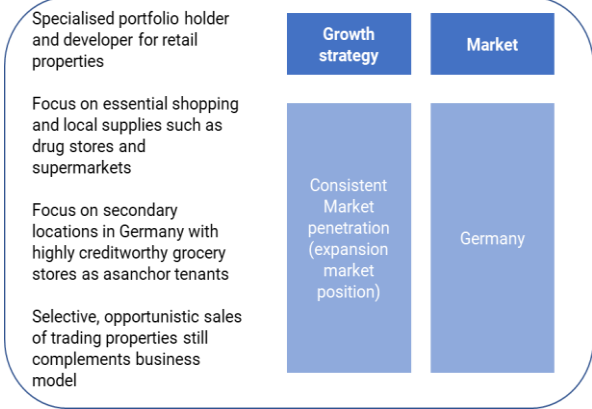
Recent transactions overview

Date	Purchase / Disposal	Type	Location	Anchor tenant	net rent in EUR K	Leasable area in sqm	WAULT Years	Purchase price EURm	Rent per sqm / month
2020									
16.01.2020	D	Retail	Duisburg	C&A		10.000			
05.02.2020	P	Retail	Gummersbach	C&A		4.500			
12.02.2020	P	Retail	Höchstadt a.d. Aisch	TAKKO und Action		1.700			
27.02.2020	P	Retail	Landau a.d. Isar	Dänisches Bettenlager und Deichmann		1.300			
09.03.2020	P	Retail portfolio	Bayern	Dänisches und Sonderpreis Baumarkt		-			
		Specialty retail	Cadolzburg	Dänisches Bettenlager		1.100			
		Specialty retail	Schwandorf	Sonderpreis Baumarkt		1.300			
		Specialty retail	Strullendorf	Sonderpreis Baumarkt		900			
28.05.2020	D	Retail	Lichtentanne	Penny		1.500			
01.07.2020	P	Retail	Westeregeln	EDEKA		1.300			
09.09.2020	D	Specialty retail	Hof	TAKKO		900			
21.10.20	P	Shopping centre	Eilenburg	Kaufland und toom Baumarkt	800	15.000	8,7	10	4,44
27.10.20	P	Grocery stores			185	-		1,99	0,00
		Retail	Ruhle, Thüringen	Netto	100	1.200	9		6,94
		Retail	Bückeburg, Thüringen	Niedrig-Preis-Markt (NP)	85	1.000	4		7,08
30.10.20	P	Retail	Ludwigslust	toom Baumarkt	435	7.600		3,8	4,77
3.11.20	D	Specialty retail	Oer-Erkenschwick, NRW	Buschkamp-Center		6.200			0,00
6.11.20	D	Specialty retail	Magdeburg			2.800			0,00
17.11.20	P	Specialty retail	Pulsnitz, Sachsen	Hammer und Pfennigpfeiffer	173	3.300		1,51	4,37
8.12.20	D	Specialty retail	Pößneck, Thüringen	NKD, vongut		7.600			0,00
2021									
9.4.21	P	Specialty retail	Görlitz	Möbel Roller, toom Baumarkt	1600	28.000	6	21,5 (eAR)	4,76
30.4.21	P	Specialty retail	Bauzen, Dresden, Plauen	pitstop, Carglass, Dänisches B.		4.200			0,00
30.4.21	P	Specialty retail	Altenberg	Netto, lokaler Baumarkt	600	3.300		7 (eAR)	6,67
9.6.21	P	Specialty retail	Zollenroder	Pfennigpfeiffer	92	1.144	4,8	0,9 (eAR)	1,73
9.6.21	P	Retail	Eching		160	5.000	6,9	2,9 (eAR)	2,17
1.9.21	P	Specialty retail	Finsterwalde	EDEKA, Rossmann, Deichmann	500	5.000	4,3	5,3 (eAR)	8,33
10.11.21	P	Commercial building	Siegen	100% C&A	>1000	7.112	6,4	10,5 (eAR)	11,72
2.12.21	P	Shopping centre	Eisenach	Marktkauf, toom, TEDI, Woolwort	4000	26.000	0	30 (eAR)	12,82
17.12.21	D	Student home	Bamberg	Student houses		-	0		20
29.12.21	P	Specialty retail	Pforzheim	toom Baumarkt	0	5.600	11,7	2,8 (eAR)	3,00
11.1.22	P	Specialty retail	Lüchte, Bad Piermont	toom Baumarkt	460	6.400	2,1	4,8 (aAR)	6,00
11.1.22	P	Specialty retail	Zeithain	Hammer Fachmärkte	260	7.850	3,5	1,6 (eAR)	2,80
2022									
18.02.2022	P	Specialty retail	Zella-Mehlis	EDEKA	300	6.500	5,3	3-3,5 (eAR)	3,85
28.04.2022	P	Specialty retail / office	Salzwedel	EDEKA	200		10		
24.05.2022	P	Specialty retail	Osterode	Hammer	230	2.500	6,6	3.0-3.5 (eAR)	7,66
13.07.2022	P	Logistics	Dettingen unter Teck	Logistic company	500	9.000	10		
13.07.2022	P	Specialty retail	Vohenstrauß	NKD	100	700	9,8		
01.08.2022	P	Specialty retail	Dürrröhrsdorf-Dittersbach	diska / EDEKA Group	100	930	7,9		
17.10.2022	P	Specialty retail	Gräfenhainichen/Marktreddwit: DIY, RHG Bau & Garten		700	11.500	5		5,07

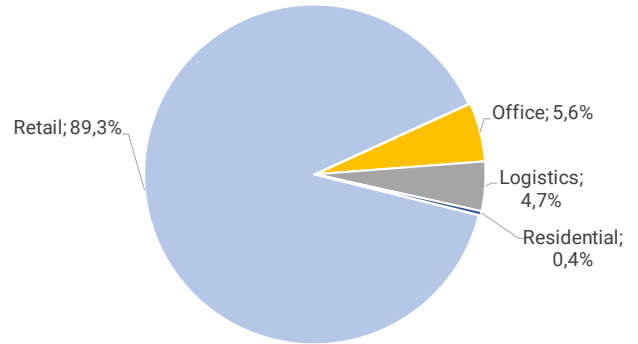
Source: Company data, AlsterResearch, P=purchase, D=disposal

Investment case in six Charts

Business Model



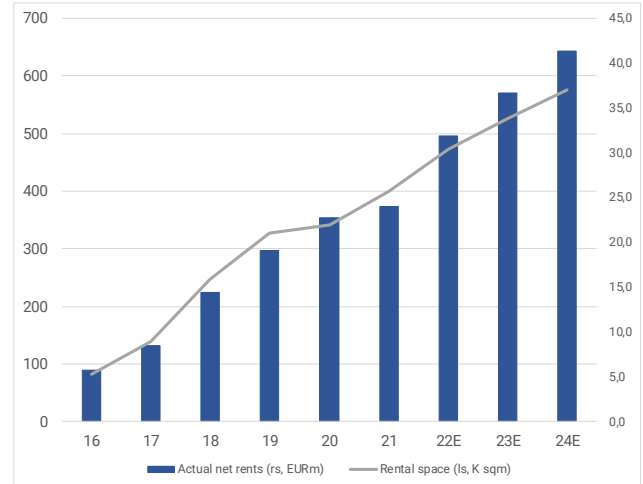
Rental income as per asset class 2021



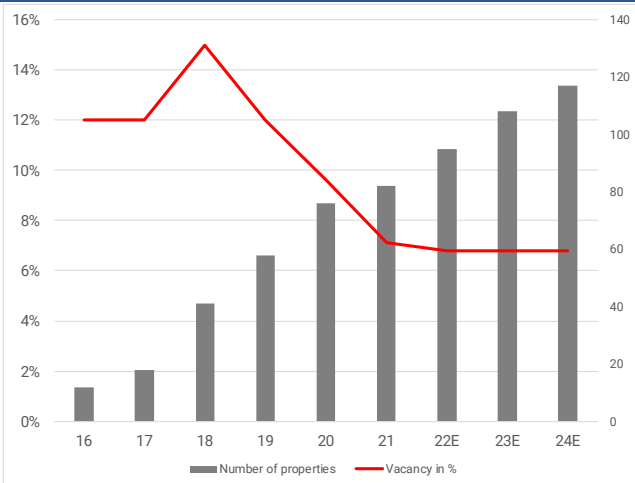
Major tenants

Food retail / grocery	Specialty retail

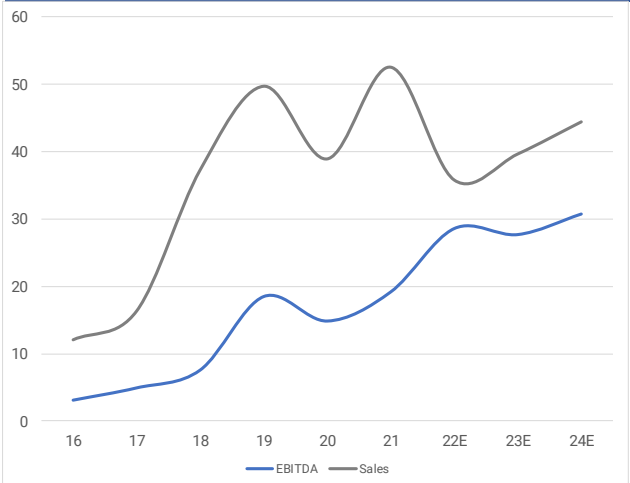
Rental Space and actual net rental income



Development of vacancies and number of properties



Sales and earnings development in EURm



Source: Company data, AlsterResearch

SWOT Analysis

Strengths

- Convincing business model with promising future perspectives
- High financial strength thanks to stock market listing
- High management competence
- Clear depression effects through scalable business model
- AI-based software expertise
- Inflation-indexed leases particularly helpful in an inflationary environment
- Increasing ESG awareness e.g. energy efficiency refurbishments or increased number of charging stations at the properties

Weaknesses

- Lack of stock market liquidity causes still low free float
- Lack of breadth in the shareholder structure (share of private customers, institutional)

Opportunities

- Improved balance sheet and cash flow statement ratios due to the company's re-focusing on its core portfolio management and development competencies
- Trend reversal in regional population development in favour of rural areas (D locations)
- Greater attractiveness of locations by expanding the sector mix (service provider, health care provider, gastronomy)
- Capital increase provides opportunity for better rating and lower refinancing costs

Threats

- Interest rate hikes could lead to higher re-financing costs and/or slow down in further portfolio additions
- Conditions imposed by local authorities that restrict use
- Stronger growth in online trade
- Designation of further retail spaces in the neighbourhood

Valuation

DCF Model

The DCF model results in a **fair value of EUR 23.45 per share**:

Top-line growth: We expect FCR Immobilien AG to grow revenues at a CAGR of 9.1% between 2022E and 2029E. The long-term growth rate is set at 2.0%.

WACC. The averaged 1-, 3- and 5-year historical equity beta is calculated as 0.88. Unlevering and correcting for mean reversion yields an asset beta of 0.92. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 9.6%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 0.5 this results in a long-term WACC of 7.6%.

DCF (EURm) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	14.0	18.9	22.3	24.7	26.5	29.2	33.0	37.1	
Depreciation & amortization	0.5	0.5	0.3	0.0	0.0	0.0	0.0	0.0	
Change in working capital	6.7	3.0	0.9	-0.2	-0.2	-0.2	-0.2	-0.2	
Chg. in long-term provisions	-9.1	-3.3	-2.6	-2.8	-2.9	-3.6	-3.1	-3.1	
Capex	-73.2	-39.3	-45.3	-31.4	-23.4	-23.9	-9.8	-4.0	
Cash flow	-61.1	-20.2	-24.4	-9.6	0.1	1.5	19.9	29.7	537.4
Present value	-62.1	-19.1	-21.4	-7.9	0.0	1.1	13.1	18.2	326.2
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.6%

DCF per share derived from

Total present value	248.1
Mid-year adj. total present value	257.3
Net debt / cash at start of year	271.9
Financial assets	354.8
Provisions and off b/s debt	na
Equity value	340.2
No. of shares outstanding	14.5

Discounted cash flow / share	23.45
upside/(downside)	53.3%

Share price	15.30
-------------	-------

DCF avg. growth and earnings assumptions

Planning horizon avg. revenue growth (2022E-2029E)	9.1%
Terminal value growth (2029E - infinity)	2.0%
Terminal year ROCE	12.7%
Terminal year WACC	7.6%

Terminal WACC derived from

Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25.0%
Equity beta	0.88
Unlevered beta (industry or company)	0.92
Target debt / equity	0.5
Relevered beta	1.26
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	9.6%

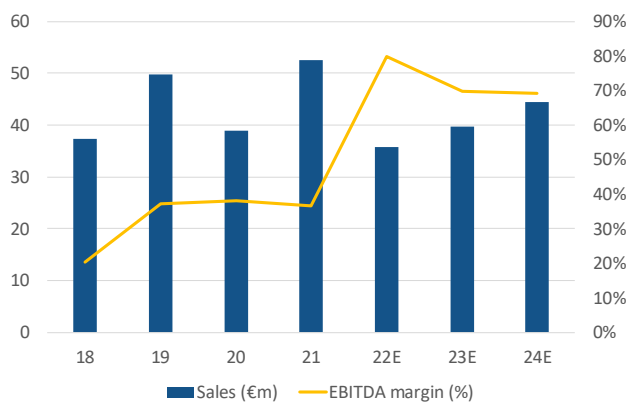
Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%	2022E-2025E	2026E-2029E
2.0%	13.3	14.2	15.2	16.4	17.7	-44.5%	13.0%
1.0%	16.1	17.3	18.7	20.3	22.2		
0.0%	19.7	21.4	23.4	25.8	28.7		
-1.0%	24.7	27.3	30.3	34.1	38.9		
-2.0%	32.0	35.9	41.0	47.7	56.9		131.5%

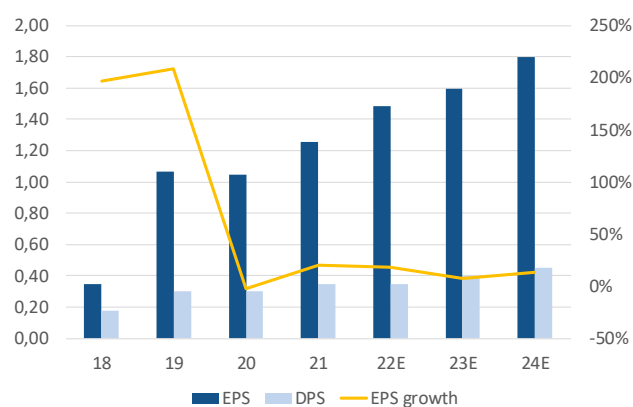
Source: AlsterResearch

Financials in six charts

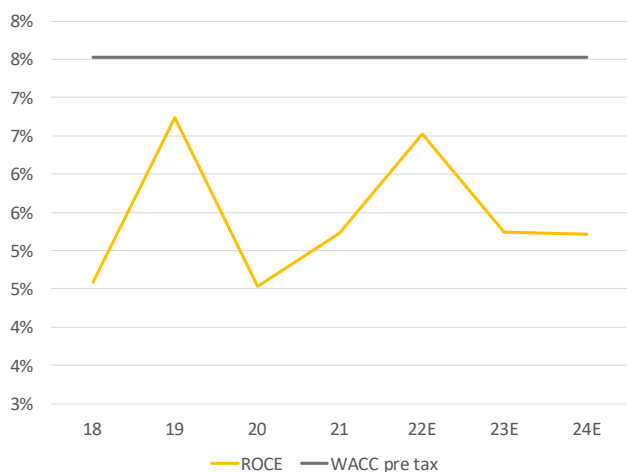
Sales vs. EBITDA margin development



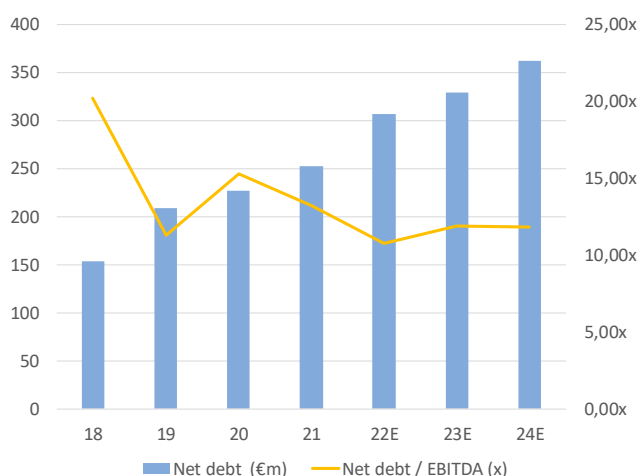
EPS, DPS in EUR & yoy EPS growth



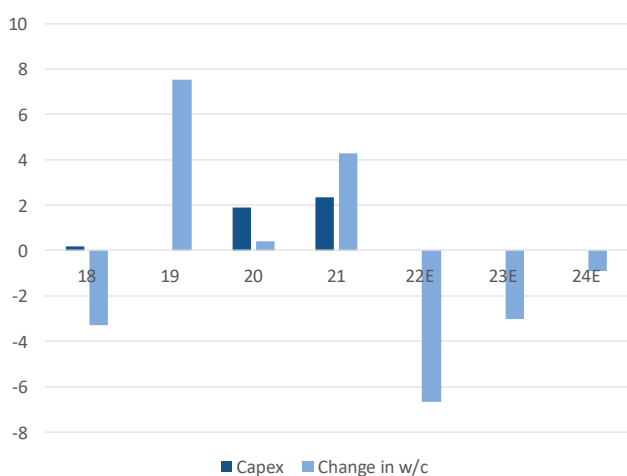
ROCE vs. WACC (pre tax)



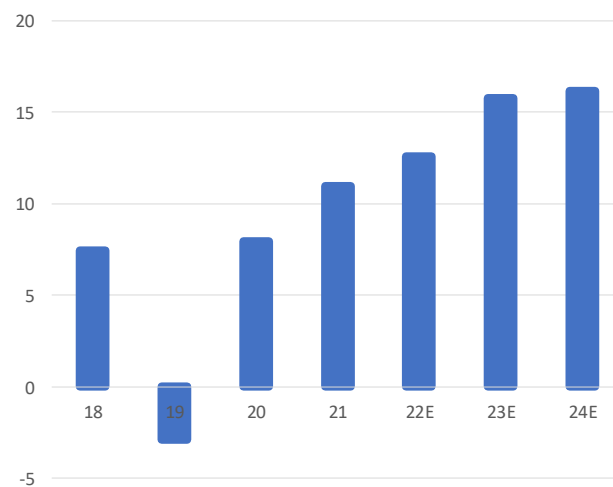
Net debt and net debt/EBITDA



Capex & chg in w/c requirements in EURm



Free Cash Flow in EURm



Financials

Profit and loss (EURm)	2019	2020	2021	2022E	2023E	2024E
Net sales	49.7	38.9	52.5	35.8	39.6	44.4
Sales growth	33.2%	-21.7%	34.9%	-31.8%	10.8%	12.0%
Change in finished goods and work-in-process	0.5	3.2	2.6	0.4	0.2	0.0
Total sales	50.1	42.1	55.1	36.1	39.8	44.4
Change in the value of investment property	13.7	0.8	4.8	9.0	3.4	2.6
Expenses from financial investments held real estate	27.9	10.9	24.4	0.9	0.0	0.0
Personnel expenses	10.9	12.5	11.9	10.3	10.7	11.2
Material expenses and other opex	10.9	12.5	11.9	10.3	10.7	11.2
Total operating expenses	31.7	27.3	35.9	7.6	12.2	13.7
EBITDA	18.5	14.8	19.2	28.6	27.7	30.7
Depreciation	0.4	0.4	0.6	0.5	0.5	0.3
EBITA	18.1	14.4	18.5	28.1	27.2	30.4
Amortisation of goodwill and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	18.1	14.4	18.5	28.1	27.2	30.4
Financial result	-6.2	-6.7	-6.6	-10.4	-8.2	-9.0
Recurring pretax income from continuing operations	11.9	7.7	11.9	17.7	19.0	21.4
Extraordinary income/loss	0.0	3.8	3.0	0.0	0.0	0.0
Earnings before taxes	11.9	11.5	14.9	17.7	19.0	21.4
Taxes	2.2	1.9	2.7	3.2	3.4	3.9
Net income from continuing operations	9.7	9.6	12.1	14.5	15.5	17.5
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	9.7	9.6	12.1	14.5	15.5	17.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	9.7	9.6	12.1	14.5	15.5	17.5
Average number of shares	9.15	9.15	9.69	9.76	9.76	9.76
EPS reported	1.07	1.05	1.25	1.49	1.59	1.80

Profit and loss (common size)	2019	2020	2021	2022E	2023E	2024E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	1%	8%	5%	1%	1%	0%
Total sales	101%	108%	105%	101%	101%	100%
Change in the value of investment property	28%	2%	9%	25%	8%	6%
Expenses from financial investments held real estate	56%	28%	46%	2%	0%	0%
Personnel expenses	22%	32%	23%	29%	27%	25%
Material expenses and other opex	22%	32%	23%	29%	27%	25%
Total operating expenses	64%	70%	68%	21%	31%	31%
EBITDA	37%	38%	36%	80%	70%	69%
Depreciation	1%	1%	1%	1%	1%	1%
EBITA	36%	37%	35%	78%	69%	68%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%	0%
Impairment charges	0%	0%	0%	0%	0%	0%
EBIT	36%	37%	35%	78%	69%	68%
Financial result	-12%	-17%	-13%	-29%	-21%	-20%
Recurring pretax income from continuing operations	24%	20%	23%	49%	48%	48%
Extraordinary income/loss	0%	10%	6%	0%	0%	0%
Earnings before taxes	24%	30%	28%	49%	48%	48%
Taxes	4%	5%	5%	9%	9%	9%
Net income from continuing operations	20%	25%	23%	41%	39%	40%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	20%	25%	23%	41%	39%	40%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	20%	25%	23%	41%	39%	40%

Source: Company data; AlsterResearch

Balance sheet (EURm)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	0.2	1.5	2.3	2.3	2.3	2.3
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.8	0.8	1.8	1.3	0.8	0.5
Financial assets	299.2	320.5	354.8	437.0	479.7	527.6
FIXED ASSETS	300.2	322.8	358.9	440.6	482.8	530.4
Inventories	1.9	4.2	2.4	6.2	2.3	2.4
Accounts receivable	9.7	5.2	16.6	4.9	4.3	3.4
Other current assets	4.8	7.6	5.5	5.5	5.5	5.5
Liquid assets	10.1	8.7	18.7	43.3	81.3	88.3
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.3	0.1	0.1	0.1	0.1	0.1
CURRENT ASSETS	26.8	25.8	43.3	60.0	93.6	99.8
TOTAL ASSETS	327.0	348.7	402.2	500.6	576.4	630.2
SHAREHOLDERS EQUITY	85.6	92.4	108.0	129.1	146.2	159.9
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	211.5	211.1	259.6	350.0	410.0	450.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	3.3	1.4	0.5	0.4	0.4	0.4
Non-current liabilities	214.8	212.6	260.0	350.4	410.4	450.4
short-term liabilities to banks	7.4	24.5	11.8	0.0	0.0	0.0
Accounts payable	2.2	1.5	2.9	2.5	0.9	1.0
Advance payments received on orders	0.2	0.1	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	2.3	2.0	1.9	1.3	1.4	1.5
Deferred taxes	14.4	15.6	17.4	17.4	17.4	17.4
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	26.5	43.7	34.2	21.1	19.7	19.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	327.0	348.7	402.2	500.6	576.4	630.2

Balance sheet (common size)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	0%	0%	1%	0%	0%	0%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	0%	0%	0%	0%	0%	0%
Financial assets	91%	92%	88%	87%	83%	84%
FIXED ASSETS	92%	93%	89%	88%	84%	84%
Inventories	1%	1%	1%	1%	0%	0%
Accounts receivable	3%	1%	4%	1%	1%	1%
Other current assets	1%	2%	1%	1%	1%	1%
Liquid assets	3%	3%	5%	9%	14%	14%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	8%	7%	11%	12%	16%	16%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	26%	27%	27%	26%	25%	25%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	65%	61%	65%	70%	71%	71%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	1%	0%	0%	0%	0%	0%
Non-current liabilities	66%	61%	65%	70%	71%	71%
short-term liabilities to banks	2%	7%	3%	0%	0%	0%
Accounts payable	1%	0%	1%	0%	0%	0%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	1%	1%	0%	0%	0%	0%
Deferred taxes	4%	4%	4%	3%	3%	3%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	8%	13%	8%	4%	3%	3%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EURm)	2019	2020	2021	2022E	2023E	2024E
Net profit/loss	9.8	9.6	12.1	14.5	15.5	17.5
Depreciation of fixed assets (incl. leases)	0.4	0.4	0.6	0.5	0.5	0.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-5.5	0.3	4.8	-9.1	-3.3	-2.6
Cash flow from operations before changes in w/c	4.6	10.3	17.6	5.9	12.7	15.3
Increase/decrease in inventory	0.0	-2.4	1.8	-3.8	3.9	-0.1
Increase/decrease in accounts receivable	0.0	4.5	-11.4	11.7	0.6	0.9
Increase/decrease in accounts payable	0.0	-0.7	1.5	-0.5	-1.5	0.0
Increase/decrease in other w/c positions	-7.5	-1.9	3.9	-0.7	0.1	0.1
Increase/decrease in working capital	-7.5	-0.4	-4.3	6.7	3.0	0.9
Cash flow from operating activities	-2.9	9.8	13.3	12.6	15.8	16.2
CAPEX	0.0	-1.9	-2.3	0.0	0.0	0.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-56.0	-17.6	-39.9	-73.2	-39.3	-45.3
Income from asset disposals	0.0	-1.4	1.0	10.0	5.0	0.0
Cash flow from investing activities	-56.0	-20.9	-41.3	-63.2	-34.3	-45.3
Cash flow before financing	-58.9	-11.0	-28.0	-50.6	-18.6	-29.1
Increase/decrease in debt position	64.6	16.7	35.8	78.6	60.0	40.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	6.4	0.0	6.7	0.0	0.0	0.0
Dividends paid	-1.5	-2.7	-2.9	-3.4	-3.4	-3.9
Others	-3.7	-6.0	-2.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	65.7	7.9	37.2	75.2	56.6	36.1
Increase/decrease in liquid assets	6.9	-3.1	9.2	24.6	38.0	7.0
Liquid assets at end of period	9.1	5.6	14.8	39.5	77.5	84.4

Source: Company data; AlsterResearch

Real estate ratios in EURm	2019	2020	2021	2022E	2023E	2024E
Number of properties	76	83	95	108	117	125
Rental space	327,000	342,000	400,000	471,960	526,500	575,000
Actual net rents	19.1	22.7	24.1	31.9	36.6	41.4
FFO	-3.7	4.9	7.1	9.4	12.0	15.2
FFO margin	-19.5%	21.6%	29.4%	29.5%	32.7%	36.8%
FFOPS	-0.41	0.54	0.73	0.96	1.23	1.56
Potential net rents	22.2	21.7	29.1	29.7	na	na
Letting quota	88.0%	90.4%	92.9%	93.2%	93.2%	93.2%
Market value	299.0	314.5	346.0	437.0	479.7	525.0
ACTUAL net rental returns	6.4%	7.2%	7.0%	7.3%	7.6%	7.9%
WAULT	4.4	5.1	5.4	5.5	5.6	5.6
NAV	10.9	11.7	12.5	15.0	16.8	18.2
LTV	66.4%	69.7%	71.5%	68.9%	67.4%	67.9%

Source: Company data; AlsterResearch

Ratios	2019	2020	2021	2022E	2023E	2024E
Per share data						
Earnings per share reported	1.07	1.05	1.25	1.49	1.59	1.80
Cash flow per share	-0.35	1.03	1.31	1.24	1.56	1.62
Book value per share	9.36	10.11	11.14	13.23	14.98	16.38
Dividend per share	0.30	0.30	0.35	0.35	0.40	0.45
Valuation						
P/E	14.4x	14.6x	12.2x	10.3x	9.6x	8.5x
P/CF	-43.2x	14.8x	11.7x	12.4x	9.8x	9.4x
P/BV	1.6x	1.5x	1.4x	1.2x	1.0x	0.9x
Dividend yield (%)	2.0%	2.0%	2.3%	2.3%	2.6%	2.9%
FCF yield (%)	-2.3%	6.7%	8.5%	8.1%	10.2%	10.6%
EV/Sales	7.2x	9.7x	7.7x	12.7x	12.1x	11.5x
EV/EBITDA	19.4x	25.4x	21.0x	16.0x	17.3x	16.6x
EV/EBIT	19.8x	26.1x	21.7x	16.3x	17.6x	16.8x
Income statement (EURm)						
Sales	49.7	38.9	52.5	35.8	39.6	44.4
yoy chg in %	33.2%	-21.7%	34.9%	-31.8%	10.8%	12.0%
Gross profit	27.9	10.9	24.4	0.9	0.0	0.0
Gross margin in %	56.1%	28.0%	46.5%	2.5%	0.0%	0.0%
EBITDA	18.5	14.8	19.2	28.6	27.7	30.7
EBITDA margin in %	37.2%	38.1%	36.5%	79.8%	69.8%	69.2%
EBIT	18.1	14.4	18.5	28.1	27.2	30.4
EBIT margin in %	36.5%	37.1%	35.3%	78.4%	68.5%	68.5%
Net profit	9.7	9.6	12.1	14.5	15.5	17.5
Cash flow statement (EURm)						
CF from operations	-2.9	9.8	13.3	12.6	15.8	16.2
Capex	0.0	-1.9	-2.3	0.0	0.0	0.0
Maintenance Capex	0.4	0.4	0.6	0.5	0.5	0.3
Free cash flow	-2.9	8.0	10.9	12.6	15.8	16.2
Balance sheet (EURm)						
Intangible assets	0.2	1.5	2.3	2.3	2.3	2.3
Tangible assets	0.8	0.8	1.8	1.3	0.8	0.5
Shareholders' equity	85.6	92.4	108.0	129.1	146.2	159.9
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	222.3	237.1	271.9	350.4	410.4	450.4
Net financial debt	208.8	226.9	252.7	306.7	328.7	361.7
w/c requirements	9.2	7.8	16.0	8.7	5.8	4.9
Ratios						
ROE	11.4%	10.3%	11.2%	11.2%	10.6%	11.0%
ROCE	5.9%	4.4%	4.9%	5.9%	4.9%	5.0%
Net gearing	243.9%	245.5%	234.0%	237.5%	224.7%	226.2%
Net debt / EBITDA	11.3x	15.3x	13.2x	10.7x	11.9x	11.8x

Source: Company data; AlsterResearch

Conflict of interests

Disclosures regarding research publications of SRH AlsterResearch AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures. It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if SRH AlsterResearch AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
FCR Immobilien AG	2

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by SRH AlsterResearch AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements SRH AlsterResearch AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of AlsterResearch AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.alsterresearch.com>.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **BUY:** Sustainable upside potential of more than 10% within 12 months
- **SELL:** Sustainable downside potential of more than 10% within 12 months.
- **HOLD:** Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of SRH AlsterResearch AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of the financial analysis
23-Mar-23 11:36:16

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under <https://www.alsterresearch.com>.

Contacts

SRH AlsterResearch AG
Mittelweg 142
20148 Hamburg

Tel: +49 40 309 293-52
E-Mail: info@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbacher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Our research can be found under

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@alsterresearch.com

LEVENT YILMAZ
Senior Analyst
Tel: +49 40 309 293-52
E-Mail: l.yilmaz@alsterresearch.com

KATHARINA SCHLÖTER
Analyst
Tel: +49 40 309 293-52
E-Mail: k.schloeter@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@alsterresearch.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@alsterresearch.com

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995-22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com

RESEARCH HUB www.research-hub.de

BLOOMBERG www.bloomberg.com

FACTSET www.factset.com

THOMSON REUTERS / REFINITIV www.refinitiv.com

CAPITALIQ www.capitaliq.com