Branicks Group AG

Buy (unchanged) **Target: Euro 7.00** (old: Euro 5.00)

19 | August | 2024

Price (Euro)	**1,83**
52 weeks range	4.45 / 0.86

Key Data

ISIN	DE000A1X3XX4
Bloomberg	BRNK:GR
Reporting standard	IFRS
Market Cap (Euro million)	153
Number of shares (million)	83,6
Free Float	51,7%
Free Float Market Cap (Euro million)	79
CAGR EBIT ('23 -'26e)	253,5%

Multiples	**2023**	**2024e**	**2025e**	**2026e**
Market Cap / Total revenues	0,8	0,9	0,9	0,9
PE-Ratio	**-2,3**	**-2,4**	**-22,0**	**10,9**
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	28,2%
Yannick Patrick Heller	10,1%
RAG-Stiftung	10,0%

Financial calendar

1H 2024 report	27 August 2024
9M 2024 report	7 November 2024

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Another big step to bring down the debt and Branicks is on track for the full year FFO target – we lift our target price to Euro 7.00

Today, the company released an important company news about a further big milestone in reducing the debt, namely the VIB bridge loan, and about a good FFO result to be delivered for the first half of the year.

Branicks had a remaining Euro 200m bridge loan for the VIB takeover on year-end 2023, which was rapidly reduced to Euro 160m in the first quarter 2024 and to Euro 120m at the end of the second quarter, thanks to a very good progress regarding the targeted Euro 500m to Euro 600m sales transactions in the Commercial Portfolio for 2024 to set free capital. On 1 July the company stated that it reached already far more than 50% of this target, in particular the sale of 12 logistics properties from the VIB portfolio to P3 Logistics Parks in June was helpful here.

Today Branicks reported that the bridge loan was on 15 August further reduced by a remarkable Euro 80m, to a relatively small remaining Euro 40m and that will be repaid until year-end 2024, at the latest. The second good news from today is that Branicks reported a prelim number for the half-year FFO at good Euro 19.4m, which is relatively high despite the significant asset sales in their own portfolio and not too far away from the Euro 22.4m last year on 1H level. Branicks also confirms the full year Euro 40m to Euro 55m target range for the FFO, which should profit from a relatively strong letting business in still challenging times and some additional development fees. In this context it is worth to note that the company recently reported the full refurbishment and project transfer of Frankfurt's iconic high-rise Global Tower to the new owners, the funds of JV Partners HANSAINVEST and PATRIZIA.

With the above news about the swift reduction of the bridge loan to a small remaining amount and the good news about trading transactions and letting success in recent months the equity story brightens up in our view. We know that still the market for office is not perfect at all and sluggish in a way, but there are first signs for a rising interest from investors side and a stabilization of the multiples. With regards to the logistics arm of business, Branicks exploits the better environment here to realize some sale transactions, which dilutes a bit the future cash inflow from this business unit, but remarkably helps to drive a quick financial consolidation, what is the highest priority now. In this context, the firm already announced on last Friday, 16 August, the sale of 4 retail parks to an US investment manager. These 4 assets stand for a rental income of Euro 4.3m per year and the deal brings about Euro 27m cash inflow for the firm. 3 of the 4 properties are from BBI, a subsidiary of VIB, and one stems directly from the Branicks commercial portfolio.

With many good steps towards the right direction, we now lift our target price from Euro 5.00 to Euro 7.00 (keep in mind an EPRA NTA per share around Euro 12.00). At the very low share price level below Euro 2.00, we clearly maintain our Buy recommendation to profit from a recovery of the firm's balance sheet and a recovery of the general market. The full 1H 2024 report is to be published next week, on 27 August.

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Branicks Group AG

Industry: Real Estate
Sub-segment: Commercial property investor
Own book / Institutional Business / Managed Accounts
(transaction, asset and property management)

Region: Germany
Headquarter: Frankfurt
Foundation 1998
Employees: 305

IR Contact:
Dipl.-Bw. Jasmin Dentz, CIRO
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Management Board of Branicks
Sonja Wärntges (CEO)
Johannes von Mutius (CIO)
Torsten Doyen (CIBO)
Christian Fritzsche (COO)

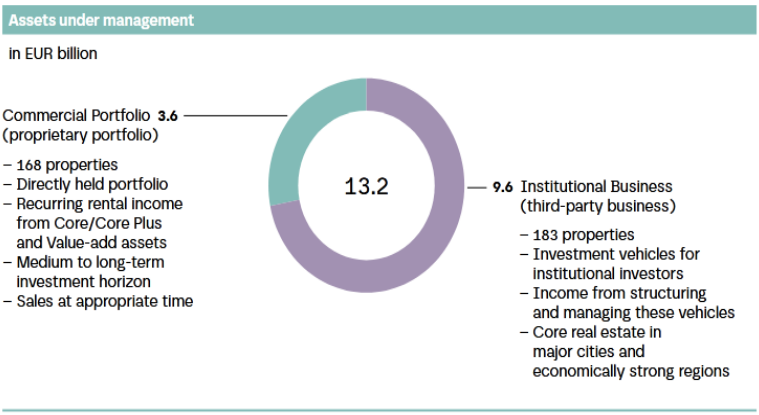
Supervisory Board of Branicks:
Dr. Angela Geerling
Michael Zahn
Prof. Dr. Gerhard Schmidt
Eberhard Vetter
Rene Zahnd

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 mandatess. 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. After 1Q 2024 the FFO I sttod at Euro 9.0m which is a good start for the full year target. This FFO result was realized with rental income from commercial portfolio and management & property fees from Institutional Business only, as there were no transaction related fees, so far.



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/los 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	21.05.2024	Buy	1,98 €	5,00 €
Branicks Group AG	02.05.2024	Buy	1,62 €	5,00 €
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 €

Please note: The share price mentioned in this report is from 16 August 2024. Branicks Group AG mandated SRC Research for covering the share.

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