Phoenix Spree Deutschland

Introducing forecasts

Flexibility to extract value

Real estate

The repeal of the Berlin rent cap (the 'Mietendeckel'), ruled unconstitutional, is a significant positive for Phoenix Spree Deutschland (PSD). It allows a resumption of its core reversionary rent strategy, providing greater flexibility in the extraction of the value embedded in the portfolio. With a continuing discount to net assets, the board has stepped up the share repurchase programme, aiming to ensure that the share price better reflects its view of intrinsic value and the improved outlook.

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	20.7	0.93	1.6
12/20	37.9	30	5.28	7.5	15.0	0.87	1.6
12/21e	44.3	37	5.68	7.5	12.3	0.81	1.6
12/22e	44.5	37	6.06	7.5	12.5	0.76	1.6

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

Reversion strategy has generated strong returns

Repeal of the rent cap in April 2021 reverses the rent reductions imposed in November and restores flexibility to capture reversionary rent potential; supplemented by the sale of selected apartment blocks as private units (condominiums), at market level valuations that are significantly above their value as apartments, this has generated strong returns. Average annual EPRA NTA total return in the five years to end-FY20 was 19.7% pa, well ahead of the 8–10% pa target, and was 8.8% in FY20 despite the rent cap and pandemic. PSD estimates that market rents are more than 30% above current levels, which should deliver medium-term growth irrespective of market conditions. Our forecasts provide an update on the FY21 scenario published in our December 2020 initiation note before the legal position of the rent cap had been decided. We forecast returns within the target range, including the collection of c €1.8m in contracted back rents in FY21.

Embedded value

Rent reversion is significant and, while more than 70% of the portfolio has been legally split into condominiums, only 7% is valued as such. We estimate that EPRA NTA may be c 13% higher on a 'condominium valuation' basis. This embedded value is highlighted by Vonovia's proposed acquisition of Deutsche Wohnen (with 75% of its portfolio in Berlin but fewer properties split as condominiums) at around EPRA NTA. The board has decided to make a material capital allocation to the buyback programme, funded through existing cash balances, refinancing, and proceeds from the sale of condominiums and non-core assets, which it believes can be achieved without compromising its organic growth prospects.

Valuation: Not capturing value potential

Despite the recent rise in the share price, there remains a c 13% discount to FY20 EPRA NTA per share, above the average of c 8% since IPO. With a continuing premium being achieved on condominium sales, we estimate that the discount is around 25% on a 'condominium valuation' basis.

15 June 2021

Price	**396p**
Market cap	**£381m**
	£/€1.16
Net debt (£m) at 31 December 2020	254.4
Net LTV at 31 December 2020	33.1%
Shares in issue	96.2m
Free float	100%
Code	PSDL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	8.2	21.9	44.5
Rel (local)	6.5	15.2	19.9
52-week high/low		400p	277p

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 half-year end	30 June 2021

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Return to core reversion strategy

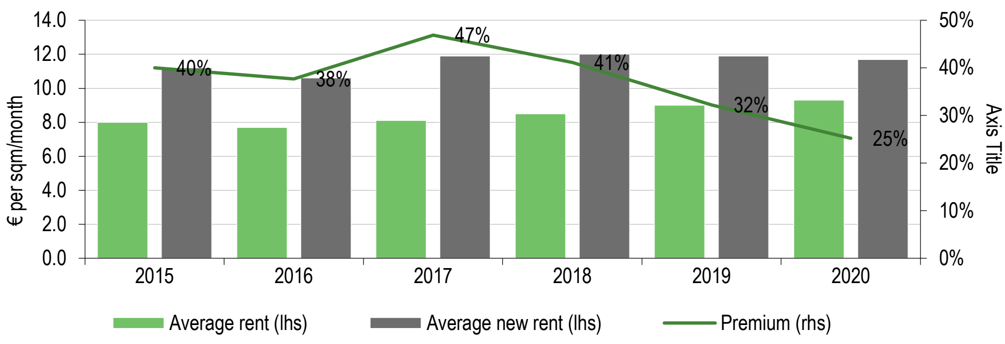
Historically strong returns

The repeal of the Mietendeckel allows PSD to resume its core reversionary rent strategy, based on acquiring under-rented apartment blocks at low valuations and actively managing the assets to realise reversionary rent potential, driving growth in rental income and capital values. The reversionary strategy, supplemented by the division and subsequent resale of selected apartment blocks as private units (condominiums) at market-level valuations, significantly above their value as apartments and carried book value, has generated strong returns. The cumulative EPRA net tangible asset (NTA) total return (dividends added back but not reinvested) over the five years to end-FY20 was 146.2% or an average annual return of 19.7%, well ahead of the 8–10% pa target. Despite the twin challenges of the rent cap and the COVID-19 pandemic, the FY20 total return was 8.8%.

Continuing strong reversion potential

PSD estimates the average free market value of rents for the portfolio at c €13 per sqm per month, well ahead of the end-FY20 average portfolio contracted rent of €9.3. This significant reversion opportunity results from a combination of the positive demand-supply fundamentals in the market and the strict rent controls in place in Berlin over many years. The controls mean that tenants often pay rents that are well below market levels, and the gap has increased with significant rent market growth in recent years. PSD believes this reversionary gap should underpin rental growth in the medium term, irrespective of market conditions and rental growth. Alongside permissible rent indexation,[1] PSD's reversionary rent capture is driven by the refurbishment of vacated apartments, which enables PSD to re-let them at market-level rents. Despite the Mietendeckel being in place, during FY20 PSD's average contracted rents per sqm increased by 4.1% on a like-for-like basis. New Berlin lettings were signed at an average 34% premium to passing rents and the average across the portfolio (including Brandenburg, where rents are lower) was 25%.

Exhibit 1: Average reletting rents and re-letting premium



Source: Phoenix Spree data

Condominium strategy supports returns

The reversionary rent strategy has been supplemented by the division and subsequent resale of selected apartment blocks as private units at a significant premium to book value. PSD is

[1] Most of PSD's rental agreements include annual indexation or Staffel, as agreed with the tenant. A minority of older rent agreements have rent increases determined by a local rent table, calculated by the Berlin Senate, known as the Mietspiegel.

differentiated among listed peers by having a high proportion (more than 70%, with a further 15% in application) of its Berlin portfolio legally split into condominiums. In FY20, a record c €15m of PSD's condominiums were notarised (sales legally agreed), a 65% increase over 2019, with an achieved sales value at more than a 19% premium to book value. The scale of the increase was partly in response to the Mietendeckel, as well as the introduction of a marketing agreement with Accentro, a large listed real estate agent and property manager, and we expect sales to revert to a more normal level in the current year.

Exhibit 2: Annual notarisation data

	FY15	FY16	FY17	FY18	FY19	FY20
Sales value of notarisations (€m)*	4.7	5.5	9.1	9.9	8.8	14.6
Average notarised value (€ per sqm)	3,899	4,427	4,352	4,566	4,711**	4,320
Portfolio average value (€ per sqm)	1,639	1,965	2,854	3,527	3,741	3,977
Berlin rental portfolio value (€ per sqm)	1,982	2,150	3,220	3,576	3,854	N/A
Premium to portfolio average	137.9%	125.3%	52.5%	29.5%	25.9%	8.6%
Premium to Berlin portfolio average	96.7%	105.9%	35.2%	27.7%	22.2%	19.2%

Source: Phoenix Spree data. Note: *Includes a small amount of commercial. **Residential notarisations only.

End-FY20 valuation assumed continuing rent cap

Although most units within the portfolio are officially registered as condominiums, this has not generally been reflected in portfolio values. Only active sales projects, accounting for c 7% of the portfolio, are valued on a 'condominium basis'. More generally, portfolio valuations reflect the expectation that they will be held for long-term rental income.

At end-FY20, the property portfolio was externally valued by Jones Land LaSalle at €768.3m and assumed the rent cap would be in place for a full five years. Nonetheless, the valuation increased with 6.3% annualised growth on a like-for-like basis reflecting yield compression and low interest rates. The cash flow analysis underlying the external valuation will have benefited from increased reversionary potential once the Mietendeckel was scheduled to expire after a five-year period as a result of further growth in free-market contracted rents. While a repeal of the Mietendeckel is a very clear positive for PSD, providing significantly greater strategic flexibility for extracting the value embedded in the portfolio, we would expect this to be reflected in the share valuation ratios rather than a significant near-term uplift to portfolio valuations and NTA. We nonetheless forecast continuing increases in property valuations and NTA, driven by rent growth and supported by continuing positive market fundamentals.

Investing in new living space

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. At one property, a new 23-unit apartment block will be built within the curtilage, alongside the creation of four additional units in the existing attic space. At a second property, the attic space will be built out, and existing commercial space renovated, to create an additional seven units. Construction is expected to commence in mid-2021 with the first units available during H122, at an expected total cost of €11.8m. Building permits are in place for the renovation of attic space in 20 other properties, with the potential to create an additional 49 units.

Share repurchase programme

Since introducing a share buyback programme in October 2019, PSD has "passively" repurchased c 5.1% of the issued share capital, designed to limit downside risk to the share price. 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 recently adopted a more proactive buyback strategy to take advantage of the discount while seeking to ensure that the share price better reflects the underlying net asset value. A material capital allocation to the buyback programme will be funded through existing cash balances, additional debt funding, and proceeds from the sale of condominiums and non-core assets, which PSD believes can be achieved without compromising its organic growth prospects. The original buyback programme set out to repurchase up to 10% of the shares and the AGM held in June 2021 replaced this with authorisation to repurchase up to 14.5m shares or 14.99% of the outstanding shares at the time. Since announcing the new, more active approach to share repurchases the company has acquired c 646k shares (c 0.7% of the total) at a cost of c €2.6m or an average c €3.97 per share[2]. The ultimate number of shares repurchased will depend on the continuing level of the discount and the accretion available. By way of illustration only, rather than any attempt to quantify the scale of the share repurchases, we estimate that each 5% repurchase of the shares outstanding is c 1% accretive of FY21 NTA per share.

Berlin remains affordable with market rental growth driven by excess demand

The Berlin rent cap, now repealed, was a political response to the city's housing shortage, which has seen rents increase sharply in recent years, although having started from a relatively low level, Berlin rents and condominium prices remain relatively affordable in both a national and international context. As many predicted, the Mietendeckel did nothing to solve the housing shortage and in 2020 had the impact of reducing the volume of transactions in the investment market (which continued to rise elsewhere in Germany), the availability of affordable rented property and investment in the creation of new housing stock. With the housing shortage still in place, unrestricted market rents and residential sales prices continued to increase. The COVID-19 pandemic had little direct impact on the housing market (PSD's rental collection rate was above 99% and EPRA basis occupancy was at a record high), but softened net migration into Berlin, a driver of population growth in recent years; as with many cities, lockdowns and the ability to work from home has increased the attractions of suburban locations relative to more central locations. Given the scale of the Berlin housing shortage, it seems unlikely that even if sustained this will have a material impact on the market.

Financials

Given the uncertainty surrounding the Mietendeckel rent cap at the time of our initiation of coverage in December 2020, we provided two scenarios to illustrate the likely financial outcome; one assuming Mietendeckel repeal and the other assuming it remained in place and that PSD's strategy was adapted as a result. For clarity, both scenarios were based on the assumption that the Mietendeckel outcome would be known by the beginning of FY21.

In Exhibit 3, we show our old 'Mietendeckel repeal' scenario, as well as our new FY21 and FY22 forecasts. Our FY21 forecast is ahead of the old FY21 scenario, which primarily reflects stronger H221 like-for-like growth in contracted rents and in capital values than we had allowed for (see our last update note).

[2] Purchases up to and including 11 June 2021

Exhibit 3: Forecast summary

€m unless stated otherwise	FY21 'repeal' scenario	FY21e	FY22e
Revenue	24.8	28.2	28.1
Total property expenses	(14.8)	(16.3)	(17.1)
Gross profit	**9.9**	11.9	11.0
Administrative expenses	(3.3)	(3.2)	(3.3)
Gain on disposal of investment property	1.9	2.7	1.3
Fair value movement on investment property	**39.1**	**40.4**	**42.6**
Property advisor performance fee	(0.2)	(0.3)	(0.0)
Operating profit	**47.4**	**51.5**	**51.6**
Net finance charge	(6.8)	(7.2)	(7.2)
Profit before tax	**40.7**	**44.3**	**44.4**
Tax	(7.8)	(8.1)	(8.5)
Profit after tax	**32.8**	**36.2**	**35.9**
Non-controlling interest	(0.5)	(0.5)	(0.5)
Attributable profit after tax	**32.3**	**35.6**	**35.4**
EPS (€ cents)	33.2	37.1	36.8
DPS (€ cents)	7.50	7.50	7.50
EPRA NTA per share (€)	5.48	5.68	6.06
NTA total return	8.1%	8.9%	8.0%

Source: Edison Investment Research

Our new forecasts include the following key assumptions:

- FY21 back payment of the higher rents that are now legally due for the period during which the Mietendeckel was in place amounting to €1.8m, as estimated by PSD as at 31 March 2021. PSD had amended its contract terms specifically to allow for the recovery of back-dated rents and tenants were advised by the Berlin government to set aside appropriate reserves for this eventuality. PSD has said that it will work on a case-by-case basis with any tenants suffering hardship, but that it anticipates recovering most of the rent due. This is clearly a positive for FY21 earnings but any failure to collect the amount due is not material to the PSD investment case, representing c 0.4% of end-FY20 EPRA NTA.
- We have included share repurchases up to and including 11 June but have not assumed additional share repurchases, which are likely to occur and which would be accretive of EPRA NTA at the current discount. 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 6.8% at end-FY20 to 4% by end FY21 and throughout FY22, closer to the 2–3% historical norm. EPRA vacancy (which excludes refurbishment properties) was 2.1% at end-FY20.
- A gross margin (rental income less property costs, including the investment advisory fees, as a percentage of rental income) of 48–49% (very slightly below the five-year average but above the FY20 level of c 40%).
- A slight reduction in FY21 administrative expenses compared with FY20 as legal and other expenses related to the Mietendeckel challenge 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 (contracted basis) of c 2.8%.
- Finance expense includes total interest costs (including hedging costs) at an assumed 2.3% pa plus c €0.6m of non-cash loan arrangement fee amortisation.
- We have applied deferred tax at the basic German rate of 20% 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. First-time EPRA earnings disclosure in the FY20 Annual Report (with FY19 comparable data) shows an EPRA loss (excluding unrealised and realised property gains) for the year of €4.5m or 4.6 cents per share. As reversionary potential is captured and while Mietendeckel-related costs fall away, our forecasts indicate an improving trend in EPRA earnings. FY21e benefits from back-date rent collection but without this benefit FY22e still shows a small profit.

Exhibit 4: EPRA basis earnings summary

€m	2019	2020	2021e	2022e
IFRS attributable profit after tax	22.3	29.8	35.6	35.4
Adjust for:				
Change in fair value of investment property	(41.5)	(41.5)	(40.4)	(42.6)
Profit/(loss) on disposal of investment property	(0.9)	(2.2)	(2.7)	(1.3)
Change in fair value of financial instruments	12.8	1.8	0.3	0.0
Deferred tax adjustment	5.8	7.1	8.1	8.5
Total EPRA adjustments	(23.8)	(34.8)	(34.7)	(35.4)
Adjust for:				
Non-controlling interests	0.2	0.5	0.3	0.4
Non-controlling interest (%)	0.0	0.0	0.0	0.0
EPRA earnings	**(1.3)**	**(4.5)**	**1.3**	**0.3**
EPRA EPS (cents)	**(1.3)**	**(4.6)**	**1.4**	**0.3**

Source: Phoenix Spree historical data, Edison Investment Research

Valuation

As noted above, 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 8.9% and 8.0% in FY21 and FY22 respectively.

The FY20 yield is 1.6% and the current P/NTA of 0.87x compares with an average c 0.92x since IPO. We estimate that the P/NTA would be significantly lower if the NTA were adjusted to include all condominium-designated assets at market values (see below).

Exhibit 5: Price to net assets history*

Source: Refinitiv data as at 1 June 2021. Note: *Historical series combining NAV and NTA.

The average notarised values per square metre reflected in Exhibit 2 above 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. 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 75% of the portfolio that is or will soon be designated as condominiums, and which is not already valued on a condominium basis, would imply an underlying P/NTA at the current share price of c 24%.

Exhibit 6: Net asset sensitivity to condominium valuation

Average condominium value (€per sqm)	4,000	4,250	4,500	4,750	5,000
Premium to FY20 portfolio average value (€ per sqm)	1%	7%	13%	19%	26%
Implied uplift to FY20 NTA	1%	7%	14%	21%	27%
Implied P/NTA based on current price (x)	0.86	0.81	0.76	0.72	0.68

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 (75% Berlin), Vonovia (14% Berlin) and Grand City (24% Berlin).

Exhibit 7 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. The PSD trailing dividend yield is slightly below the peer average (similar to Deutsche Wohnen) and P/NTA is also slightly below the average (and well below that of Deutsche Wohnen). The agreed acquisition price for Deutsche Wohnen is around the last published NTA, a c 18% premium to price immediately before the offer and a 25% premium to the three-month average. The transaction represents a significant vote of confidence by Vonovia in the long prospects for the Berlin residential property market.

Exhibit 7: Peer valuation and price performance comparison

	Price (local)	Market cap. (€m)	P/NTA (x)	Yield (%)	Share price performance			
					1 month	3 months	12 months	From 12M high
Grand City Properties	23.9	4,104	0.88	3.4	8.1	14.3	12.4	-0.5
Deutsche Wohnen	51.8	17,814	0.99	2.0	19.7	33.4	30.4	-1.3
Vonovia	53.8	30,467	0.85	3.1	5.1	-1.5	0.9	-14.5
Phoenix Spree Deutschland L	**396**	**443**	**0.87**	**1.9**	**6.6**	**20.0**	**42.3**	**-3.4**
Average			**0.90**	**2.6**	**9.9**	**16.5**	**21.5**	**-4.9**

Source: Company data, Refinitiv. Note: Prices as at 15 June 2021.

Exhibit 8: Financial summary

Year ending 31 December, €m unless stated otherwise	2015	2016	2017	2018	2019	2020	2021e	2022e
INCOME STATEMENT								
Revenue	12.1	15.9	23.7	22.7	22.6	23.9	28.2	28.1
Total property expenses	(6.0)	(7.0)	(12.6)	(15.8)	(14.2)	(16.4)	(16.3)	(17.1)
Gross profit	6.1	8.9	11.1	6.9	8.4	7.5	11.9	11.0
Administrative expenses	(2.1)	(3.0)	(3.0)	(3.2)	(3.1)	(3.3)	(3.2)	(3.3)
Gain on disposal of investment property	0.7	0.8	5.3	1.0	0.9	2.2	2.7	1.3
Fair value movement on investment property	18.1	55.2	157.4	66.1	41.5	41.5	40.4	42.6
Property advisor performance fee	(1.3)	(6.4)	(26.3)	(4.0)	(2.8)	0.4	(0.3)	(0.0)
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**	51.5	51.6
Net finance charge	(3.2)	(6.8)	(6.0)	(9.5)	(16.0)	(10.4)	(7.2)	(7.2)
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**	44.3	44.4
Tax	(2.6)	(10.9)	(26.2)	(11.1)	(5.8)	(7.6)	(8.1)	(8.5)
Profit after tax	10.3	38.0	112.3	45.4	22.7	30.3	36.2	35.9
Non-controlling interest	(0.6)	(1.0)	(0.8)	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)
Attributable profit after tax	9.7	37.0	111.5	45.1	22.3	29.8	35.6	35.4
Closing basic number of shares (m)	69.9	92.5	92.5	100.8	97.8	96.1	96.2	96.2
Average diluted number of shares (m)	70.5	91.5	100.2	99.0	102.1	98.9	96.1	96.2
IFRS EPS, diluted (€ cents)	0.14	0.40	111.4	45.6	21.8	30.1	37.1	36.8
DPS declared (€ cents)	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	6.5	6.5
EPRA NTA total return	11.8%	22.2%	52.6%	13.1%	9.3%	8.8%	8.9%	8.0%
BALANCE SHEET								
Investment properties	283.6	395.8	502.4	632.9	719.5	749.0	786.4	837.8
Properties under construction			0.0	0.0	0.0	0.0	5.9	0.0
Other non-current assets	1.7	3.1	2.9	3.4	3.5	3.8	9.8	3.9
Total non-current assets	285.3	398.9	505.3	636.4	723.0	752.8	796.2	841.7
Investment properties held for sale	0.0	28.0	106.9	12.7	10.6	19.3	9.3	9.3
Cash & equivalents	12.8	18.5	27.2	26.9	42.4	37.0	37.0	29.2
Other current assets	2.3	7.5	14.4	7.5	9.5	8.4	11.0	10.3
Total current assets	15.0	53.9	148.5	47.1	62.6	64.7	57.3	48.8
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)	(12.1)	(11.4)
Total current liabilities	(14.2)	(10.9)	(12.1)	(16.8)	(33.4)	(10.6)	(12.1)	(11.4)
Borrowings	(122.3)	(176.4)	(219.6)	(191.6)	(258.5)	(286.5)	(288.1)	(288.7)
Other non-current liabilities	(12.7)	(30.2)	(54.1)	(65.2)	(76.8)	(86.5)	(94.5)	(103.1)
Total non-current liabilities	(134.9)	(206.6)	(273.8)	(256.9)	(335.3)	(373.0)	(382.7)	(391.8)
Net assets	151.2	235.3	367.9	409.8	416.9	434.0	458.6	487.3
Non-controlling interest	(2.6)	(0.9)	(1.7)	(2.0)	(3.0)	(3.5)	(4.1)	(4.6)
Net attributable assets	148.5	234.3	366.2	407.9	413.9	430.4	454.5	482.7
Adjust for:								
Deferred tax assets & liabilities	10.5	21.4	44.6	52.5	58.3	65.4	73.5	82.0
Derivative financial instruments	1.9	4.9	3.3	6.0	16.0	18.2	18.2	18.2
Other EPRA adjustments	(1.3)	(7.6)	(34.0)	(5.4)	(6.8)	(6.4)	(0.4)	(0.4)
EPRA net tangible assets (NTA)	159.6	253.0	380.2	461.0	481.4	507.6	545.8	582.5
IFRS NAV per share (€)	2.13	2.53	3.96	4.05	4.23	4.48	4.73	5.02
EPRA NTA per share (€)	2.28	2.73	4.11	4.58	4.92	5.28	5.68	6.06
CASH FLOW								
Cash flow from operating activity	4.7	0.8	5.9	13.2	1.5	8.1	8.7	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	8.7	7.7
Property additions	(17.4)	(72.8)	(76.5)	(47.3)	(32.2)	0.0	(5.9)	(5.9)
Proceeds from disposal of investment property	5.5	4.3	60.4	86.0	13.5	7.2	22.7	11.3
Capital expenditure on investment property	(3.9)	(4.2)	(6.7)	(7.9)	(6.5)	(4.2)	(7.0)	(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)	9.8	(1.5)
Interest paid	(4.0)	(3.2)	(5.1)	(5.1)	(6.2)	(7.5)	(6.7)	(6.7)
Bank debt drawn/(repaid)	26.3	39.4	36.7	(27.0)	64.6	11.2	0.0	0.0
Share issuance/repurchase	0.0	47.5	0.0	0.0	(11.5)	(6.0)	(4.6)	0.0
Dividends paid	(1.2)	(5.0)	(6.0)	(7.5)	(7.7)	(7.0)	(7.3)	(7.2)
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)	(18.5)	(13.9)
Change in cash	9.2	6.0	8.7	(0.3)	15.5	(5.4)	0.0	(7.8)
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	37.0
Closing cash	12.8	18.5	27.2	26.9	42.4	37.0	37.0	29.2
Closing debt	(133.8)	(185.6)	(222.3)	(195.3)	(280.2)	(291.4)	(291.4)	(291.4)
Closing net debt	**(121.0)**	**(167.1)**	**(195.1)**	**(168.4)**	**(237.8)**	**(254.4)**	(254.4)	(262.2)
LTV	42.7%	39.4%	32.0%	26.1%	32.6%	33.1%	32.0%	31.4%

Source: Phoenix Spree Deutschland historical data, Edison Investment Research forecasts

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