

# Phoenix Spree Deutschland

Good H1 growth and return to core strategy

Interim results

Real estate

11 October 2021

**Price** **394p**

**Market cap** **£368m**

£/€1.18

Net debt (€m) at 30 June 2021 261.8

Net LTV as at 30 June 2021 33.7%

Shares in issue 93.3m

Free float 100%

Code PSDL

Primary exchange LSE

Secondary exchange N/A

Although rent controls (the 'Mietendeckel'), ruled unlawful and repealed in April 2021, disrupted the Berlin residential property market, this has not prevented free market rents and condominium prices from increasing further amid a continuing housing shortage. Against this background, H121 results from Phoenix Spree Deutschland (PSD) showed good progress as it resumes its core rent reversion strategy.

Year end	PBT* (€m)	EPS (c)	EPRA NTA**/ share (€)	DPS (c)	P/E (x)	P/NTA (x)	Yield (%)
12/19	28.6	22	4.92	7.5	21.1	0.94	1.6
12/20	37.9	30	5.28	7.5	15.5	0.88	1.6
12/21e	41.4	35	5.64	7.5	13.3	0.82	1.6
12/22e	44.2	40	6.04	7.5	11.6	0.77	1.6

Note: As reported including realised and unrealised gains. \*\*EPRA net tangible assets per share.

## 3.6% H121 total return despite market disruption

The repeal of the Mietendeckel reversed the rent reductions imposed in November and has restored PSD's strategic flexibility. This focuses on reversionary rent capture supplemented by the sale of selected apartment blocks as private units (condominiums), at market-level valuations that are significantly above their carried value as apartments. Despite the market disruption during H121, PSD grew gross profit by 39% y-o-y to €5.5m and EPS by 37% to €0.17. As previously disclosed, end-H121 EPRA NTA per share increased by 2.7% compared with end-FY20 and, including DPS paid, the H121 accounting total return was 3.6%. More than 90% of the c €2.1m of back rents relating to the temporary Mietendeckel rent reductions have been collected, with a H121 revenue benefit of c €0.8m.

## Significant embedded value

Rent reversion potential is significant (PSD estimates that market rents are c 30% above current portfolio average rents) and, while 74% of the portfolio has been legally split into condominiums, less than 6% is valued as such. Condominium values are typically 30–35% higher than rental-based valuations. Combined, this represents significant value embedded in the portfolio and not reflected in current income or net asset value. We forecast accounting total returns of more than 8% pa over the next two years, in line with the 8–10%pa targeted by PSD. This is despite a reduction in our FY21 forecast, predominantly reflecting our previous over-estimate of the income effect of back rent collection in that year.

## Valuation: Not capturing value potential

Prior to first discussions about the Mietendeckel, PSD shares traded around or above net asset value. The discount has narrowed since June as PSD has stepped up share repurchases but remains at c 13% based on H121 EPRA NTA per share. With a continuing premium being achieved on condominium sales, we estimate that the discount is more than 20% on a 'condominium valuation' basis.

## Share price performance



% 1m 3m 12m

Abs 0.3 (3.7) 20.3

Rel (local) 1.3 (4.3) (0.2)

52-week high/low 413p 310p

## Business description

Phoenix Spree Deutschland is a long-term investor in mid-market residential property in Berlin, targeting reliable income and capital growth. Its core strategy is to acquire unmodernised apartment blocks that may be improved to the benefit of tenants, generating attractive returns for shareholders based on improved rents and capital values.

## Next events

FY21 year end 31 December 2021

## Analyst

Martyn King +44 (0)20 3077 5745

[financials@edisongroup.com](mailto:financials@edisongroup.com)

[Edison profile page](#)

**Phoenix Spree Deutschland is a research client of Edison Investment Research Limited**

## Good growth while returning to core reversion strategy

As anticipated by the company and its advisers, on 15 April 2021 the German Federal Constitutional Court, the highest court in Germany, ruled that the Mietendeckel was unlawful and thus void. Contrary to its objectives, the uncertainty created by the Mietendeckel acted to disrupt the Berlin residential market during the period, and significantly reduced the supply of available accommodation as rental stock was removed from the market, generating record-low levels of vacancy. Investment in new housing development and in improving the existing stock was reduced as this could no longer be justified due to the rent controls. These trends were reflected in PSD's portfolio and repeal of the Mietendeckel leaves it free to resume its core reversionary rent strategy, based on acquiring under-rented apartment blocks at low valuations and actively managing and investing in the assets to realise reversionary rent potential, drive growth in rental income and enhance capital values. Free market rents continued to increase during H121 and condominium prices advanced further, both reflected in PSD's H121 performance. Having structured rental agreements to revert to pre-Mietendeckel rent levels and to allow for the back payment of these higher rents, PSD has made considerable progress in collecting the amounts that are now legally due. As at end-H121, 86% of the €2.1m of back rents due (of which €0.8m related to FY20 and the balance to the early months of FY21) had been collected. By 23 September, this had increased to 92%. COVID-19 has had no material impact on rent collection with more than 97% of H121 rents collected. In common with many other city locations, it has reduced net migration into Berlin, but PSD expects this to reverse over time. Meanwhile, the acute shortage of housing in Berlin remains.

The Mietendeckel was a political response to the city's housing shortage, which has seen rents increase sharply in recent years. However, having started from a relatively low level, Berlin rents and condominium prices remain relatively affordable in both a national and international context.

Exhibit 1 shows a summary of the H121 financial performance.

<b>Exhibit 1: H121 financial summary</b>				
<b>€m unless stated otherwise</b>	<b>H121</b>	<b>H120</b>	<b>H121/H120</b>	<b>FY20</b>
Revenue	12.9	12.0	7%	23.9
Total property expenses	(7.4)	(8.1)	-8%	(16.4)
<b>Gross profit</b>	<b>5.5</b>	<b>4.0</b>	<b>39%</b>	<b>7.5</b>
Administrative expenses	(1.6)	(1.9)	-17%	(3.3)
Gain on disposal of investment property	0.6	0.7		2.2
Fair value movement on investment property	16.0	17.0		41.5
Property advisor performance fee	0.0	1.9		0.4
Separately disclosed items	0.0	0.0		0.0
<b>Operating profit</b>	<b>20.5</b>	<b>21.6</b>	<b>-5%</b>	<b>48.3</b>
Net finance charge	(0.1)	(6.4)	-99%	(10.4)
<b>Profit before tax</b>	<b>20.4</b>	<b>15.3</b>	<b>34%</b>	<b>37.9</b>
Tax	(4.2)	(2.9)		(7.6)
<b>Profit after tax</b>	<b>16.2</b>	<b>12.3</b>	<b>32%</b>	<b>30.3</b>
Non-controlling interest	(0.0)	(0.2)		(0.5)
<b>Attributable profit after tax</b>	<b>16.2</b>	<b>12.1</b>	<b>34%</b>	<b>29.8</b>
EPS (c)	17	12	37%	30
DPS (c)	2.35	2.35	0%	7.50
EPRA NTA per share (€)	5.42	5.06	7%	5.28
<b>NAV total return in period</b>	<b>3.6%</b>	<b>3.8%</b>		<b>8.8%</b>
Gross debt at nominal value	(289.7)	(283.6)		(291.4)
Cash	28.4	37.3		37.0
Net debt	(261.8)	(246.4)		(254.4)
Net LTV	33.7%	33.0%		33.1%

Source: Phoenix Spree data, Edison Investment Research

Key highlights from the H121 results include:

- Revenues (rents plus service charges paid by tenants) increased 7% y-o-y. Total property expenses benefited from a higher proportion of service charges recoverable from tenants and were 8% lower y-o-y. Gross profit increased to €5.5m compared with €4.0m in H120 and we estimate included the recovery of c €0.8m of back-dated rents in respect of H220.<sup>1</sup>
- Administrative charges fell to €1.6m compared with €1.9m in H120, primarily benefiting from reduced costs in relation to condominium splitting, greatly accelerated in the earlier period. There was no impact from property advisor performance fees in H121 compared with a €1.9m write-back of previously accrued fees in H120.
- Including a slightly lower level of realised and unrealised gains, operating profit of €20.5m was slightly down on H120.
- Net finance charges were negligible, benefiting from a positive €3.6m movement in the fair value of interest rate derivatives (hedging interest rate exposure) compared with a negative €2.3m in H120.
- Profit before tax and attributable net profit both increased strongly y-o-y and were close to the H220 level despite strong revaluation gains in the latter period. EPS was €0.17 compared with €0.12 in H120 and €0.18 in H220. DPS of €2.35 was at the same level as H120.
- EPRA NTA per share increased 2.7% to €5.42 and, including payment of the €5.35 H220 DPS, the accounting total return was 3.6%.
- Despite cash-funded share buybacks, the cash balance remained at a healthy level (€28.4m) and loan to value (LTV) was little changed at 33.7%, well below the long-term target of c 50% (with a maximum of 60%).

## **Mietendeckel repeal and share buyback programme have contributed to discount narrowing**

Until mid-2019 as anticipation of the Mietendeckel began to build, ahead of implementation in 2020, PSD shares had historically traded at around net asset value or higher. In June 2021, with the shares continuing to trade at a significant valuation discount to NTA and reflecting its renewed confidence in the outlook following the Mietendeckel repeal, the company adopted a more proactive buyback strategy<sup>2</sup> to take advantage of the discount, while seeking to ensure that the share price better reflects the underlying net asset value. Since then, and up to 8 October 2021, PSD has repurchased a further 3.4% of the shares in issue at an average 12% discount to prevailing EPRA NTA. Over the same period, the discount has narrowed from c 30% in H121 to c 13%, still below the historical average.

H121 share repurchases of c €7m have been funded from cash resources (€28.4m at end-H121 versus €37.0m at the start of the year) with no impact on the company's investment plans. The ultimate number of shares repurchased will depend on the continuing level of the discount and the accretion available

---

<sup>1</sup> The H220 back rents were not accounted for as income in FY20 as the Mietendeckel remained in place. Back rents in respect of H121 are included in income following Mietendeckel repeal.

<sup>2</sup> PSD first introduced a buyback programme in October 2019, under which it had 'passively' repurchased c 5.1% of the issued share capital to manage downside risk to the share price.

**Exhibit 2: Price to NAV history**


Source: Refinitiv data as at 4 October 2021

## German federal and state elections unlikely to deliver material changes

German Federal elections, held at the end of September, have not delivered any clear winner and as discussions between the various parties are held it may be several weeks or months before a new coalition government is successfully formed. The tightness of the result suggests the necessity of seeking consensus and common ground, making radical policy shifts less likely. One area of consensus across parties is the need to reduce CO<sub>2</sub> emissions, of which housing will need to be a significant contributor. With private landlords representing c two-thirds of the total, their ability to support this goal will be of importance. One area of the residential property market where the federal government seems likely to act, and has introduced a draft bill, is to legally give permission to state authorities to ban the conversion of rental apartments into condominiums. With 74% of its portfolio already legally designated as condominiums, PSD is well placed for any change. It is hopeful that existing applications covering a further 11% of the portfolio can also proceed.

In the Berlin state election, the SPD took the largest share of the votes, followed by the Greens. Again, it remains unclear what form a coalition will take, but it is almost inevitable that it will include the SDP. Shortly before the elections, a non-binding referendum proposing that authorities in Berlin seize and take into public ownership more than 200,000 homes received 56% of votes in favour. It will now be for the new Berlin government to consider whether to act on this. There is no political support among the CDU (18.1% of the state election votes), FDP (7.2% of votes), or the SDP. Indeed, Franziska Giffey, head of the Berlin SPD, has declared expropriation to be a 'red line' and has said: 'We need an alliance for new construction of affordable housing with all stakeholders in the city and effective protection of tenants – not expropriations worth billions of euros'. Further, any state legislation for expropriation would certainly face legal challenges at the federal level. As a result, PSD does not expect moves towards expropriation.

## Portfolio developments: Reversionary capture enhanced by condominium sales

The external valuation of the portfolio at 30 June 2021, conducted by JLL, was €777.7m or an average €4,075 per sqm and reflecting a fully occupied yield of 2.9%. On a like-for-like basis, excluding the impact of disposals, valuations increased by 2.5% in the period, supported by rent growth, progress with condominium splitting and certain asset-specific factors. The valuation takes account of the Mietendeckel repeal whereas the end-FY20 valuation had assumed its implementation, and the resulting negative impact on rental income, for the full five-year term. The

positive valuation impacts of the Mietendeckel repeal were softened by the high probability attached to such an outcome by property investors, with pricing continuing to harden despite the uncertainty.

Contracted gross rent roll was €20.2m or an average €9.5 per sqm per month. On a like-for-like basis, rents increased by 1.6% in H121 and by 4.6% compared with H120. By area, including properties under refurbishment for re-letting, vacancy was 7.7%. On an EPRA basis, excluding properties under refurbishment, vacancy was 1.3%, a very low level reflecting the continuing lack of availability for rented apartments in Berlin despite the Mietendeckel repeal.

### Exhibit 3: Portfolio summary

	H121	H120	H220
Valuation (€m)	777.7	746.7	768.3
Total area ('000 sqm)	190.8	194.5	193.2
Valuation per sqm (€)	4,075	3,389	3,977
Gross contracted rent roll (€m)	20.2	19.5	20.3
Gross in place rent per sqm/month	9.5	9.1	9.3
Fully occupied gross yield	2.9%	2.8%	2.4%
Vacancy	7.7%	8.0%	6.8%
EPRA vacancy	1.3%	4.3%	2.1%
Number of buildings	97	98	98
Residential units	2,586	2,634	2,618
Commercial units	139	141	139
Total number of units	2,725	2,775	2,757

Source: Phoenix Spree data

Despite 74% of residential units being legally designated as condominiums, with positive indications for valuation, this is only partially reflected in the portfolio valuation. Just eight of the 97 properties are valued as condominiums with an aggregate value of €43.4m (less than 6% of the total valuation). Condominium market values are typically 30–35% higher than the rental-based valuations that apply to most of the portfolio. The difference between market values and carried values represents a significant value embedded in the portfolio that is not reflected in net asset value.

## Reversionary rent capture continuing

PSD estimates that market rents are c 30% above current portfolio average rents. In the first half of the year 102 new leases were signed, representing a letting rate of c 4.3% of occupied units. The average rent achieved on net lettings was €11.7 per sqm per month, a level that was 7.6% higher than in the prior year, and 23.5% above the previous passing rent for those apartments. Excluding assets in Brandenburg, where rents are lower, in Berlin (c 91.5% of PSD's total lettable residential space), the reversionary premium to previous passing rents was 35.8%. The premium to previous passing rents varies from period to period, mainly determined by mix and, although lower than the 37% achieved in H120, is in line with the five-year average.

With rent increases on existing tenancies significantly restricted in Berlin, refurbishment and subsequent re-letting of vacated units at a premium to existing rents, and closer to market rent levels, is the key driver of reversionary capture. During H121, €2.7m was invested across the portfolio and, following the repeal of the Mietendeckel, PSD expects a significant increase in H221 as deferred projects are reinstated.

## Condominium sales unlocking value

During H121, 13 condominium units were notarised for sale with an aggregate value of €4.3m. Although this was a c 45% increase on H120 (c €3.0m), the earlier period was significantly affected by the early impacts of the pandemic. Similarly, after a strong start in 2021, the second quarter was affected by a further wave of COVID-19, as well as the low vacancy and shortage of available apartments for sale created by the Mietendeckel. PSD expects an acceleration in notarisations as

the effects of the Mietendeckel wear off and with progress in the vaccination programme. Since end-H121, a further 11 condominiums have been notarised for sale with an aggregate value of €3.9m, almost as much as the first two quarters of the year combined.

The average notarised value per sqm in H121 was €4,821, a 25.4% premium to book value and an 18.3% premium to the portfolio average value per sqm at 30 June 2021. Reflecting mix, the average notarised value in Q321 was higher than in H121, at €5,655 per sqm, a 25.3% premium to book value and a 38.8% premium to the average residential portfolio value at 30 June 2021.

## Investment in new space creating additional value

In addition to refurbishment, PSD's asset management strategy includes exploiting underutilised space within the footprint of the existing portfolio. It currently plans two new construction projects, representing an aggregate 34 additional units, for which planning approval has been granted. The first project involves building out the attic space and renovating existing commercial space to create an additional seven units. Construction on this project is underway and PSD expects the first units to be available for sale or rental in H122. The total construction budget for this project is €3.9m. The second project is the construction of a new 23-unit apartment block within the footprint of an existing property alongside the creation of four additional units in the existing attic space at an expected total cost of c €8m. Building permits are in place for the renovation of attic space in 20 other properties, with the potential to create an additional 49 units for sale as condominiums or for rental.

## Financials

Our forecasts are shown in detail in Exhibit 9 and are summarised below. The reduction in our FY21 forecast predominantly reflects our previous over-estimate of the income effect of back rent collection in that year<sup>3</sup> but also higher occupancy (by space) as units are refurbished ahead of re-letting. The changes to our FY22 forecast are modest, and for both years we expect the accounting total return to be within PSD's 8–10% medium-term target.

**Exhibit 4: Forecast revisions**

	Gross profit (€m)			EPS (c)			EPRA NTA/share (€)			DPS (c)			EPRA NTA total return		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (pp)
12/21e	10.3	11.9	(13.3)	35	37	(5.3)	5.64	5.68	(0.6)	7.5	7.5	0.0	8.3%	8.9%	(0.6)
12/22e	10.7	11.0	(2.8)	40	37	5.5	6.04	6.06	(0.4)	7.5	7.5	0.0	8.3%	8.2%	0.1

Source: Edison Investment Research

Our key forecasting assumptions are:

- We have included share repurchases up to and including 8 October 2021 but have not assumed additional share repurchases. Our forecast condominium sales are at a level that we would deem 'normal' and are not linked to repurchases.
- Average rental like-for-like growth in rents per sqm per month of 6.0% pa. This comprises:
  - a contribution from re-letting, assuming 10% lease churn and an average 30% uplift on the new rents;
  - indexation (or 'staffein') at 3.5% in respect of an assumed 75% of the portfolio; and
  - a 1.0% Mietspiegel uplift in respect of an assumed 25% of the portfolio.
- Vacancy (by area) is forecast to reduce from 7.7% at end-H121 to 6% (previously 4%) by end FY21 and to 4% during FY22, closer to the 2–3% historical norm.

<sup>3</sup> In our previous FY21 forecast we had erroneously included €1.8m of assumed back rent collection in income, whereas only that part relating to FY20 (c €0.8m) should have been included.

- A gross margin (rental income less property costs, including the investment advisory fees, as a percentage of rental income) of c 49% (very slightly below the five-year average but above the FY20 level of c 40%).
- A reduction in FY21 administrative expenses compared with FY20 as legal and other expenses related to the Mietendeckel challenge and apartment splitting into condominiums fall away, offsetting inflation-driven uplifts.
- Condominium sales of €10m pa in both FY21 and FY22. We assume a 15% unrealised uplift in valuation as sales are notarised and an additional 15% realised uplift on the carried book value at completion (30% gain on sales in total).
- Unrealised property valuation uplifts driven by like-for-like rental growth, adjusted for capex, and the unrealised gain on sale properties as notarised. This implies an unchanged, full-occupancy rental yield of c 2.8%.
- Finance expense includes total interest costs (including hedging costs) at an assumed 2.3% pa plus c €0.7m of non-cash loan arrangement fee amortisation. We assume no change in the fair value of interest rate derivatives.
- We have applied deferred tax at the basic German rate of 15.8% to the property gains but do not expect any current tax to be payable in the foreseeable future due to negative earnings before property gains and available off-balance sheet tax losses.
- We have assumed an unchanged dividend while EPRA NTA increases with retained earnings (and deferred tax add-backs). Our forecast EPRA NAV total returns would be unaffected by a change in DPS, which would simply adjust the balance between income and capital returns.
- With the current rental income capturing only part of the reversionary potential, the asset yield is low at c 2.8% (on a full occupancy basis) and so dividend payments reflect operational cash flow including condominium sales.

## Valuation

PSD has a strong track record of EPRA NTA total return generation, well above its 8–10% pa target range. Our forecasts indicate EPRA NTA returns (change in NTA plus dividends paid) of 8.2% in FY21 and FY22.

**Exhibit 5: EPRA NTA total return history (end-2015 to end-H121)**

	FY16	FY17	FY18	FY19	FY20	H121	FY15-H121
Opening EPRA NTA per share (€)	2.28	2.73	4.11	4.58	4.92	5.28	2.28
Closing EPRA NTA per share (€)	2.73	4.11	4.58	4.92	5.28	5.42	5.43
Dividends paid (€ cents)	5.80	6.20	7.35	7.50	7.50	5.15	39.50
EPRA NAV total return	22.2%	52.6%	13.1%	9.3%	8.8%	3.6%	154.5%
<b>Compound annual average return</b>							<b>18.5%</b>
o/w income							11.2%

Source: Phoenix Spree data, Edison Investment Research

The FY21e yield is 1.6% and the current P/NTA of 0.86x is below the long-term average. We estimate that the P/NTA would be significantly lower if the NTA were adjusted to include all condominium-designated assets at market values. Exhibit 6 shows the historical data for notarisations. The average notarised values per sqm are specific to the mix of assets (different locations, floor space, etc) sold in that period and estimating the value of the portfolio on a full condominium basis is difficult.



**Exhibit 6: Condominium notarisations**

	FY15	FY16	FY17	FY18	FY19	FY20	H121
Sales value of notarisations	4.7	5.5	9.1	9.9	8.8	14.6	4.3
Average notarised value per sqm	3,899	4,427	4,352	4,566	4,711	4,320	4,821
Portfolio average value per sqm	1,639	1,965	2,854	3,527	3,741	3,977	4,075
Premium to portfolio average	137.9%	125.3%	52.5%	29.5%	25.9%	8.6%	18.3%

Source: Phoenix Spree data

The average notarised value over the past three years has been c €4,530 per sqm. Applying a value of c €4,500 per sqm to the c 74% of the portfolio that is designated as condominiums (and which may increase further), and excluding those assets that are already valued on a condominium basis, would lift the reported EPRA NTA per share by c 11%, implying an underlying discount to NTA of c 23%.

**Exhibit 7: Net asset sensitivity to condominium valuation**

Average condominium value (€ per sqm)	4,000	4,250	4,500	4,750	5,000
Premium to H121 portfolio average value (€ per sqm)	-2%	4%	10%	17%	23%
Implied uplift to H121 NTA	-2%	5%	11%	18%	24%
Implied P/NTA based on current price	0.87	0.82	0.77	0.73	0.69

Source: Edison Investment Research

PSD is the only German residential property investment company listed on the LSE. Other London-listed German property companies, Summit Germany and Sirius RE, are focused on commercial property. Germany-listed residential property developers with significant Berlin exposure are all much larger and include Deutsche Wohnen (74% Berlin), Vonovia (13% Berlin) and Grand City (23% Berlin).

Exhibit 8 shows a valuation and performance summary for PSD and its Germany-listed peers. Given PSD's Berlin focus, Deutsche Wohnen represents the closest comparator in terms of portfolio exposure, although only a minority of its Berlin portfolio is designated as condominiums. PSD's trailing dividend yield is below the peer average and its P/NTA is similar to the average (and below that of Deutsche Wohnen). Vonovia has launched an agreed takeover offer for Deutsche Wohnen at €53 per share and has acquired more than 50% of the votes. The offer price is around last published EPRA NTA and the transaction represents a significant vote of confidence by Vonovia in the long prospects for the Berlin residential property market.

**Exhibit 8: Peer valuation and price performance comparison**

	Price (local)	Market cap (€m)	P/NTA (x)	Yield (%)	Share price performance			
					One month	Three months	12 months	From 12-month high
Grand City Properties	21.38	3,674	0.79	3.8	-4.9	-6.5	0.8	-11.4
Deutsche Wohnen	52.92	18,192	1.00	1.9	0.6	2.6	18.6	-0.2
Vonovia	51.38	29,075	0.75	3.3	-2.3	-10.8	-12.5	-16.7
Phoenix Spree Deutschland	394	446	0.85	1.6	-1.7	-3.7	20.7	-6.6
Average			0.85	2.7	-2.1	-4.6	6.9	-8.7

Source: Company data, Refinitiv. Note: Prices as at 8 October 2021.



**Exhibit 9: Financial summary**

Year ending 31 December, €m unless stated otherwise	2015	2016	2017	2018	2019	2020	2021e	2022e
<b>INCOME STATEMENT</b>								
Revenue	12.1	15.9	23.7	22.7	22.6	23.9	25.9	27.5
Total property expenses	(6.0)	(7.0)	(12.6)	(15.8)	(14.2)	(16.4)	(15.5)	(16.8)
Gross profit	6.1	8.9	11.1	6.9	8.4	7.5	10.3	10.7
Administrative expenses	(2.1)	(3.0)	(3.0)	(3.2)	(3.1)	(3.3)	(3.0)	(3.0)
Gain on disposal of investment property	0.7	0.8	5.3	1.0	0.9	2.2	1.9	1.3
Fair value movement on investment property	18.1	55.2	157.4	66.1	41.5	41.5	36.6	42.7
Property advisor performance fee	(1.3)	(6.4)	(26.3)	(4.0)	(2.8)	0.4	(0.6)	(0.1)
Separately disclosed items	(6.7)	0.0	0.0	(1.0)	(0.3)	0.0	0.0	0.0
Operating profit	14.7	55.6	144.5	65.9	44.6	48.3	45.1	51.6
Net finance charge	(3.2)	(6.8)	(6.0)	(9.5)	(16.0)	(10.4)	(3.8)	(7.4)
Gain on financial asset	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	13.0	48.9	138.5	56.4	28.6	37.9	41.4	44.2
Tax	(2.6)	(10.9)	(26.2)	(11.1)	(5.8)	(7.6)	(7.4)	(6.7)
Profit after tax	10.3	38.0	112.3	45.4	22.7	30.3	33.9	37.4
Non-controlling interest	(0.6)	(1.0)	(0.8)	(0.3)	(0.5)	(0.5)	(0.3)	(0.6)
Attributable profit after tax	9.7	37.0	111.5	45.1	22.3	29.8	33.6	36.9
Closing basic number of shares (m)	69.9	92.5	92.5	100.8	97.8	96.1	93.3	93.3
Average diluted number of shares (m)	70.5	91.5	100.2	99.0	102.1	98.9	95.1	93.3
IFRS EPS, diluted (c)	14	40	111	46	22	30	35	40
DPS declared (c)	5.7	6.2	6.9	7.5	7.5	7.5	7.5	7.5
DPS declared (sterling pence equivalent)	4.2	5.3	6.4	6.7	6.5	6.8	6.4	6.4
EPRA NTA total return	11.8%	22.2%	52.6%	13.1%	9.3%	8.8%	8.3%	8.3%
<b>BALANCE SHEET</b>								
Investment properties	283.6	395.8	502.4	632.9	719.5	749.0	783.0	834.5
Properties under construction			0.0	0.0	0.0	0.0	2.0	0.0
Other non-current assets	1.7	3.1	2.9	3.4	3.5	3.8	5.3	3.3
Total non-current assets	285.3	398.9	505.3	636.4	723.0	752.8	788.3	837.8
Investment properties held for sale	0.0	28.0	106.9	12.7	10.6	19.3	8.7	8.7
Cash & equivalents	12.8	18.5	27.2	26.9	42.4	37.0	24.4	12.8
Other current assets	2.3	7.5	14.4	7.5	9.5	8.4	9.3	10.1
Total current assets	15.0	53.9	148.5	47.1	62.6	64.7	42.5	31.7
Borrowings	(11.5)	(9.2)	(2.6)	(3.6)	(17.8)	(1.0)	0.0	0.0
Other current liabilities	(2.7)	(1.7)	(9.4)	(13.2)	(15.6)	(9.6)	(10.3)	(11.2)
Total current liabilities	(14.2)	(10.9)	(12.1)	(16.8)	(33.4)	(10.6)	(10.3)	(11.2)
Borrowings	(122.3)	(176.4)	(219.6)	(191.6)	(258.5)	(286.5)	(287.0)	(287.7)
Other non-current liabilities	(12.7)	(30.2)	(54.1)	(65.2)	(76.8)	(86.5)	(89.7)	(96.4)
Total non-current liabilities	(134.9)	(206.6)	(273.8)	(256.9)	(335.3)	(373.0)	(376.7)	(384.1)
Net assets	151.2	235.3	367.9	409.8	416.9	434.0	443.7	474.2
Non-controlling interest	(2.6)	(0.9)	(1.7)	(2.0)	(3.0)	(3.5)	(3.8)	(4.4)
Net attributable assets	148.5	234.3	366.2	407.9	413.9	430.4	439.9	469.8
Adjust for:								
Deferred tax assets & liabilities	10.5	21.4	44.6	52.5	58.3	65.4	72.8	79.6
Derivative financial instruments	1.9	4.9	3.3	6.0	16.0	18.2	14.6	14.6
Other EPRA adjustments	(1.3)	(7.6)	(34.0)	(5.4)	(6.8)	(6.4)	(0.6)	(0.7)
EPRA net tangible assets (NTA)	159.6	253.0	380.2	461.0	481.4	507.6	526.7	563.2
IFRS NAV per share (€)	2.13	2.53	3.96	4.05	4.23	4.48	4.71	5.03
EPRA NTA per share (€)	2.28	2.73	4.11	4.58	4.92	5.28	5.64	6.04
<b>CASH-FLOW</b>								
Cash flow from operating activity	4.7	0.8	5.9	13.2	1.5	8.1	7.2	7.7
Income tax paid	0.0	0.0	(0.1)	(4.7)	(0.0)	(1.3)	(0.0)	0.0
Net cash flow from operating activity	4.7	0.8	5.8	8.5	1.4	6.7	7.2	7.7
Property additions	(17.4)	(72.8)	(76.5)	(47.3)	(32.2)	0.0	(2.0)	(9.8)
Proceeds from disposal of investment property	5.5	4.3	60.4	86.0	13.5	7.2	21.5	11.3
Capital expenditure on investment property	(3.9)	(4.2)	(6.7)	(7.9)	(6.5)	(4.2)	(6.2)	(7.0)
Other cash flow from investing activity	(0.2)	(0.7)	0.0	0.0	0.1	(5.9)	0.0	0.0
Cash flow from investing activity	(16.1)	(73.4)	(22.7)	30.8	(25.1)	(2.9)	13.3	(5.5)
Interest paid	(4.0)	(3.2)	(5.1)	(5.1)	(6.2)	(7.5)	(7.0)	(6.7)
Bank debt drawn/(repaid)	26.3	39.4	36.7	(27.0)	64.6	11.2	(1.3)	0.0
Share issuance/repurchase	0.0	47.5	0.0	0.0	(11.5)	(6.0)	(17.3)	0.0
Dividends paid	(1.2)	(5.0)	(6.0)	(7.5)	(7.7)	(7.0)	(7.5)	(7.1)
Other cash flow from financing activity	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activity	20.5	78.6	25.6	(39.6)	39.2	(9.3)	(33.0)	(13.8)
Change in cash	9.2	6.0	8.7	(0.3)	15.5	(5.4)	(12.5)	(11.6)
FX	0.0	(0.3)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0
Opening cash	3.6	12.8	18.5	27.2	26.9	42.4	37.0	24.5
Closing cash	12.8	18.5	27.2	26.9	42.4	37.0	24.5	12.9
Closing debt	(133.8)	(185.6)	(222.3)	(195.3)	(280.2)	(291.4)	(290.2)	(290.2)
Closing net debt	(121.0)	(167.1)	(195.1)	(168.4)	(237.8)	(254.4)	(265.8)	(277.3)
LTV	42.7%	39.4%	32.0%	26.1%	32.6%	33.1%	33.6%	33.4%

Source: Phoenix Spree historical data, Edison Investment Research forecasts

---

## General disclaimer and copyright

This report has been commissioned by Phoenix Spree Deutschland and prepared and issued by Edison, in consideration of a fee payable by Phoenix Spree Deutschland. 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 2021 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 personal 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