

Branicks Group AG

Buy (unchanged) Target: Euro 9.00 (old: Euro 11.00)

8 | November | 2023



■ Price (Euro)	4.10			
52 weeks range	9.73 / 3.41			
■ Key Data				
ISIN	DE000A1X3XX4			
Bloomberg	BRNK:GR			
Reporting standard	IFRS			
Market Cap (Euro million)	343			
Number of shares (million)	83.6			
Free Float	45.6%			
Free Float Market Cap (Euro million)	156			
CAGR EBIT ('22 -'25e)	2.4%			
■ Multiples	2022	2023e	2024e	2025e
Market Cap / Total revenues	1.9	1.8	1.9	1.8
PE-Ratio	10.9	-9.2	-22.2	32.7
Dividend Yield	18.3%	6.1%	7.3%	8.5%
■ Key Data per share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	0.38	-0.44	-0.19	0.13
FFO per share	1.38	0.61	0.67	0.78
Dividend per share (DPS)	0.75	0.25	0.30	0.35
■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Gross rental income	175,956	188,086	181,268	195,368
Net rental income	152,540	170,356	161,373	173,032
Administrative expenses	-37,863	-25,844	-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	10,741	14,210	6,659
EBIT	101,575	50,868	85,617	108,978
Net financial result	-60,582	-99,233	-91,418	-82,368
EBT	59,911	-40,396	-124	32,095
Taxation	-17,053	-34,577	-36,607	-38,637
Net profit after minorities	31,024	-37,174	-15,538	10,613
FFO	114,200	50,919	56,357	66,048
■ Main Shareholders				
Deutsche Immobilien Chancen-Gruppe	34.3%			
Yannick Patrick Heller	10.1%			
RAG-Stiftung	10.0%			
■ Financial calendar				
2023 annual report	19 March 2024			
1Q 2024 report	16 May 2024			
■ Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
E-Mail	scharff@src-research.de			
Internet	www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de www.aktienmarkt-deutschland.de			

9M key numbers in line with our expectation – full year guidance reaffirmed – good letting performance – estimates for the coming years reduced and target down to Euro 9.00 – Buy rating affirmed

Today, Branicks released the report for the first nine months of 2023 and held a conference call. The numbers were all in all in line with our expectation for the full year and the company confirmed its guidance, which was already updated back in July. Gross rental income amounted to almost Euro 143m and was up 14% compared to last year's number of about Euro 125m due to a like-for-like rental growths of 3.5% in the commercial portfolio and the consolidation of VIB for the entire nine months' period. Profits from disposals contributed Euro 8.2m compared to Euro 12.4m last year. The share of profit and loss of associates was at Euro 4.5m clearly below last periods Euro 18.0m, which was coined by the sale of a joint venture and benefited from higher transaction-related investment income in 2022. Real estate management fees from the institutional business segment amounted to Euro 33.3m and remained expectedly below last year's number of Euro 56.9m. While the recurring asset, property and development fees hiked from Euro 27m to Euro 33m, transaction fees only stood at Euro 0.2m compared to last year's number of Euro 30.0m. Operational expenses of the group came down from Euro 61.9m to Euro 50.9m, also reflecting the lower transaction volume in 2023 and due to the one-off costs in relation to the VIB takeover in the last year. The firm's bottom line after minorities amounted to Euro -21.4m compared to Euro -6.3m in last year's period. The cash-driven FFO I excluding NCI amounted to Euro 33.1m (9M 2022: Euro 76.1m) and clearly suffered from the very weak transaction market and the clearly increased financing costs. FFO I per share thus stood at 40 cents. The management today reaffirmed the guidance and we also see these goals as realistic and in line with our expectations.

The letting performance of the firm's total portfolio was again on a good level despite the difficult environment. In the first three quarters, more than 346k sqm was let, about 40% of which was new lettings and 60% renewals. Thus, only about 1.2% of rental income is to expire within the year, while about 5% have an expiration in 2024. The like-for-like rental income hiked by 6.8%. The transaction side was very limited year-to-date with sales volume of Euro 134m and no acquisitions. However, the firm also confirmed its full year outlook on the transaction side and continues to expect acquisitions of about Euro 100m in the institutional business as well as disposals of Euro 300m to Euro 600m, mainly from the commercial portfolio. The assets under management now stand at Euro 13.9bn.

The success of sales in the coming months would also be relevant and helpful on the debt side, which continues to be of special interest, as the firm has to organize the repayment of the outstanding bridge loan of Euro 200m due on 31 July 2024 as well as the repayment of the promissory notes with a volume of about Euro 250m. We are expecting a more detailed plan here by the release of the 2023 annual report in March. The Euro 150m 2018/2023 bond was successfully repaid in October. **All in all, the key figures of the first nine months are in line with our expectation and the operational work within the portfolio is proceeding. According to the management, the "Performance 2024" initiative is on track and, amongst others, OPEX will be reduced by 5% to 10% in 2024 compared to the level of 2023. Nevertheless, due to the still bleak picture on the transaction market and no expected recovery in the coming quarters, we decided to reduce our estimates for the coming years. This also leads us to lower our target price to now Euro 9.00. We stick to our Buy recommendation.**

Branicks Group AG

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

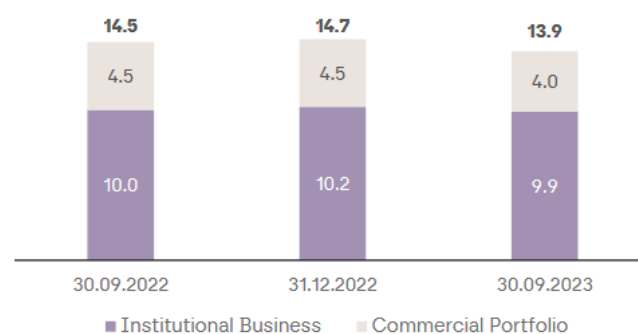
Branicks (formerly DIC Asset) is a strong commercial properties player in the German market with two strong and in general more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

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.

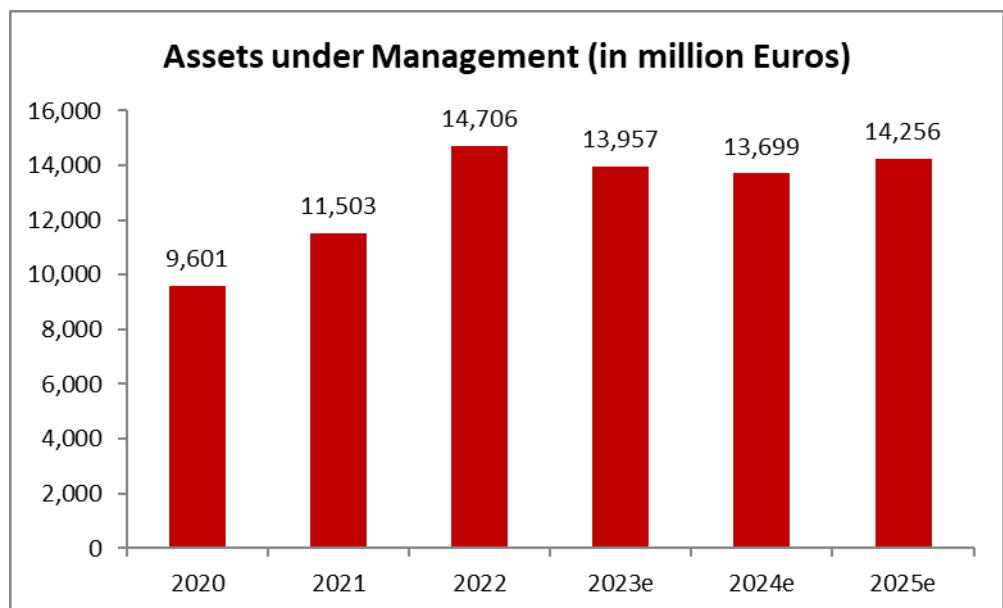
The FFO I result of 2022 reached a record level of Euro 114.2m and increased by almost 7% from Euro 107.2m in 2021. For 2023 Branicks guides a range of Euro 50m to Euro 55m for the FFO I result. This expected decline is mainly driven by the very sluggish market conditions and the respective much lower 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	181,268	195,368	3.5%
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	161,373	173,032	4.3%
Administrative expenses	-19,077	-21,518	-37,863	-25,844	-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	527,548	89,657	54,980	
Carrying amount of investment property disposed	-84,324	-115,572	-38,797	-516,807	-75,447	-48,321	
Profit on disposal of investment property	32,000	23,765	12,697	10,741	14,210	6,659	
Net operating profit before financing activities (EBIT)	106,182	115,619	101,575	50,868	85,617	108,978	2.4%
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	-97,665	-87,619	
Profit/loss before tax (EBT)	89,462	72,436	59,911	-40,396	-124	32,095	-18.8%
Tax	-16,350	-14,051	-17,053	10,907	31	-8,024	
Net profit	73,112	58,385	42,858	-29,489	-93	24,071	-17.5%
Minorities	3,099	590	11,834	7,685	15,445	13,458	
Net profit after minorities	70,013	57,795	31,024	-37,174	-15,538	10,613	-30.1%
FFO	96.5	107.2	114.2	50.9	56.4	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	-0.44	-0.19	0.13	
FFO per share	1.22	1.32	1.38	0.61	0.67	0.78	
Dividend per share	0.70	0.75	0.75	0.25	0.30	0.35	
Shareholders' Equity	1,108,421	1,133,969	1,664,101	1,564,910	1,528,480	1,653,910	-0.2%
Equity Ratio	40.7%	32.5%	32.1%	31.8%	31.7%	32.7%	



SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating chronicle:

Company	Date	Rating	former share price	former target
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 €

Please note:

The share price mentioned in this report is from 7 November 2023. Branicks Group AG mandated SRC Research for covering the share.

Disclaimer © 2023: This equity research report is published by: SRC-Scharff Research und Consulting GmbH, Klingerstr. 23, D-60313 Frankfurt, Germany (short name: SRC Research). All rights reserved.

Although we feel sure that all information in this SRC report originates from carefully selected sources with high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgement of the author which is not necessarily the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All the opinions and assessment made in this report may be changed without prior notice. Within the scope of German regulative framework the author and SRC-Scharff Research und Consulting GmbH do not assume any liability for this document or its content being used. This report is solely for information purposes and does not constitute a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should obtain personal advice at their bank or investment house and should keep in mind that prices and dividends of equities can rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to having no long or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution or publishing this report and its content as a whole or in parts is only allowed with approval of SRC management written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at any time at our website www.src-research.de.