

Branicks Group AG

Buy (unchanged) Target: Euro 7.00 (unchanged)

8 | November | 2024



Price (Euro)	2,50			
52 weeks range	4.45 / 0.88			
Key Data				
ISIN	DE000A1X3XX4			
Bloomberg	BRNK:GR			
Reporting standard	IFRS			
Market Cap (Euro million)	209			
Number of shares (million)	83,6			
Free Float	51,7%			
Free Float Market Cap (Euro million)	108			
CAGR EBIT ('23 -'26e)	253,5%			
Multiples				
	2023	2024e	2025e	2026e
Market Cap / Total revenues	1,1	1,3	1,2	1,2
PE-Ratio	-3,2	-3,2	-30,0	14,9
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Key Data per share (Euro)				
	2023	2024e	2025e	2026e
Earnings per share (EPS)	-0,79	-0,79	-0,08	0,17
FFO per share	0,62	0,58	0,66	0,90
Dividend per share (DPS)	0,00	0,00	0,00	0,00
Financial Data (Euro '000)				
	2023	2024e	2025e	2026e
Gross rental income	188.273	164.150	168.492	172.833
Net rental income	164.634	142.079	145.293	148.814
Administrative expenses	-27.210	-26.132	-28.100	-30.188
Personnel expenses	-40.101	-39.227	-40.341	-42.375
Real estate management fees	50.853	42.562	61.239	84.299
Profit on disposal of investment property	8.184	5.399	12.418	11.014
EBIT	2.035	23.054	70.674	89.864
Net financial result	-92.816	-104.011	-91.358	-81.897
EBT	-84.333	-75.280	-11.135	20.388
Taxation	-34.577	-36.607	-38.637	-40.667
Net profit after minorities	-65.960	-65.896	-6.963	14.054
FFO	51.900	48.800	55.300	75.400
Main Shareholders				
Deutsche Immobilien Chancen-Gruppe	28,2%			
Yannick Patrick Heller	10,1%			
RAG-Stiftung	10,0%			
Financial calendar				
2024 annual report	12 March 2025			
1Q 2025 report	8 May 2025			
2Q 2025 report	14 August 2025			
AGM	20 August 2025			
3Q 2025 report	6 November 2025			
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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9M shows an important step into right direction – full and early repayment of the VIB bridge loan in October – improving balance sheet- rising FFO due to fees in the IB unit – still € 7.00 TP and Buy

Yesterday, Branicks released the 9M 2024 report. The results were an important step into the right direction of deleveraging with the early and full repayment of the VIB bridge loan with the remaining Euro 40m in early October as well as on the transaction side to bring down the size of the Commercial Portfolio as well as with a clear upward trend in the FFO I. After six months the FFO I stood at Euro 19.4m, a bit below the Euro 22.4m last year. The third quarter stand-alone delivered a Euro 16.7m FFO I, almost the same level than the first six months and +56% above the 3Q 2023 level of Euro 10.7m. Transactions fees from Institutional Business segment helped a lot bringing up the IB FFO from tiny Euro 0.9m last year to now Euro 10.3m this year. The company profits from a gradual recovery of the investment markets, what we also expect to continue and improve for office properties during the next quarters. For sure, it is a long bumpy road, but the direction is right. The total FFO I for 9M was at Euro 36.1m, +9% compared to Euro 33.1m last year. With this good picture the company confirmed the full year guidance for FFO in a range of Euro 40m to Euro 55m. We lift our expectation from Euro 43.4m to Euro 48.8m as we expect Branicks to deliver more on the upper side in a range of Euro 48m to Euro 55m with the good 9M basis and the good operating performance. The letting business was not overwhelming but satisfying for a still very challenging economic framework in Germany with no growth. Letting performance was at 218k sqm, after 346k sqm last year. The bulk of new contracts were prolongations as there is still a somewhat persistent reluctance to sign for new rental contracts in the office market. Like-for-like rents were up 2%, this hike comes from Institutional Business, whereas the Commercial Portfolio was just stable.

The assets under management melted down almost Euro 2bn in only one year. After Euro 13.9bn in 9M 2023 (9.9bn IB / 4.0bn CP), it is now Euro 12.1bn (8.9bn IB / 3.2bn CP). The sale transactions performed well with the sale of 19 properties for Euro 417m in the first nine months (17 in CP / 2 in IB) and about Euro 370m are already signed and closed so far during the fourth quarter. With this success the company will for sure meet the full year disposal target of Euro 600m to Euro 900m and we do expect it more in the middle or upper end.

With the repayment of the VIB bridge loan the future interest expenses will shrink and we have already seen improving balance sheet ratios as LTV was down from 57.6% in Dec. 2023 to now 55.3% and will probably fall below 50% in the second half of 2025. Besides LTV improvement, the bond covenants showed sufficient headroom (bond ICR 2.0x above the 1.8x minimum) and the equity ratio improved from 31.5% to 32.9% with a balance sheet sum down Euro 700m, from Euro 4.8bn to Euro 4.1bn in only 9 months. Results go into right direction. We keep our Buy and TP.

Branicks Group AG

Industry:	Real Estate	Management Board of Branicks
Sub-segment:	Commercial property investor	Sonja Wärtnges (CEO)
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	Johannes von Mutius (CIO)
		Torsten Doyen (CIBO)
		Christian Fritzsche (COO)
Region:	Germany	Supervisory Board of Branicks:
Headquarter:	Frankfurt	Dr. Angela Geerling
Foundation	1998	Michael Zahn
Employees:	305	Prof. Dr. Gerhard Schmidt
		Eberhard Vetter
IR Contact:		Rene Zahnd
Dipl.-Bw. Jasmin Dentz, CIO		Jürgen Overath
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 and logistics properties that offer a stable cash income 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 3.65bn at present.

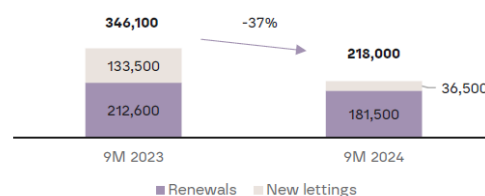
In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. Branicks 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. At the end of 2023, the AuM in the segment amounted to Euro 9.6bn. 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. As of April 2024, the firm announced a stronger strategic focus on ESG and Renewables and plans to launch its first Renewable Fund with a volume of Euro 300m in the first half of 2024.

The FFO I result of 2023 stood at a level of Euro 52m and was expectedly more than halved from Euro 114m in 2022 due to the very sluggish market conditions and the respective much lower transaction volume in the institutional business segment as well as the significantly higher financing expenses. For 2024 Branicks still guides a range of Euro 40m to Euro 55m for the FFO I result. After 9M 2024 the FFO I already stood at Euro 36.1m (9M 2023: Euro 33.1m) which is a good base for reaching the full year target. This FFO result was realized with rental income from commercial portfolio and rising management & performance fees from Institutional Business in a gradually recovering market environment.

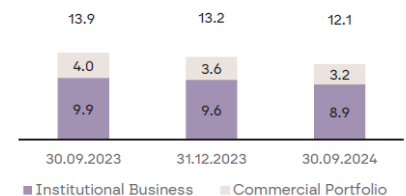
9M 2024: Solid results in a challenging market anchored by a strong real estate platform

Like-for-like rental growth continues with +1.6%

Letting performance
in sqm



Assets under Management
in EUR billion



Source: Company Data, SRC Research

Branicks Group AG 31/12 IFRS ('000)	2021	2022	2023	2024e	2025e	2026e	CAGR '23 - '26e
Gross rental income	108.390	175.956	188.273	164.150	168.492	172.833	-2,8%
Ground rents	-523	-339	-169	-224	-326	-448	
Service charge income on principal basis	23.211	31.269	32.886	29.384	30.485	31.221	
Service charge expenses on principal basis	-26.415	-36.572	-38.997	-34.957	-36.538	-37.293	
Other property-related expenses	-13.447	-17.774	-17.359	-16.274	-16.820	-17.499	
Net rental income	91.216	152.540	164.634	142.079	145.293	148.814	-3,3%
Administrative expenses	-21.518	-37.863	-27.210	-26.132	-28.100	-30.188	
Personnel expenses	-38.096	-42.581	-40.101	-39.227	-40.341	-42.375	
Depreciation and amortization	-42.986	-73.883	-156.024	-102.374	-80.116	-82.129	
Real estate management fees	101.225	88.375	50.853	42.562	61.239	84.299	18,4%
Other operating income	3.815	5.699	2.495	3.320	3.725	4.331	
Other operating expenses	-1.802	-3.409	-796	-2.573	-3.444	-3.902	
Net proceeds from disposal of investment property	139.337	51.494	558.611	284.738	378.239	324.839	
Carrying amount of investment property disposed	-115.572	-38.797	-550.427	-279.339	-365.821	-313.825	
Profit on disposal of investment property	23.765	12.697	8.184	5.399	12.418	11.014	
Net operating profit before financing activities (EBIT)	115.619	101.575	2.035	23.054	70.674	89.864	253,5%
Share of the profit or loss of associates	6.524	18.918	6.448	5.677	9.549	12.421	
Interest income	9.550	10.635	17.878	14.353	9.883	5.425	
Interest expenses	-59.257	-71.217	-110.694	-118.364	-101.241	-87.322	
Profit/loss before tax (EBT)	72.436	59.911	-84.333	-75.280	-11.135	20.388	
Tax	-14.051	-17.053	13.634	4.052	2.784	-5.097	
Net profit	58.385	42.858	-70.699	-71.228	-8.351	15.291	
Minorities	590	11.834	-4.739	-5.332	-1.388	1.237	
Net profit after minorities	57.795	31.024	-65.960	-65.896	-6.963	14.054	
FFO	107,2	114,2	51,9	48,8	55,3	75,4	13,3%
Number of shares ('000)	81.504	82.689	83.427	83.566	83.566	83.566	
Earnings per share	0,71	0,38	-0,79	-0,79	-0,08	0,17	
FFO per share	1,32	1,38	0,62	0,58	0,66	0,90	
Dividend per share	0,75	0,75	0,00	0,00	0,00	0,00	
Shareholders' Equity	1.133.969	1.664.101	1.527.139	1.400.241	1.438.278	1.477.332	-1,1%
Balance Sheet sum	3.493.650	5.180.270	4.846.174	3.895.007	3.817.107	3.836.192	
Equity Ratio	32,5%	32,1%	31,5%	35,9%	37,7%	38,5%	

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	27.08.2024	Buy	2,23 €	7,00 €
Branicks Group AG	19.08.2024	Buy	1,83 €	7,00 €
Branicks Group AG	21.05.2024	Buy	1,98 €	5,00 €
Branicks Group AG	02.05.2024	Buy	1,62 €	5,00 €
Branicks Group AG	04.04.2024	Buy	1,35 €	5,00 €
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 €

Please note: The share price mentioned in this report is from 7 November 2024. Branicks Group AG mandated SRC Research for covering the share.

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