

CR Capital Real Estate AG

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

Business
 Update

RATING
PRICE TARGET **BUY**
 Return Potential **€2.70**
 Risk Rating 101.9%
 High

SHARE BUYBACK PROGRAMME ANNOUNCED

CR Capital Real Estate AG (“CR Capital”) announced on 7 October that management and supervisory board have decided to start the share buyback programme approved by the firm’s shareholders at the AGM on 14 August. CR Capital will buy back up to 1.88m shares, corresponding to 10% of share capital. The firm is planning to use the treasury shares for the acquisition of additional projects (among other things). We expect the buyback programme to support the share price and reiterate our Buy rating and EUR2.70 price target.

Share buyback On 7 October the firm announced that it will start buying back its own shares. CR Capital’s buyback programme was approved by shareholders at this year’s AGM on 14 August. The company will buy back up to 1.88m shares, corresponding to 10% of share capital.

Sale of “Bessemerstraße” project to fuel future growth On 9 September CR Capital announced that it had sold its “Bessemerstraße” project (see our comment of 10 September and our comprehensive report of 23 July). In our view, the sale of the building plot underlines 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 has been sold to another real estate developer. Proceeds from the sale are now being used for the acquisition of additional projects and the share buyback.

Confirmation of rating and price target We expect the buyback programme to support CR Capital’s share price. We stick to the revised financial forecasts we made following the upward adjustment of the firm’s guidance (and our estimates) on 9 September (see our comment of 10 September). Following the sale of the “Bessemerstraße” project, CR Capital is guiding towards sales of at least EUR18.0m and net income of more than EUR4.5m in 2014E. We reiterate our Buy recommendation at an unchanged price target of EUR2.70.

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 10 Oct 2014

Closing Price	€ 1.34
Shares outstanding	18.78m
Market Capitalisation	€ 25.11m
52-week Range	€ 0.66 / 1.54
Avg. Volume (12 Months)	21,326

Multiples	2013A	2014E	2015E
P/E	389.6	5.2	3.9
EV/Sales	2.1	1.4	1.3
EV/EBIT	n.a.	5.3	4.1
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%

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	10 September 2014	€1.43	Buy	€2.70
3	Today	€1.34	Buy	€2.70

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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