

# FCR Immobilien

**Real estate**
**2 November 2020**

## Seeking new funding to grow its portfolio

FCR Immobilien held a real estate portfolio worth c €312m at end-June 2020 (with retail properties making up 76%). Rental income (including hotel revenue) improved by c 30% y-o-y to €12.5m in H120, supported by H219 acquisitions. Management now guides to a rental and hotel revenue increase of 31% y-o-y to €28.3m in FY20 (not accounting for further acquisitions). Moreover, it expects a property disposal volume of at least €30m this year, which implies a strong pick-up in activity in H220 vs H120. Consequently, management expects FY20 pre-tax profit to reach €11.1m (€11.9m in FY19), which implies over 50% growth in H220 vs €4.4m in H120.

## Lower operating expenses assist H120 results

As well as significant growth in rental revenue, FCR was able to reduce personnel and material expenses by c 14% y-o-y in H120. While financing costs increased by c 23% y-o-y on the back of additional debt to finance portfolio growth, we note that FCR's average effective interest rate was down for both property-level debt and issued bonds in H120. The company's funds from operations excluding property disposal/revaluation gains (FFO1) turned positive and reached €2.2m in H120, while FFO2 stood at €2.8m. Net income in H120 declined by c 20% y-o-y to €3.8m, as previous year figure included €8.3m unrealised property revaluation gains against just €0.9m in H120. FCR has so far sold five properties this year, with a further three to five properties likely to be sold soon, according to management.

## New share issue and change of listing segment

FCR plans to expand its property portfolio by a further €160m by end-2021. While it launched a bond offering with a volume up to €30m in March 2020 (which is still ongoing) to fuel property acquisitions, management also announced that FCR will issue up to 1.3m new shares (with a rights issue at a 7:1 ratio) targeting gross proceeds of up to €14.1m (though the capital raise was recently postponed). On 30 October 2020 the company moved from Scale to the General Standard segment.

## Valuation: Trading at premium to EPRA NAV

FCR's EPRA NAV per share increased from €10.93 at end 2019 to €11.05 at end June 2020 which, together with the €0.30 per share dividend payment, implies a NAV total return of c 3.8% in H120. Based on last reported NAV, FCR is currently trading at a P/NAV multiple of 1.02x, which represents a 20% premium to the broader peer average (but a 24% discount to its closest peers).

### Edison estimates

Year end	FFO1* (€m)	FFO2** (€m)	P/FFO2 (x)	NAV/share*** (€)	P/NAV (x)	Dividend yield (%)
12/19	(3.7)****	9.8****	10.5	10.93	1.03	2.7
12/20e	3.1	7.9	13.0	11.60	0.97	2.9
12/21e	4.4	10.1	10.2	12.58	0.90	3.8
12/22e	6.4	11.4	9.0	14.01	0.81	4.7

Note: \*Funds from operations – defined as net profit before D&A, property revaluation and disposal gains. \*\*FFO1 plus property disposal gains. \*\*\*EPRA NAVPS. \*\*\*\*Edison estimates.

**Price** €11.30

**Market cap** €103m

### Share price graph



### Share details

Code	FC9
Shares in issue	9.1m
Net debt at 30 June 2020	€216.7m

### Business description

FCR Immobilien is a German real estate investor primarily focused on small and mid-sized properties in tier two domestic locations. It looks for special situations translating into bargain purchases. Subsequent measures are aimed at improving rental income generation.

### Bull

- Expertise in sourcing attractively priced properties.
- Considerable portfolio expansion leading to rental income growth recently.
- Exposure to mostly non-cyclical tenants, in particular food retail.

### Bear

- High leverage and loan amortisation rate.
- Relatively high tenant concentration.
- Key personnel risk.

### Analyst

Milosz Papst	+44 (0)20 3077 5700
Michał Mierzwia	+44 (0)20 3077 5700

[financials@edisongroup.com](mailto:financials@edisongroup.com)
[Edison profile page](#)

**FCR Immobilien is a research client of Edison Investment Research Limited**

---

## General disclaimer and copyright

This report has been commissioned by FCR Immobilien and prepared and issued by Edison, in consideration of a fee payable by FCR Immobilien. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia