

CR Capital Real Estate AG

Germany / Real Estate
 Primary exchange: Frankfurt
 Bloomberg: CRZ GR
 ISIN: DE000A0WMQ53

Business Update

RATING	BUY
PRICE TARGET	€2.70
Return Potential	89.1%
Risk Rating	High

SIGNIFICANTLY INCREASED GUIDANCE FOR 2014E & 2015E

On 9 September CR Capital Real Estate AG (CR Capital) significantly increased guidance for 2014E due to the sale of its "Bessemmerstraße" building plot. CR Capital now expects sales of at least EUR18.0m (previously: EUR14.0m) and net income of more than EUR4.5m (previously: EUR1.0m-1.2m). Proceeds from the sale will be used to acquire additional properties and real estate projects, which are forecast to fuel future growth. Management also announced that it anticipates net income of at least EUR6.0m in 2015E (previously: positive bottom-line). Based on a changed top-line mix (increased revenues from development and sale of building plots vs. real estate development) we have adjusted our financial forecasts for 2014E and subsequent years. Our updated DCF model yields a new price target of EUR2.70 (previously: EUR2.10). We reiterate our Buy rating.

Sale of "Bessemmerstraße" project to fuel future growth CR Capital announced on 9 September that it had sold its "Bessemmerstraße" project (200 apartments; total floor area of 20,000m²; see our comprehensive report of 23 July). In our view, the building plot sale demonstrates CR Capital's project development skills. The building plot, which was acquired at the end of 2011, was developed according to the legally binding land-use plan and is now being sold to another real estate developer. Following the announcement of the sale, CR Capital increased guidance for the current fiscal year. CR Capital now expects sales of at least EUR18.0m (previously: EUR14.0m) and net income of more than EUR4.5m (previously: EUR1.0m-1.2m) in 2014E. Since the company will use the proceeds to acquire additional projects, guidance for the next fiscal year has also been increased. Management now anticipates net income of at least EUR6.0m in 2015E (previously: positive bottom-line).

Upward revision to our forecasts We have adjusted our financial forecasts for the sale of the "Bessemmerstrasse" project and the increased guidance for 2014E and 2015E, which we assume includes... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014E	2015E	2016E	2017E
Revenue (€m)	8.62	13.51	19.21	20.75	22.74	27.55
Y-o-y growth	n.a.	56.7%	42.2%	8.0%	9.6%	21.1%
EBIT (€m)	-2.11	-0.63	5.21	6.82	7.16	7.57
EBIT margin	-24.4%	-4.7%	27.1%	32.9%	31.5%	27.5%
Net income (€m)	-2.53	0.06	4.53	6.02	5.35	5.15
EPS (diluted) (€)	-0.17	0.00	0.24	0.32	0.28	0.27
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-10.43	1.71	5.45	6.24	3.74	0.32
Net gearing	31.8%	39.9%	-6.3%	-29.9%	-36.9%	-32.5%
Liquid assets (€m)	1.04	0.42	5.60	11.85	15.59	15.91

RISKS

Risks include but are not limited to: increasing competition, the company's focus on the residential market in Berlin, and the loss of key personnel.

COMPANY PROFILE

CR Capital Real Estate AG, listed on the Entry Standard of Frankfurter Boerse, is a real estate company focusing on the metropolitan area of Berlin.

MARKET DATA

As of 09 Sep 2014

Closing Price	€ 1.43
Shares outstanding	18.78m
Market Capitalisation	€ 26.82m
52-week Range	€ 0.50 / 1.43
Avg. Volume (12 Months)	21,658

Multiples	2013A	2014E	2015E
P/E	444.2	5.9	4.5
EV/Sales	2.3	1.6	1.5
EV/EBIT	n.a.	6.0	4.6
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2013

Liquid Assets	€ 0.42m
Current Assets	€ 18.54m
Intangible Assets	€ 2.72m
Total Assets	€ 30.09m
Current Liabilities	€ 13.97m
Shareholders' Equity	€ 10.66m

SHAREHOLDERS

HAEMATO AG	20.1%
Free Float	79.9%



...additional building plot deals in the future (along with the firm's core businesses real estate development and rental of residential and commercial property). Changes to our financial forecasts are shown in table 1 below. Our updated DCF model yields a new price target of EUR2.70 (previously: EUR2.10). We reiterate our Buy recommendation.

Table 1: Changes to forecasts

In EURm	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	14.03	19.21	36.9%	17.93	20.75	15.8%	23.66	22.74	-3.9%
EBIT	1.83	5.21	184.8%	2.61	6.82	161.0%	3.62	7.16	98.0%
margin	13.1%	27.1%	-	14.6%	32.9%	-	15.3%	31.5%	-
Net income	1.17	4.53	287.5%	1.85	6.02	225.9%	2.65	5.35	101.6%
margin	8.3%	23.6%	-	10.3%	29.0%	-	11.2%	23.5%	-
EPS (EUR, diluted)	0.06	0.24	287.5%	0.10	0.32	225.9%	0.14	0.28	101.6%

Source: First Berlin Equity Research

Table 2: Valuation model*

DCF valuation model									
All figures in EUR '000									
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	
Net sales	19,209	20,755	22,741	27,546	28,347	29,146	29,941	30,731	
NOPLAT	4,843	6,257	5,557	5,336	5,261	5,189	5,108	5,015	
+ depreciation & amortisation	49	48	51	55	86	96	101	104	
Net operating cash flow	4,892	6,305	5,608	5,391	5,347	5,285	5,208	5,119	
- total investments (CAPEX and WC)	879	113	-1,732	-4,956	-974	-985	-994	-1,001	
Capital expenditures	-48	-52	-57	-96	-99	-102	-105	-108	
Working capital	927	165	-1,675	-4,859	-875	-883	-889	-893	
Free cash flows (FCF)	5,771	6,418	3,876	436	4,373	4,300	4,215	4,118	
PV of FCF's	5,638	5,815	3,256	339	3,159	2,881	2,618	2,372	
All figures in thousands									
PV of FCFs in explicit period	37,068								
PV of FCFs in terminal period	18,503								
Enterprise value (EV)	55,571								
+ Net cash / - net debt	-4,253								
+ Investments / minority interests	19								
Shareholder value	51,338								
Fair value per share in EUR	2.70								
WACC									
WACC	7.8%								
Cost of equity	15.9%								
Pre-tax cost of debt	5.0%								
Tax rate	30.0%								
After-tax cost of debt	3.5%								
Share of equity capital	35.0%								
Share of debt capital	65.0%								
Fair value per share in EUR	2.70								
		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
WACC	3.8%	5.75	6.15	6.72	7.60	9.15	12.53	25.99	
	4.8%	4.45	4.62	4.83	5.12	5.54	6.18	7.30	
	5.8%	3.64	3.72	3.81	3.92	4.07	4.28	4.57	
	6.8%	3.09	3.12	3.16	3.21	3.27	3.34	3.44	
	7.8%	2.68	2.70	2.71	2.73	2.76	2.78	2.82	
	8.8%	2.37	2.38	2.38	2.39	2.40	2.41	2.42	
9.8%	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	
10.8%	1.93	1.93	1.93	1.93	1.92	1.92	1.92	1.91	

Source: First Berlin Equity Research

* Please note: In our DCF model we use a planning period until 2028. For layout reasons the table above only displays figures until 2021.

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 July 2014	€0.95	Buy	€2.10
	↓	↓	↓	↓
2	Today	€1.43	Buy	€2.70

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

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