

FCR Immobilien AG

Germany | Real Estate | MCap EUR 103.9m

7 June 2024

UPDATE



The beginning of a new Era; Reiterate to BUY

BUY (BUY)

Target price	EUR 20.50 (20.50)
Current price	EUR 10.60
Up/downside	93.4%



MAIN AUTHOR

Thomas Wissler

t.wissler@mwb-research.com

+49 40 309 293-58

What's it all about?

The European Central Bank (ECB) cut interest rates by 0.25 percentage points for the first time in almost five years. This move could be a game changer for the real estate sector, which is suffering from high interest rates. The rate cut could lead to lower financing costs, which would be particularly beneficial for companies like FCR Immobilien AG. In a model calculation, a one percentage point reduction in interest rates could increase FCR's FFO by around 12% and further increase the value of the real estate portfolio. Overall, the turnaround in interest rates could have a positive impact on the real estate market in general and on the valuation of real estate companies in particular, thus making investments more attractive. We therefore reiterate our BUY rating with an unchanged price target of EUR 20.50, which represents an upside of around 100%.

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

mwb-research.com

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

FCR Immobilien AG

Germany | Real Estate | MCap EUR 103.9m | EV EUR 399.2m

BUY (BUY)

Target price EUR 20.50 (20.50)
Current price EUR 10.60
Up/downside 93.4%

MAIN AUTHOR

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

The beginning of a new Era; Reiterate to BUY

Interest rate turnaround an important step for the real estate sector. The European Central Bank (ECB) made the long-awaited and historic interest rate move at its meeting yesterday. For the first time in almost five years, interest rates were cut by 0.25ppt. This paradigm shift could be a game changer for the eurozone, and in particular for the struggling real estate sector. After more than half a year of high interest rates, yesterday's decision could be the starting point for even lower financing costs in the future. In our opinion, this has two specific implications for real estate companies and in particular for FCR Immobilien AG:

- With net debt of c. EUR 295m at the end of last year (LTV 67.2%), financing costs represent a significant balance sheet item for the company. Based on the purely theoretical assumption that roughly one third of the debt is of a short-term nature, an interest rate reduction of around 1ppt would have a direct impact on FCR's FFO of around EUR 1m. Compared to last year's FFO, this would represent an increase of approximately 12%.
- In addition, falling interest rates could have a positive impact on the valuation of the real estate portfolio. Financing costs are particularly important for institutional real estate investors. A further reduction in financing costs could therefore lead to an increase in the value of the real estate portfolio. FCR Immobilien had real estate assets of EUR 414m on its balance sheet at the end of the year. Again, a one percent increase in the portfolio value would have a direct impact on the NAV of around EUR 4m or ~EUR 0.40 per share.

Conclusion. Yesterday's turnaround in interest rates was historic. In our view, this could have an immediate positive impact on real estate companies. As a result, we believe it is time to take a closer look at the real estate sector. FCR Immobilien, for example, is currently trading at a discount of around 30% to NAV, which we believe is unjustified. If the company's balance sheet were to reflect the positive effects of the turnaround in interest rates, the discount would be even less justified. We therefore reiterate our BUY rating with an unchanged price target of EUR 20.50.

FCR Immobilien AG	2021	2022	2023	2024E	2025E	2026E
Sales	52.5	35.9	56.6	37.9	40.6	42.5
<i>Growth yoy</i>	34.9%	-31.6%	57.7%	-33.0%	7.2%	4.7%
EBIT	18.5	27.4	23.0	21.9	23.5	23.9
FFO	7.1	9.4	8.2	8.4	9.2	9.9
FFO-Margin	29.1%	29.6%	24.7%	24.1%	24.4%	25.1%
Net profit	12.1	14.2	8.7	7.8	8.4	9.3
Net debt (net cash)	252.7	322.3	295.3	307.6	324.7	342.3
LTV	77.1%	75.1%	67.2%	68.1%	68.4%	68.7%
EPS reported	1.25	1.45	0.89	0.80	0.86	0.95
FFOPS	0.73	0.96	0.83	0.86	0.94	1.01
DPS	0.35	0.35	0.25	0.25	0.28	0.31
<i>Dividend yield</i>	3.3%	3.3%	2.4%	2.4%	2.7%	3.0%
FFO-yield	6.9%	9.1%	7.9%	8.1%	8.8%	9.6%
EV/EBIT	19.2x	15.5x	17.4x	18.8x	18.2x	18.6x
P/E	8.5x	7.3x	11.9x	13.3x	12.3x	11.2x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 14.70 / 8.85
Price/Book Ratio 0.8x

Ticker / Symbols

ISIN DE000A1YC913
WKN A1YC91
Bloomberg FC9:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	37.9	21.9	0.80
	Δ	0.0%	0.0%	0.0%
2025E	old	40.6	23.5	0.86
	Δ	0.0%	0.0%	0.0%
2026E	old	42.5	23.9	0.95
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 9.80
Book value per share: (in EUR) 12.79
Ø trading vol.: (12 months) 4,000

Major shareholders

RAT Asset & Trading AG 64.9%
FaMe Invest & Mgmt GmbH 8.0%
WWK Lebensvers. 3.4%
Free Float 27.1%

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.

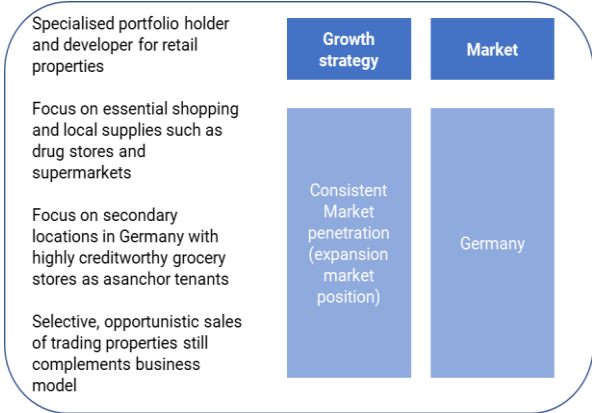
Recent transactions overview

Date	Purchase / Disposal	Type	Location	Anchor tenant	net rent in EUR K	Leasable area in sqm	WAULT Years	Purch. / Disp. 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	Höchststadt 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			
21.10.2020	P	Shopping centre	Eilenburg	Kaufland und toom Baumarkt	800	15.000	8,7	10	4,44
27.10.2020	P	Grocery stores			185	-		1,99	0,00
		Retail	Ruhle, Thüringen	Netto	100	1.200	9		6,94
		Retail	Bückeberg, Thüringen	Niedrig-Preis-Markt (NP)	85	1.000	4		7,08
30.10.2020	P	Retail	Ludwigslust	toom Baumarkt	435	7.600		3,8	4,77
03.11.2020	D	Specialty retail	Oer-Erkenschwick, NRW	Buschkamp-Center		6.200			0,00
06.11.2020	D	Specialty retail	Magdeburg			2.800			0,00
17.11.2020	P	Specialty retail	Pulsnitz, Sachsen	Hammer und Pfennigpfeiffer	173	3.300		1,51	4,37
08.12.2020	D	Specialty retail	Pößneck, Thüringen	NKD, vongut		7.600			0,00
2021									
09.04.2021	P	Specialty retail	Görlitz	Möbel Roller, toom Baumarkt	1600	28.000	6	21,5 (eAR)	4,76
30.04.2021	P	Specialty retail	Bauzen, Dresden, Plauen	pitstop, Carglass, Dänisches B.		4.200			0,00
30.04.2021	P	Specialty retail	Altenberg	Netto, lokaler Baumarkt	600	3.300		7 (eAR)	6,67
09.06.2021	P	Specialty retail	Zollenroder	Pfennigpfeiffer	92	1.144	4,8	0,9 (eAR)	1,73
09.06.2021	P	Retail	Eching		160	5.000	6,9	2,9 (eAR)	2,17
01.09.2021	P	Specialty retail	Finsterwalde	EDEKA, Rossmann, Deichmann	500	5.000	4,3	5,3 (eAR)	8,33
10.11.2021	P	Commercial building	Siegen	100% C&A	>1000	7.112	6,4	10,5 (eAR)	11,72
02.12.2021	P	Shopping centre	Eisenach	Marktkauf, toom, TEDI, Woolwort	4000	26.000	0	30 (eAR)	12,82
17.12.2021	D	Student home	Bamberg	Student houses		-	0	20	0,00
29.12.2021	P	Specialty retail	Pforzheim	toom Baumarkt	0	5.600	11,7	2,8 (eAR)	3,00
11.01.2022	P	Specialty retail	Lüchte, Bad Piermont	toom Baumarkt	460	6.400	2,1	4,8 (aAR)	6,00
11.01.2022	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/Marktredwitz	DIY, RHG Bau & Garten	700	11.500	5		5,07
2023									
2023	D	na	Kitzbühel (Teil-VK)						
2023	D	na	Gummersbach (Teil-VK)						
2023	D	na	Würselen						
2023	D	na	Frankfenberg						
2023	D	na	Söhlde-Hoheneggelsen						
2023	D	Hotel	Il Pelagone					20	
2023	P	Specialty retail	Werdau, Sachsen		0,83	13.000	5,3	8-9 (eAR)	

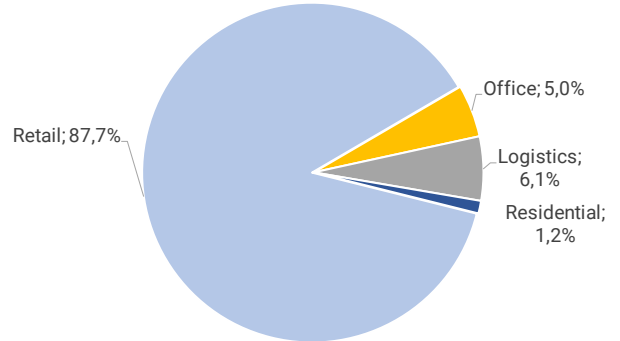
Source: Company data, mwb research, P=purchase, D=disposal

Investment case in six charts

Business Model



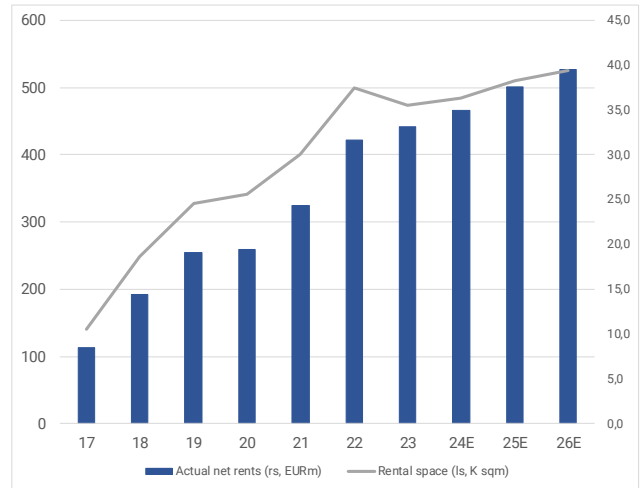
Rental income as per asset class 2023



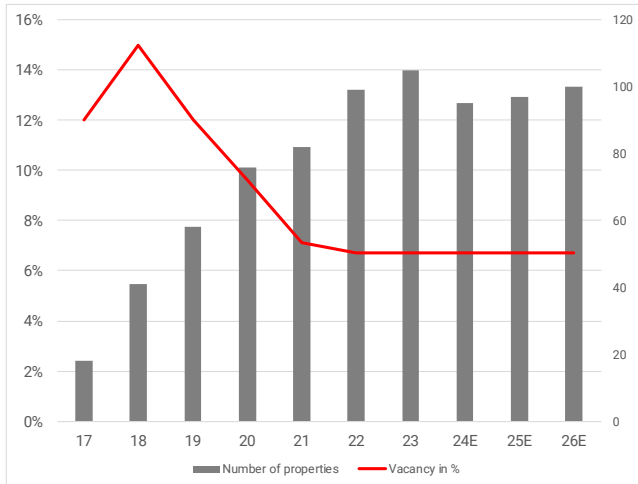
Major tenants

Food retail / grocery	Specialty retail

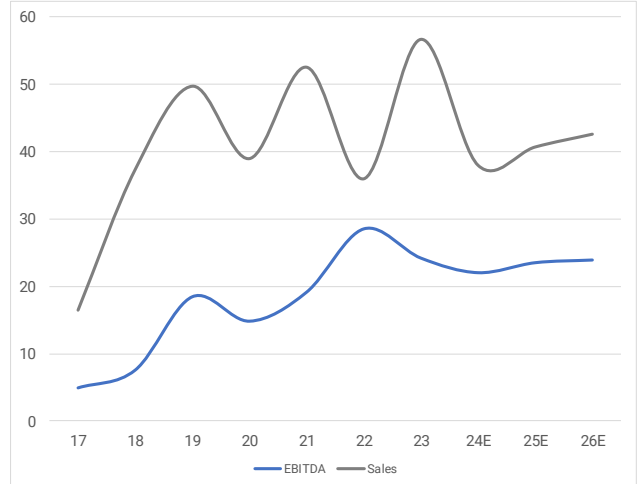
Rental Space and actual net rental income



Development of vacancies and number of properties



Sales and earnings development in EURm



Source: Company data, mwb research

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 leads to higher re-financing costs and/or slow down in further portfolio additions
- 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 20.44 per share**:

Top-line growth: We expect FCR Immobilien AG to grow revenues at a CAGR of 6.6% between Year and 2030E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 4.9% in 2024E to 9.4% in 2030E.

WACC. Starting point is a historical equity beta of 1.00. Unlevering and correcting for mean reversion yields an asset beta of 1.15. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 11.5%. 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 8.9%.

DCF (EURm) (except per share data and beta)	Year	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT		16.3	17.3	17.3	18.2	20.2	21.8	23.6	25.4
Depreciation & amortization		0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital		-1.7	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Chg. in long-term provisions		-2.3	-2.2	-2.3	-2.9	-2.5	-2.5	-2.6	-2.7
Capex		-13.7	-20.6	-21.6	-11.4	-10.9	-6.7	-6.6	-18.1
Cash flow	Cash flow	-1.4	-5.4	-6.9	3.6	6.5	12.3	14.0	4.3
Present value	Present value	-1.3	-4.7	-5.5	2.7	4.4	7.6	8.0	2.3
WACC	WACC%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	46.9	Planning horizon avg. revenue growth (Year-2030E)	6.6%
Mid-year adj. total present value	49.0	Terminal value growth (2030E - infinity)	2.0%
Net debt / cash at start of year	302.2	Terminal year ROCE	9.4%
Financial assets	413.1	Terminal year WACC	8.9%
Provisions and off b/s debt	na		
Equity value	159.8	Terminal WACC derived from	
No. of shares outstanding	7.8	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	25.0%
		Equity beta	1.00
		Unlevered beta (industry or company)	1.15
		Target debt / equity	0.5
		Relevered beta	1.58
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	11.5%

Discounted cash flow / share upside/(downside)	20.44 92.8%
---	------------------------------

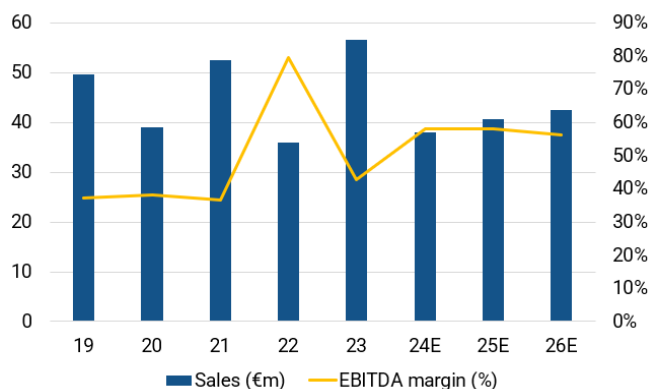
Share price	10.60
--------------------	--------------

Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%		
2.0%	18.4	18.6	18.8	19.0	19.2	Year-2026E	-18.9%
1.0%	19.1	19.3	19.5	19.8	20.1	2027E-2030E	47.6%
0.0%	19.8	20.1	20.4	20.8	21.2	terminal value	71.3%
-1.0%	20.8	21.2	21.7	22.2	22.9		
-2.0%	22.2	22.7	23.4	24.3	25.4		

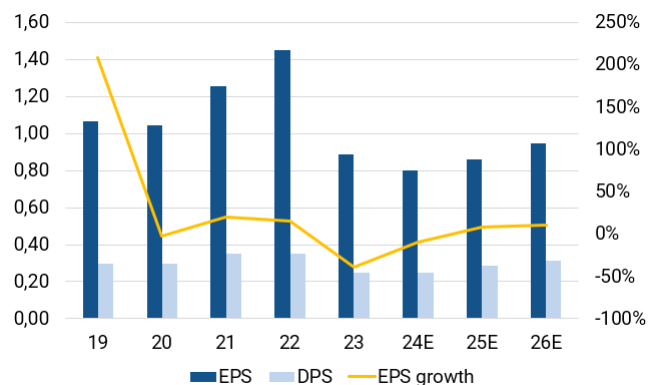
Source: mwb research

Financials in six charts

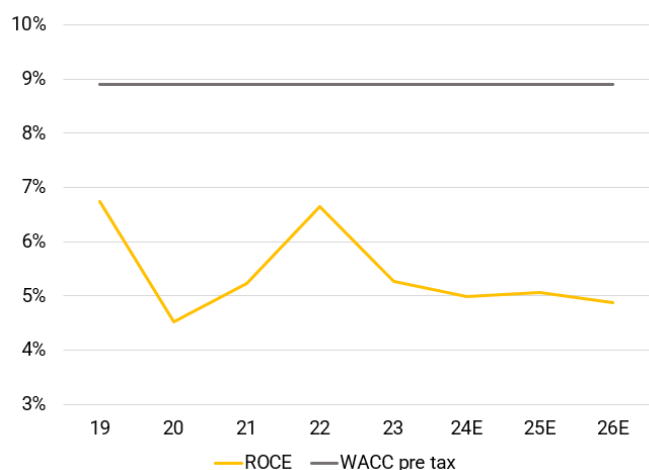
Sales vs. EBITDA margin development



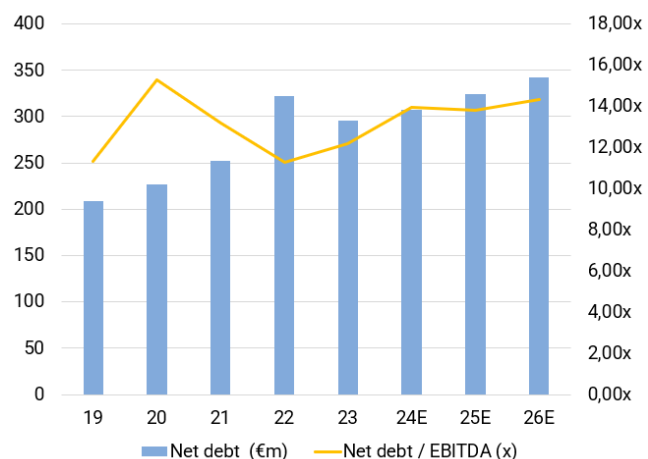
EPS, DPS in EUR & yoy EPS growth



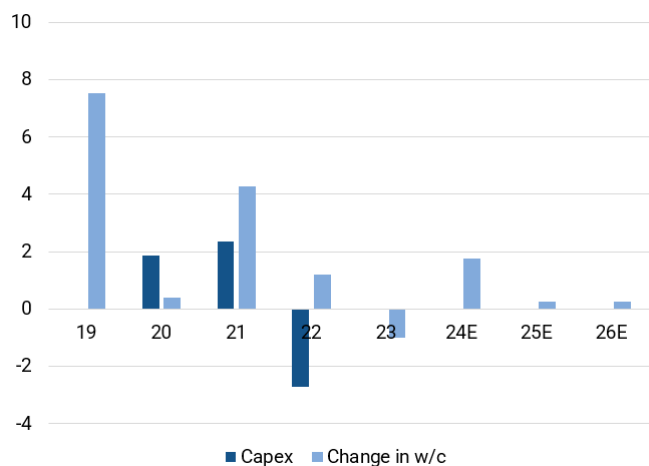
ROCE vs. WACC (pre tax)



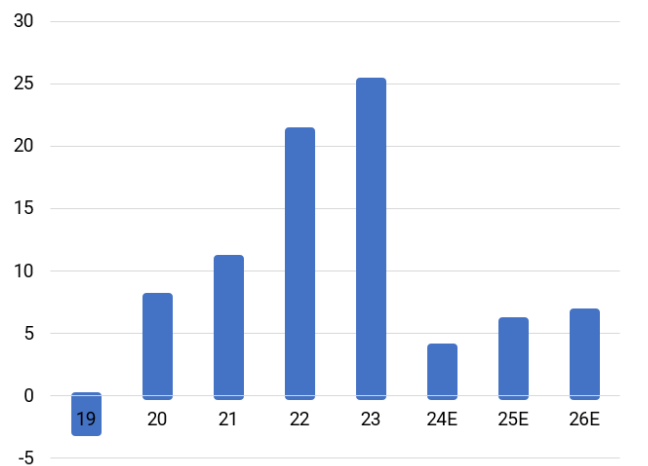
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Net sales	52.5	35.9	56.6	37.9	40.6	42.5
Sales growth	34.9%	-31.6%	57.7%	-33.0%	7.2%	4.7%
Change in finished goods and work-in-process	2.6	2.4	1.9	0.0	0.0	0.0
Total sales	55.1	38.4	58.6	37.9	40.6	42.5
Change in the value of investment property	4.8	9.9	1.0	2.6	2.3	2.4
Expenses from financial investments held real estate	24.4	0.9	18.3	0.0	0.0	0.0
Personnel expenses	11.9	12.9	12.7	13.7	14.4	15.1
Material expenses and other opex	11.9	12.9	12.7	13.7	14.4	15.1
Total operating expenses	35.9	9.8	34.4	15.9	17.1	18.6
EBITDA	19.2	28.6	24.2	22.0	23.5	23.9
Depreciation	0.6	1.1	1.2	0.2	0.0	0.0
EBITA	18.5	27.4	23.0	21.9	23.5	23.9
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	18.5	27.4	23.0	21.9	23.5	23.9
Financial result	-6.6	-10.1	-12.9	-12.8	-13.6	-12.6
Recurring pretax income from continuing operations	11.9	17.3	10.1	9.1	9.9	11.3
Extraordinary income/loss	3.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	14.9	17.3	10.1	9.1	9.9	11.3
Taxes	2.7	3.1	1.4	1.3	1.5	2.0
Net income from continuing operations	12.1	14.2	8.7	7.8	8.4	9.3
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	12.1	14.2	8.7	7.8	8.4	9.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	12.1	14.2	8.7	7.8	8.4	9.3
Average number of shares	9.69	9.76	9.80	9.80	9.80	9.80
EPS reported	1.25	1.45	0.89	0.80	0.86	0.95

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	5%	7%	3%	0%	0%	0%
Total sales	105%	107%	103%	100%	100%	100%
Change in the value of investment property	9%	28%	2%	7%	6%	6%
Expenses from financial investments held real estate	46%	3%	32%	0%	0%	0%
Personnel expenses	23%	36%	22%	36%	35%	35%
Material expenses and other opex	23%	36%	22%	36%	35%	35%
Total operating expenses	68%	27%	61%	42%	42%	44%
EBITDA	36%	80%	43%	58%	58%	56%
Depreciation	1%	3%	2%	0%	0%	0%
EBITA	35%	76%	41%	58%	58%	56%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%	0%
Impairment charges	0%	0%	0%	0%	0%	0%
EBIT	35%	76%	41%	58%	58%	56%
Financial result	-13%	-28%	-23%	-34%	-33%	-30%
Recurring pretax income from continuing operations	23%	48%	18%	24%	24%	27%
Extraordinary income/loss	6%	0%	0%	0%	0%	0%
Earnings before taxes	28%	48%	18%	24%	24%	27%
Taxes	5%	9%	2%	3%	4%	5%
Net income from continuing operations	23%	39%	15%	21%	21%	22%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	23%	39%	15%	21%	21%	22%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	23%	39%	15%	21%	21%	22%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	2.3	4.0	4.6	4.6	4.6	4.6
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	1.8	3.0	0.9	0.8	0.8	0.8
Financial assets	354.8	430.9	413.1	429.4	452.3	476.2
FIXED ASSETS	358.9	437.9	418.6	434.7	457.6	481.5
Inventories	2.4	1.2	1.3	0.8	0.8	0.8
Accounts receivable	16.6	7.1	6.0	4.9	5.1	5.4
Other current assets	5.5	18.1	17.0	17.0	17.0	17.0
Liquid assets	18.7	5.6	6.5	12.4	15.3	17.7
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.1	1.6	0.1	0.2	0.2	0.2
CURRENT ASSETS	43.3	33.6	30.9	35.2	38.4	41.1
TOTAL ASSETS	402.2	471.5	449.5	469.9	496.0	522.6
SHAREHOLDERS EQUITY	108.0	118.8	125.3	130.7	136.7	143.2
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	259.6	280.5	259.5	320.0	340.0	360.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.5	0.3	0.4	0.6	0.6	0.7
Non-current liabilities	260.0	280.8	259.9	320.6	340.6	360.7
short-term liabilities to banks	11.8	47.3	42.3	0.0	0.0	0.0
Accounts payable	2.9	1.5	0.7	0.7	0.8	0.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	1.9	3.0	2.7	0.0	0.0	0.0
Deferred taxes	17.4	20.1	17.9	17.9	17.9	17.9
Deferred income	0.0	0.0	0.6	0.0	0.0	0.0
Current liabilities	34.2	71.9	64.3	18.6	18.7	18.7
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	402.2	471.5	449.5	469.9	496.0	522.6

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	1%	1%	1%	1%	1%	1%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	0%	1%	0%	0%	0%	0%
Financial assets	88%	91%	92%	91%	91%	91%
FIXED ASSETS	89%	93%	93%	93%	92%	92%
Inventories	1%	0%	0%	0%	0%	0%
Accounts receivable	4%	2%	1%	1%	1%	1%
Other current assets	1%	4%	4%	4%	3%	3%
Liquid assets	5%	1%	1%	3%	3%	3%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	11%	7%	7%	7%	8%	8%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	27%	25%	28%	28%	28%	27%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	65%	59%	58%	68%	69%	69%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	0%	0%	0%	0%	0%	0%
Non-current liabilities	65%	60%	58%	68%	69%	69%
short-term liabilities to banks	3%	10%	9%	0%	0%	0%
Accounts payable	1%	0%	0%	0%	0%	0%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	0%	1%	1%	0%	0%	0%
Deferred taxes	4%	4%	4%	4%	4%	3%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	8%	15%	14%	4%	4%	4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	12.1	14.2	8.7	7.8	8.4	9.3
Depreciation of fixed assets (incl. leases)	0.6	1.1	1.2	0.2	0.0	0.0
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	4.8	5.0	14.3	-2.3	-2.2	-2.3
Cash flow from operations before changes in w/c	17.6	20.3	24.2	5.7	6.2	7.0
Increase/decrease in inventory	1.8	1.2	-0.1	0.6	-0.0	-0.0
Increase/decrease in accounts receivable	-11.4	9.5	1.1	1.1	-0.2	-0.3
Increase/decrease in accounts payable	1.5	-1.5	-0.8	0.0	0.0	0.0
Increase/decrease in other w/c positions	3.9	-10.3	0.7	-3.5	-0.0	-0.0
Increase/decrease in working capital	-4.3	-1.2	1.0	-1.7	-0.3	-0.3
Cash flow from operating activities	13.3	18.5	25.2	3.9	6.0	6.7
CAPEX	-2.3	2.7	0.0	0.0	0.0	0.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	-39.9	-70.8	18.9	-13.7	-20.6	-21.6
Income from asset disposals	1.0	-6.3	-5.4	0.0	0.0	0.0
Cash flow from investing activities	-41.3	-74.4	13.3	-13.7	-20.6	-21.6
Cash flow before financing	-28.0	-55.9	38.5	-9.8	-14.7	-14.9
Increase/decrease in debt position	35.8	48.8	-26.0	18.1	20.0	20.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	6.7	0.0	0.0	0.0	0.0	0.0
Dividends paid	-2.9	-3.4	-3.4	-2.5	-2.5	-2.8
Others	-2.3	1.2	-8.0	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	37.2	46.6	-37.4	15.7	17.5	17.2
Increase/decrease in liquid assets	9.2	-9.3	1.1	5.9	2.9	2.4
Liquid assets at end of period	14.8	5.6	6.9	12.8	15.7	18.0

Source: Company data; mwb research

Real estate ratios in (EURm)	2021	2022	2023	2024E	2025E	2026E
Number of properties	99	105	95	97	100	103
Rental space	400,000	500,000	474,000	485,000	510,000	525,300
Actual net rents	24.3	31.7	33.1	34.9	37.6	39.5
FFO	7.1	9.4	8.2	8.4	9.2	9.9
FFO margin	29.1%	29.6%	24.7%	24.1%	24.4%	25.1%
FFOPS	0.73	0.96	0.83	0.86	0.94	1.01
Potential net rents	29.1	31.8	33.1	na	na	na
Letting quota	92.9%	93.3%	93.3%	93.3%	93.3%	93.3%
Market value	320.7	404.8	414.3	426.8	450.0	473.8
ACTUAL net rental returns	7.6%	7.8%	8.0%	8.2%	8.4%	8.3%
WAULT	5.4	5.2	5.3	5.3	5.3	5.3
NAV	12.5	13.9	14.3	15.1	15.8	16.4
LTV	77.1%	75.1%	67.2%	68.1%	68.4%	68.7%

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	52.5	35.9	56.6	59.5	62.4	65.6
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.0
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	52.5	35.9	56.6	37.9	40.6	42.5

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	100.0%	100.0%	100.0%	156.8%	153.6%	154.1%
Europe (ex domestic)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	1.25	1.45	0.89	0.80	0.86	0.95
Cash flow per share	1.31	1.78	2.44	0.38	0.61	0.68
Book value per share	11.14	12.17	12.79	13.34	13.95	14.61
Dividend per share	0.35	0.35	0.25	0.25	0.28	0.31
Valuation						
P/E	8.5x	7.3x	11.9x	13.3x	12.3x	11.2x
P/CF	8.1x	5.9x	4.3x	27.7x	17.4x	15.5x
P/BV	1.0x	0.9x	0.8x	0.8x	0.8x	0.7x
Dividend yield (%)	3.3%	3.3%	2.4%	2.4%	2.7%	3.0%
FCF yield (%)	12.4%	16.8%	23.0%	3.6%	5.7%	6.4%
EV/Sales	6.8x	11.9x	7.0x	10.9x	10.5x	10.5x
EV/EBITDA	18.6x	14.9x	16.5x	18.7x	18.2x	18.6x
EV/EBIT	19.2x	15.5x	17.4x	18.8x	18.2x	18.6x
Income statement (EURm)						
Sales	52.5	35.9	56.6	37.9	40.6	42.5
yoy chg in %	34.9%	-31.6%	57.7%	-33.0%	7.2%	4.7%
Gross profit	24.4	0.9	18.3	0.0	0.0	0.0
Gross margin in %	46.5%	2.5%	32.3%	0.0%	0.0%	0.0%
EBITDA	19.2	28.6	24.2	22.0	23.5	23.9
EBITDA margin in %	36.5%	79.5%	42.8%	58.1%	57.9%	56.3%
EBIT	18.5	27.4	23.0	21.9	23.5	23.9
EBIT margin in %	35.3%	76.4%	40.6%	57.7%	57.9%	56.3%
Net profit	12.1	14.2	8.7	7.8	8.4	9.3
Cash flow statement (EURm)						
CF from operations	13.3	18.5	25.2	3.9	6.0	6.7
Capex	-2.3	2.7	0.0	0.0	0.0	0.0
Maintenance Capex	0.6	1.1	1.2	0.2	0.0	0.0
Free cash flow	11.0	21.2	25.2	3.9	6.0	6.7
Balance sheet (EURm)						
Intangible assets	2.3	4.0	4.6	4.6	4.6	4.6
Tangible assets	1.8	3.0	0.9	0.8	0.8	0.8
Shareholders' equity	108.0	118.8	125.3	130.7	136.7	143.2
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	271.9	328.1	302.2	320.6	340.6	360.7
Net financial debt	252.7	322.3	295.3	307.6	324.7	342.3
w/c requirements	16.0	6.9	6.6	4.9	5.1	5.4
Ratios						
ROE	11.2%	11.9%	6.9%	6.0%	6.2%	6.5%
ROCE	4.9%	6.1%	5.4%	4.9%	4.9%	4.7%
Net gearing	234.0%	271.3%	235.6%	235.3%	237.5%	239.1%
Net debt / EBITDA	13.2x	11.3x	12.2x	14.0x	13.8x	14.3x

Source: Company data; mwb research

Conflicts of interest

Disclosures regarding research publications of mwb research 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 and 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 mwb research 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 terms 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 mwb research 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 mwb research 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 mwb research AG. Reproduction of this document, in whole or in part, is not permitted without prior permission mwb research AG. All rights reserved. Under no circumstances shall mwb research 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 mwb research 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 mwb research 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.mwb.-research.com>.

mwb research 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 mwb research 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 mwb research AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of mwb research 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 this financial analysis
7-Jun-24 10:40:11

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. mwb research AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority mwb research 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.mwb.-research.com..](https://www.mwb.-research.com..)

Contacts

mwb research AG
Mittelweg 142
20148 Hamburg
Germany

Tel.: +49 40 309 293-52
Email.: contact@mwb-research.com
Website: www.mwb-research.com
Research: www.research-hub.de

Research

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

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@mwb-research.com

ABED JARAD
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: a.jarad@mwb-research.com

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

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

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

Sales

HOLGER NASS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: h.nass@mwb-research.com

Team Assistant

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

mwb fairtrade
Wertpapierhandelsbank AG
Rottenbacher Straße 28
82166 Gräfelfing

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

Sales / Designated Sponsoring / Corporate Finance

ALEXANDER DEUSS
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

JAN NEYNABER
Institutional Sales
Tel: +49 69 1387-1255
E-Mail: jneynaber@mwbfairtrade.com

DIRK WEYERHÄUSER
Corporate Finance
Tel: +49 69 1387-1250
E-Mail: dweyerhaeuser@mwbfairtrade.com

Locations

HAMBURG (Research)
Mittelweg 142
20148 Hamburg
+49 40 309 293-52

HAMBURG (Corporates & Markets)
Kleine Johannisstraße 4
20457 Hamburg
+49 40 360 995-0

FRANKFURT A.M.
Unterlindau 29
60323 Frankfurt am Main
+49 40 360 995-22

MUNICH
Rottenbacher Str. 28
82166 Gräfelfing
+49 89-85852-0

BERLIN
Kurfürstendamm 151
10709 Berlin

HANNOVER
An der Börse 2
30159 Hannover

Our research can be found at

ResearchHub
Bloomberg
FactSet
Thomson Reuters / Refinitiv
CapitalIQ

www.research-hub.de
www.bloomberg.com
www.factset.com
www.refinitiv.com
www.capitaliq.com