

# Branicks Group AG

**Buy** (unchanged) **Target: Euro 5.00** (old: Euro 3.00)

4 | April | 2024



**Price (Euro)** **1,35**  
52 weeks range 7.54 / 0.86

## Key Data

ISIN	DE000A1X3XX4
Bloomberg	BRNK:GR
Reporting standard	IFRS
Market Cap (Euro million)	113
Number of shares (million)	83,6
Free Float	45,6%
Free Float Market Cap (Euro million)	51
CAGR EBIT (22 -25e)	1,0%

Multiples	2022	2023e	2024e	2025e
Market Cap / Total revenues	0,6	0,6	0,6	0,6
<b>PE-Ratio</b>	<b>3,6</b>	<b>-2,8</b>	<b>-4,1</b>	<b>-10,0</b>
Dividend Yield	55,6%	0,0%	0,0%	0,0%

Key Data per share (Euro)	2022	2023e	2024e	2025e
<b>Earnings per share (EPS)</b>	<b>0,38</b>	<b>-0,49</b>	<b>-0,33</b>	<b>-0,13</b>
<b>FFO per share</b>	<b>1,38</b>	<b>0,61</b>	<b>0,66</b>	<b>0,78</b>
Dividend per share (DPS)	0,75	0,00	0,00	0,00

Financial Data (Euro '000)	2022	2023e	2024e	2025e
Gross rental income	175.956	188.086	176.952	192.565
<b>Net rental income</b>	<b>152.540</b>	<b>170.356</b>	<b>157.057</b>	<b>170.229</b>
Administrative expenses	-37.863	-27.349	-29.012	-30.100
Personnel expenses	-42.581	-43.247	-44.214	-47.781
Real estate management fees	88.375	52.368	62.407	88.241
Profit on disposal of investment property	12.697	7.195	11.162	5.103
<b>EBIT</b>	<b>101.575</b>	<b>45.817</b>	<b>78.253</b>	<b>104.619</b>
Net financial result	-60.582	-99.233	-100.418	-107.368
<b>EBT</b>	<b>59.911</b>	<b>-45.447</b>	<b>-16.488</b>	<b>2.736</b>
Taxation	-17.053	-34.577	-36.607	-38.637
<b>Net profit after minorities</b>	<b>31.024</b>	<b>-40.861</b>	<b>-27.811</b>	<b>-11.406</b>
<b>FFO</b>	<b>114.200</b>	<b>50.919</b>	<b>55.386</b>	<b>66.048</b>

## Main Shareholders

Deutsche Immobilien Chancen-Gruppe	34,3%
Yannick Patrick Heller	10,1%
RAG-Stiftung	10,0%

## Financial calendar

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

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## Prolongation agreements done with promissory notes and the bridge loan which are both important milestones, Buy rating affirmed, target price up to Euro 5.00

Last week, on 26 March, Branicks released some important and positive news, with regards of restructuring the debt side.

The firm managed the prolongation of the Euro 225m promissory notes, pursuant to the StaRUG German legal restructuring framework, which will now all mature on 30 June 2025, in 15 months. The 96% vote was very clear and the interest conditions were slightly upgraded, to take the changed interest rate environment into account. The Frankfurt district court subsequently confirmed these new agreements.

In addition to that, Branicks could also announce the prolongation of the remaining bridge loan for the VIB takeover. Euro 40m of the Euro 200m were instantly paid back and the remaining Euro 160m were prolonged until 31 December 2024. Branicks mentioned that the interest payment conditions were more or less unchanged. We assume them to be in a range of about 9% to 10%.

The company could also announce a sale of 8 commercial properties to VIB Vermögen for Euro 99m, which mean a yearly rental income of c. Euro 13m (13% gross yield). The cash inflow for Branicks is about Euro 60m which is helpful to improve the financial position. Some more good news were recently posted with regards to new lease agreements or lease prolongation that also foster the cash inflow.

We welcome these important milestones that give a better financial scope and more time for the recovery of office markets and the gradual reduction of the debt side.

With regards to the supervisory board, a change in the Chairman position is planned for the near future. The supervisory board will elect for a new chairman. The current chairman Prof. Dr. Gerhard Schmidt will remain as a member of the board.

**The above news about the prolongations of promissory notes and bridge financing are important milestones. We keep our Buy recommendation and lift our target price from Euro 3.00 to Euro 5.00. More details to come with the publication of the 2023 annual report on 30 April.**

### Branicks Group AG

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

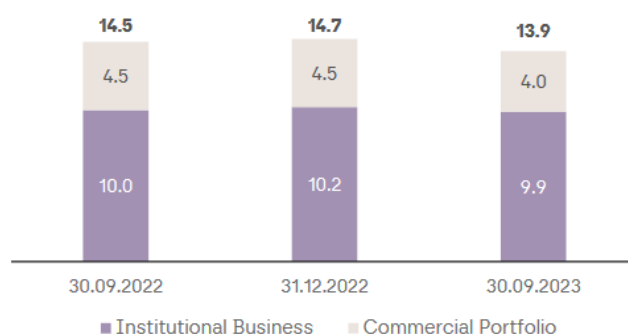
Branicks (formerly DIC Asset) is a strong commercial properties player in the German market with two strong and in general more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio Branicks does on balance sheet investment for their own books, in particular office properties that offer a stable cash income (core / core plus) as well as some value add properties which need more attention to reduce vacancy and increase the intrinsic cash flow in mid-term, in particular by repositioning or revitalization of some assets. This strategy is complemented by an intelligent cycle management to sell some properties at the right time for portfolio optimization and generating additional trading profits. The commercial portfolio has a size of about Euro 4.0bn at present. A bigger focus is now laid on logistics assets. Here, the successful partial takeover of VIB Vermögen is already a big milestone and lifts the share of logistics asset to more than 40% of the commercial portfolio.

In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. Branicks also initiated funds outside the office topic, for instance with the DIC Retail Balance I fund, which came in September 2017 with a size of about Euro 250m or the new RLI-GEG Logistics & Light Industrial III fund with a volume of Euro 400m. The institutional business offers a great range of fees for set-up, transactions, asset and property management services for the funds, club deals and individual mandates. In addition to a broad income stream from servicing fees there are lucrative equity returns from the co-investment stakes. The assets under management in the Institutional Business steeply increased by almost 50% in 2019, from Euro 3.9bn to Euro 5.7bn, to Euro 7.6bn in 2020 and again steeply to Euro almost Euro 9.3bn in 2021 and Euro 10.25bn in 2022. All activities in the field of fund business (third party mandates) have been bundled under the GEG roof. Both pillars, the Commercial Portfolio and the Institutional Business, are serviced from the group's own asset and property management platform, with branches in Frankfurt, Mannheim, Dusseldorf, Cologne, Hamburg, Munich, Berlin, Stuttgart and Neuburg. The institutional business offers a lucrative income stream of management fees as well as transaction-related fees and performance fees. Another milestone was the takeover of Munich based RLI investors in December 2020 (closing January 2021) with over Euro 700m Assets under Management. This helps to sharpen the profile of Branicks in the field of logistics investments and helps to cross sell logistics assets to GEG clients and vice versa.

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

**Assets under Management**  
in EUR billion



Source: Company Data, SRC Research

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

## SRC Research

### - Der Spezialist für Finanz- und Immobilienaktien -

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### Rating Chronicle

Company	Date	Rating	former share price	former target
Branicks Group AG	06.03.2024	Buy	1,24 €	3,00 €
Branicks Group AG	08.11.2023	Buy	4,10 €	9,00 €
DIC Asset AG	04.08.2023	Buy	4,21 €	11,00 €
DIC Asset AG	10.07.2023	Buy	5,31 €	11,00 €
DIC Asset AG	11.05.2023	Buy	6,70 €	14,00 €
DIC Asset AG	13.04.2023	Buy	6,71 €	16,00 €
DIC Asset AG	15.02.2023	Buy	8,85 €	16,00 €
DIC Asset AG	26.01.2023	Buy	8,74 €	16,00 €
DIC Asset AG	09.11.2022	Buy	7,30 €	17,00 €
DIC Asset AG	03.11.2022	Buy	7,03 €	17,00 €
DIC Asset AG	03.08.2022	Buy	10,34 €	22,00 €
DIC Asset AG	10.05.2022	Buy	12,04 €	26,00 €
DIC Asset AG	24.03.2022	Buy	15,48 €	26,00 €

**Please note:** The share price mentioned in this report is from 3 April 2024. Branicks Group AG mandated SRC Research for covering the share.

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