GRAND CITY Properties S.A.

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

Update

RATING	**BUY**
PRICE TARGET	**€ 26.00**
Return Potential	37.2%
Risk Rating	Medium

BUILT TO WEATHER THE LATE CYCLE SECTOR

Investors should use the recent dip in the property sector to buy Grand City shares. The company has demonstrated the ability to grow operations during the late stage of the residential cycle (9M/17: FFOPS +6%; NAVPS +11%), thanks to its sizable portfolio (86k units) with embedded operational upside of 30%. Evidence we see today suggests operational growth will continue over the near term. We expect the recent negative sentiment towards property stocks to erode once investors closely examine fundamentals, several of which remain quite solid. Our rating remains Buy with an €26 price target.

Reasons to buy Grand City shares We contend that the latest sector dip provides an excellent opportunity to buy Grand City shares, which have corrected some 7% from their €20.30 January high. We have written a number of times in the past on why we regard Grand City as the best positioned of the German residential RE operators. As investors grapple with late stage worries, the key factors supporting our view are: (1) strategic focus on value-add assets providing huge operating upside; (2) sizable portfolio with 86k units diversified across German metropolises; (3) excellent access to the capital markets and financing; (4) a strong balance sheet and gearing profile that compares favourable to peers; and (5) a proven ability to grow earnings since the residential cycle plateaued.

Property market fundamentals are healthier than most think Property stocks took a hit in early February in the wake of investor concerns over interest rates. In our view, the correction is unwarranted. Residential is in the late stage of its cycle, but rental incomes and property values continue to rise on insatiable demand. Although yield compression has gated acquisition growth the past years, we believe underlying fundamentals in the property market are better than investors think. The main considerations supporting our view are: (1) accelerating rental income growth from renter demand for top locations spurred by population growth and… (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Rental income (€m)	216.84	333.50[1]	442.67	483.07	526.29	564.09
Y/Y growth	117.7%	53.8%	32.7%	9.1%	8.9%	7.2%
Adj. EBITDA (€m)	112.01	177.27	224.73	246.12	267.88	286.33
Net income	243.8	393.6	653.1	551.6	429.0	461.8
EPS (diluted) (€)	1.52	2.35	3.25	2.61	2.03	2.19
EPRA NAV (€m)	1348.65	2402.09	3208.45	3878.86	4274.95	4708.81
DPS (€)	0.20	0.25	0.68	0.69	0.75	0.85
FFO I (€m)	76.11	128.04	160.12	175.47	192.56	207.91
FFOPS I	0.66	1.01	1.05	1.10	1.16	1.23
Liquid assets (€ m)	272.30	388.93	630.27	461.92	471.62	497.57

[1] includes €7m from trading property disposal

RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and departure of key personnel.

COMPANY PROFILE

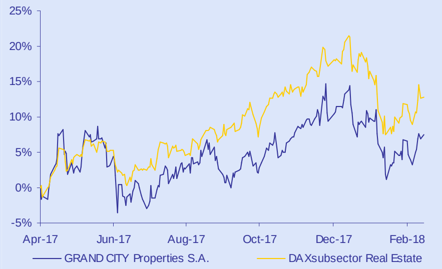
Grand City Properties is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The overarching strategy is to improve the portfolio through targeted modernisation and intensive tenant management and thus create value by subsequently raising occupancy and rental levels.

MARKET DATA

MARKET DATA	As of 12 Mar 2018
Closing Price	€ 18.95
Shares outstanding	164.79m
Market Capitalisation	€ 3122.77m
52-week Range	€ 16.75 / 20.23
Avg. Volume (12 Months)	288,176

Multiples	2016	2017E	2018E
P/FFO I	18.1	17.2	16.3
P/EPRA NAV	0.9	0.8	0.7
FFO I/Yield	5.5%	5.8%	6.1%
Div. Yield	3.6%	3.7%	4.0%

STOCK OVERVIEW



COMPANY DATA

COMPANY DATA	As of 30 Sep 2017
Liquid Assets	€ 535.98m
Current Assets	€ 1,027.07m
EPRA NAV[1]	€ 3,733.96m
Total Assets	€ 7,147.29m
Current Liabilities	€ 402.95m
Total Equity	€ 3,581.32m

[1] including perpetual notes

SHAREHOLDERS

Edolaxia Ltd.	38.0%
Edge Point	5.1%
Free Float	56.9%

Analyst: Ellis Acklin, Tel. +49 (0)30 - 80 93 96 83

… a robust job market; (2) limited alternative asset classes with comparable yields and income potential; (3) RE yield spreads remain historically wide (figure 2 overleaf) even after the recent rate moves; (4) less funding risk, due to lower amounts of leverage in the system; and (5) healthy balance sheets with diversified debt sourcing, i.e. corporate bonds vs bank debt, and manageable LTVs. These factors combined with a stronger European banking sector equate to less funding risk in the system. We regard this broad theme as fundamentally supportive of RE and see nothing from today's perspective that is a harbinger of a major correction.

Plenty of factors to drive rental incomes The German residential property market remains characterised by excess demand and a widening supply / demand gap. While the inflow of refugees has slowed Y/Y, demand for affordable housing has remained strong with new build unable to fill the gap. Construction activity suffers from low incentive to pick up the pace, given unattractive regulated rent levels in the affordable segment.

Meanwhile, German employment rates are at record levels in several areas, and macro analysts look for 2% GDP growth in the Euro region through 2019 with Germany spearheading economic expansion. The influx of young suburbanites into more vibrant urban hubs is causing these to swell even further.

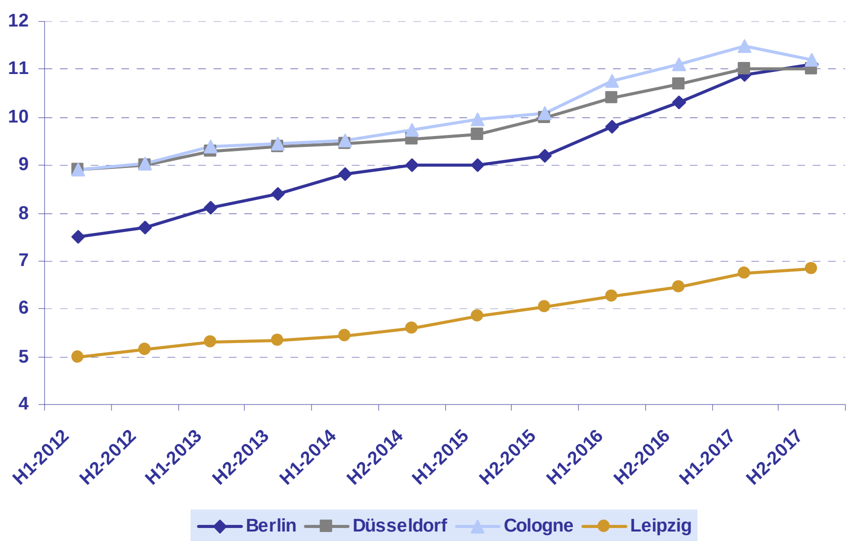
Table 1: Population developments in hubs with high GCP portfolio exposure

	Population	Development since 2011	Net migration	Region	GCP regional exposure
Berlin	3,670,622	7.1%	59,214	Berlin	21.6%
Düsseldorf	635,704	4.4%	6,353	NRW	29.3%
Cologne	1,081,701	4.4%	9,745	NRW	29.3%
Leipzig	579,530	11.9%	13,193	Dresden/Leipzig/Halle	16.7%

Source: JLL; First Berlin Equity Research; Grand City

Apartment prices continue to climb thanks to the persistent housing shortages, which were estimated at some one million residential units in 2017. Although 2018 is the tenth year of the current cycle, we believe the buoyant job market and urban migration will continue to spur renter demand—particularly for prime central locations—and rental income growth into 2019.

Figure 1: Rental price developments select German hubs



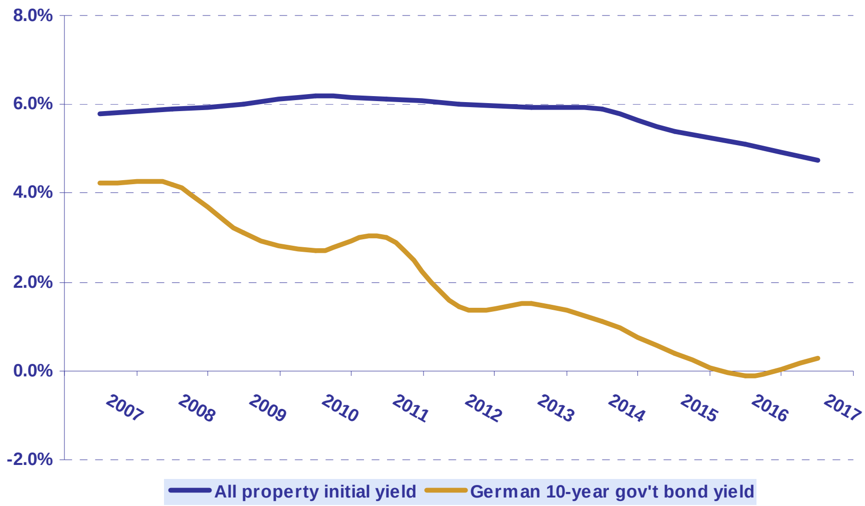
Source: JLL; First Berlin Equity Research

Limited downward pressure on rental incomes from prime assets We expect housing prices and rental growth to remain ascendant across metropolitan hubs in the coming years until: (1) supply substantially rises; (2) occupancy rates move higher; (3) demand for housing abates; and (4) interest rates rise significantly.

The first two factors appear years away, given strong net migration rates in the Big 7 (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich, and Stuttgart). In fact the supply deficit will likely widen over the near term. Table 1 highlights net migration data in several hubs that make up the core of Grand City's portfolio. New build cannot keep up, and there is not enough vacant dirt in the Big 7 to develop economically in any case. Demand may be approaching a plateau but remains frenzied as evidenced by the droves of accredited apartment hunters lining up for viewings across the German capital. The picture is similar in other German hubs.

The misconception associated with rising bond yields The key driver for the investment demand has been the attractive yields offered by real estate relative to alternative assets. From our viewpoint, recent investor jitters over rising bond yields and narrowing spreads are not supported by the fundamental evidence depicted in the figure below. For instance, looking at the historical spread between German 10-year government bond and property yields, there is still a wide gap. Even as bond yields edge higher to normalised levels, we think the spread is comfortably wide. The picture is similar in other Western European markets and should reassure investors. Recent data shows German inflation is still in check, while Eurozone inflation dipped to the weakest level since 2016: The data has observers hinting that Eurozone inflation could remain benign for now making it highly unlikely that the ECB will back down from its "ultra-easy" monetary policy this year. So, contrary to conventional wisdom, we argue that the recent upward move in bonds should not be fundamentally negative for real estate stocks at this point in the cycle.

Figure 2: Property over German government bond yields



Source: BofA Merrill Lynch Global Research; CBRE; Bloomberg; First Berlin Equity Research

Little correlation between interest rates and real estate valuations The question as to how real estate stocks will perform in a rising interest rate environment has weighed on equity investors for over a year now. Concerns are often based on the assumption that real estate valuations have to suffer when interest rates and funding costs move higher. However, we contend that this assumption is presently invalid for GCP and many of its peers.

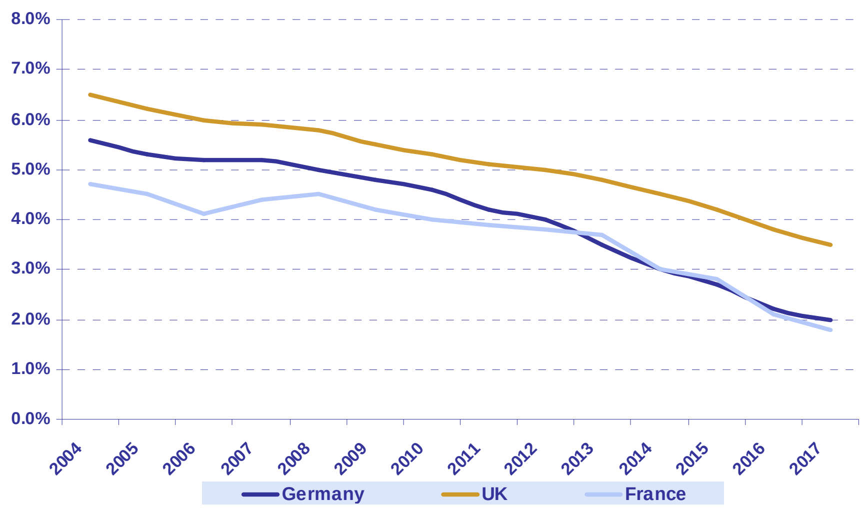
Table 2: Leverage profiles of listed German residential operators

	Adler Real Estate	ADO Properties	Deutsche Wohnen	Grand City Properties	LEG Immobilien	TAG Immobilien	Vonovia
LTV	59.6%	31.4%	37.0%	37.0%	44.9%	57.0%	39.8%
Cost of debt (CoD)	3.45%	1.80%	1.40%	1.60%	1.75%	1.70%	1.80%
Maturity (years)	n.a.	5.5	8.2	8.5	8.8	9.1	8.2
Net debt /EBITDA	15.8x	14.5x	11.7x	9.1x	10.2x	11.7x	11.1x
Corporate bond ratio	27.0%	30.0%	33.3%	56.2%	20.0%	23.0%	67.5%
Equity ratio	28.0%	51.4%	48.3%	50.0%	38.7%	33.0%	42.7%
Interest cover (ICR)	1.8x	2.4x	5.9x	6.1x	4.8x	2.1x	4.6x
LTV target	n.a.	< 45%	35%-40%	< 45%	< 45%	n.a.	< 45%

Source: Latest company reports; First Berlin Equity Research

Grand City and the large real estate operators continue to take advantage of the rock bottom rate environment to push out debt maturities, lock down lower rates, and optimise gearing levels. As written later in this note, Grand City remains active in optimising its debt load and balance sheet, which features excellent metrics compared to peers (Table 2). So, even when rates head higher, the impact upon Grand City will be very manageable, and we do not believe profitability will suffer greatly as a result. The gearing picture is similar with the major German residential operators as shown above.

Figure 3: Cost of debt evolution in key EU markets

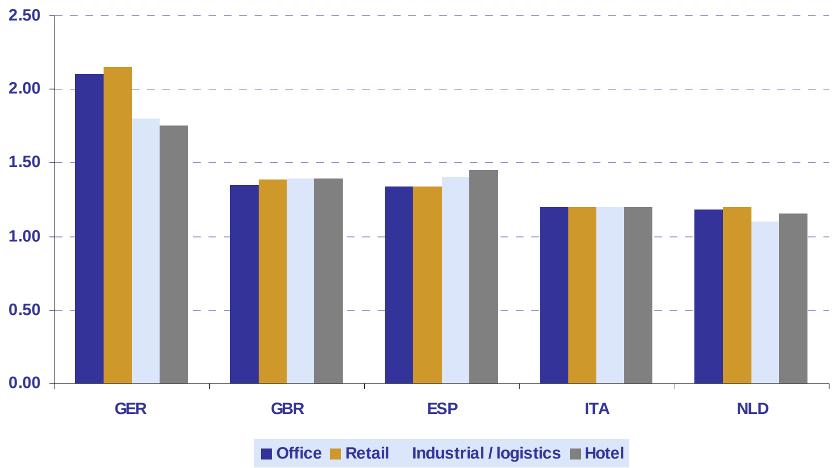


Source: BofA Merrill Lynch Global Research; Companies; First Berlin Equity Research

Diversifying away from banks Listed real estate operators globally have been active in diversifying debt sourcing to reduce their reliance on banks. In recent years, the debt capital markets have provided more favourable financing than banks, giving European property companies access to attractively priced financing in the bond markets. Grand City has been particularly active in the bond market this year raising some €700m in straight bond issuances in various currencies under its EMTN (Euro Medium Term Note) programme (Table 3 overleaf).

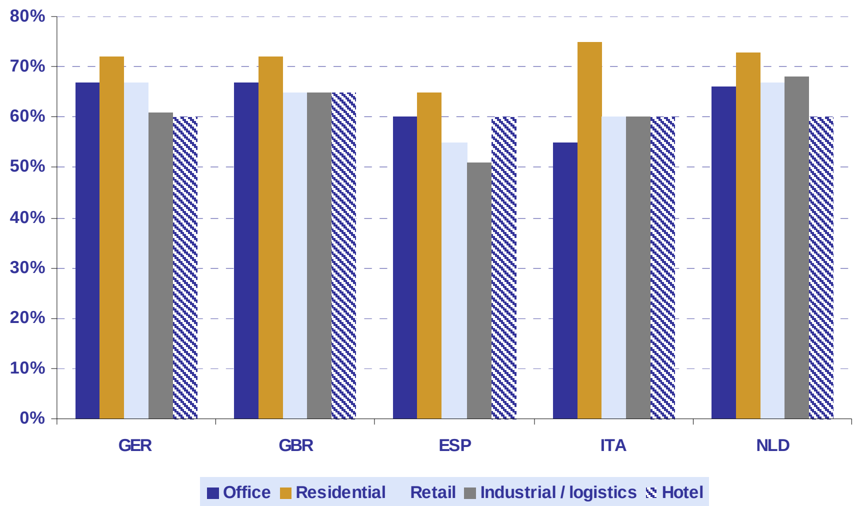
Less risk in the funding markets than the last downturn Market strategists from KPMG and Bank of America also point out that the funding collapse during the global financial crises occurred when there was excessive lending with LTVs north of 70% in the system combined with the shock of funding disappearing almost overnight. Plus, asset over government yield spreads were much narrower or even negative. This stirred up a perfect storm helping trigger the last financial crash. Since the financial crises, the banking sector has exercised greater lending discipline and is subject to greater regulatory restraints following the bail outs during the global financial crises. The current cycle looks much healthier with long maturities, lower cost of debt (Figure 3), and a more rational LTV distribution (Figure 5), i.e. a lower ratio of high risk (>70%) LTVs.

Figure 4: Expected regional debt service coverage ratios



Source: KPMG; First Berlin Equity Research

Figure 5: Expected regional LTV ratios for the next 12 months



Source: KPMG; First Berlin Equity Research

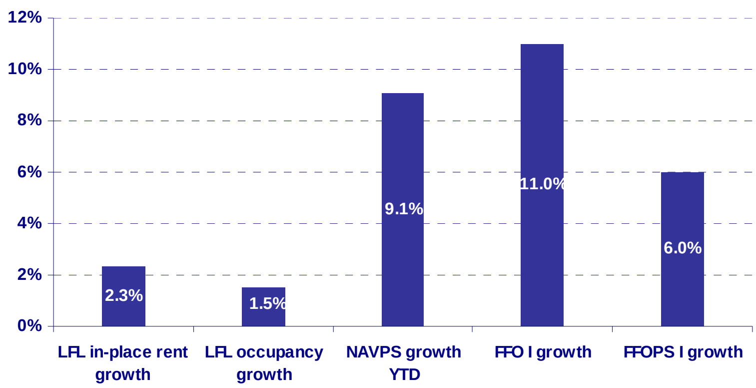
Figure 6: Percent of debt maturities

Source: BofA Merrill Lynch Global Research; Companies; First Berlin Equity Research

BUILT TO WEATHER THE LATE CYCLE SECTOR

Value-add strategy distinguishes GCP's Buy and Hold strategy is focused on the purchase of value-add residential portfolios located in densely populated metropolitan locations that offer good rent revisionary potential and revaluation upside with targeted modernisation investments. This strategy has spurred strong rental income (RI) and earnings growth alongside unit expansion over the years and will drive operational growth as the residential sector progresses through the late stages of the current cycle.

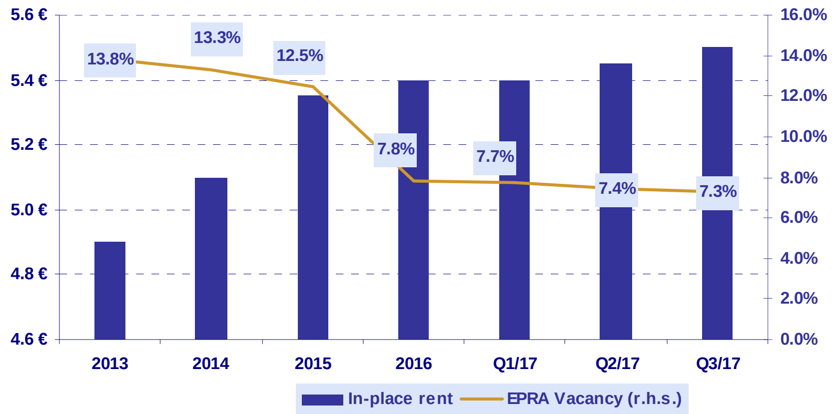
Figure 7: Operating performance as of 9M/17



Source: First Berlin Equity Research; Company

Grand City has a growing turnaround track record for increasing in-place rent levels in its portfolio while compressing vacancy rates. The company began reporting quarterly LFL (like-for-like) rent and occupancy growth updates in Q4/16. At the end of 9M/17, LFL in-place rent growth was reported at 2.3% alongside 1.5% LFL occupancy growth reduction. EPRA vacancy stood at 7.3% and in-place rent was €5.5m².

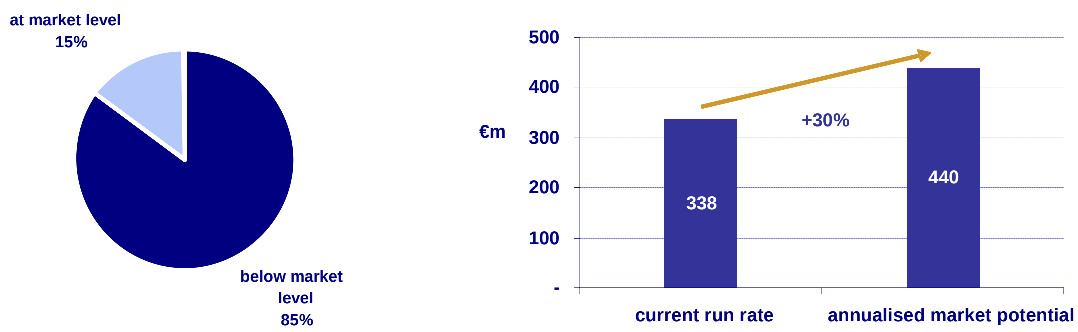
Figure 8: EPRA vacancy and in-place rent developments



Source: First Berlin Equity Research; Grand City

We believe the residential portfolio contains further operational upside (30% net rent as of Q3/17) through rent and vacancy optimisation. We expect this to be the primary earnings and value driver over the near-term, given our assumption of modest external growth (9,000 units over the next two years).

Figure 9: In place rent vs market levels; embedded net rental income upside



Source: First Berlin Equity Research; Grand City

We continue to regard GCP's operational competence as a differentiating factor in the residential sector. We expect a steady upward climb in operational growth as the company corrals the embedded value in its portfolio as shown above.

Latest capital market activity GCP stands out from its peers with its financial flexibility. Management have been very active in optimising the debt portfolio the past years (Table 3), which is reflected in improving financing costs. Total cost of debt (CoD) has been trimmed to 1.6% as of Q3/17 compared to 2.0% in 2016. This ranks second among its peers (Table 2). The company also boasts BBB+ / Baa2 corporate ratings from S&P and Moody's respectively.

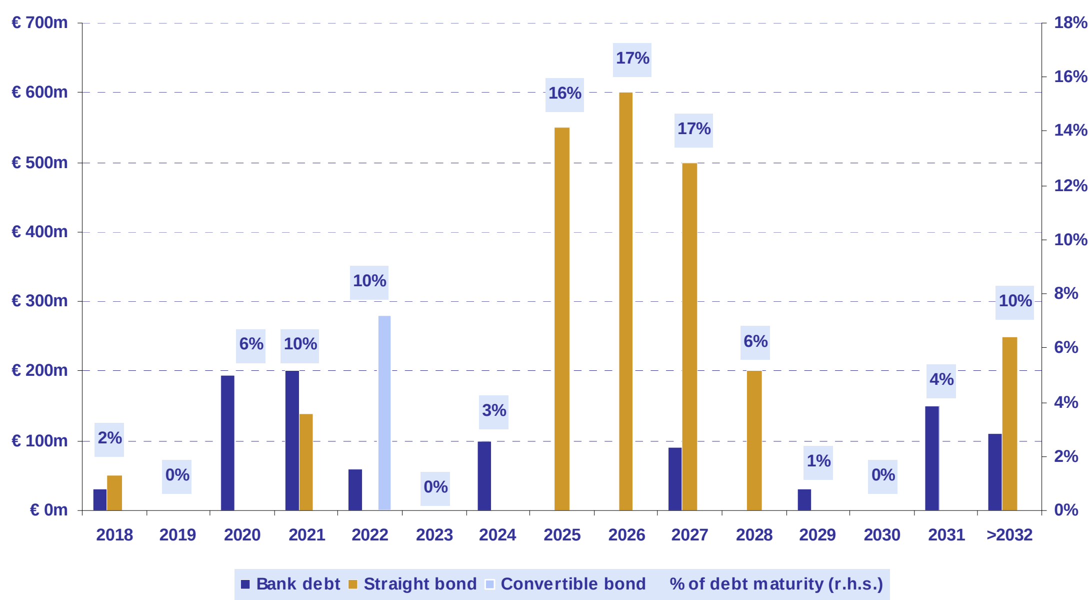
Table 3: Capital market activity since January 2017

Feb-18	Tap issuance of Series H, 2032 straight bonds of € 145m to an aggregate nominal amount of €255m
Feb-18	Issuance of Series K, 2026 straight bonds of CHF 125m under the EMTN, currency hedge, coupon of 0.96% p.a.
Feb-18	Issuance of Series J, 2027 straight bonds of € 500m under the EMTN, coupon of 1.5% p.a. and…
Feb-18	Repayment of €170m of Series F Convertible bonds and €41m of Series D (3.5 year maturity) extending the average maturity
Feb-18	Issuance of Series I, 2028 straight bondsHKD 900m under EMTN, currency hedge, effective € coupon of 1% p.a. until 2023
Oct-17	Issuance of Series H, 2032 straight bonds of € 110m under the EMTN, coupon of 2% p.a
Jul-17	Issuance of Series G 9 year straight bonds €600m under the EMTN programme, coupon of 1.375% p.a
Jul-17	Established €1.5bn Euro Medium Term Note (EMTN) Programme
Jul-17	Equity capital increase of €198m at €18 per share

Source: First Berlin Equity Research, Grand City

The company features a well balanced debt profile with a mix of bank debt and straight bonds, plus a convertible note. This should give the company plenty of financial flexibility to operate. The debt maturity schedule is well balanced with the some 70% of the total now pushed out beyond 2024. As highlighted earlier in Table 2, corporate bonds constitute over 56% of the debt portfolio.

Figure 10: Grand City debt maturity schedule

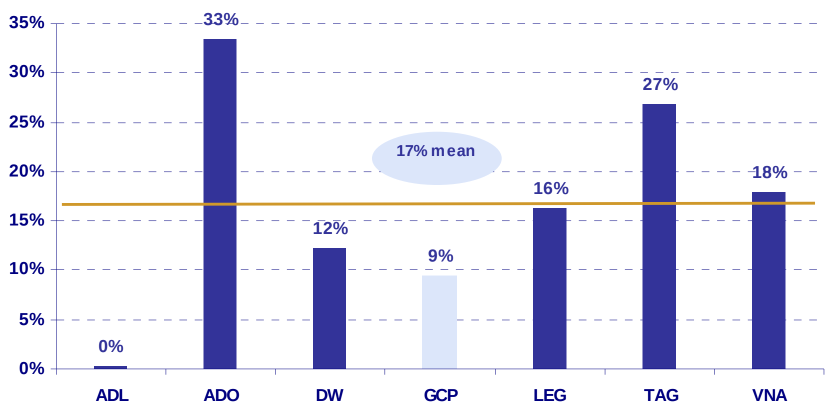


Source: First Berlin Equity Research, Grand City

Stock attractive vs sector and alternative asset classes; **maintain Buy rating** In our view, the notion that the residential sector is on the verge of a major correction is false. Although we regard the residential sector as late cycle, we believe fundamentals are merely levelling off, not peaking. We expect Grand City to benefit from its operational structure to continue its current growth trajectory. The regulated rental market combined with strong pent up demand has created a large rental backlog, which drives sustainable, solid earnings growth and high cash flow visibility. We regard this environment as a virtual safe-haven with limited yield competition from alternative sources.

GCP's share price performance has lagged behind its German residential peers over the last 12 months (Figure 11), despite strong operating performance and significant NAV expansion (Figure 7). We expect operational performance to continue this year (FBe: FFOPS +6%, NAVPS +9%), although external growth will remain opportunistic this late in the cycle. Our rating remains Buy with a €26 price target.

Figure 11: Trailing 12 month share price performance German residential operators



Source: First Berlin Equity Research; Bloomberg (as of 12 March 2018)

EPRA NAV VALUATION

All figures in EUR '000	2017E	2018E	2019E
Shareholders' equity (incl. perpetual notes)	3,471,764	3,825,132	4,213,122
Derivative financial instruments	11,536	11,536	11,536
Deferred tax liabilities	395,560	438,284	484,148
EPRA NAV	3,878,859	4,274,952	4,708,806
EPRA NAV per share (€)	**23.5**	**25.7**	**27.5**
FFO I	175,470	192,562	207,910
Revaluation results	439,532	269,894	289,725
New Equity	198,000	-	-
Total return	**813,002**	**462,456**	**497,635**

EPRA NAV	3,878,859	4,274,952	4,708,806
Return on NAV	25%	12%	12%
Cost of equity	5.0%	5.0%	5.0%
Spread (percentage points)	**20.4%**	**7.0%**	**6.7%**
Value creation	790,798	297,984	314,958
NPV	790,798	290,907	298,376
Dividends paid	112,468	114,056	125,165
Present value of dividends paid	112,468	111,347	118,576

Fair value calculation	
PV of total value created	1,380,081
NAV (FY16)	3,065,064
Equity value	4,445,145
PV of dividends	342,390
Fair value	**4,787,535**
Number of shares (fully diluted)	182,827
Fair value per share (€)	**26.00**

Valuation metrics	2017E	2018E	2019E
Price target (€)	26.00	26.00	26.00
Share price (€)	18.95	18.95	18.95
Return potential	37.2%	37.2%	37.2%
Dividend yield	3.7%	4.0%	4.5%
Total return potential	**40.9%**	**41.2%**	**41.7%**
NAV discount / premium (share price)	-19.5%	-26.2%	-31.2%
FFOPS I yield	5.8%	6.1%	6.5%

INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E
Net rent	**142,028**	**218,441**	**285,363**	**311,582**	**339,456**
Rental and operating income	**216,837**	**333,497**	**435,668**	**483,073**	**526,288**
Revenue from sale of buildings	14,675	0	7,002	0	0
Revenue	**231,512**	**333,497**	**442,670**	**483,073**	**526,288**
Capital gains, property revaluations & other	230,969	311,131	598,280	439,532	269,894
Result from equity-accounted investees	94	0	541	6,134	9,522
Property expenses	-100,175	-151,552	-204,108	-227,527	-247,882
Cost of buildings sold	-14,425	0	-4,971	0	0
Administration expenses	-5,650	-7,153	-9,550	-11,111	-12,631
Operating income (EBIT)	**342,325**	**485,923**	**822,862**	**690,101**	**545,191**
Finance expenses	-22,040	-25,830	-36,319	-40,622	-39,422
Other financial results	-32,664	-73	-11,121	0	0
Pre-tax income (EBT)	**287,621**	**460,020**	**775,422**	**649,479**	**505,769**
Tax and deferred tax expenses	-43,787	-66,450	-122,317	-97,882	-76,745
Minority interests	-38,259	-35,120	-88,013	-55,160	-42,902
Hybrid note investors	0	-14,517	-22,604	-22,064	-17,161
Net income	**205,575**	**343,933**	**542,488**	**474,374**	**368,960**
Basic EPS (in €)	1.73	2.71	3.56	2.98	2.23
Diluted EPS (in €)	1.52	2.35	3.25	2.61	2.03
Adjusted EBITDA	**112,009**	**177,274**	**224,729**	**246,118**	**267,881**
Ratios					
Adjusted EBITDA margin on rental income	51.7%	53.2%	51.6%	50.9%	50.9%
Tax rate	12.4%	12.8%	11.9%	11.5%	12.7%
Expenses as % of revenues					
Property expenses	46.2%	45.4%	46.8%	47.1%	47.1%
Administration expenses	2.6%	2.1%	2.2%	2.3%	2.4%
Y-Y Growth					
Rental and operating income	117.6%	53.8%	30.6%	10.9%	8.9%
Total revenues	36.5%	44.1%	32.7%	9.1%	8.9%
Operating income	11.9%	41.9%	69.3%	-16.1%	-21.0%
Adjusted EBITDA	106.5%	58.3%	26.8%	9.5%	8.8%
Net income/ loss	-9.1%	67.3%	57.7%	-12.6%	-22.2%
Funds from Operations (FFO)					
Operating profit	**342,325**	**485,923**	**822,862**	**690,101**	**545,191**
Depreciation and amortisation	903	1,729	1,695	1,932	2,105
EBITDA	**343,228**	**487,652**	**824,557**	**692,033**	**547,296**
Capital gains, property revaluations and other	-230,969	-311,131	-598,280	-439,532	-269,894
Result from disposal of trading properties	-250	0	-2,031	-249	0
Others	0	753	483	-6,134	-9,522
Adjusted EBITDA	**112,009**	**177,274**	**224,729**	**246,118**	**267,881**
Financial expense	-22,040	-25,830	-36,319	-40,622	-39,422
Tax	-13,863	-22,776	-26,799	-28,304	-34,021
Minorities	0	-628	-1,491	-1,723	-1,875
FFO I	**76,106**	**128,040**	**160,120**	**175,470**	**192,562**
CapEx	-22,201	-33,804	-56,325	-69,418	-79,881
AFFO	**53,905**	**94,236**	**103,795**	**106,052**	**112,682**

BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E
Assets					
Current assets, total	**401,815**	**627,204**	**1,027,702**	**889,575**	**924,075**
Cash and cash equivalents	270,131	236,001	448,873	280,519	290,225
Traded securities at fair value though P&L	2,165	152,924	181,397	181,397	181,397
Trade and other receivables	123,705	226,402	219,668	264,697	288,377
Inventories - Trading property	5,814	11,877	27,270	12,467	13,583
Assets held for sale	0	0	150,494	150,494	150,494
Non-current assets, total	**2,227,243**	**4,061,699**	**5,126,031**	**6,282,143**	**6,766,121**
Equipment and intangible assets	7,516	9,493	15,833	17,416	19,158
Investment property	2,179,982	3,845,979	4,768,487	5,911,241	6,378,085
Equity accounted investees	0	0	117,785	123,919	133,441
Other LT assets	28,552	195,390	209,397	213,585	217,857
Deferred tax assets	11,193	10,837	14,529	15,982	17,580
Total assets	**2,629,058**	**4,688,903**	**6,153,733**	**7,171,718**	**7,690,196**
Shareholders' equity & debt					
Current liabilities, total	**153,266**	**277,317**	**338,325**	**354,659**	**385,418**
Short-term debt	5,792	54,676	29,236	19,338	21,898
Trade and other payables	128,837	190,358	251,503	274,279	298,816
Other current liabilities	18,637	32,283	57,586	61,041	64,704
Long-term liabilities, total	**1,434,142**	**2,239,291**	**2,750,344**	**3,093,470**	**3,184,918**
Long-term debt	537,217	792,224	896,577	966,899	1,094,917
Convertible and straight bonds	716,832	1,167,989	1,477,987	1,679,300	1,597,997
Deferred taxes	141,003	239,374	325,982	395,560	438,284
Other LT liabilities	39,090	39,704	49,798	51,711	53,720
Minority interests	90,736	142,260	196,666	251,826	294,728
Shareholders' equity	**950,914**	**2,030,035**	**2,868,398**	**3,471,764**	**3,825,132**
Total consolidated equity and debt	**2,629,058**	**4,688,903**	**6,153,733**	**7,171,718**	**7,690,196**
Ratios					
Current ratio (x)	2.62	2.26	3.04	2.51	2.40
Equity ratio	39.6%	46.3%	49.8%	51.9%	53.6%
EPRA NAV ('000)	1,348,650	2,402,087	3,208,453	3,878,859	4,274,952
Net debt ('000)	987,545	1,625,964	1,783,493	2,203,621	2,243,190
Financial leverage	103.9%	80.1%	62.2%	63.5%	58.6%
Loan-to-value (LTV)	45.3%	41.9%	34.9%	35.6%	33.7%
Return on equity (ROE)	23.4%	18.1%	21.3%	14.8%	10.4%

CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E
Net income	**243,834**	**393,570**	**653,105**	**551,598**	**429,024**
Depreciation and amortisation	903	1,729	1,695	1,932	2,105
Profit from investments in equity accounted investees	-94	0	-541	-6,134	-9,522
Change in fair value of investment properties	-230,968	-311,131	-598,280	-439,532	-269,894
Net finance expenses	54,704	25,903	47,440	40,622	39,422
Tax result	43,787	66,450	122,317	97,882	76,745
Others	171	753	1,024	0	0
Operating cash flow	**112,337**	**177,274**	**226,760**	**246,367**	**267,881**
Inventories - trading properties	14,134	-943	2,421	14,803	-1,115
Trade & other receivables	-39,030	-24,825	-5,908	-45,029	-23,679
Trade & other payables	31,359	20,234	2,510	22,776	24,537
Provisions for other liabilities	5,875	4,506	-5,549	3,915	4,073
Tax paid	-10,791	-18,798	-18,941	-28,304	-34,021
Net cash flow from operating activities	**113,884**	**157,448**	**201,293**	**214,529**	**237,675**
Investment in fixed/intangible assets	-1,847	-3,680	-3,304	-3,516	-3,847
Investments and acquisitions of investment property	-349,944	-406,475	-476,195	-703,222	-196,950
Acquisition of subsidiaries	-38,561	-445,922	-110,640	0	0
Proceeds from investments in financial assets	62,449	-358,971	32,955	-4,188	-4,272
Cash flow from investing	**-327,903**	**-1,215,048**	**-557,184**	**-710,926**	**-205,068**
Debt financing, net	393,143	440,130	487,473	283,132	130,578
Equity financing, net	0	639,939	170,999	198,000	0
Other financing activities	-11,648	-23,735	-43,838	-112,468	-114,056
Net paid financing expenses	-29,887	-32,864	-45,871	-40,622	-39,422
Cash flow from financing	**351,608**	**1,023,470**	**568,763**	**328,043**	**-22,900**
Net cash flows	**137,589**	**-34,130**	**212,872**	**-168,354**	**9,706**
Cash, start of the year	132,542	270,131	236,001	448,873	280,519
Cash, end of the year	**270,131**	**236,001**	**448,873**	**280,519**	**290,225**
Adjusted EBITDA/share (in €)	**0.94**	**1.27**	**1.46**	**1.49**	**1.61**
FFO I	**76,106**	**128,040**	**160,120**	**175,470**	**192,562**
FFO/share (in €)	**0.66**	**1.01**	**1.05**	**1.10**	**1.16**
Y-Y Growth					
Operating cash flow	85.5%	38.3%	27.8%	6.6%	10.8%
Adjusted EBITDA/share	32.6%	34.5%	15.0%	2.2%	7.8%
FFO I	99.5%	68.2%	25.1%	9.6%	9.7%
FFOPS I	31.7%	52.8%	3.9%	5.1%	5.5%

FIRST BERLIN 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...21	↓	↓	↓	↓
22	22 August 2017	€18.22	Buy	€26.00
23	7 September 2017	€18.27	Buy	€26.00
24	20 November 2017	€18.74	Buy	€26.00
25	Today	€18.95	Buy	€26.00

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

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