GORE German Office Real Estate AG

Germany / Real Estate

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Business Assessment

FAIR VALUE	**€330M**
FVPS	**€11.00**

PRIMED TO CAPITALISE ON GERMAN OFFICE MARKET

GORE German Office Real Estate (GORE) is an emerging German commercial property landlord primed to kick off a high growth strategy in 2020. After years of modest activity, the company has strengthened management and infrastructure to support its ambitious expansion plans. The company plans to float its shares on the Munich Stock Exchange in Q4 2019, we expect the company to issue corporate debt early next year to finance growth. This would allow GORE to capitalise on a still strong commercial property market and deliver exceptional growth over the next years. Using an economic profit model, we derive fair value of €330m for GORE.

Ready to fulfil operational potential After several years of modest business activity in the German office space, publity CEO, Thomas Olek, took a majority stake in the underperforming Münchner Immobilien Center AG (recently rebranded to GORE German Office Real Estate) to help the company ramp up infrastructure and usher in new management. The changes have paid early dividends this year evidenced by the profitable disposal of a property in Unterschleißheim (Lise-Meitner Straße 4) and a below-market purchase of an office in Neuss in August. With key components in place, GORE will embark on a strong growth campaign in 2020. We look for the company to invest some €140m in the German office segment next year and up to €900m through 2023.

Framework of rebooted operations GORE will pursue an active cash recycling strategy that combines a classic buy and hold approach with opportunistic disposals. The company wants to leverage its expertise and network to optimise underperforming assets acquired at market discounts and sell them to augment external financing sources. We have assumed GORE will place a convertible bond for €150m in gross proceeds. The company also plans to anchor its capital structure with a targeted LTV range of 70% to 80% to take advantage of the favourable interest rate environment. We note that our forecasts and valuation hinge upon the successful placement of corporate debt in 2020. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019E	2020E	2021E	2022E	2023E
Net rent (€m)	0.00	2.91	8.04	19.40	24.73	29.13
Adj. EBITDA (€m)	-0.31	1.15	4.38	14.25	17.49	22.29
Net income (€m)	0.22	4.70	14.96	40.24	38.94	55.51
EPS (diluted) (€)	0.0	0.31	0.99	2.67	2.59	3.69
EPRA NAV (€m)	14.57	20.00	38.44	84.87	120.11	164.25
NAVPS (€)	0.98	1.35	2.55	5.64	7.98	10.91
DPS (€)	0.00	0.00	0.30	0.80	0.78	1.11
FFO 2 (€m)	0.23	0.59	-2.76	5.17	36.06	53.85
FFOPS 2 (€)	0.02	0.04	-0.18	0.34	2.40	3.58
Liquid assets (€m)	0.04	13.62	97.92	38.20	27.76	12.08

** IFRS as of 2019*

RISKS

Risks include, but are not limited to, insufficient financing, weaker than expected trends for German office markets, failure to capture expected reversionary potential, or weaker than forecasted acquisitions.

COMPANY PROFILE

GORE German Office Real Estate is a real estate landlord specialised in the acquisition and optimisation of commercial properties throughout Germany. The company focuses on building a diverse portfolio of value-add assets and presently concentrates on office buildings.

MARKET DATA

Closing Price	n.m.
Shares outstanding	n.m.
Market Capitalisation	n.m.
52-week Range	n.m.
Avg. Volume (12 Months)	n.m.

Multiples	2018	2019E	2020E
P/FFO 2	n.m.	n.m.	n.m.
P/EPRA NAV	n.m.	n.m.	n.m.
FFO 2 Yield	n.m.	n.m.	n.m.
Div. Yield	n.m.	n.m.	n.m.

STOCK OVERVIEW

COMPANY DATA*

	As of 31 Dec 2018
Liquid Assets	€ 0.04m
Current Assets	€ 0.88m
NAV	€ 14.57m
Total Assets	€ 15.95m
Current Liabilities	€ 0.23m
Total Equity	€ 14.57m

** HGB reporting*

SHAREHOLDERS

TO-Holding	65.0%
Free Float	35.0%

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INVESTMENT CASE

German office pure play

GORE is a commercial property player with a focus on office assets located in suburban locations throughout Germany. The company is led by Jörg Reinhardt, who brings good CRE (commercial real estate) credentials. The company's early history was largely defined by small-scale landlord activities. The main shareholder has now beefed up the management and supervisory boards, and the company is primed to harness its underutilised potential. GORE wants to kick off an aggressive expansion strategy in 2020 in order to capitalise on strong CRE dynamics.

Market-tailored strategic blueprint

GORE predominantly follows a buy and hold strategy to drive value creation and sustainable rental income (RI). But the company also wants to include an asset rotation component to capture attractive disposal returns for fully optimised properties. A value-add (manage-to-core) portfolio will provide cash flows, while future disposals will recycle cash and replenish the financial coffers for further portfolio growth. We believe this "buy, hold, optimise, then sell" approach is well suited to today's environment, where an active asset management strategy promises much greater rewards than a classic and more static buy and hold strategy.

Office space is still the right place to be

GORE will focus on Germany's office segment, which is booming at present thanks to: (1) frothy occupier demand and uptake; (2) an acute shortage of existing stock; (3) a paucity of new supply coming online; (4) rising rents across Germany's metropolitan hubs; and (5) shifting dynamics in the workforce. GORE consequently has a 100% office exposure and sees this trend continuing over the near term.

Strong investment volumes planned in 2020

Investments to date have approached some €41m. This year has so far featured an operational ramp-up for the ambitious 2020 expansion plans and a good start to the intensified strategy with the Neuss acquisition and Unterschleißheim disposal. We look for the company to issue convertible debt in 2020 to execute on an attractive pipeline. We model €140m in investments next year and a total of €900m through 2023. GORE will lean on its trusted partner, publity AG, to arrange off-market transactions that should allow GORE to ink deals below their respective market values. This should result in strong revaluation gains with good execution of its manage-to-core approach.

Backbone of growth plans

GORE has a stable of five office assets with an annualised rental income run rate of €2.5m, plus another €0.4m for the associated parking facilities. We expect the company to generate net rental income (NRI) of €8.0m in 2020 and €4.4m in FFO 1 (funds from operations). On our numbers, GORE should have around €150m in financial firepower available next year to acquire new properties following a successful bond placement. Plus, the company could sell its Neu-Isenburg asset to redeploy the cash flow. GORE could accelerate investments further by raising additional equity if good market conditions persist. But we have not factored in new equity at this stage.

Growth translates into attractive valuation

We arrive at a €330m fair value based on an economic profit model, which demonstrates the ability of GORE to spur growth and reward investors. The main drivers for potential value generation are a €41m seed portfolio with embedded revisionary upside, bolstered executive and supervisory boards, an improved network and business platform than can spur rental income and FFO 2 streams. Good execution would also allow management to reward investors with a first-time dividend on 2020 earnings. We consider the absence of a track record for large-scale operations that supports the growth plans the key risk to our targets.

SWOT ANALYSIS

STRENGTHS

- **Strategic diversification** The strategy will combine steady cash flows from rental income streams, while the 'Manage-to-Core' approach will yield add-on profits from the sale of optimised properties.
- **The right partnership** The company will rely upon the expertise and vast networks of publity AG to source off-market deals and manage the properties.
- **Process agility** Management is able to react swiftly to opportunities. In today's fast-paced CRE market, this should allow GORE to scoop up properties quicker than rivals saddled with a multi-layered decision making process.
- **A clean slate** There are no underperforming legacy assets or poorly structured debt loads to weigh down performance. Management can load up the balance sheet with hand-picked office properties and debt that reflect the current favourable environment.

WEAKNESSES

- **Highly leveraged** GORE will finance growth chiefly with bank and corporate debt. The latter will likely have to be issued at relatively high interest rates (we assume ~6%) vs larger peers with good credit ratings. This structure translates into a potential LTV north of 70% and a rather low ICR (interest coverage ratio) of 0.7x on projected 2020 figures.
- **Modest portfolio and limited track record** Compared to many of the listed landlords on the German stock exchanges, GORE has a modest portfolio (pro-forma GAV: €41m). And while indications for the envisioned growth look good, this is uncharted territory for the company in terms of scale.
- **Conflicts of interest** GORE has strong ties to publity AG, which will play a key role helping the company grow operations. TO-Holding GmbH is the majority shareholder (65%) in both companies. Plus, GORE supervisory board deputy chairman, Stephan Noetzel, concurrently heads up the publity legal department, while publity COO, Frank Schneider, also sits on the GORE supervisory board. This overlap could lead to investor backlash if performance or transparency is unsatisfactory.
- **Management diversity** Jörg Reinhardt is the sole member of the executive board. Although we think Mr Reinhardt is more than capable of running operations, a more diversified C-level would certainly be welcomed by investors as the company expands.

OPPORTUNITIES

- **Reversionary potential** The company wants to populate its portfolio with Manage-2-Core assets. These are often defined by higher vacancy rates and harbour good reversionary upside to drive LFL growth metrics.
- **Sweet spot of the property market** Business is focused on the German commercial sector—primarily the office segments. The commercial sector is much earlier in the cycle than the residential market, providing better growth and value extraction opportunities.
- **Expansion of focus** GORE could step up into a higher weight class in terms of deal size (currently €1m to €15m) or branch out into other asset types as market trends shift.

THREATS

- **Plenty of competition** Office assets are highly coveted by large, well financed and networked commercial landlords, who are racing to buy portfolios to satisfy large yield appetites. GORE may not be able to match the firepower of these operators to drive the envisioned growth.
- **Execution going off track** Weaker than expected execution on deal flow, having to pay higher prices than we currently model, due to market conditions, or the slower corralling of revisionary upside could all lead to slower rental income and FFO growth than we forecast.
- **The tailgating economy** German economic data continues to deteriorate. Germany posted GDP contraction of 0.1% in Q2. GDP forecasts for EU constituents continue to be revised down by market analysts and fears are mounting that the 19-nation bloc is heading towards recession.
- **Relatively late** CRE (commercial real estate) has been booming for years and has yet to slow down. Compared to listed German rivals, GORE is entering the market relatively late in the cycle.

FINANCIAL COCKPIT

EURm	2019E	2020E	2021E	2022E	2023E
Rental & operating income	3.4	9.5	22.8	29.1	34.3
Revaluations	4.9	23.2	46.1	44.0	60.0
Rental expenses	-0.6	-2.4	-5.2	-7.2	-8.1
Operating expenses	-1.7	-2.7	-3.3	-4.4	-3.9
EBITDA	6.0	27.6	60.4	61.5	82.3
EBIT	6.0	27.5	60.3	61.5	82.2
EBT	5.5	18.8	48.2	46.8	66.2
Net income	4.7	15.0	40.2	38.9	55.5
DPS (€)	0.00	0.30	0.80	0.78	1.11
Adjusted EBITDA	1.1	4.4	14.3	17.5	22.3

EURm	2019E	2020E	2021E	2022E	2023E
Investment properties	45.7	190.2	408.7	576.3	634.2
Trade receivables	0.4	1.0	2.5	3.2	3.8
Cash & equivalents	13.6	97.9	38.2	27.8	12.1
Other assets	0.6	0.6	0.6	0.7	0.7
Total assets	60.3	289.7	450.0	607.9	650.7
Equity	19.3	34.2	74.5	108.9	152.4
LT bank debt	38.8	99.4	212.9	335.1	333.6
Corporate debt	0.0	150.0	150.0	150.0	150.0
Deferred tax liabilities	0.7	4.2	10.4	11.2	11.9
Other liabilities	1.5	1.9	2.3	2.7	2.8

EURm	2019E	2020E	2021E	2022E	2023E
NRI growth	n.m.	176%	141%	27%	18%
NRI margin	85%	85%	85%	85%	85%
Adjusted EBITDA margin	39%	54%	73%	71%	65%
Adjusted EBITDA growth	n.m.	290%	226%	23%	27%
Net income growth	n.m.	218%	169%	-3%	43%
FFO 2	0.6	-2.8	5.2	36.1	53.9
FFO 2 growth	n.m.	n.m.	n.m.	597%	49%
FFO 2 margin	17%	-29%	23%	124%	157%

EURm	2019E	2020E	2021E	2022E	2023E
GAV	45.7	190.2	408.7	576.3	634.2
EPRA NAV	20.0	38.4	84.9	120.1	164.2
LTV	55%	80%	79%	79%	74%
Equity ratio	32%	12%	17%	18%	23%
Net debt / EBITDA	22x	35x	23x	26x	21x
ICR	2.5x	0.7x	1.5x	3.6x	4.5x
NAVPS (€)	1.4	2.6	5.6	8.0	10.9
NAVPS growth	n.m.	89%	121%	42%	37%

Valuation (EURm)	
Economic profit model	330
PER	249 -294

Valuation multiples	2019E	2020E	2021E	2022E	2023E
P/ FFO 2	n.m.	n.m.	n.m.	n.m.	n.m.
P/NAV	n.m.	n.m.	n.m.	n.m.	n.m.

Source: First Berlin Equity Research estimates

UNDERLYING FORECAST AND VALUATION ASSUMPTIONS

GORE will undertake an aggressive growth strategy starting in 2020. In our model, we expect the company to add some €140m in new office properties next year. We refer to the following key factors and assumption to calculate expected growth:

- GORE will rely heavily upon its close partnership with publity. The latter has good access to off-market deals, which should allow GORE to buy office assets below their corresponding market values and provide quick revaluation uplift;
- The company will issue a convertible bond for up to €150m in 2020 to provide the equity component for portfolio expansion. We assume an LTV of up to 70% at the SPV level for acquired properties;
- We model a purchase multiple of 14x to 15x to NRI for acquisitions beginning in 2020;
- Vacancy rates of 10% to 15% of acquisitions;
- Reversionary upside is driven by a 4.0% LFL rental income growth target. This includes 3.5% LFL rent and 0.5% LFL occupancy growth;
- Annual revaluation gains of 5% to 7% for existing properties and portfolios.

COMPANY VALUATION

We use an economic profit model to value GORE German Office Real Estate. In general, we believe this method best illustrates the company's ability to add value through its rental income streams cash recycling strategy. We have also provided a peer group analysis as a reference, although the early stage of operations—earnings will be modest during the portfolio build up—means that comparable multiples are unlikely to be a reliable gauge of fair value.

ECONOMIC PROFIT MODEL

We assign a WACC of 4.8% based on our multifactor risk model which takes into account company specific risks such as (1) strength of management; (2) earnings quality; (3) portfolio structure; (4) financial risk; (5) competitive position; (6) as well as company size and expected free float. The primary gating factor from our perspective is capital required to spur future external growth, while the absence of a track record for large-scale operations is our chief concern. In our view, the 10.8% COE suitably reflects the risk associated with the nascent operations, the small stable of office properties, and the share of revaluation and capital gains compared to larger CRE peers.

ROCE is north of the WACC for the forecast period. We have assumed a 1.5% growth rate for terminal value (TV) and a theoretical 7.5% tax rate common for property operators. Our model discounts economic profits through 2023 plus terminal value to derive a total return of €315m. We add 2018 NAV (€15m) and adjust for the estimated dividend payout for an equity value of €330m. This equates to fair value per share of €11 based on a fully diluted share count of 30m. We note our valuation hinges on the successful placement of corporate debt in the first quarter of 2020.

in €m	2019E	2020E	2021E	2022E	2023E	TV
EBITDA	1	4	14	17	22	23
(+) Revaluations	5	23	46	44	60	17
(-) Tax Expense	0	0	-1	-1	-2	-2
NOPAT	**6**	**27**	**59**	**60**	**81**	**38**
Total assets	**60**	**290**	**450**	**608**	**651**	**651**
(-) Current liabilities	0	1	1	1	1	1
(+) Current financial debt	0	0	0	0	0	0
(-) Cash	14	98	38	28	12	12
(+) Deferred taxes	1	4	10	11	12	12
Capital employed (CE)	**47**	**195**	**421**	**590**	**649**	**649**
Average CE	31	121	308	506	620	649
ROCE	18.8%	22.5%	19.2%	11.9%	13.0%	5.8%
WACC	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
ROCE-WACC	14.1%	17.7%	14.5%	7.1%	8.2%	1.1%
Economic Profit	4	21	45	36	51	7
NPV	**4**	**20**	**40**	**31**	**42**	**178**
Fair value calculation						
Total return	**315**					
(+) NAV 2018	15					
(-) Dividend to be paid (2019)	0					
Equity value	**330**					
Diluted SO (m)	30					
Fair value per share (€)	**11.00**					
Cost of Equity	10.8%					
Pre-tax cost of debt	3.0%					
Tax rate	7.5%					
After tax cost of debt	2.8%					
Share of debt capital	75.0%					
Share of equity capital	25.0%					
WACC	**4.8%**					

STACKING UP THE GERMAN COMMERCIAL LANDLORDS

Our peer group encompasses a wide range of commercial landlords focused on the German market. These rivals predominantly pursue a buy and hold strategy and feature mixed portfolios (office, hotel, retail, and logistics) across German hubs. The Munich-based FCR Immobilien AG follows a similar hybrid strategy applied to small town retail and is the only peer that generates significant variance in FFO 1 vs FFO 2.

Table 1: German CRE comparables

	FFO Yield			FFOPS Growth			P / FFO		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Aroundtown	5.3%	6.1%	6.8%	-0.5%	14.2%	11.7%	18.7x	16.4x	14.7x
Alstria Office REIT AG	4.2%	4.3%	4.5%	-1.7%	2.3%	4.4%	23.8x	23.3x	22.3x
Demire Real Estate AG	5.1%	6.1%	6.9%	25.0%	20.0%	13.3%	19.8x	16.5x	14.5x
DIC Asset AG	10.9%	11.5%	12.5%	30.9%	6.3%	8.2%	9.2x	8.7x	8.0x
Hamborner REIT AG	7.1%	7.7%	8.0%	8.1%	7.9%	3.3%	14.0x	13.0x	12.6x
TLG Immobilien AG	5.4%	5.9%	6.3%	1.7%	10.4%	6.7%	18.6x	16.8x	15.8x
Deutsche Konsum REIT	4.7%	5.8%	7.1%	32.5%	23.2%	23.1%	21.4x	17.4x	14.1x
FCR Immobilien AG	10.9%	11.6%	16.1%	125.0%	6.5%	38.3%	9.2x	8.6x	6.2x
Godewind Immobilien AG	2.2%	5.1%	7.5%	n.a.	129.5%	47.5%	45.3x	19.8x	13.4x
Median	**5.3%**	**6.1%**	**7.1%**	**16.5%**	**10.4%**	**11.7%**	**18.7x**	**16.5x**	**14.1x**
Mean	**7.1%**	**7.7%**	**8.0%**	**27.6%**	**24.5%**	**17.4%**	**20.0x**	**15.6x**	**13.5x**
GORE	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Variance to median	***n.a.***	***n.a.***	***n.a.***	***n.m.***	***n.m.***	***n.m.***	***n.m.***	***n.m.***	***n.m.***

Source: First Berlin Equity Research; Bloomberg

Funds from Operations (FFO) is the key industry indicator for recurring cash flow. We thus prefer FFO metrics to other measures of fair value. Commercial landlords tend to only sell non-core assets from large portfolios or fully revitalised properties form their portfolios. Therefore, FFO 2, which encompasses disposal gains, rarely deviates significantly from FFO 1. The former KPI tends to be more volatile and less predictable for landlords. However, the disposal of optimised properties is a cornerstone of the GORE business model. On our numbers, the company will not generate significant FFO 2 until 2022 when it will be able to cash in on the substantial investments we expect in 2020. It therefore makes little sense to compare GORE to more mature peers on an FFO basis.

Table 2: German CRE PER comparables

		Market			P/E			EPS Growth	
	Price (€)	cap (€m)	SO (m)	2019E	2020E	2021E	2019E	2020E	2021E
Aroundtown	7.26	8,888	1,224	15.5x	14.6x	13.5x	42.2%	6.0%	8.7%
Alstria Office REIT AG	15.47	2,747	178	24.3x	23.3x	21.5x	4.3%	4.4%	8.1%
Demire Real Estate AG	4.94	532	108	9.5x	9.8x	11.0x	-9.4%	-2.5%	-11.4%
DIC Asset AG	11.46	828	72	12.9x	12.7x	11.9x	2.6%	2.2%	6.4%
Hamborner REIT AG	9.39	748	80	41.7x	34.5x	32.9x	-7.5%	20.9%	4.8%
TLG Immobilien AG	24.60	2,754	112	7.4x	14.0x	14.3x	21.9%	-47.6%	-1.9%
Deutsche Konsum REIT	16.15	516	32	9.8x	8.3x	8.4x	70.2%	18.4%	-1.2%
FCR Immobilien AG	9.90	87	9	15.7x	16.2x	10.0x	295.7%	-2.5%	61.9%
Godewind Immobilien AG	3.99	434	109	3.3x	6.0x	6.6x	1305.9%	-44.9%	-9.8%
Median				**12.9x**	**14.0x**	**11.9x**	**21.9%**	**2.2%**	**4.8%**
Mean				**15.6x**	**15.5x**	**14.5x**	**191.8%**	**-5.1%**	**7.3%**
GORE	**n.a.**	**n.a.**	**n.a.**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**218%**	**169%**
Variance to median				***n.m.***	***n.m.***	***n.m.***	***n.m.***	***n.m.***	***n.m.***

Source: First Berlin Equity Research estimates; Bloomberg

We think price to earnings is a better suited metric to compare GORE to its peers, since the bottom line immediately captures revaluation upside from acquired properties. This method hints at fair value of €249m to €294m.

Table 3: PER fair value

		EPS		
	2019E	2020E	2021E	Average
GORE (€)	0.31	0.99	2.67	
Fair value to median (€m)	**60**	**208**	**477**	**249**
Fair value to mean (€m)	**72**	**230**	**579**	**294**

Source: First Berlin Equity Research estimates

But even this comparison has drawbacks, given the early stage of GORE operations which distorts near-term comperables to the more mature and larger peers. We thus consider the economic profit model a more suitable method to determine fair value.

COMPANY PROFILE

GORE German Office Real Estate specialises in the acquisition and optimisation of income-generating properties in the German commercial real estate market with the aim of building a high yield portfolio of value-add properties.

The company was founded in 2009 as IMMOSELECT AG before being renamed Münchner Immobilien Center AG in 2012. MunIC was again rebranded to GORE German Office Real Estate (GORE) this year to underline its strategic alignment with the German office segment.

GORE targets properties chiefly in suburbs of Germany's metropolitan hubs, where yields are spurred by strong fundamentals and market dynamics. Although a number of commercial landlords pursue a similar strategy, we believe GORE is differentiated through its ability to secure on coveted assets through off-market deals thanks to management's well-established network and deep ties to publity.

The company is focused on capitalising on favourable dynamics for German office assets. GORE predominantly follows a classic buy and hold concept to drive value creation and sustainable rental income (RI). The company also opportunistically rotates assets to recycle cash. This allows management to lock in revaluation upside when a property has been fully optimised and reinvest in new properties. GORE's portfolio is currently valued at €41m and includes five office properties with 31,387 m² of lettable area. The assets are diversified across various suburbs.

Table 4: Portfolio overview

	Type	Lettable area (m²)	Vacancy	GAV (€k)	GAV (€/m²)	RI (€k) p.a.	Rent /€m²	Yield	WALT
Manage-to-core									
Duisburg	Office	3,631	27%	3,978	1,096	*277*	8.7	7.0%	3.5
Bad Homburg	Office	5,176	5%	7,726	1,493	*560*	9.5	7.3%	1.6
Telgte	Office	3,537	0%	7,412	2,096	*570*	13.4	7.7%	13.1
Neu-Isenburg	Office	15,883	47%	16,500	1,039	*729*	7.2	4.4%	7.6
Neuss	Office	3,160	0%	5,200	1,646	*328*	8.7	6.3%	8.7
Portfolio total		**31,387**	**28%**	**40,817**	**1,300**	**2,464**	**9.5**	**6.0%**	**6.9**

Source: First Berlin Equity Research estimates

GORE is headquartered in Frankfurt, Germany and plans to float its shares on the Open Market of the Munich Stock Exchange (m:access segment) in Q4 2019. By resolution of the 5 September 2019 AGM, the management board is authorized, with the approval of the supervisory board, to increase the share capital on one or more occasions by a total of up to EUR 7.525m shares against cash and/or non-cash contributions through 4 September 2024. Shareholders' subscription rights may be excluded. To our knowledge, there are no plans to issue new stock from the authorised capital shares at this time.

Growth targets include: (1) medium-term investment of ~€900m in properties; (2) a capital structure anchored by a 70% LTV; (3) upside through disposals, and (4) a dividend payout of 40% of net income. Based on our assumptions, the company could dole out a €4.5m dividend on 2020 earnings equal to €0.30 per share on the current share count.

BUSINESS MODEL

GORE predominantly follows a buy and hold strategy to drive value creation and sustainable rental income with a stable of value-add office assets. The company applies a flexible acquisition approach that includes single assets and small portfolios with a focus on Germany's metropolitan hubs.

Buy and optimise… GORE generally looks for properties in the €1m - €15m range, which are often too small for institutional investors but too large for private landlords. The company uses a 6% yield hurdle to filter its pipeline allowing for both external and organic cash flow and NAVPS growth. Organic growth is achieved through LFL rent and occupancy increases as GORE extracts embedded value from properties that were often previously mismanaged.

… then sell high to rotate assets, Asset rotation will also be a hallmark of the overall GORE strategy once a property has been fully optimised. Management believe this strategy is best suited to today's environment that requires a more active management approach. Exits will also be orchestrated by publity (see overleaf), which boasts excellent access to international investors seeking German office yields.

We calculate that GORE will hold its properties between 18 and 24 months in our model. Disposals will lock in revaluation profits and help replenish the financial war chest. Depending on market conditions, GORE wants to generate gains above book value equal to ~18x net rent. The remaining cash net of the associated debt repayment will then be recycled into equity for future acquisitions.

KEY STRATEGIC DRIVERS

"Manage-2-core" blueprint Value-add properties typically generate in-place cash flow but offer attractive upside over time through active asset management and / or repositioning to reduce high vacancies, and secure quality tenants. Physical improvements can also allow landlords to command higher rents, although GORE is mainly interested in properties with low CapEx requirements. Once the owner has fully optimised the property, the asset is often sold to lock in the resulting value appreciation. The potential upside of investment in these properties is associated with higher execution risk, but GORE believes it has the ideal cooperation partner to help manage this risk.

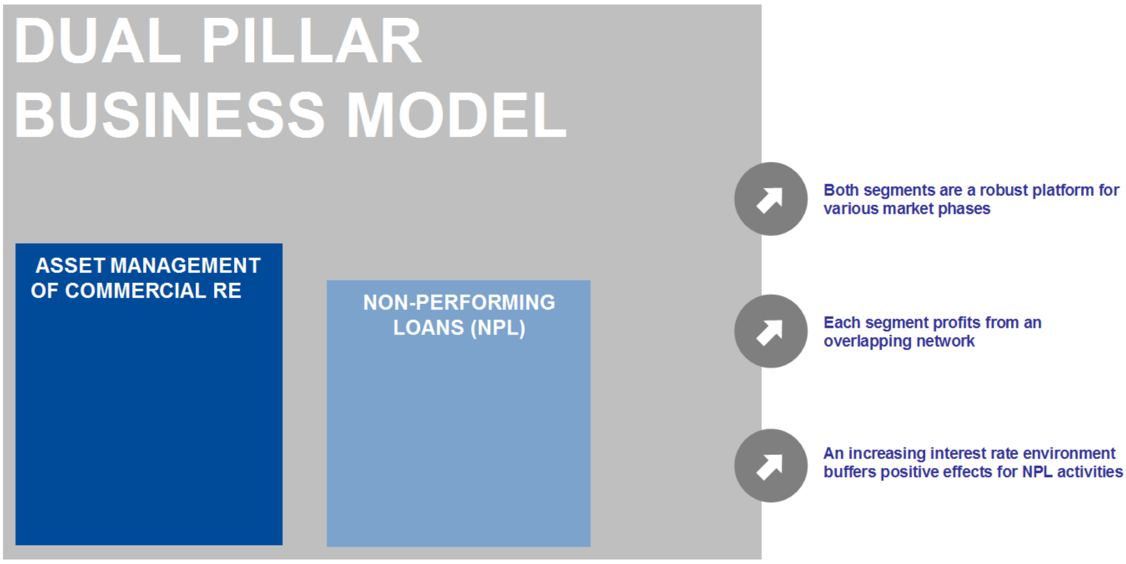
Playing the office endgame GORE targets commercial properties exclusively in the German office segment that harbour clear upside for value creation through active asset management—manage-to-core properties. The strict focus on the German office segment distinguishes GORE from most of the publicly traded German landlords—with the exception of Godewind Immobilien AG—that mix asset types. However, Godewind applies more of a classic buy and hold approach to its portfolio that combines manage-2-core with Core(+) assets.

STRONG COOPERATION PARTNER

GORE wants to leverage its partnership with publity AG to source undervalued off-market deals. The asset management company specialises in activities surrounding the German commercial property market. publity's services cover several key steps of the real estate value chain from sourcing, due diligence, and acquisition, to property management and potential disposals. publity will handle asset and property management duties for GORE.

publity has an extensive track record having completed over 1,100 successful property transactions including > 620 property acquisitions. This experience, combined with a robust infrastructure built upon a massive proprietary database (>8,450 properties), is the foundation of a proven ability to execute quickly at key steps of the property value chain. publity presently controls some €5bn of German commercial real estate assets (AuM).

Figure 1: publity's core activities



Source: First Berlin Equity Research; publity AG

The wealth of property data siloed in publity's databank should provide ample opportunities for GORE to populate its portfolio with assets ideally suited to its corporate strategy. However, we note that transparency needs to be high between publity and GORE in order to avoid any potential conflict of interest backlash from third party clients or investors.

FINANCIAL HISTORY AND OUTLOOK

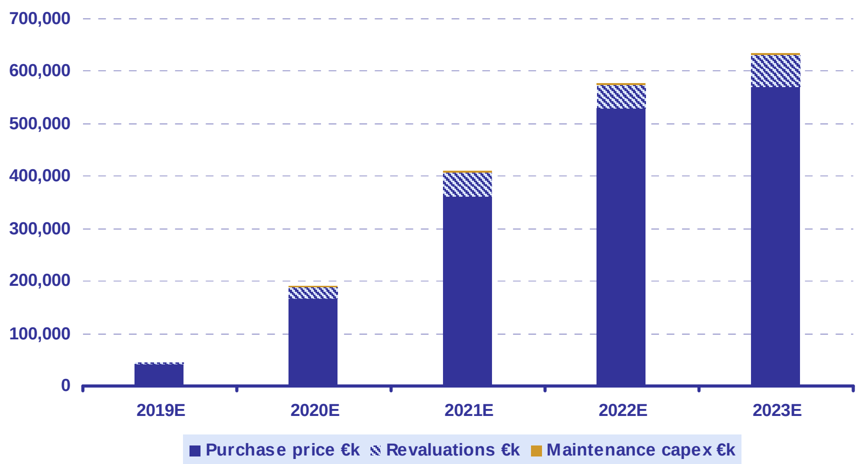
Historical reporting reflects small-scale engagement Business during recent years was largely shaped by small-scale landlord activities according to the outlined business model. The restructured management piloted two successful delas this summer: (1) profitable sale of an office in Unterschleißheim; and (2) the Neuss acquisition.

GORE is structured as a holding company. Hence, the properties held were not consolidated into the balance sheet in accordance with German GAAP (HGB). The investments were accounted for as shareholder loans to the SPVs (special purpose vehicle) created for the individual assets. GORE exited 2018 with shareholders' equity of €14.7m against financial assets totalling €15m as the main line item under the assets side. We expect the company to report according to IFRS going forward to raise transparency to the level of listed peers.

FORECASTING ASSUMPTIONS

GORE is a high growth story After modest historical performance, the company will embark on an aggressive growth plan in 2020. Management are considering a convertible bond issuance for ~€150m early next year and buy up to €140m in office properties on the outskirts of German major hubs and B-cities. The company will complement the rental income streams from a landlord business model with the sale of optimised properties within a 24 month span.

Figure 2: Breakdown of property market values



Source: First Berlin Equity Research estimates

GORE bought five properties last year for a €41m purchase price and now controls some 31,387 m² of lettable space. Our rental income and disposal forecasts are based on the following assumptions and conditions: (1) operating cash flow and proceeds from sold assets will be recycled to finance portfolio growth; (2) access to off-market deals will allow the company to acquire office space below market levels leading to good reversionary upside through optimisation; (3) revitalised properties will fetch attractive margins above their purchase price and produce strong capital gains, and (4) access to inexpensive debt financing remains favourable.

Based on these conditions, we believe GORE will invest some €900m from 2020 to 2023 into the German office space. Access to publity's robust database and pipeline for deal flow supports this assumption. During the forecasting period, we look for the company to sell properties with a value of €480m and calculate a gross profit from disposals— including selling expenses—of about €90m (table 6). This also presumes GORE will sell optimised assets within 18 to 24 months post acquisition.

Vacancy reductions to spur rental income We look for net rental income to top €8m in 2020 with the full contribution and optimisation of the five assets acquired this year. This corresponds to an NRI yield of 6.5%. GORE's current vacancy rate stands at a relatively high 28%, owing in large part to the 47% vacancy at Neu-Isenburg (7.4k m² vacant space). We expect a sharp vacancy reduction in 2020 and for the vacancy rate to remain stable in the near term. New assets will likely come with high vacancy rates to offset lower vacancy properties that are sold.

Lean operating structure publity will assume the bulk of portfolio management duties for GORE, which should allow for a lean operating structure with low staffing requirements. The current headcount should be able handle the expected growth, although we expect the executive board to expand as the company grows.

ADJUSTED EBITDA AND FFO FORECASTS

'Adjusted EBITDA' is the key performance measurement for operating results. The KPI reflects the underlying operational profit of the commercial portfolio by excluding revaluation effects, disposal gains, and the share of profits from other investments. Funds from operations (FFO 1) is the property industry standard indicator for recurring cash flows, while FFO 2 captures disposal gains.

Table 5: Adjusted EBITDA developments

All figures in EUR '000	2019E	2020E	2021E	2022E	2023E
Net rent (NRI)	2,914	8,041	19,404	24,728	29,129
Recoverable operating costs	514	1,419	3,424	4,364	5,140
Property management income	3,428	9,460	22,828	29,092	34,269
NRI margin	*85%*	*85%*	*85%*	*85%*	*85%*
Capital gains, property revaluations & other	4,868	23,176	46,100	44,000	59,970
Property operating expenses	-628	-2,375	-5,228	-7,218	-8,055
Administration & other expenses	-1,677	-2,709	-3,348	-4,385	-3,922
EBITDA	**5,991**	**27,553**	**60,352**	**61,490**	**82,262**
Adjusted EBITDA, long-term recurring[1]	**1,123**	**4,376**	**14,252**	**17,490**	**22,292**
Margin	*39%*	*54%*	*73%*	*71%*	*77%*

[1] adjusted for non-recurring and revaluation gains

Source: First Berlin Equity Research estimates

GORE pursues an active portfolio management strategy that hinges upon its ability to optimise underperforming assets acquired below market value and sell them for high profits in a relatively short time frame (>2 years). We thus regard FFO 2 as the most important cash flow measurement for the company. Given the early stage of expansion and the considerable financing costs associated with the growth, we forecast a negative FFO 2 until 2021 when the company can cash in on its disposal strategy.

Table 6: Disposal schedule

All figures in EUR '000	2019E	2020E	2021E	2022E	2023E
Property disposal income	0	18,975	29,152	178,710	255,300
Cost of sales	0	16,500	24,316	140,000	200,000
Selling expenses	0	495	729	4,200	6,000
Disposal profit	0	1,980	4,107	34,510	49,300
Disposal margin	*n.a.*	*10%*	*17%*	*25%*	*25%*

Source: First Berlin Equity Research estimates

Table 7: Funds from operations developments

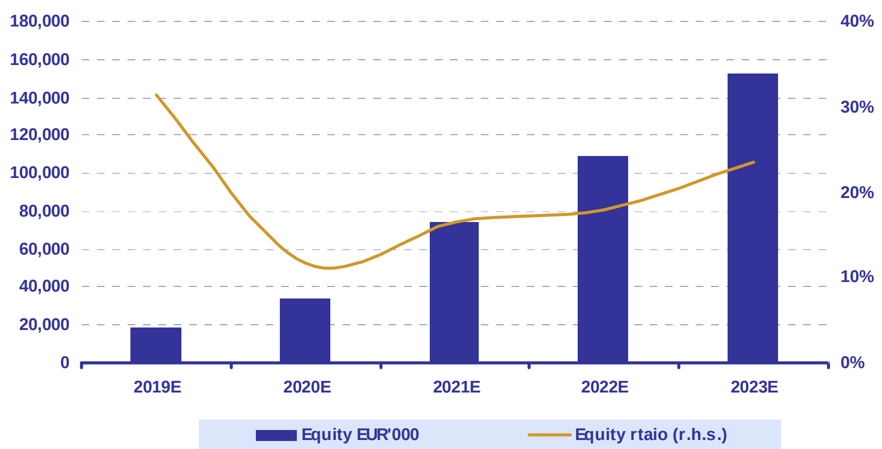
All figures in EUR '000	2019E	2020E	2021E	2022E	2023E
Operating profit	5,394	27,676	60,729	61,869	82,644
Depreciation & amortisation	19	5	11	15	17
EBITDA	5,414	27,681	60,740	61,884	82,661
Capital gains, property revaluations & other	-4,868	-23,176	-46,100	-44,000	-59,970
Other adjustments	0	0	0	0	0
Adjusted EBITDA, long-term recurring	**546**	**4,505**	**14,640**	**17,884**	**22,691**
Financial expense /income	-446	-8,786	-12,115	-14,628	-16,066
Tax expense	-41	-338	-1,098	-1,341	-1,702
Other non-cash / one- off exp.	0	0	0	0	0
FFO 1	**59**	**-4,619**	**1,427**	**1,915**	**4,923**
Disposal gains	0	1,980	4,107	34,510	49,300
FFO 2	**59**	**-2,639**	**5,534**	**36,425**	**54,223**
FFOPS 2 (€)	0.00	-0.18	0.37	2.42	3.60

Source: First Berlin Equity Research estimates

CAPITAL STRUCTURE

According to the historical financials, GORE exited 2018 with €14.7m in shareholders' equity, which was mainly funnelled out to the SPVs that contain the properties and accounted for under 'fiancial assets.' There are no plans for a capital increase at this juncture, although GORE has authorised capital of 7.525m shares.

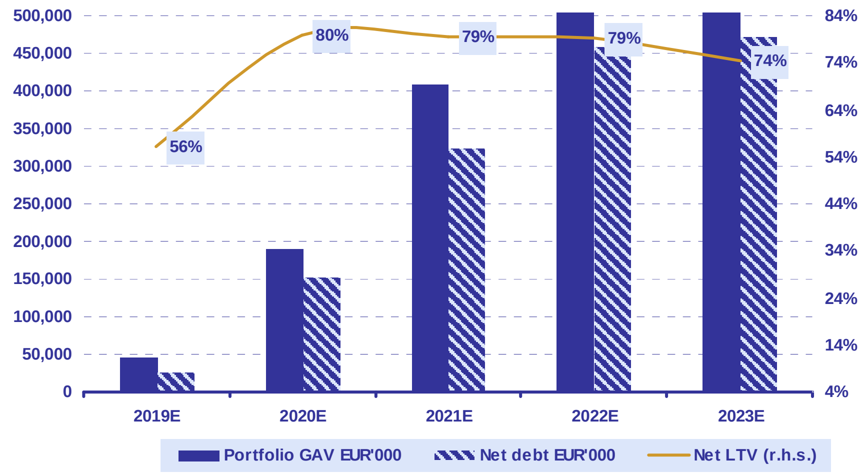
Figure 3: Equity and equity ratio developments



Source: First Berlin Equity Research estimates

Debt financing to drive external growth GORE is considering a convertible bond issuance in early 2020 to finance acquisition growth. Assuming proceeds of €150m, we target an LTV range at the SPV level of 50% to 70%. This translates into an LTV range of 70% to 80% at the AG level. However, this could fall to around 50% if the bond converts to equity, which is more consistent with commercial landlord peers.

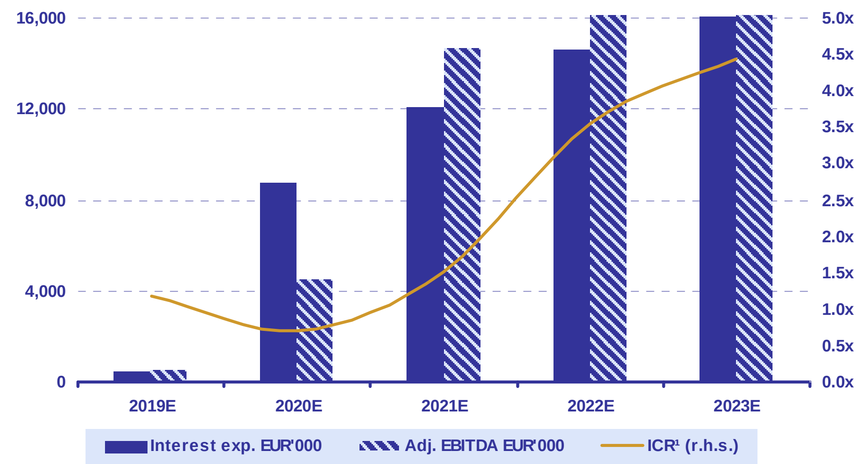
Figure 4: LTV development



Source: First Berlin Equity Research estimates

We believe the company should be able to secure bank debt around 1.5% to 3.0%. This is higher than peers who can leverage their stronger equity ratios and credit ratings (S&P, Moody's) to secure bank debt of ~1%. GORE could also explore mezzanine or other bridge financing options, but we have assumed bank debt for our calculations. The high leverage on the balance sheet combined with the early stage of portfolio expansion means the interest coverage ratio is quite low and can only be covered with profits from properties sold the next two years.

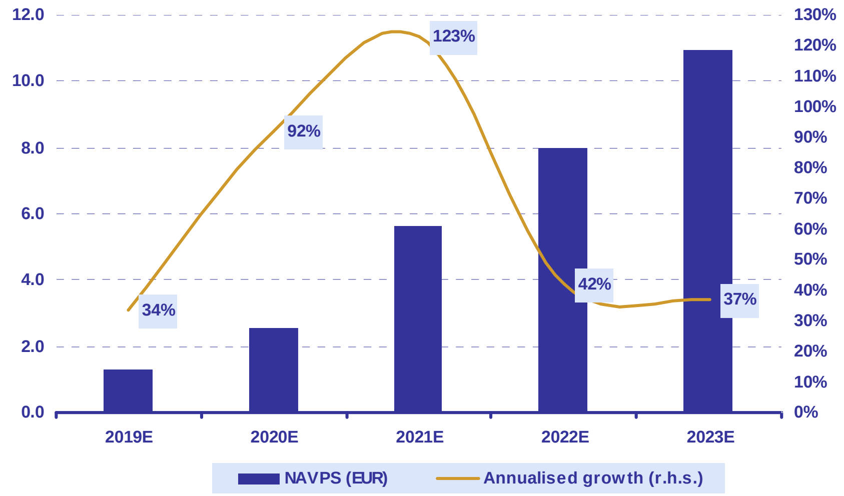
Figure 5: Interest coverage development



Source: First Berlin Equity Research estimates

Net income and capital gains to spur NAV growth Assuming good business execution from the rental of held properties and profitable sale of optimised office assets, we believe NAV could top €40m in 2020 and €120m in 2023. This corresponds to a 44% three-year CAGR. Given the expected stable share count, NAVPS tracks EPRA NAV developments in our model. These figures do not include the potential conversion of the assumed convertible bonds, while they remain out of the money.

Figure 6: NAVPS development



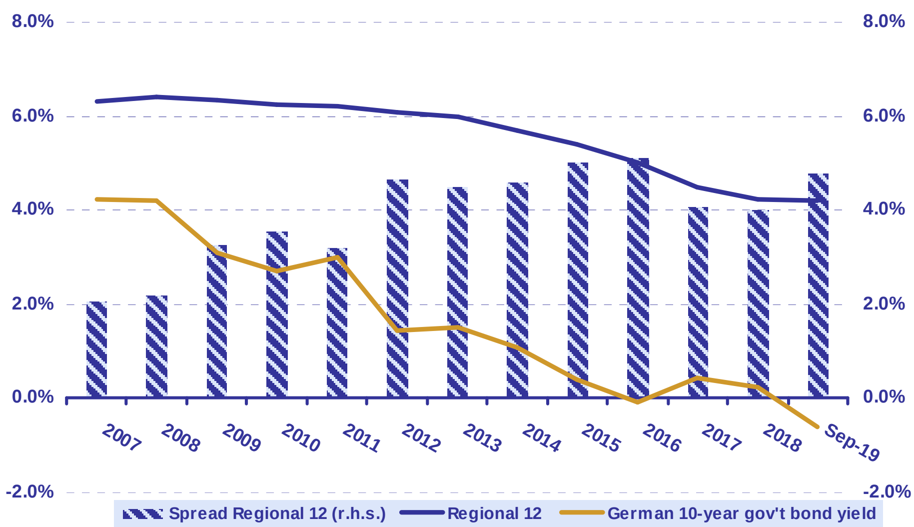
Source: First Berlin Equity Research estimates

MACRO THEMES TO KEEP AN EYE ON

CRE STILL OFFERS GOOD RETURNS

Is there still upside in the German property market? In our view, German CRE continues to harbour better growth potential than residential RE where yields have been compressing for years. We regard the commercial sector as lagging the late cycle residential space—a view supported by higher yields offered by the former. Good market fundamentals also give us confidence in the sustainability of the current cycle and growth potential into 2020. The main considerations supporting our view are: (1) good growth potential driven by brisk occupier demand; (2) persistent high demand for prime space fuelled by yield hungry investors; (3) limited alternative asset classes with comparable yields and income potential; (4) real estate yields that remain highly attractive over bond yields; and (5) healthy balance sheets among the landlords with gearing and LTVs at comfortable levels, meaning less funding risk in the system. Taking account of these factors, we see nothing from today's perspective that is a harbinger of a major reversal in the current market trajectory.

Figure 7: German Regional 12 office over German bond yields



Source: Bulwiengesa, Bloomberg, First Berlin Equity Research

Bond yield spread offers considerable comfort A key driver of investment demand has been the attractive yields offered by real estate relative to alternative assets. A year ago, investors grew jittery in the wake of rising bond yields and a narrowing spread when the German 10-year bond yield hit 0.8% last February. However, such fears are hardly supported by the fundamental evidence depicted in the figure above. Even if German bond yields edge higher to normalised levels, we think the spread will remain comfortably wide. The German 10-year peaked at 0.6% last October but has been a tailspin most of 2019 and recently bottomed out below -0.7% since retreated and is now ranging between 0.2% and 0.3%. The historical regional spread since 2007 is 3.8% compared to around 4.8% currently.

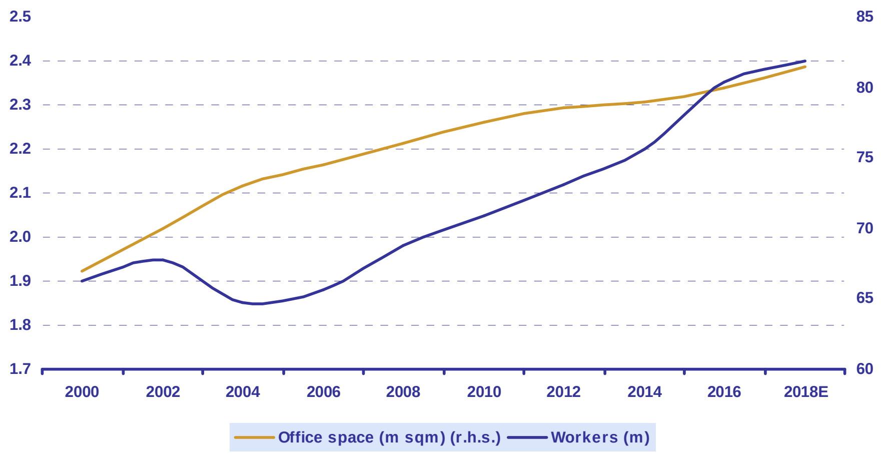
GOING LONG OFFICE SPACE

GORE's business activities are primarily driven by the German office market, which has been booming. The office segment accounted for some 37% of the €79bn German property transaction volume last year. Of this aggregate amount, 58% (€46bn) occurred in Germany's Big 7 (Berlin, Frankfurt, Stuttgart, Hamburg, Düsseldorf, Munich, and Cologne).

Looking ahead, the office sector should continue to see strong occupier demand and letting momentum as it continues to benefit from the strong economic environment. Office uptake remains at the high levels seen in 2017 led by Munich and Berlin. JLL noted in its H1 market update that the vacancy rate for the Big 7 has fallen by a further 20 basis points to 4.3% within the last three months. “If this pace is maintained, all vacancies in the Big 7 would disappear in around five years’ time.” The theoretical point underscores the acute shortage of quality space throughout Germany’s metropolises.

Bursting at the seams For a long time, there had been little desire for developers to build new work space. Germany had a reassuring 7 million square meters of vacant office space back in 2007 before the economic uptick in 2010. Demand for workspace has been growing strongly since, but new build has not matched the trajectory with demand in the Big 7 over the ten year time frame having surged some 24% led by Berlin at nearly 33%. New office space coming online trailed far behind at 6%.

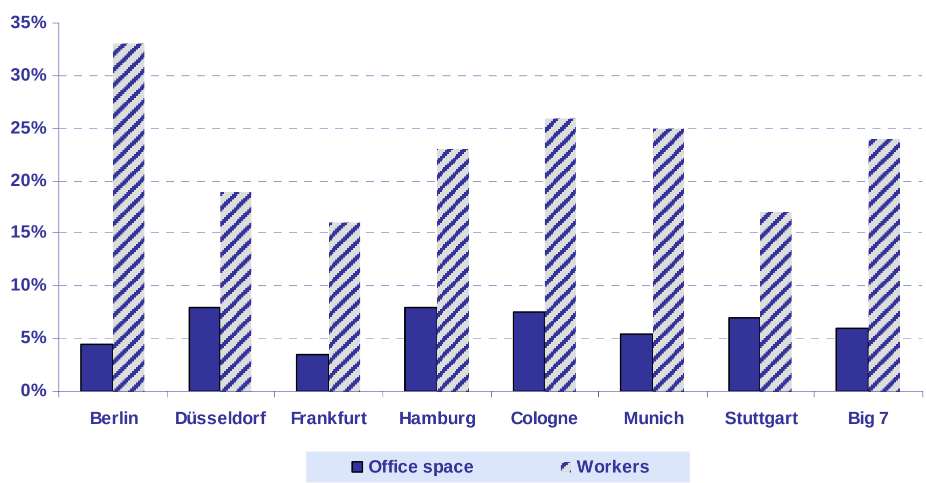
Figure 8: Office space vs employment growth



Source: DZ Hyp, Bulwiengese, DZ Bank estimates

New build unable to fill the gap in the near term In the first six months of 2018, only 329k m² of new office space came online across the Big 7 with another 674k m² set for completion in H2. Even more sobering is the fact that only 141k m² of this new space is still available with the bulk already pre-let.

Figure 9: Big 7 growth in office workers vs new workspace 2007 to 2017



Source: Bulwiengesa; Feri; First Berlin Equity Research

Table 8: Office rent developments for Germany's Big 7

	Prime rents (€ / m²)			Growth (Y/Y)		
	2017	2018E	2019E	2017	2018E	2019E
Berlin	30.0	32.7	34.0	7.1%	9.0%	4.0%
Düsseldorf	24.5	25.0	25.5	0.0%	2.0%	2.0%
Frankfurt	38.5	39.5	40.5	8.5%	2.6%	2.5%
Hamburg	26.5	27.0	27.5	1.9%	1.9%	1.9%
Cologne	21.0	21.5	21.9	0.0%	2.4%	2.0%
Munich	36.0	37.0	38.0	3.7%	2.8%	2.7%
Stuttgart	21.4	22.0	22.5	8.6%	2.8%	2.3%
Big 7	**29.3**	**30.5**	**31.3**	**4.7%**	**4.1%**	**2.8%**

Source: Bulwiengesa, Feri, DZ Bank Research

THE SPUTTERING GERMAN ECONOMY

For equity investors, a faltering economy is the juggernaut tailgating in the rear view mirror. And as Germany goes, so goes Europe. At home, economic data continues to deteriorate. Germany posted GDP contraction of 0.1% in Q2 following 0.4% expansion in the first quarter this year. The engine of the euro zone economy is sputtering worse than feared, and it's dragging the rest of the bloc down with it. GDP forecasts for EU constituents continue to be revised down by market analysts and fears are mounting that the 19-nation bloc is heading towards recession.

Table 9: Germany's GDP outlook

	2017	2018	2019E	2020E
GDP - new	2.5	1.5	0.7	1.6
GDP - old			1.3	1.6
Revision			*-46%*	*0%*

Source: International Monetary Fund World Economic Outlook; July 2019

Impact on property operators and GORE German Office Real Estate Although it is too early to predict the full impact of a prolonged economic slowdown, we expect property players with the lowest balance sheet risk (low cost, long term debt and strong equity ratios) to best weather the downturn. From that standpoint, GORE has a higher risk profile than the large landlords and will depend on strong execution. The main risk from our viewpoint is a major collapse of the job market, which would hamper the company's ability to fill up vacancies and capture disposal profits.

Lastly, banking meltdowns are an unfortunate part of human history—there were 124 of them between 1970 and 2007. The precise shape of the next one is unclear; otherwise it would be avoided. But one way or another, the next financial crisis is likely to involve property, which would substantially alter the prospects for GORE.

EXECUTIVE BOARD

CEO

Jörg Reinhardt has over 25 years of commercial real estate experience. He was appointed CEO in February 2019 to lead key strategic and operational duties. Previously, he was the founder and managing director at Reinhardt Real Estate GmbH and responsible for the acquisition and management of commercial and residential properties. Operational tasks included financial and optimisation strategies, plus project management. Since 2012, Mr Reinhardt has held management posts at OG Invest GmbH and EMS GmbH.

SUPERVISORY BOARD

Chairman

Frank Schneider brings over 25 years legal experience to the board. From 1999 to 2018, he practiced law at CMS Hasche Sigle, the largest commercial law firm in Germany. Prior to that, Mr Schneider was a legal advisor at HOCHTIEF AG and Hasche & Eschenlohr in Leipzig. He has also been the publity COO since 2018.

Deputy Chairman

Stephan Noetzel brings a wealth of legal experience for real estate transactions. He has led the publity legal department since 2016 and oversees all contract related functions for the properties. Mr Noetzel has also been involved in publity's non-performing loan operations since 2016 and is heavily involved in the associated legal negotiations.

Board member

Christoph Blacha brings nearly 25 years of real estate and legal experience. He was on the publity executive board from 2008 to 2016 and helped orchestrate the development of financial products, the drafting of legal concepts and the preparation of sales prospectuses. Mr Blacha is also the owner of the law firm Blacha Rechtsanwälte based in Leipzig, Germany. He is also a member of the Supervisory Board for PREOS AG.

SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	DE000A0Z26C8
WKN	A0Z26C8
Bloomberg ticker	n.a.
No. of issued shares	15,050,000
Transparency Standard	n.a.
Country	Germany
Sector	Financial Services
Subsector	Real Estate

Source: Börse Frankfurt, First Berlin Equity Research

Shareholder Structure	
TO-Holding	65.0%
Free Float	35.0%

Source: GORE German Office Real Estate AG

INCOME STATEMENT

All figures in EUR '000	2018	2019E	2020E	2021E	2022E	2023E
Net rental income	**0**	**2,914**	**8,041**	**19,404**	**24,728**	**29,129**
Recoverable operating costs	0	514	1,419	3,424	4,364	5,140
Property management income	**0**	**3,428**	**9,460**	**22,828**	**29,092**	**34,269**
Property OpEx	0	-628	-2,375	-5,228	-7,218	-8,055
Capital gains, property revaluations & other	0	4,868	23,176	46,100	44,000	59,970
Other operating income	91	0	0	0	0	0
Administration & other expenses	-397	-1,677	-2,709	-3,348	-4,385	-3,922
Depreciation & amortisation	-3	-27	-5	-11	-15	-17
Operating income	**-309**	**5,964**	**27,548**	**60,340**	**61,475**	**82,245**
Net financial result	627	-446	-8,786	-12,115	-14,628	-16,066
Other financial expenses	0	0	0	0	0	0
Pre-tax income (EBT)	**318**	**5,517**	**18,762**	**48,225**	**46,848**	**66,179**
Income taxes	-94	-84	-328	-1,069	-1,312	-1,672
Net income / loss (NI)	**224**	**4,702**	**14,957**	**40,241**	**38,936**	**55,511**
Other tax & income	0	0	0	0	0	0
Comprehensive NI	**224**	**4,702**	**14,957**	**40,241**	**38,936**	**55,511**
Minority interests	0	0	0	0	0	0
Net income after minorities	**224**	**4,702**	**14,957**	**40,241**	**38,936**	**55,511**
Basic EPS (in €)	**n.m.**	**0.31**	**0.99**	**2.67**	**2.59**	**3.69**
Diluted EPS (in €)	**n.m.**	**0.31**	**0.99**	**2.67**	**2.59**	**3.69**
Adjusted EBITDA	**-306**	**1,123**	**4,376**	**14,252**	**17,490**	**22,292**
Ratios						
Adj. EBITDA margin	n.m.	38.6%	54.4%	73.4%	70.7%	65.1%
Tax rate	0.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Expenses as % of revenues						
Property OpEx	n.m.	18.3%	25.1%	22.9%	24.8%	23.5%
Administration & other expenses	n.m.	48.9%	28.6%	14.7%	15.1%	11.4%
Y-Y Growth						
Rental income	n.a.	n.m.	175.9%	141.3%	27.4%	17.8%
Adj. EBITDA	n.a.	n.m.	289.6%	225.7%	22.7%	27.5%
Net income/ loss	n.a.	n.a.	218.1%	169.0%	-3.2%	42.6%
Operating profit	**-309**	**5,964**	**27,548**	**60,340**	**61,475**	**82,245**
Depreciation & amortisation	3	27	5	11	15	17
EBITDA	**-306**	**5,991**	**27,553**	**60,352**	**61,490**	**82,262**
Capital gains, property revaluations & other	0	-4,868	-23,176	-46,100	-44,000	-59,970
Other adjustments	0	0	0	0	0	0
Adjusted EBITDA, long-term recurring	**-306**	**1,123**	**4,376**	**14,252**	**17,490**	**22,292**
Financial expense /income	627	-446	-8,786	-12,115	-14,628	-16,066
Tax expense	-94	-84	-328	-1,069	-1,312	-1,672
Other non-cash / one- off exp.	0	0	0	0	0	0
FFO 1	**227**	**593**	**-4,738**	**1,068**	**1,550**	**4,554**
Disposal gains	0	0	1,980	4,107	34,510	49,300
FFO 2	**227**	**593**	**-2,758**	**5,174**	**36,060**	**53,854**
FFOPS 2 (€)	0.02	0.04	-0.18	0.34	2.40	3.58

** IFRS from 2019 onwards;*

BALANCE SHEET

All figures in EUR '000	2018	2019E	2020E	2021E	2022E	2023E
Assets						
Current assets, total	**881**	**14,557**	**99,511**	**41,261**	**31,512**	**16,402**
Cash and cash equivalents	40	13,624	97,915	38,199	27,762	12,083
Assets held for sale	0	0	0	0	0	0
Trade receivables	286	376	1,037	2,502	3,188	3,756
Other current assets	555	557	558	560	562	563
Non-current assets, total	**15,068**	**45,743**	**190,217**	**408,786**	**576,391**	**634,288**
Property, plant & equipment	53	60	65	76	91	108
Intangible assets	0	0	0	0	0	0
Investment property	0	45,684	190,152	408,710	576,300	634,180
Advanced payments	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Other LT assets	15,015	0	0	0	0	0
Total assets	**15,949**	**60,300**	**289,727**	**450,047**	**607,902**	**650,690**
Shareholders' equity & debt						
Current liabilities, total	**239**	**330**	**622**	**1,020**	**1,318**	**1,365**
Short-term debt	0	0	0	0	0	0
Trade payables	239	330	622	1,020	1,318	1,365
Provisions & current liabilities	0	0	0	0	0	0
Long-term liabilities, total	**1,140**	**40,698**	**104,875**	**374,555**	**497,665**	**496,966**
Convertible bond	0	0	150,000	150,000	150,000	150,000
Long-term bank debt	0	38,775	99,421	212,854	335,109	333,646
Other liabilities	1,140	1,193	1,248	1,305	1,366	1,430
Deferred tax liabilities	0	730	4,207	10,396	11,190	11,890
Shareholders' equity	**14,570**	**19,272**	**34,230**	**74,471**	**108,919**	**152,359**
Minority interests	0	0	0	0	0	0
Total equity	**14,570**	**19,272**	**34,230**	**74,471**	**108,919**	**152,359**
Total consolidated equity and debt	**15,949**	**60,300**	**139,727**	**450,047**	**607,902**	**650,690**
Ratios						
EPRA NAV	14,570	20,003	38,436	84,867	120,109	164,249
NAVPS (€)	n.m.	1.4	2.6	5.6	8.0	10.9
Net debt	-40	25,151	151,506	324,655	457,347	471,562
Interest cover (ICR)[1]	n.a.	2.5x	0.7x	1.5x	3.6x	4.5x
Equity ratio	91.4%	32.0%	11.8%	16.5%	17.9%	23.4%
Net LTV	-	55.1%	79.7%	79.4%	79.4%	74.4%

** IFRS from 2019 onwards; [1]includes disposal gains*

CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020E	2021E	2022E	2023E
Net income	**n.a.**	**4,702**	**14,957**	**40,241**	**38,936**	**55,511**
Non-cash gains / losses	n.a.	-4,868	-23,176	-46,100	-44,000	-59,970
Other non-cash expenses / income	n.a.	0	0	0	0	0
Depreciation & amortisation	n.a.	27	5	11	15	17
Net financial result	n.a.	446	8,786	12,115	14,628	16,066
Tax result	n.a.	814	3,805	7,984	7,912	10,667
Operating cash flow	**n.a.**	**1,123**	**4,376**	**14,252**	**17,490**	**22,292**
Trade receivables & other assets	n.a.	0	-371	-1,068	-390	-522
Trade & other payables	n.a.	53	55	-668	-5,746	-8,231
Tax paid	n.a.	-84	-328	-1,069	-1,312	-1,672
Net operating cash flow	**n.a.**	**1,091**	**3,732**	**11,447**	**10,042**	**11,867**
Investment in fixed/intangible assets	n.a.	-34	-9	-23	-29	-34
Outflows for investment property	n.a.	-40,816	-140,267	-201,610	-302,300	-253,210
Sale of real esate	n.a.	0	18,975	29,152	178,710	255,300
Inflows from financial assets	n.a.	15,015	0	0	0	0
Interest income	n.a.	0	0	0	0	0
Cash flow from investing	**n.a.**	**-25,835**	**-121,302**	**-172,481**	**-123,619**	**2,056**
Debt financing, net	n.a.	38,775	210,646	113,432	122,255	-1,463
Equity financing, net	n.a.	0	0	0	0	0
Interest paid	n.a.	-449	-8,786	-12,115	-14,628	-16,066
Dividends paid	n.a.	0	0	0	-4,487	-12,072
Others	n.a.	0	0	0	0	0
Cash flow from financing	**n.a.**	**38,326**	**201,860**	**101,317**	**103,140**	**-29,602**
Net cash flows	**n.a.**	**13,584**	**84,291**	**-59,717**	**-10,437**	**-15,679**
Cash, start of the year	0	40	13,624	97,915	38,199	27,762
Cash, end of the year	**40**	**13,624**	**97,915**	**38,199**	**27,762**	**12,083**

** IFRS from 2019 onwards;*

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
n.a.	n.a.	n.a.	n.a.	n.a.

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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- **valuation methods and principles**
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