

Branicks Group AG

Buy (unchanged) Target: Euro 3.00 (old: Euro 9.00)

6 | March | 2024



■ Price (Euro) 1.24
52 weeks range 9.73 / 0.97

■ Key Data

ISIN	DE000A1X3XX4
Bloomberg	BRNK:GR
Reporting standard	IFRS
Market Cap (Euro million)	104
Number of shares (million)	83.6
Free Float	45.6%
Free Float Market Cap (Euro million)	47
CAGR EBIT ('22-'25e)	1.0%

■ Multiples	2022	2023e	2024e	2025e
Market Cap / Total revenues	0.6	0.6	0.6	0.5
PE-Ratio	3.3	-2.5	-3.7	-9.2
Dividend Yield	60.5%	0.0%	0.0%	0.0%

■ Key Data per share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	0.38	-0.49	-0.33	-0.13
FFO per share	1.38	0.61	0.66	0.78
Dividend per share (DPS)	0.75	0.00	0.00	0.00

■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Gross rental income	175,956	188,086	176,952	192,565
Net rental income	152,540	170,356	157,057	170,229
Administrative expenses	-37,863	-27,349	-29,012	-30,100
Personnel expenses	-42,581	-43,247	-44,214	-47,781
Real estate management fees	88,375	52,368	62,407	88,241
Profit on disposal of investment property	12,697	7,195	11,162	5,103
EBIT	101,575	45,817	78,253	104,619
Net financial result	-60,582	-99,233	-100,418	-107,368
EBT	59,911	-45,447	-16,488	2,736
Taxation	-17,053	-34,577	-36,607	-38,637
Net profit after minorities	31,024	-40,861	-27,811	-11,406
FFO	114,200	50,919	55,386	66,048

■ Main Shareholders

Deutsche Immobilien Chancen-Gruppe	34.3%
Yannick Patrick Heller	10.1%
RAG-Stiftung	10.0%

■ Financial calendar

2023 annual report	30 April 2024
1Q 2024 report	16 May 2024
AGM	3 July 2024
1H 2024 report	7 August 2024

■ Analyst

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The restructuring of the debt side is a long and bumpy road – asset quality and letting performance are good arguments for the company – postponement of the 2023 annual report is a necessary step

Yesterday afternoon Branicks released an ad-hoc news about the postponement of the release of the 2023 annual report, which was initially planned for 19 March, to 30 April. Background for this decision is the restructuring of the debt side, which is a greater challenge in a very adverse market environment, that does not allow for any big or average sized office transaction with a satisfying price level.

Branicks decided to preventively notify the Local Court of Frankfurt am Main of a restructuring project for the Euro 225m promissory note loans due in 2024 in accordance with the Act of Stabilization and Restructuring Framework for Companies, shortly named "StaRuG".

The Euro 225m promissory notes (with low coupons of 1.5% to 2.0%) are part of an overall c. Euro 550m refinancing need this year. The bulky parts are the remaining Euro 200m bridge loan for the VIB takeover that runs until July 2024 and the above-mentioned promissory notes were sold mainly in 2021 to more than 60 institutional investors in more or less small or middle sized portions to secure the future growth of the company. The remaining c. Euro 125m are mainly secured bank loans.

The 9M 2023 cash level was at about Euro 302m and in addition to that accounts receivables of Euro 136m. The following fourth quarter included the repayment of the Euro 150m five years 2018 – 2023 bond, but also meant some remarkable and successful sale transactions in logistics and retail properties (2 logistics in Neufahrn near Munich and 1 former Kaufhof Leverkusen retail property close to Cologne).

Branicks managed a very positive letting performance last year (9M: +17%) throughout the own commercial portfolio and also in the Institutional business, as the firm offers a superior asset quality that helps for a very steady and rising rental income (9M like-for-like +7%). The problem is the expensive VIB takeover in 1Q 2022 with a very adverse timing just some days before the Ukraine war started and the inflation rocketed. This translated into a new world of interest rates and a zero growth of German economy.

What's next?

The firm needs more time as the road towards a long-term restructuring of the debt side is long and bumpy. At the moment there is no real tailwind from a significant recovery of the office transaction markets that would change the game. The investors in Branicks' debt products and the consortium of the bridge loan have almost no choice than seek for a close co-operation with Branicks' management and give them time.

The share price fell more than 75% since November and all the misery is on the table now. There cannot be a high interest of all the creditors to decline all options for a later and / or staggered repayment. The Euro 1.00 level might be a buying opportunity if we see the recovery. And that is our scenario. Buy rating confirmed. Cut in target price from Euro 9.00 to Euro 3.00.

Branicks Group AG

Industry:	Real Estate	Management Board of Branicks Sonja Wärntges (CEO) Johannes von Mutius (CIO) Torsten Doyen (CIBO) Christian Fritzsche (COO)
Sub-segment:	Commercial property investor	
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	
Region:	Germany	Supervisory Board of Branicks: Prof. Dr. Gerhard Schmidt Michael Zahn Prof. Dr. Ulrich Reuter Eberhard Vetter Rene Zahnd Dr. Angela Geerling
Headquarter:	Frankfurt	
Foundation	1998	
Employees:	334	
IR Contact:		
	Dipl.-Bw. Jasmin Dentz, CIRO ir@branicks.com	

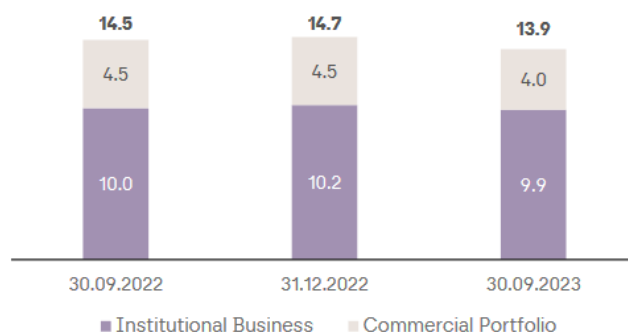
Branicks (formerly DIC Asset) is a strong commercial properties player in the German market with two strong and in general more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio Branicks does on balance sheet investment for their own books, in particular office properties that offer a stable cash income (core / core plus) 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 4.0bn at present. A bigger focus is now laid on logistics assets. Here, the successful partial takeover of VIB Vermögen is already a big milestone and lifts the share of logistics asset to more than 40% of the commercial portfolio.

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 individual mandates. 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. 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. Another milestone was the takeover of Munich based RLI investors in December 2020 (closing January 2021) with over Euro 700m Assets under Management. This helps to sharpen the profile of Branicks in the field of logistics investments and helps to cross sell logistics assets to GEG clients and vice versa.

The FFO I result of 2022 reached a record level of Euro 114.2m and increased by almost 7% from Euro 107.2m in 2021. For 2023 Branicks guides a range of Euro 50m to Euro 55m for the FFO I result. This expected decline is mainly driven by the very sluggish market conditions and the respective much lower transaction volume in the institutional business segment. FFO I contribution from Institutional Business was only at Euro 0.4m in 1H 2023. The 1H 2023 FFO I for the entire group more than halved from Euro 53.0m to Euro 22.4m.

Assets under Management
in EUR billion



Source: Company Data, SRC Research

Branicks Group AG 31/12 IFRS ('000)	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Gross rental income	100,695	108,390	175,956	188,086	176,952	192,565	3.1%
Ground rents	-510	-523	-339	-1,045	-1,276	-1,498	
Service charge income on principal basis	22,135	23,211	31,269	39,417	41,548	43,679	
Service charge expenses on principal basis	-24,029	-26,415	-36,572	-37,661	-40,957	-44,538	
Other property-related expenses	-16,070	-13,447	-17,774	-18,441	-19,210	-19,979	
Net rental income	82,221	91,216	152,540	170,356	157,057	170,229	3.7%
Administrative expenses	-19,077	-21,518	-37,863	-27,349	-29,012	-30,100	
Personnel expenses	-30,280	-38,096	-42,581	-43,247	-44,214	-47,781	
Depreciation and amortization	-38,774	-42,986	-73,883	-112,375	-78,103	-80,116	
Real estate management fees	79,722	101,225	88,375	52,368	62,407	88,241	-0.1%
Other operating income	2,222	3,815	5,699	3,255	3,180	3,105	
Other operating expenses	-1,852	-1,802	-3,409	-4,386	-4,224	-4,062	
Net proceeds from disposal of investment property	116,324	139,337	51,494	387,012	89,657	54,980	
Carrying amount of investment property disposed	-84,324	-115,572	-38,797	-379,817	-78,495	-49,877	
Profit on disposal of investment property	32,000	23,765	12,697	7,195	11,162	5,103	
Net operating profit before financing activities (EBIT)	106,182	115,619	101,575	45,817	78,253	104,619	1.0%
Share of the profit or loss of associates	11,370	6,524	18,918	7,969	5,677	5,485	
Interest income	8,670	9,550	10,635	3,543	6,247	5,251	
Interest expenses	-36,760	-59,257	-71,217	-102,776	-106,665	-112,619	
Profit/los before tax (EBT)	89,462	72,436	59,911	-45,447	-16,488	2,736	-64.3%
Tax	-16,350	-14,051	-17,053	12,271	4,122	-684	
Net profit	73,112	58,385	42,858	-33,176	-12,366	2,052	-63.7%
Minorities	3,099	590	11,834	7,685	15,445	13,458	
Net profit after minorities	70,013	57,795	31,024	-40,861	-27,811	-11,406	
FFO	96.5	107.2	114.2	50.9	55.4	66.0	-16.7%
Number of shares ('000)	79,421	81,504	82,689	83,566	83,945	84,738	
Earnings per share	0.88	0.71	0.38	-0.49	-0.33	-0.13	
FFO per share	1.22	1.32	1.38	0.61	0.66	0.78	
Dividend per share	0.70	0.75	0.75	0.00	0.00	0.00	
Shareholders' Equity	1,108,421	1,133,969	1,664,101	1,561,222	1,533,411	1,662,005	0.0%
Equity Ratio	40.7%	32.5%	32.1%	31.7%	31.8%	32.8%	

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	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 €
DIC Asset AG	24.03.2022	Buy	15,48 €	26,00 €
DIC Asset AG	10.02.2022	Buy	15,46 €	24,00 €

Please note: The share price mentioned in this report is from 5 March 2024. Branicks Group AG mandated SRC Research for covering the share.

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