

Branicks Group AG

Buy (unchanged) Target: Euro 5.00 (unchanged)

2 | May | 2024



■ **Price (Euro)** **1,62**
52 weeks range 7.00 / 0.86

■ **Key Data**

ISIN DE000A1X3X4
Bloomberg BRNK:GR
Reporting standard IFRS
Market Cap (Euro million) 135
Number of shares (million) 83,6
Free Float 47,2%
Free Float Market Cap (Euro million) 64
CAGR EBIT ('22 -'25e) 253,5%

Multiples	2023	2024e	2025e	2026e
Market Cap / Total revenues	0,7	0,8	0,8	0,8
PE-Ratio	-2,0	-2,1	-19,4	9,6
Dividend Yield	0,0%	0,0%	0,0%	0,0%

Key Data per share (Euro)	2023	2024e	2025e	2026e
Earnings per share (EPS)	-0,79	-0,76	-0,08	0,17
FFO per share	0,62	0,52	0,66	0,90
Dividend per share (DPS)	0,00	0,00	0,00	0,00

Financial Data (Euro '000)	2023	2024e	2025e	2026e
Gross rental income	188.273	165.993	168.492	172.833
Net rental income	164.634	143.922	145.293	148.814
Administrative expenses	-27.210	-26.132	-28.100	-30.188
Personnel expenses	-40.101	-39.227	-40.341	-42.375
Real estate management fees	50.853	42.562	61.239	84.299
Profit on disposal of investment property	8.184	5.399	12.418	11.014
EBIT	2.035	24.757	70.674	89.864
Net financial result	-92.816	-104.011	-91.358	-81.897
EBT	-84.333	-73.577	-11.135	20.388
Taxation	-34.577	-36.607	-38.637	-40.667
Net profit after minorities	-65.960	-63.706	-6.963	14.054
FFO	51.900	43.400	55.300	75.400

■ **Main Shareholders**

Deutsche Immobilien Chancen-Gruppe 32,7%
Yannick Patrick Heller 10,1%
RAG-Stiftung 10,1%

■ **Financial calendar**

1Q 2024 report 16 May 2024
AGM 3 July 2024
1H 2024 report 7 August 2024

■ **Analyst** **Dipl.-Kfm. Stefan Scharff, CREA**

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2023 numbers in line with our estimates and the firm's guidance with an FFO of Euro 52m – operational progress and easing on the financing side achieved - Buy rating and Euro 5.00 target affirmed

On Tuesday, 30 April, the company released the 2023 annual report and invited to a conference call. All in all, the numbers were in line with our expectations and the firm's guidance and only slightly below the transaction targets for the year. While the numbers were clearly impacted by the market environment, the firm yet managed to deliver some progress on the operational side as well as completed some groundwork on the financing side. Gross rental income hiked by 7% to more than Euro 188m and reached a new record level. Net rental income increased by almost 8% from Euro 152.5m to Euro 164.6m. Both numbers benefited from the first time full-year recognition of VIB Vermögen. On the expense side, the firm managed to bring down both administrative (-28%) and personnel (-6%) expenses. The depreciation and amortization position on the other hand clearly suffered from impairment losses and more than doubled to Euro -156m. Real estate management fees from the institutional business segment declined from Euro 88.4m to Euro 50.9m, driven by significantly lower transaction- and performance-related fees due to the very weak transaction market. The firm's profit on disposals amounted to Euro 8.2m. Thus, the firm's EBIT amounted to Euro 2.0m compared to last year's number of Euro 102m. The share of profits from associates amounted to Euro 6.4m. While interest income hiked from Euro 10.6m to Euro 17.9m, interest expenses hiked significantly from Euro 71m to Euro 111m. This brings the firm's pre-tax profit into the red numbers at Euro -84.3m compared to a profit of Euro 59.9m last year. The firm's bottom line after minorities amounted to Euro -66m or -79 cents per share respectively. The cash-driven FFO I came down from Euro 114.2m to Euro 51.9m and also clearly suffered from the significantly lower fees of the institutional business segment as well as the higher amount of interest expenses. The result was in line with the firm's guided range and slightly on top of our most recent estimate of Euro 50.9m. The FFO I per share amounted to 62 cents respectively.

Aside from the reported numbers, the firm managed to deliver some progress in different areas of the business in 2023 and early 2024. In regards to the portfolio, the like-for-like rental income increased by overall 5.4%. The firm furthermore delivered a strong letting performance with almost 450k sqm. On the financing side the firm reported on the prolongation of the promissory note and the bridge loan some weeks ago, as also discussed in our most recent update from 4 April.

With this, the debt maturity profile became clearly more manageable and more evenly spread across the coming years. Along with the "business and restructuring plan 2026" this is supposed to ensure a sustainable mid- to long-term financing. For the current year, the company expects a transition year and expects gross rental income to decline to a range of Euro 160m to Euro 175m, while real estate management fees are expected to be in a range between Euro 40m and Euro 50m. The firm's 2024 FFO I is guided in a range between Euro 40m and Euro 55m. For the time being, we keep our estimates at the lower ends of the respective ranges and expect gross rental income to be at Euro 166m, real estate management fees of Euro 42.5m and an FFO of Euro 43.4m. Regarding the newly announced asset class renewables, with the news about co-operation with Encavis Asset Management from 26 April and a new Euro 300m fund, we expect the impact for the 2024 results to be rather neglectable, but see an increased contribution in the coming years. We keep our Euro 5.00 target price and confirm our Buy rating at the current low share price level of below 2 Euros. The 1Q results follow in 2 weeks.

Branicks Group AG

Industry:	Real Estate	Management Board of Branicks
Sub-segment:	Commercial property investor	Sonja Wärntges (CEO)
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	Johannes von Mutius (CIO)
		Torsten Doyen (CIBO)
		Christian Fritzsche (COO)
Region:	Germany	Supervisory Board of Branicks:
Headquarter:	Frankfurt	Dr. Angela Geerling
Foundation	1998	Michael Zahn
Employees:	305	Prof. Dr. Gerhard Schmidt
		Eberhard Vetter
		Rene Zahnd
IR Contact:		
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Branicks (formerly DIC Asset) is a strong commercial properties player in the German market with two strong and in general more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio Branicks does on balance sheet investmenst for their own books , in particular office and logistics properties that offer a stable cash income as well as some value add properties which need more attention to reduce vacancy and increase the intrinsic cash flow in mid-term, in particular by repositioning or revitalization of some assets. This strategy is complemented by an intelligent cycle management to sell some properties at the right time for portfolio optimization and generating additional trading profits. The commercial portfolio has a size of about Euro 3.65bn at present.

In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. Branicks also initiated funds outside the office topic, for instance with the DIC Retail Balance I fund, which came in September 2017 with a size of about Euro 250m or the new RLI-GEG Logistics & Light Industrial III fund with a volume of Euro 400m. The institutional business offers a great range of fees for set-up, transactions, asset and property management services for the funds, club deals and and individual mandattess. In addition to a broad income stream from servicing fees there are lucrative equity returns from the co-investment stakes. The assets under management in the Institutional Business steeply increased by almost 50% in 2019, from Euro 3.9bn to Euro 5.7bn, to Euro 7.6bn in 2020 and again steeply to Euro almost Euro 9.3bn in 2021 and Euro 10.25bn in 2022. At the end of 2023, the AuM in the segment amounted to Euro 9.6bn. All activities in the field of fund business (third party mandates) have been bundled under the GEG roof. Both pillars, the Commercial Portfolio and the Institutional Business , are serviced from the group's own asset and property management platform, with branches in Frankfurt, Mannheim, Dusseldorf, Cologne, Hamburg, Munich, Berlin, Stuttgart and Neuburg. The institutional business offers a lucrative income stream of management fees as well as transaction-related fees and performance fees. As of April 2024, the firm announced a stronger strategic focus on ESG and Renewables and plans to launch its first Renewable Fund with a volume of Euro 300m in the first half of 2024.

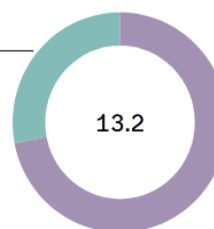
The FFO I result of 2023 stood at a level of Euro 52m and was expectedly more than halved from Euro 114m in 2022 due to the very sluggish market conditions and the respective much lower transaction volume in the institutional business segment as well as the significantly higher financing expenses. For 2024 Branicks guides a range of Euro 40m to Euro 55m for the FFO I result.

Assets under management

in EUR billion

Commercial Portfolio **3.6**
(proprietary portfolio)

- 168 properties
- Directly held portfolio
- Recurring rental income from Core/Core Plus and Value-add assets
- Medium to long-term investment horizon
- Sales at appropriate time



Institutional Business
(third-party business)

- 183 properties
- Investment vehicles for institutional investors
- Income from structuring and managing these vehicles
- Core real estate in major cities and economically strong regions

Source: Company Data, SRC Research

Branicks Group AG 31/12 IFRS ('000)	2021	2022	2023	2024e	2025e	2026e	CAGR '23 - '26e
Gross rental income	108,390	175,956	188,273	165,993	168,492	172,833	-2.8%
Ground rents	-523	-339	-169	-224	-326	-448	
Service charge income on principal basis	23,211	31,269	32,886	29,384	30,485	31,221	
Service charge expenses on principal basis	-26,415	-36,572	-38,997	-34,957	-36,538	-37,293	
Other property-related expenses	-13,447	-17,774	-17,359	-16,274	-16,820	-17,499	
Net rental income	91,216	152,540	164,634	143,922	145,293	148,814	-3.3%
Administrative expenses	-21,518	-37,863	-27,210	-26,132	-28,100	-30,188	
Personnel expenses	-38,096	-42,581	-40,101	-39,227	-40,341	-42,375	
Depreciation and amortization	-42,986	-73,883	-156,024	-102,374	-80,116	-82,129	
Real estate management fees	101,225	88,375	50,853	42,562	61,239	84,299	18.4%
Other operating income	3,815	5,699	2,495	3,180	3,725	4,331	
Other operating expenses	-1,802	-3,409	-796	-2,573	-3,444	-3,902	
Net proceeds from disposal of investment property	139,337	51,494	558,611	284,738	378,239	324,839	
Carrying amount of investment property disposed	-115,572	-38,797	-550,427	-279,339	-365,821	-313,825	
Profit on disposal of investment property	23,765	12,697	8,184	5,399	12,418	11,014	
Net operating profit before financing activities (EBIT)	115,619	101,575	2,035	24,757	70,674	89,864	253.5%
Share of the profit or loss of associates	6,524	18,918	6,448	5,677	9,549	12,421	
Interest income	9,550	10,635	17,878	14,353	9,883	5,425	
Interest expenses	-59,257	-71,217	-110,694	-118,364	-101,241	-87,322	
Profit/loss before tax (EBT)	72,436	59,911	-84,333	-73,577	-11,135	20,388	
Tax	-14,051	-17,053	13,634	4,539	2,784	-5,097	
Net profit	58,385	42,858	-70,699	-69,038	-8,351	15,291	
Minorities	590	11,834	-4,739	-5,332	-1,388	1,237	
Net profit after minorities	57,795	31,024	-65,960	-63,706	-6,963	14,054	
FFO	107.2	114.2	51.9	43.4	55.3	75.4	13.3%
Number of shares ('000)	81,504	82,689	83,427	83,566	83,566	83,566	
Earnings per share	0.71	0.38	-0.79	-0.76	-0.08	0.17	
FFO per share	1.32	1.38	0.62	0.52	0.66	0.90	
Dividend per share	0.75	0.75	0.00	0.00	0.00	0.00	
Shareholders' Equity	1,133,969	1,664,101	1,527,139	1,463,433	1,456,470	1,470,524	-1.3%
Equity Ratio	32.5%	32.1%	31.5%	30.8%	31.3%	31.4%	

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Rating Chronicle

Company	Date	Rating	former share price	former target
Branicks Group AG	04.04.2024	Buy	1,35 €	5,00 €
Branicks Group AG	06.03.2024	Buy	1,24 €	3,00 €
Branicks Group AG	08.11.2023	Buy	4,10 €	9,00 €
DIC Asset AG	04.08.2023	Buy	4,21 €	11,00 €
DIC Asset AG	10.07.2023	Buy	5,31 €	11,00 €
DIC Asset AG	11.05.2023	Buy	6,70 €	14,00 €
DIC Asset AG	13.04.2023	Buy	6,71 €	16,00 €
DIC Asset AG	15.02.2023	Buy	8,85 €	16,00 €
DIC Asset AG	26.01.2023	Buy	8,74 €	16,00 €
DIC Asset AG	09.11.2022	Buy	7,30 €	17,00 €
DIC Asset AG	03.11.2022	Buy	7,03 €	17,00 €
DIC Asset AG	03.08.2022	Buy	10,34 €	22,00 €
DIC Asset AG	10.05.2022	Buy	12,04 €	26,00 €

Please note: The share price mentioned in this report is from 2 May 2024 (10:30 am). Branicks Group AG mandated SRC Research for covering the share.

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