



Buy (Initiation)

Price target: EUR 51.00

Price: EUR 33.10 **Next result:** FY'20 TBA
Bloomberg: CRZK GR **Market cap:** EUR 124.3 m
Reuters: CRZGk.DE **Enterprise Value:** EUR 130.0 m

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Strong growth potential in affordable living

CR Capital Real Estate AG is a **real estate investment company** focussed on **affordable living in Germany**: the lower tier of the housing market is a sweet spot featuring high demand, little competition, and supportive politics.

CR Capital's holding **Terrabau** is a developer of affordable housing ownership focused on b2c with high EBITDA margins of 12.5-15%. Serial production and standardisation result in price leadership (construction costs 45% below a standard building) and an **exceptional affordability** with prices 25-30% below competition while adhering to latest **ecological and quality building standards, such as EnEV or KfW55**.

On the back of a **widespread housing shortage** with ongoing rental and price growth in Germany's agglomerations, strong demand for this **scarce product** has created an excellent distribution proposition in the company's current core regions of Greater Berlin and Leipzig.

Affordable living is one of the arguably **most attractive asset classes within the "safe haven" of German residential real estate** since it addresses a large untapped market potential and funding is partial covered by government programmes (e.g. home buyer subsidies).

CR Capital operates with a **lean cost structure, resulting in a strong operating leverage, and is almost debt-free**. We estimate EPS growth of 41% from 2020E to 2022E. The equity ratio is expected to remain at c 92% and net debt/EBITDA at only 0.1x by 2022E vs. an average of 2.1x for DACH real estate developers.

Future possible growth drivers are expected to be a broader **geographical reach**, highlighting the **scalability of an industrialised housing production**, and **additional offerings along the real estate value chain** such as the option to develop a REIT structure specialised on affordable living (not in estimates).

We initiate CR Capital with a **PT of € 51 (54% upside)** based on a dividend discount model (20% payout ratio and 1.8% terminal growth) as well as a peer group analysis (conservative 6x PER in 2020E and 2021E; 75%/25% weighting). All this comes with a **highly attractive dividend yield of 6-8% until 2022E. Buy**.

Y/E 31.12 (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Revenues	4.0	6.6	14.7	95.6	52.0	61.7	72.4
Revenue growth	-24%	68%	121%	551%	-46%	19%	17%
EBITDA	2.4	4.3	11.6	91.3	48.9	58.4	69.0
EBIT	2.4	4.0	11.6	91.2	48.8	58.3	68.9
Net income	2.2	5.8	7.8	92.5	35.0	41.8	49.4
Net debt	-3.3	7.0	-2.0	5.8	5.7	9.7	12.6
Net gearing	-14.6 %	24.7 %	-5.6 %	4.7 %	3.2 %	4.1 %	4.2 %
Net Debt/EBITDA	0.0	1.6	0.0	0.1	0.1	0.2	0.2
EPS pro forma	0.20	3.07	9.66	24.61	9.32	11.13	13.14
CPS	0.11	-2.03	1.59	-0.75	0.85	1.16	1.47
DPS	0.00	1.00	1.50	0.75	2.06	2.23	2.64
Dividend yield	0.0 %	3.0 %	4.5 %	2.3 %	6.2 %	6.7 %	8.0 %
Gross profit margin	8.6 %	-3.5 %	15.9 %	50.3 %	67.7 %	71.4 %	74.4 %
EBITDA margin	60.6 %	64.8 %	79.0 %	95.4 %	94.0 %	94.7 %	95.3 %
EBIT margin	60.1 %	60.1 %	78.7 %	95.4 %	93.8 %	94.6 %	95.2 %
ROCE	9.0 %	12.7 %	30.7 %	106.8 %	43.2 %	30.4 %	27.2 %
EV/sales	14.9	10.4	4.1	1.4	2.5	2.2	1.9
EV/EBITDA	24.5	16.1	5.2	1.4	2.7	2.3	2.0
EV/EBIT	24.8	17.3	5.2	1.4	2.7	2.3	2.0
PER	163.0	10.8	3.4	1.3	3.5	3.0	2.5

Source: Company data, Hauck & Aufhäuser Close price as of: 13.11.2020



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 41.80 / 18.00

Price/Book Ratio: 0.7

Relative performance (SDAX):

3 months 11.7 %

6 months 37.8 %

12 months 19.7 %

Changes in estimates

		Revenues	EBIT	EPS
2020	old:	52.0	48.8	9.32
	Δ	-	-	-
2021	old:	61.7	58.3	11.13
	Δ	-	-	-
2022	old:	72.4	68.9	13.14
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 3.7

Authorised capital: (in € m) 9.4

Book value per share: (in €) 47.2

Ø trading volume: (12 months) 3,210

Major shareholders:

MPH Health Care AG 62.0 %

Free float 38.0 %

Company description:

Real estate investment company specialised in affordable living.

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Competitive Quality

An edge on affordable living

CR Capital Real Estate AG **focuses on affordable living** (lower tier of the housing market) in conurbations of prosperous urban regions. As we highlight in the following section, the competitive edge of the company is its highly attractive pricing, clearly below competition, and a focus on the home ownership market with higher margins compared to the institutional markets.

Terrabau: developer of affordable residential properties

The fully owned subsidiary Terrabau is a **real estate developer focused on delivering affordable housing**. The company's offer approaches the lower tier of owner-occupiers in the conurbations of Berlin and Leipzig, a target group that has been largely neglected by German developers and the housing industry, as higher yields are still usually possible with high-end real estate development.

Recent developments of affordable residential properties



Source: CR Capital Real Estate

Unique focus on affordability

The focus on affordable housing is unique for a listed player in Germany and differentiates the company from other listed developers and real estate companies, which usually focus on the middle to upper price brackets (Instone, Consus, UBM, Helma, Bonava).

Affordable homes mean that purchase prices of Terrabau's homes are **25-30% below the pricing of its peer group**

Serial production and standardisation mean price leadership

The company achieves the better affordability of their homes by using serial production and high standardisation. This results in overall **construction costs that are 45% below a standard building in Germany**.

1) Reduced complexity with 5-7% lower planning costs

CR Capital subsidiary Terrabau benefits from much lower planning costs (5-7% less compared to standard development) due to **less complex and therefore shorter planning periods** for standardised homes. Planning costs account for 15-20% of construction costs.

2) Construction costs are 35% below a standard building.

Prefabrication allows **cost savings for qualified labour** since the construction is increasingly automated and requires less highly skilled construction workers. This is a major advantage because Germany suffers from a shortage of skilled workers in the building industry. Labour costs account for 60% of construction costs.

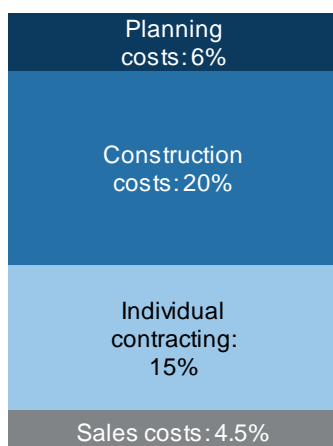
Furthermore, prefabrication **saves construction time**, as it is largely independent of weather conditions and clients can be certain to get their homes on time.

The company further improves cost efficiency by **awarding individual contracts to craftspersons instead of using a general contractor**. Therefore, the company employs own construction supervisors and project manager to control quality and craftspersons on the building site. The in-house expertise **saves Terrabau approx. 15% of total construction costs**.

3) Lean sales process

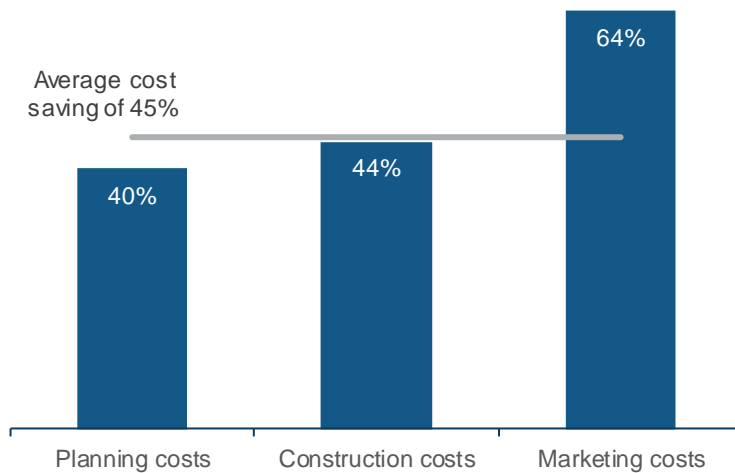
While sales costs are higher when selling to private persons, default or contract risks should be more limited given the much higher number of sales contracts on a single project. CR Capital manages sales internally without costly external distribution partners. Since clients buy a standardised product, CR avoids building customisation with high personal costs during the sales process. **Lean internal sales processes save 4-5% of total development costs**.

45% construction cost savings by source



Source: H&A

45% construction cost savings by comparison to traditional builders



Source: H&A

Capability to execute small scale projects limits competition

Standardisation allows CR Capital to **develop individual projects on a small scale, which is unfeasible for larger developers**. Projects with a size of 15-20 units are already profitable. If in close proximity to another CR development, it might even be sensible to build 10 units in one project.

Hence, the company can purchase relatively small building sites where **competition is more limited** compared to larger land plots.

Quality, affordability, reliability and latest environmental standards

On top of being a price leader, the pre-fabrication of modules in a factory still allows for **high German building standards** backed by building regulations, EnEV energy saving regulation and technical DIN norms. The continuous optimisation of the production process yields further efficiency gains. The company has entered into long-term partnerships with factories to produce pre-fabricated modules resulting in reliable delivery.

All homes are massive construction and offer **all advantages of a traditional construction** (durability, good indoor climate etc.).

Serial production also **saves building materials and energy** compared to traditional on-site construction (10-15% vs. traditional construction). The houses adhere to the **latest ecological standards** and are equipped with photovoltaic and heat pumps to minimise CO2 emissions (45% reduction vs. a standard home in Germany).

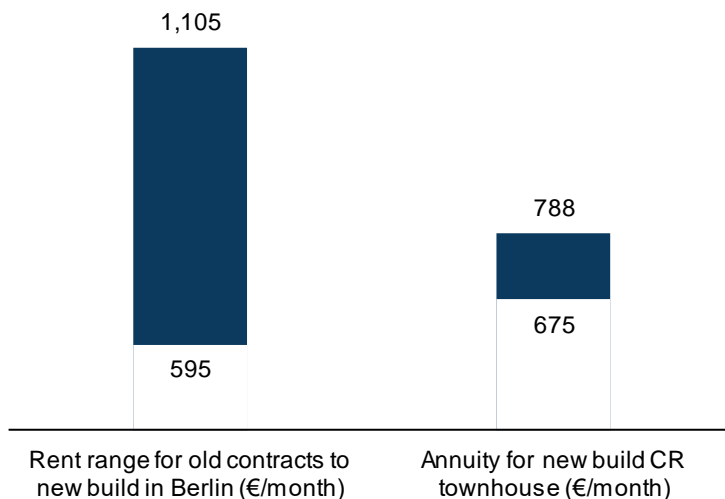
Unique selling proposition to homebuyers.

Demand for single-family home selling for up to € 300k is very high, also in comparison to renting. For example, the average rent for a family apartment in Berlin is € 595/month to € 1,020 excl. utilities. Annuities for a new build single-family home of CR Capital come below € 788/month (c. 1% financing costs), which makes **CR Capital homes affordable for families with net household incomes starting at € 2,000/month (30% housing cost affordability threshold).**

What's more, first time homebuyers with children benefit from a bonus of € 12,000 and a subsidy of another € 18,000, which already covers half of the equity requirements of 20% (€ 60,000).

The comparison between renting and owning shows the great affordability of CR homes for a high share of households. The strong demand the company experiences in all their projects is a further proof of the concept. **A recent development scheme of 40 new single-family homes completely sold out within four weeks.**

CR home ownership affordable like rents



Source: Company data, H&A

NB: Rent range €7-13.00/sqm/month excl. utilities, 85 sqm; House purchase prices €240-280,000; 20% equity, 1.22% interest rate, 3% amortisation

Up to 50% higher margins with private buyers

The company sells mostly to private buyers (80% of total) but also sells to institutional investors. The preference for private acquirers is clearly the 25-50% higher EBITDA margin compared to the institutional investment market (eH&A 12.5-15% vs 10% EBITDA margin).

Business Quality

Excellent track record

CR Capital's concept of constructing affordable single-family homes is a proven concept with **all projects delivered within the agreed cost and delivery period**. The company built approx. 400 units over the last three years.

Debt-free business model

CR Capital Real Estate operates with an astonishing **equity ratio of 91% at YE 2019**. As of today, the company has **financed all its developments with own equity and foregoes external debt**.

As a prerequisite before the start of construction, CR Capital pre-sells more than half of the houses. According to German developer act (MABV), developers can ask 30% of the total purchase price from the buyer when starting the construction. **This allows the company to self-finance all current projects. CR Capital is expected to have sufficient internal funding for organic revenue growth of 15-20% p.a.**

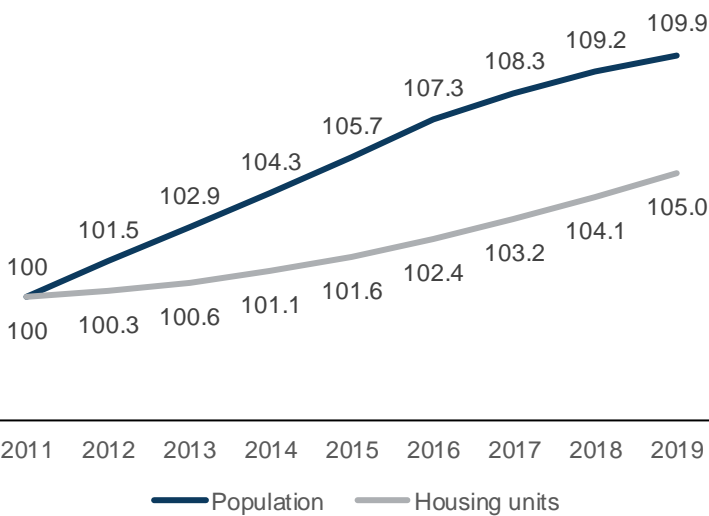
Growth

Strong demand for residential properties

Driven by increasing demand from population growth and sluggish construction activity, especially in prosperous urban regions such as Berlin, **the gap between supply and demand has widened in recent years** (>240,000 new residential units needed in Berlin region until 2030). Consequently, residential rents and purchase prices have grown substantially. This supports a trend towards home ownership for many households.

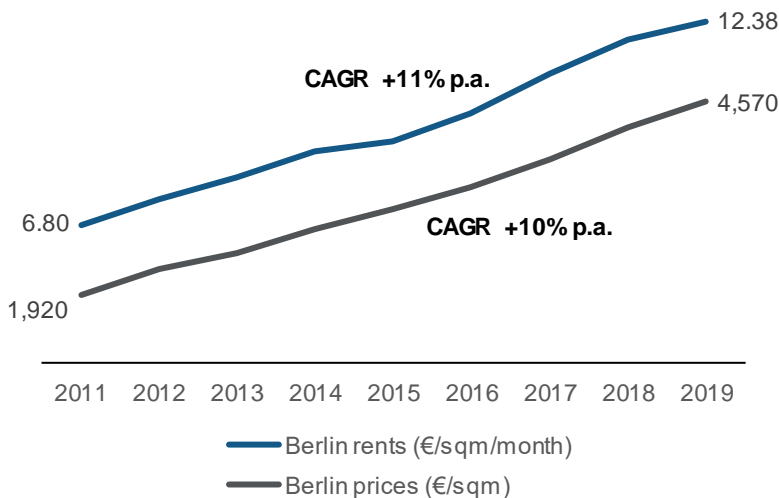
CR Capital Real Estate is in a sweet spot with its affordable home offer meeting an increasing demand in an ever more expensive housing market.

Large gap in development of population & housing units in Berlin



Source: Statistical Office Berlin Brandenburg, H&A

Strongly appreciating rents and purchase prices



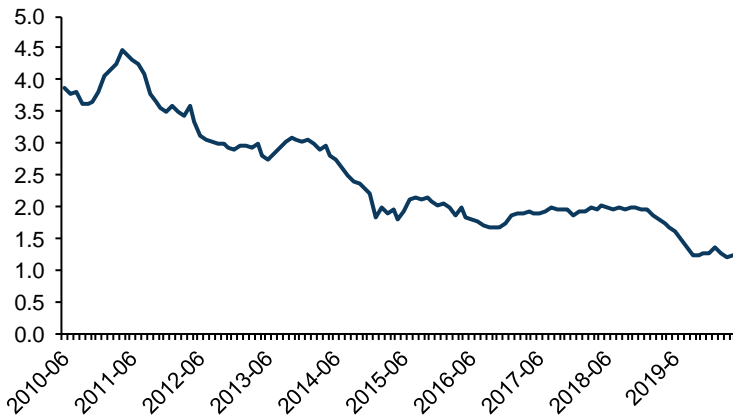
Source: JLL, H&A

Favourable environment for home buyers

At the same time, bank financing is abundant at favourable rates (1.2% for a 10-year loan, 20% equity contribution, see graph below). The German business development bank (KfW) subsidises first-time home ownership with € 18,000 per household if adhering to a certain energy standard (KfW standard 55, box ticked for CR). On top, families receive a bonus of € 12,000 per child over 10 years.

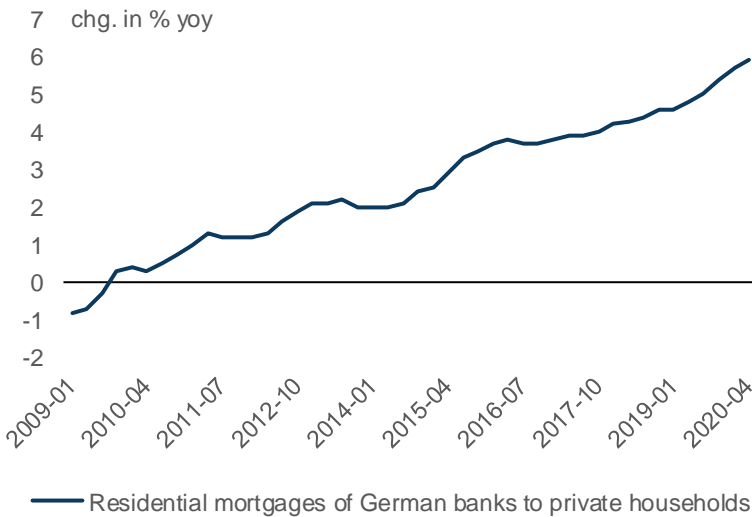
Furthermore, in light of a lack of investment alternatives in a zero interest rate environment and perceived high risks in the stock markets, real estate investments are still extremely popular with private households (see mortgage volume growth below).

Effective mortgage interest rates (10 yr maturity, %p.a.)



Source: German Bundesbank

Significant growth of mortgage volume in Germany



Source: German Bundesbank

Large untapped market potential for affordable homes

The offer of affordable homes for up to € 300,000 in price addresses a very large market of 60% of housing demand according to the German Federal Statistical Office. In relation to the total turnover of residential real estate in Germany (German Federal Committee of Valuation Experts), this **equals a market size of c. € 108bn in Germany as a whole (CAGR 8.5% since 2009).**

Hence, **the market size in CR Capital's markets (Berlin, Brandenburg, Saxony and Saxony-Anhalt) is estimated to be € 30bn.**

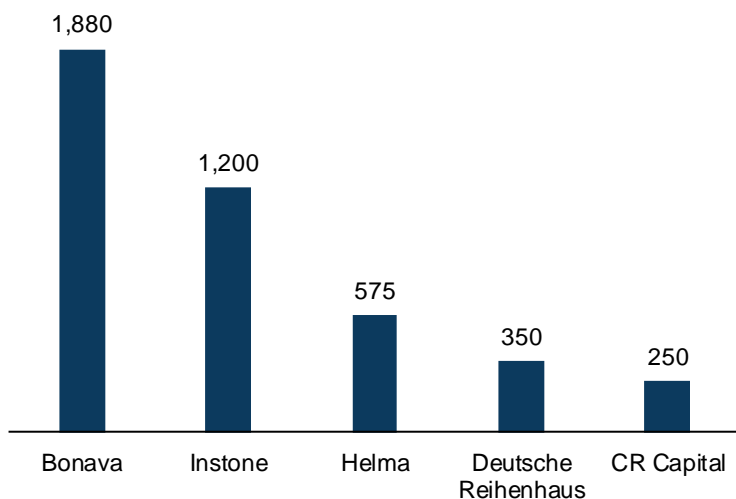
On top of demand from the home ownership market, we also see **high demand on the institutional investment market for affordable living products.** Investors are attracted by stable cash flows and the strong imbalance between supply and demand for affordable housing. Hence, this is expected to provide an additional distribution channel, thereby reducing sales risks. However, it might come at 20-25% lower margins compared to disposals to private homebuyers.

Room for geographical expansion

The company is currently focused on the conurbations of Berlin and Leipzig, where it is developing > 250 units in 2020E (eH&A € 64m volume). Meanwhile, the business model is expected to be transferable to other prosperous German regions with undersupplied housing markets (new build demand of 400,000 units p.a. in Germany vs. 260,000 completion of new build units in 2019).

While management says to have no concrete plans to expand the geographic reach further since the home markets still offer enough potential, it could expand its successful business model to other German agglomerations with similarly strained housing markets in the medium term. **The growth potential also becomes clear when comparing CR Capital to its competitors operating nationwide (see graph below).**

Selected competitors in affordable housing (number of units p.a.)



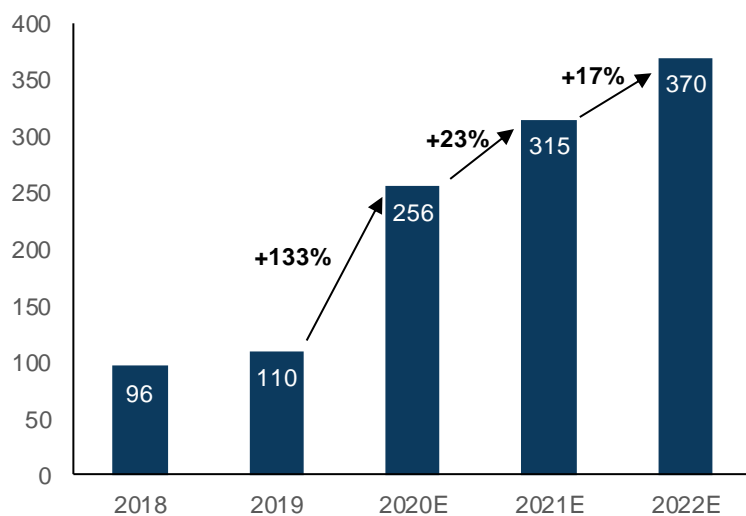
Source: Company data, H&A

Unit growth of 17-23% p.a.

While the business model is clearly scalable, **prudent organic growth is part of CR Capital's DNA**. Since the start of the development business in 2018, CR Capital finished 150 housing units in four developments. In 2020, the company anticipates the completion of >250 units. This number should grow to >300 units in 2021E. **Within three to five years, CR Capital plans to produce 500 housing units per year (15% organic growth rate p.a.).**

Currently, CR Capital Real Estate is reviewing building sites for the construction of more than 1,000 new housing units outside of Berlin and Leipzig.

Sold residential units



Source: Company data, H&A

Revenue growth of 17% p.a.

The first time valuation of Terrabau resulted in a fair value of € 224m at the end of 2019 (DCF valuation by EY according to IFRS 13). CR Capital was able to capitalise € 93m of the fair value in 2019, which equals the company's total sales.

For H1 2020, CR Capital announced a preliminary net profit of € 30m, which is exclusively stemming from the increasing fair value of its holding in Terrabau.

The growing development pipeline of Terrabau is expected to deliver further growth of the company fair value going forward. Hence, we expect the company to reach total sales of € 52m in 2020E, € 62m in 2021E and € 72m in 2022E out of the fair value uplift of its holdings Terrabau and dividends.

Excluding one-off IFRS effects from first time recognition of Terrabau in 2019, the **organic revenue growth potential of CR Capital is seen between 15-20% p.a.** (eH&A 17% p.a.).

Profit & Loss

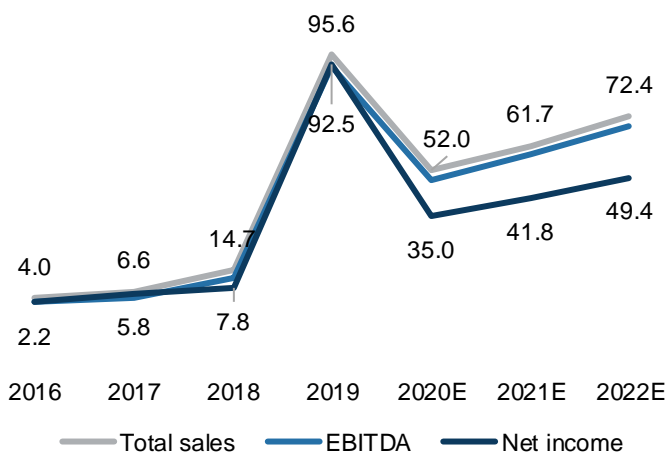
€m	2016	2017	2018	2019	2020E	2021E	2022E
Total sales	4.0	6.6	14.7	95.6	52.0	61.7	72.4
EBITDA	2.4	4.3	11.6	91.2	48.9	58.4	69.0
<i>EBITDA margin %</i>	<i>61%</i>	<i>65%</i>	<i>79%</i>	<i>95%</i>	<i>94%</i>	<i>95%</i>	<i>95%</i>
Net income	2.2	5.8	7.8	92.5	35.0	41.8	49.4
<i>Profit margin %</i>	<i>56%</i>	<i>87%</i>	<i>53%</i>	<i>97%</i>	<i>67%</i>	<i>68%</i>	<i>68%</i>
EPS	0.12	3.07	4.15	24.61	9.35	11.16	13.18
DPS	0.00	1.00	1.50	0.75	2.06	2.23	2.64
Payout ratio	0%	33%	36%	3%	22%	20%	20%

Profit & Loss (change yoy)

€m	2017	2018	2019	2020E	2021E	2022E
Total sales	68%	121%	551%	-46%	19%	17%
EBITDA	79%	170%	686%	-46%	20%	18%
Net income	164%	34%	1086%	-62%	19%	18%
EPS	2458%	35%	493%	-62%	19%	18%
DPS	n/a	50%	-50%	174%	8%	18%

Source: Company data, H&A

Profit & Loss (€ m)



Source: Company data, H&A

Net income growth of 19% p.a.

Net income growth at CR Capital as a holding company is expected to grow only slightly above top line growth (eH&A 19% p.a. excl. one-off effects in 2020E). Financing cost remain marginal given its pre-dominantly self-financing business model (eH&A 0.9% of revenues in 2020E to 1.1% in 2022E).

Dividends growing in line with earnings

The company kept the **dividend at a stable level in 2020** compared to 2019 on equal share base. While the number of shares doubled yoy (capital increase by distribution of bonus shares 1:1), the dividend reached € 0.75/share for 2019.

In the subsequent years, we see a gradual increasing dividend with earnings and anticipate a **payout ratio of 20%** in 2022E, which is expected to be a comfortable level for company growth. Hence, the **dividend yield is expected to reach 6.3% in 2020E, 6.8% in 2021E and 8.1% in 2022E.**

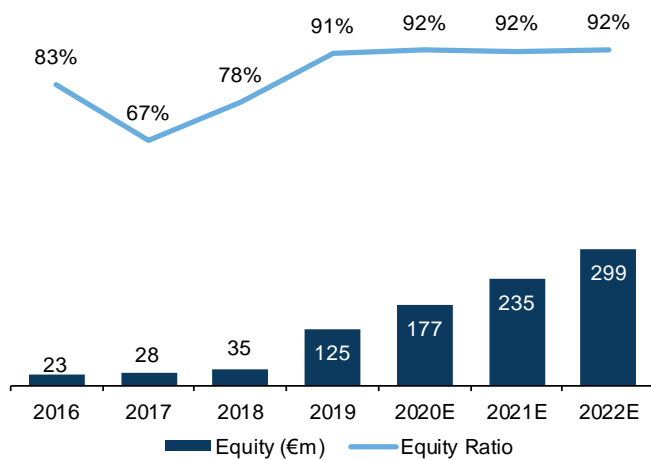
High equity ratio and very low debt

CR Capital comes with a high equity ratio of 91% in 2019. The equity ratio is expected to remain at c92% until 2022E. Organic growth of 15-20% p.a. is seen to be largely self-financed with development activity of Terrabau and without the need for additional equity.

For growth beyond Terrabau, CR Capital is expected to slightly increase its net debt to € 13m by using bank credit lines over the next three years, which equals a still **very low net debt/EBITDA ratio of 0.2x by 2022E.**

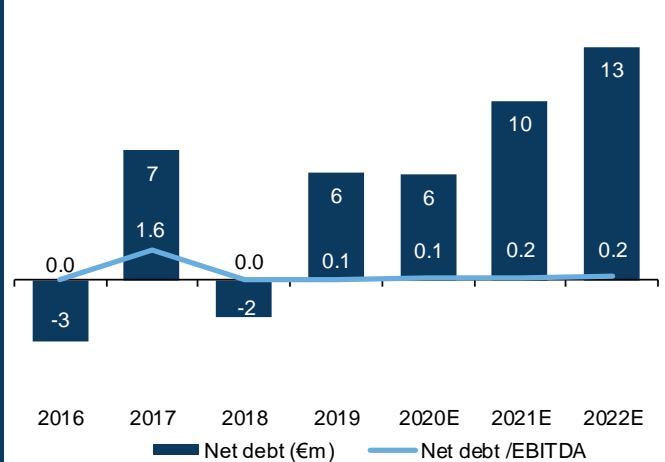
Arguably, CR Capital could still opt for stronger growth, if they opted to expand their business geographically backed by CR's healthy balance sheet.

Equity and equity ratio



Source: Company data, H&A

Net debt and net debt/EBITDA



Source: Company data, H&A

Valuation: BUY; PT of € 51

Two-tier valuation approach: peer group analysis and dividend discount model

The valuation is based on a two-tier approach.

A peer group analysis based on P/E ratios is used to reflect the property development focus of CR Capital. This has proven to be a more reliable valuation method compared to DCF-models for companies with a strong focus on real estate development.

Furthermore, the investment holding of a developer should yield a substantial shareholder dividend. Hence, a three-stage Gordon growth/dividend discount model has been chosen to reflect the earnings potential of the holding structure.

We base our valuation models for CR Capital Real Estate AG on the estimates described in the previous chapters.

The valuation approaches result in the following fair values:

- **P/E peer group:** The peer group comparison derives a PT of € 58.65 reflecting a 5.5x P/E ratio on EPS 2020E and 2021E (weighted 75/25).
- **Dividend discount model:** The DDM leads to a fair value of € 44.20 based on a dividend payout ratio of 20% and terminal growth of 1.6%.

Our **PT of € 51** is based on the average of P/E peer group and DDM.

Peer group approach: PT of € 58.65

The **historical P/E ratio for established real estate developers is around 10x**. Reduced earnings of developers in 2020E amid CoV have led to higher than historic valuation multiples (see graph below). However, if looking into 2021E, they almost normalize to their historic mean with a 10-11-x average.

CR Capital's development business of affordable homes is seen as largely unaffected by the CoV pandemic unlike the peer group. Therefore, a multiple at the historic average of development companies of 10x P/E seems justified as basis for a valuation. However, CR Capital is in ramp-up mode, much smaller and less mature, listed in the Basic Board, compared to peers, which justifies in our view a discount of 40%.

Hence, we derive a multiple of **6x to EPS 2020E and EPS 2021E** (weighted 75/25). Our valuation based on a P/E peer group yields a PT of **€ 58.65**.

European development companies: valuation comparables

	Market cap (€ m)	Price/Earnings (x)		
		2020e	2021e	2022e
Instone Real Estate (D)	841.1	22.1	8.7	6.7
Consus Real Estate (D)	1077.7	7.8	22.3	8.3
Neinor Homes (E)	823.2	14.1	9.9	12.3
Aedas Homes (E)	814.5	12.9	8.7	6.9
Helma Eigenheimbau (D)	146.0	13.1	10.4	7.8
UBM Development AG (A)	201.7	7.2	7.9	5.1
Peach Property (CH)	334.3	n/a	n/a	n/a
JM (SE)	18411.7	14.2	13.4	11.6
Bonava (SE)	6932.8	14.0	11.6	8.7
Dom Development (PL)	2446.2	9.3	11.1	11.4
Atal (PL)	1112.7	7.9	6.3	6.4
Immobel (B)	603.8	3.6	8.1	14.3
Kaufman & Broad (F)	738.8	25.3	11.0	10.0
Nexity (F)	1404.4	22.0	9.3	8.2
Persimmon (UK)	7651.5	10.9	10.2	9.8
Barratt (UK)	5206.5	13.1	9.7	8.5
Berkeley Group (UK)	5223.4	13.2	12.0	11.7
Average all		13.2	10.7	9.2
Median all		13.1	10.1	8.6

Source: Company data, Bloomberg, Marketmap, H&A

PER based valuation

Weighting	75%	25%	
	2020E	2021E	2022E
5	46.62	55.63	65.72
5.5	51.29	61.19	72.29
6	55.95	66.76	78.86
6.5	60.61	72.32	85.44
7	65.27	77.88	92.01
7.5	69.94	83.44	98.58
8	74.60	89.01	105.15
8.5	79.26	94.57	111.72
9	83.92	100.13	118.30
9.5	88.59	105.70	124.87
10	93.25	111.26	131.44
10.5	97.91	116.82	138.01
11	102.57	122.39	144.58

Dividend discount model: PT of € 44.20

The DDM model assumes that the company is worth the sum of all of its future dividend payments, discounted back to their present value.

Hence, the main driver of this model is the level of dividend available to an investor. The starting point are the estimated future earnings per share to which is applied an anticipated sustainable dividend payout ratio (20%) to arrive at the expected dividend payments.

Equity value based on dividend discount model

Mid-term EPS growth	7.5%
Terminal growth	1.6%
Sustainable payout	20.0%
Normalised CoE	8.7%

Euro	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
EPS per share	9.32	11.13	13.14	14.13	15.19	16.33	17.55	17.83
EPS growth yoy	89.9%	19.3%	18.1%	7.5%	7.5%	7.5%	7.5%	1.6%
Payout	22%	20%	20%	20%	20%	20%	20%	20%
Dividend per share	2.05	2.23	2.63	2.83	3.04	3.27	3.51	3.57
NPV of DPS	2.03	2.02	2.20	2.17	2.14	2.12	2.09	1.95
Terminal Value								50.17
NPV of Terminal Value								27.49
Fair Value per share								44.20

Source: Company data, Hauck & Aufhäuser

Total Cost of Equity

Portfolio

Asset type	0.00%
Focused /Multi-focused	0.00%
Location	0.00%
Quality of assets/tenants	0.00%
Development exposure	2.85%

Management

In-/external management	0.00%
Experience/track record	0.00%

Financing structure

LTV	0.00%
Structure of debt	0.00%

Shareholder structure 0.25%

Liquidity / indices 0.25%

Transparency 0.75%

Corporate Governance 0.50%

Total risk premiums 4.60%

Normalised risk free rate 1.00%

Risk spread 2.40%

Beta 1.30

Total Cost of Equity 8.71%

Source: Hauck & Aufhäuser

Theme

CR Global Care – bringing affordable living to investors

CR Capital has announced the creation of a **Real Estate Investment Trust (REIT)**. The idea is to enter affordable housing in the Berlin region produced by Terrabau into the REIT. While no timeline is attached to this project, management expects the REIT not before 2022 the earliest. CR Capital intends to initiate the REIT together with institutional investors but also addresses private investors.

The REIT strategy is seen as a sensible **extension of the real estate value chain** for CR Capital and as a **supporting long-term growth factor** in the business model since it creates a supplementary distribution channel for Terrabau.

Increasing free float

Key shareholder is the MPH Health Care AG (62% of shares). After a successful development of CR Capital, the share ownership of MPH could be reduced and hence free float increased resulting in higher liquidity of the stock.

Company Background

Overview

CR Capital Real Estate AG is an investment company with strategic holdings along the real estate value chain. Its focus is the creation of high-quality, residential real estate built via solid-structure construction at affordable prices, mainly in Leipzig and the Greater Berlin area. CR Capital has the legal status of an investment company and values its holdings according to IFRS 9.

Real estate investment holding

Furthermore, the acquisition and sale of said real estate marks another pillar in its business model. Here, the aim is to realize value appreciation while combining quality and cost efficiency – it shall be noted that an average house from CR Capital Real Estate sells for < € 300k. Together with the subsidiaries Terrabau and CR Global Care, the company also offers an integrated investment concept serving the entire value chain from construction to financing. This is the main argument for its aggressive approach to pricing.

Focused on affordable living

History

CR Capital Real Estate was founded in May 2008 in Berlin, Germany and has been listed on the Frankfurt Stock Exchange in the Open Market, Basic Board since the summer of 2010.

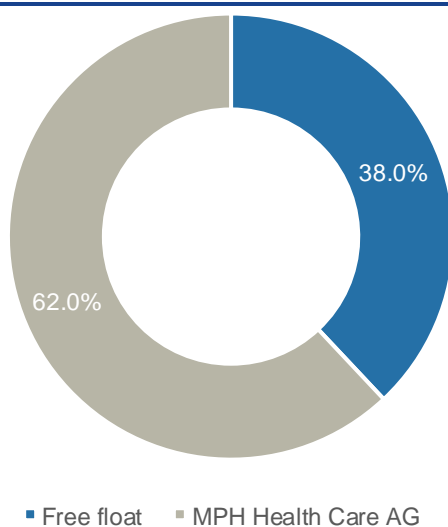
Founded in 2008

Group and shareholder structure

Key shareholder is the MPH Health Care AG (62% of shares), an investment entity strategically focused on the purchase, development and sale of growth companies. It pursues a fast paced and opportunistic strategy, where generated liquidity is reused for the establishment of new growth areas. After a successful development of a portfolio company, shares of the company could be reduced depending on the prevailing situation and market conditions.

The remainder of the **3.8m total shares outstanding** is free float (38%).

Shareholder structure

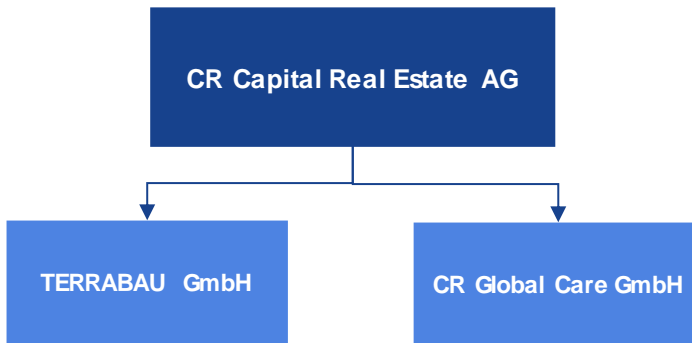


Source: Company data, Hauck & Aufhäuser

Terrabau most important holding

CR Capital Real Estate AG as an investment company currently derives more than 98% of its revenues from its holding Terrabau and its subsidiaries, which are usually SPVs (special purpose vehicle) for each real estate development project. CR Global Care is a real estate asset and property manager, also responsible for the distribution of real estate.

Overview of group structure



Source: Company data, H&A

Management

Stefan Demske – CEO

Mr. Stefan Demske, born in 1964, completed his degree in business administration in Munich. After many years in leading positions at renowned companies in the real estate industry, Mr. Demske decided in 2020 to move from the Supervisory Board to the operational management of CR Capital Real Estate AG once again, after initially serving as a CEO from 2014 - 2018.



Supervisory Board

Stefan Krach – Chairman of the Supervisory Board

Stefan Krach was born in Ludwigsburg in 1959. Mr Krach has been Chairman of the Supervisory Board of CR Capital Real Estate AG since its foundation in 2008. He studied law in Munich and Toronto and was admitted as an attorney in 1988, specializing in corporate legislation, mergers & acquisitions and public-private-partnerships in the service sector.



Rolf Richter– Member of the Supervisory Board

Born in 1953, Richter has been responsible for procurement ever since the company was founded. He has built up one of the largest and most comprehensive real estate databases, enabling the company to benefit from an enormous competitive advantage.



Peter Peitz –Member of the Supervisory Board

Mr Peitz was born in 1958 and has been self-employed as an architect since 1989. He studied architecture in Munich. Since the CR Capital Real Estate AG was founded, he worked independently in his own companies near lake Constance while holding a seat on the board. Since 2004, Mr. Peitz has been working as an official assessor for damaged property. He is publicly appointed and sworn in by the local Chamber of Industry and Commerce, further contributing to his reputation



Financials

Profit and loss (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	4.0	6.6	14.7	95.6	52.0	61.7	72.4
<i>Sales growth</i>	95.1 %	-40.5 %	152.7 %	-84.6 %	60.6 %	18.2 %	17.1 %
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	4.0	6.6	14.7	95.6	52.0	61.7	72.4
Other operating income	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Material expenses	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Personnel expenses	0.7	1.2	1.6	1.5	1.6	1.7	1.8
Other operating expenses	0.9	1.1	1.4	2.9	1.5	1.6	1.6
Total operating expenses	1.6	2.3	3.1	4.4	3.1	3.3	3.4
EBITDA	2.4	4.3	11.6	91.3	48.9	58.4	69.0
Depreciation	0.0	0.3	0.1	0.0	0.1	0.1	0.1
EBITA	2.4	4.0	11.6	91.2	48.8	58.3	68.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	2.4	4.0	11.6	91.2	48.8	58.3	68.9
Interest income	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Interest expenses	0.2	0.1	0.2	0.3	0.5	0.7	0.8
Other financial result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.2	-0.1	-0.2	0.1	-0.5	-0.7	-0.8
Recurring pretax income from continuing operations	2.2	3.9	11.3	91.3	48.3	57.7	68.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	2.2	3.9	11.3	91.3	48.3	57.7	68.1
Taxes	0.0	-1.9	3.5	-1.1	13.3	15.9	18.7
Net income from continuing operations	2.2	5.8	7.8	92.5	35.0	41.8	49.4
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	2.2	5.8	7.8	92.5	35.0	41.8	49.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	2.2	5.8	7.8	92.5	35.0	41.8	49.4
Average number of shares	18.8	1.9	3.7	3.7	3.7	3.7	3.7
EPS reported	0.12	3.07	2.13	24.69	9.35	11.16	13.18

Profit and loss (common size)	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Other operating income	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Material expenses	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Personnel expenses	17.8 %	18.2 %	11.1 %	1.6 %	3.1 %	2.8 %	2.5 %
Other operating expenses	21.6 %	17.0 %	9.8 %	3.0 %	2.9 %	2.5 %	2.2 %
Total operating expenses	39.4 %	35.2 %	21.0 %	4.6 %	6.0 %	5.3 %	4.7 %
EBITDA	60.6 %	64.8 %	79.0 %	95.4 %	94.0 %	94.7 %	95.3 %
Depreciation	0.6 %	4.7 %	0.4 %	0.0 %	0.2 %	0.2 %	0.1 %
EBITA	60.1 %	60.1 %	78.7 %	95.4 %	93.8 %	94.6 %	95.2 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	60.1 %	60.1 %	78.7 %	95.4 %	93.8 %	94.6 %	95.2 %
Interest income	0.3 %	0.0 %	0.0 %	0.4 %	0.0 %	0.0 %	0.0 %
Interest expenses	4.4 %	1.8 %	1.4 %	0.3 %	0.9 %	1.1 %	1.1 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	0.1 %	neg.	neg.	neg.
Recurring pretax income from continuing operations	55.9 %	58.4 %	77.3 %	95.5 %	92.9 %	93.4 %	94.1 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	55.9 %	58.4 %	77.3 %	95.5 %	92.9 %	93.4 %	94.1 %
Tax rate	2.1 %	-48.7 %	31.3 %	-1.2 %	27.5 %	27.5 %	27.5 %
Net income from continuing operations	54.7 %	86.8 %	53.1 %	96.7 %	67.4 %	67.7 %	68.2 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	54.7 %	86.8 %	53.1 %	96.7 %	67.4 %	67.7 %	68.2 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	54.7 %	86.8 %	53.1 %	96.7 %	67.4 %	67.7 %	68.2 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0.0	10.4	10.4	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Financial assets	16.1	17.4	25.6	117.5	168.5	228.5	294.5
FIXED ASSETS	16.2	27.9	36.1	117.6	168.6	228.6	294.6
Inventories	5.3	9.4	1.8	4.3	4.8	5.2	6.1
Accounts receivable	0.4	2.2	0.3	0.3	0.4	0.5	0.7
Other current assets	0.1	0.6	3.3	13.6	14.9	16.4	17.5
Liquid assets	5.4	2.0	3.9	1.1	3.5	4.1	4.9
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	11.2	14.1	9.3	19.3	23.6	26.2	29.2
TOTAL ASSETS	27.4	42.1	45.4	136.9	192.2	254.8	323.8
SHAREHOLDERS EQUITY	22.7	28.4	35.4	125.1	177.3	234.6	299.4
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Long-term debt	2.0	8.6	1.8	6.8	9.0	13.4	17.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.2	0.3	0.3	1.3	1.5	1.8	2.0
Non-current liabilities	2.3	8.9	2.2	8.0	10.5	15.2	19.0
short-term liabilities to banks	0.1	0.4	0.1	0.1	0.2	0.4	0.5
Accounts payable	0.2	0.6	0.6	1.1	1.2	1.3	1.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.1	0.6	0.4	0.2	0.4	0.4	0.4
Deferred taxes	2.0	3.3	6.7	2.4	2.6	2.8	3.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	2.4	4.8	7.9	3.8	4.4	4.9	5.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	27.4	42.1	45.4	136.9	192.3	254.8	323.8

Balance sheet (common size)	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0.0 %	24.7 %	22.9 %	0.0 %	0.0 %	0.0 %	0.0 %
Property, plant and equipment	0.1 %	0.2 %	0.2 %	0.1 %	0.1 %	0.0 %	0.0 %
Financial assets	58.9 %	41.4 %	56.4 %	85.8 %	87.6 %	89.7 %	91.0 %
FIXED ASSETS	59.1 %	66.4 %	79.5 %	85.9 %	87.7 %	89.7 %	91.0 %
Inventories	19.3 %	22.3 %	4.0 %	3.2 %	2.5 %	2.0 %	1.9 %
Accounts receivable	1.4 %	5.2 %	0.6 %	0.2 %	0.2 %	0.2 %	0.2 %
Other current assets	0.4 %	1.4 %	7.2 %	9.9 %	7.7 %	6.4 %	5.4 %
Liquid assets	19.9 %	4.7 %	8.7 %	0.8 %	1.8 %	1.6 %	1.5 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	40.9 %	33.6 %	20.5 %	14.1 %	12.3 %	10.3 %	9.0 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	82.9 %	67.5 %	77.9 %	91.4 %	92.2 %	92.1 %	92.5 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	7.4 %	20.5 %	4.0 %	4.9 %	4.7 %	5.3 %	5.3 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	0.8 %	0.6 %	0.7 %	0.9 %	0.8 %	0.7 %	0.6 %
Non-current liabilities	8.2 %	21.1 %	4.8 %	5.9 %	5.5 %	6.0 %	5.9 %
short-term liabilities to banks	0.3 %	0.9 %	0.2 %	0.1 %	0.1 %	0.2 %	0.2 %
Accounts payable	0.7 %	1.3 %	1.3 %	0.8 %	0.6 %	0.5 %	0.4 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	0.4 %	1.4 %	1.0 %	0.1 %	0.2 %	0.2 %	0.1 %
Deferred taxes	7.4 %	7.8 %	14.8 %	1.7 %	1.4 %	1.1 %	0.9 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	8.9 %	11.4 %	17.3 %	2.8 %	2.3 %	1.9 %	1.6 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Net profit/loss	2.2	3.9	11.3	91.3	48.3	57.7	68.1
Depreciation of fixed assets (incl. leases)	0.0	0.3	0.0	0.0	0.1	0.1	0.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-1.5	0.1	-10.1	-48.1	-47.1	-56.0	-65.0
Cash flow from operations before changes in w/c	0.8	4.3	1.2	43.3	1.3	1.8	3.2
Increase/decrease in inventory	-0.2	-4.1	-3.1	-41.6	-0.5	-0.4	-0.9
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.2
Increase/decrease in accounts payable	-6.0	0.4	0.5	9.0	0.1	0.1	0.1
Increase/decrease in other working capital positions	7.5	-4.1	4.4	-13.4	2.5	3.1	3.4
Increase/decrease in working capital	1.3	-7.8	1.8	-46.0	2.0	2.7	2.4
Cash flow from operating activities	2.0	-3.5	3.0	-2.8	3.3	4.5	5.6
CAPEX	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Payments for acquisitions	0.4	8.3	1.5	0.7	0.2	0.6	0.0
Financial investments	2.8	1.5	8.7	0.4	0.0	0.0	0.0
Income from asset disposals	6.0	0.1	-0.4	0.0	0.0	0.0	0.0
Cash flow from investing activities	8.4	-6.8	6.8	-0.4	-0.4	-0.7	-0.1
Cash flow before financing	4.9	-13.3	-7.5	-3.9	2.9	3.7	5.5
Increase/decrease in debt position	-3.4	6.9	-7.1	3.4	2.3	4.6	3.7
Purchase of own shares	0.0	0.1	-1.1	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	1.8	2.8	2.8	7.7	8.4
Others	-3.5	0.1	0.0	-0.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-6.9	6.9	-7.8	0.3	-0.5	-3.1	-4.7
Increase/decrease in liquid assets	-2.0	-6.5	-15.4	-3.7	2.4	0.6	0.8
Liquid assets at end of period	5.4	2.0	3.9	1.1	3.5	4.1	4.9

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
Domestic	4.0	6.6	14.7	95.6	52.0	61.7	72.4
yoy change	-89.8 %	67.9 %	121.1 %	551.1 %	-45.6 %	18.7 %	17.3 %
Rest of Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TTL	4.0	6.6	14.7	95.6	52.0	61.7	72.4
yoy change	-90.1 %	67.9 %	121.1 %	551.1 %	-45.6 %	18.7 %	17.3 %

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2016	2017	2018	2019	2020E	2021E	2022E
P&L growth analysis							
Sales growth	95.1 %	-40.5 %	152.7 %	-84.6 %	60.6 %	18.2 %	17.1 %
EBITDA growth	-30.4 %	79.5 %	169.5 %	686.0 %	321.1 %	-36.0 %	41.1 %
EBIT growth	-12.5 %	68.0 %	189.5 %	689.2 %	322.2 %	-36.0 %	41.2 %
EPS growth	28.4 %	2560.8 %	-30.8 %	1061.6 %	340.1 %	-54.8 %	41.0 %
Efficiency							
Total operating costs / sales	20.5 %	105.5 %	1.0 %	97.9 %	91.5 %	91.1 %	90.8 %
Sales per employee	989.5	949.1	864.1	4,782.0	2,476.2	2,682.6	2,896.0
EBITDA per employee	600.0	615.4	683.0	4,563.4	2,328.6	2,540.9	2,759.6
Balance sheet analysis							
Avg. working capital / sales	237.0 %	123.9 %	42.5 %	2.6 %	5.3 %	6.4 %	6.5 %
Inventory turnover (sales/inventory)	3.3	1.1	14.5	0.9	1.4	1.5	3.0
Trade debtors in days of sales	7.9	76.7	3.7	25.7	22.5	23.8	75.0
A/P turnover [(A/P*365)/sales]	4.5	19.0	9.9	206.3	208.6	215.7	222.2
Cash conversion cycle (days)	150.6	418.8	26.6	579.1	628.5	650.0	749.4
Cash flow analysis							
Free cash flow	2.0	-3.6	3.0	-2.8	3.2	4.3	5.5
Free cash flow/sales	50.6 %	-54.1 %	20.5 %	-3.0 %	6.1 %	7.0 %	7.6 %
FCF / net profit	92.4 %	neg.	38.5 %	neg.	9.1 %	10.4 %	11.1 %
Capex / deprn	12095.7	537.0 %	25250.1	1214.0 %	110.0 %	120.0 %	130.0 %
Capex / maintenance capex	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / sales	15.9 %	15.1 %	33.0 %	11.9 %	1.7 %	1.6 %	1.4 %
Security							
Net debt	-3.3	7.0	-2.0	5.8	5.7	9.7	12.6
Net Debt/EBITDA	0.0	1.6	0.0	0.1	0.1	0.2	0.2
Net debt / equity	neg.	0.2	neg.	0.0	0.0	0.0	0.0
Interest cover	13.5	34.1	54.6	359.8	101.1	84.6	88.0
Dividend payout ratio	0.0 %	32.6 %	36.1 %	3.0 %	22.1 %	20.1 %	20.1 %
Asset utilisation							
Capital employed turnover	0.2	0.2	0.4	0.7	0.3	0.2	0.2
Operating assets turnover	0.7	0.6	9.5	26.8	12.7	13.7	13.2
Plant turnover	119.9	68.5	192.9	907.8	520.0	617.0	724.0
Inventory turnover (sales/inventory)	3.3	1.1	14.5	0.9	1.4	1.5	3.0
Returns							
ROCE	9.0 %	12.7 %	30.7 %	106.8 %	43.2 %	30.4 %	27.2 %
ROE	9.5 %	20.3 %	22.0 %	73.9 %	19.8 %	17.8 %	16.5 %
Other							
Interest paid / avg. debt	4.6 %	2.1 %	3.9 %	5.7 %	8.7 %	6.7 %	5.9 %
No. employees (average)	4	7	17	20	21	23	25
Number of shares	18.8	1.9	3.7	3.7	3.7	3.7	3.7
DPS	0.0	1.0	1.5	0.8	2.1	2.2	2.6
EPS reported	0.12	3.07	2.13	24.69	9.35	11.16	13.18
Valuation ratios							
P/BV	27.4	2.2	1.8	1.0	0.7	0.5	0.4
EV/sales	14.9	10.4	4.1	1.4	2.5	2.2	1.9
EV/EBITDA	24.5	16.1	5.2	1.4	2.7	2.3	2.0
EV/EBITA	24.8	17.3	5.2	1.4	2.7	2.3	2.0
EV/EBIT	24.8	17.3	5.2	1.4	2.7	2.3	2.0
EV/FCF	29.4	-19.2	20.0	-45.8	40.9	30.9	24.9
Adjusted FCF yield	5.9 %	11.4 %	24.6 %	937.3 %	-86.0 %	-41.6 %	-30.2 %
Dividend yield	0.0 %	3.0 %	4.5 %	2.3 %	6.2 %	6.7 %	8.0 %

Source: Company data, Hauck & Aufhäuser

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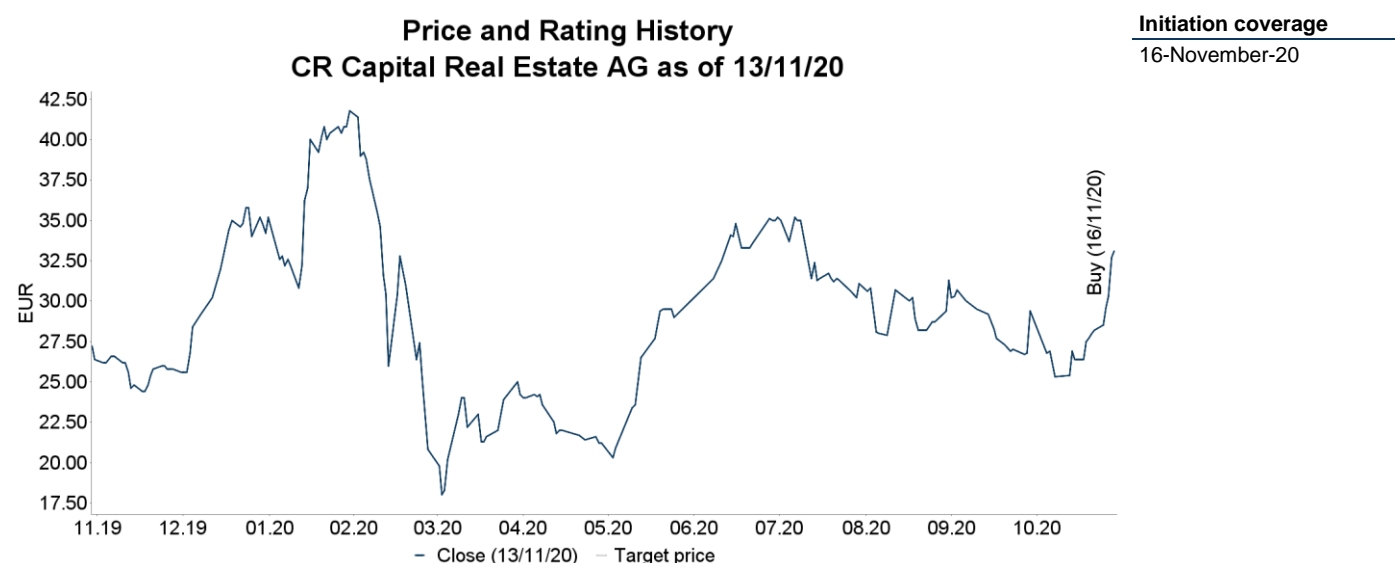
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Company	Disclosure
CR Capital Real Estate AG	2, 6, 8

Historical target price and rating changes for CR Capital Real Estate AG in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
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