

# Grand City Properties S.A.

Luxembourg / Real Estate  
 Frankfurt  
 Bloomberg: GYC GR  
 ISIN: LU0775917882

Update

**RATING**  
**PRICE TARGET**  
 Return Potential 21.2%  
 Risk Rating Medium

**BUY**  
**€ 12.90**

## PERPETUAL NOTE HOLDERS PLAY BALL

Grand City announced results of its exchange and tender offers of two series of its perpetual notes. The aim was restore the notes' equity component according to S&P methodology, since non-called notes are regarded as debt by the ratings agency. Some 82% of noteholders accepted the offers equal to a nominal value of ~€499m. The landlord will also issue €410m in new notes and repurchase €34m of perpetual notes via the tender offer. Aside from shoring up the S&P metrics, coupon payment savings north of €2m will positively impact bottom line FFO 1. We are Buy-rated on Grand City with a €12.9 TP (old: €12.5).

**Perpetual note holders play ball** So far roughly €550m of GCP's notes (January 2028 and October 2028) have not been called. But holders of some 82% of the nominal value of these two series opted for the exchange, thus reducing their nominal value to €101m. At the same time, GCP will issue €410m in new perpetual notes. The overall net effect of the reshuffled hybrid note portfolio and new issuance means coupon payments will decline by around €2m p.a. (overleaf), which we have now factored into our model. Plus, the successful exchange confirms management's recent comments that the financial markets are indeed warming. This should cheer investors still recovering from a year plus of interest rate shock.

**Balance sheet worries overshadowing earnings resilience** The successful swap and buyback will shore up GCP's balance sheet metrics in the eyes of S&P. The ratings agency counts perpetual notes as 100% debt when they are not called. The new notes will restore or extend the 50% equity component according to S&P, and all perpetual notes will continue to be regarded as equity according to IFRS and for all bond covenants. Nevertheless, some investors still regard the hybrid notes as debt and use this stance to fuel their concerns about leverage ratios. This debate aside, investors should not lose sight that FFO 1 has remained remarkably steady throughout the sector downturn, giving GCP further flexibility to steer through still volatile capital markets. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Rental income (€m)	535.4	524.6	582.5	607.7	622.5	638.9
Y/Y growth	-4.4%	-2.0%	11.0%	4.3%	2.4%	2.6%
Adj. EBITDA (€m)	299.8	298.6	308.1	319.6	330.0	341.7
Net income (€m)	362.2	523.5	129.2	-547.5	-122.8	247.8
EPRA NTA (€m)	4,566.4	5,020.2	4,655.6	4,013.8	3,857.7	3,984.3
EPRA NTAPS (€)	26.5	30.4	27.0	23.2	22.3	23.1
DPS (€)	0.82	0.83	0.00	0.00	0.78	0.81
FFO 1* (€m)	182.2	186.3	192.2	183.9	180.2	186.9
FFOPS 1* (€)	1.07	1.11	1.14	1.07	1.04	1.08
Liquid assets (€m)	1,697.9	1,113.5	436.8	1,253.8	1,370.9	1,159.7

### RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and departure of key personnel.

### COMPANY PROFILE

Grand City Properties is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The overarching strategy is to improve the portfolio through targeted modernisation and intensive tenant management and thus create value by subsequently raising occupancy and rental levels.

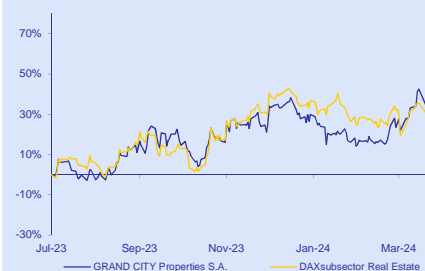
### MARKET DATA

As of 12 Apr 2024

Closing Price	€ 10.64
Shares outstanding	176.19m
Market Capitalisation	€ 1,874.66m
52-week Range	€ 6.85 / 10.64
Avg. Volume (12 Months)	200,254

Multiples	2023	2024E	2025E
P/FFO 1	10.0	10.2	9.8
P/NTA	0.5	0.5	0.5
FFO 1 Yield	10.0%	9.8%	10.2%
Div. Yield	0.0%	7.4%	7.6%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 1,070.6m
Current Assets	€ 8,629.1m
Intangible Assets	€ 4,013.8m
Total Assets	€ 10,918.1m
Current Liabilities	€ 653.7m
Shareholders' Equity	€ 5,230.1m

### SHAREHOLDERS

Edolaxia Ltd.	61.0%
Treasury	2.0%
Free float	37.0%



## IMPACT OF EXCHANGE OFFERS AND ISSUANCES

**Table 1: Estimated 2025 coupon based on current situation and reset**

Issuer	Outstanding Volume (m)	Coupon (%)	Current coupon (€m)
EUR (GCP)	200	6.332	13
EUR (GCP)	350	5.901	21
<b>Totals</b>	<b>550</b>	<b>6.058</b>	<b>33</b>

Source: First Berlin Equity Research; Grand City Properties

**Table 2: Estimated 2025 coupon bonds not-exchanged**

Issuer	Pre-exchange volume (m)	Exchanged volume €m)	Volume not exchanged (m)	Coupon (%)	Coupon (€m)
EUR (GCP)	200	152	48	6.332	3
EUR (GCP)	350	298	53	5.901	3
<b>Totals</b>	<b>550</b>	<b>450</b>	<b>101</b>	<b>6.108</b>	<b>6</b>

Source: First Berlin Equity Research; Grand City Properties

**Table 3: New instruments + not-exchanged coupons vs current situation**

New notes	Volume (m)	Coupon (%)	New coupon (€m)	Not exchanged coupon (€m))	Current situation (€m)	2025 Saved coupon (€m)
EUR (GCP)	138	6.125	8	3	13	1
EUR (GCP)	271	6.125	17	3	21	1
<b>Totals</b>	<b>409</b>	<b>6.125</b>	<b>25</b>	<b>6</b>	<b>33</b>	<b>2</b>

Source: First Berlin Equity Research; Grand City Properties

**Table 4: Changes to FBe and TP**

	old	new	revision	upside	dividend yield	total upside
<b>Price target (€)</b>	<b>12.5</b>	<b>12.9</b>	<b>3.2%</b>	<b>21.2%</b>	<b>7.4%</b>	<b>28.6%</b>
	2024E			2025E		
<b>in €m</b>	<b>Old</b>	<b>New</b>	<b>Variance</b>	<b>Old</b>	<b>New</b>	<b>Variance</b>
Net rent (NRI)	421	421	0.0%	433	433	0.0%
AEBITDA	330	330	0.0%	342	342	0.0%
margin (NRI)	78%	78%	-	79%	79%	-
FFO 1	178	180	1.4%	184	187	1.7%
Margin	42%	43%	-	42%	43%	-
FFOPS 1 (€)	1.03	1.04	1.4%	1.03	1.04	1.7%

Source: First Berlin Equity Research estimates



## VALUATION

Table 5: DCF model

All figures in EURm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>AEBITDA</b>	<b>330</b>	<b>342</b>	<b>362</b>	<b>383</b>	<b>401</b>	<b>420</b>	<b>439</b>	<b>458</b>
(-) Tax	-45	-46	-49	-52	-54	-57	-59	-62
<b>(=) Net operating cash flow</b>	<b>285</b>	<b>296</b>	<b>313</b>	<b>331</b>	<b>347</b>	<b>363</b>	<b>379</b>	<b>396</b>
(-) Total investments (CapEx and WC)	185	-225	-213	-205	-194	-185	-179	-182
(-) Capital expenditures	202	-218	-202	-194	-185	-176	-169	-173
(-) Working capital	-16	-7	-11	-11	-9	-9	-9	-9
<b>(=) Free cash flows (FCF)</b>	<b>471</b>	<b>71</b>	<b>100</b>	<b>127</b>	<b>153</b>	<b>178</b>	<b>201</b>	<b>214</b>
<b>PV of FCF's</b>	<b>455</b>	<b>65</b>	<b>88</b>	<b>105</b>	<b>122</b>	<b>135</b>	<b>145</b>	<b>147</b>

All figures in EUR '000		Terminal AEBITDA margin							
		79.2%	79.7%	80.2%	80.7%	81.2%	81.7%	82.2%	
PV of FCFs in explicit period	1,561	4.4%	21.1	21.6	22.1	22.6	23.1	23.6	24.1
PV of FCFs in terminal period	5,093	4.6%	17.5	18.0	18.4	18.9	19.3	19.8	20.2
Enterprise value (EV)	6,654	4.8%	14.5	14.9	15.3	15.7	16.1	16.5	16.9
+ Net cash / - net debt	-4,426	5.0%	11.8	12.2	12.5	12.9	13.3	13.7	14.1
+ Investments / minority interests	0	5.2%	9.5	9.8	10.2	10.5	10.8	11.2	11.5
Shareholder value	2,228	5.4%	7.4	7.7	8.0	8.4	8.7	9.0	9.3
<b>Fair value per share in EUR</b>	<b>12.9</b>	5.6%	5.6	5.9	6.2	6.5	6.8	7.1	7.4
		Terminal growth rate							
			-0.5%	0.0%	0.5%	2.0%	1.5%	2.0%	2.5%
Cost of equity	7.0%	4.4%	2.3	4.5	7.3	22.6	15.8	22.6	33.0
Pre-tax cost of debt	3.0%	4.6%	1.2	3.2	5.7	18.9	13.1	18.9	27.4
Tax rate	13.5%	4.8%	0.1	1.9	4.2	15.7	10.7	15.7	22.8
After-tax cost of debt	2.6%	5.0%	-0.9	0.8	2.8	12.9	8.6	12.9	19.0
Share of equity capital	45.0%	5.2%	-1.8	-0.3	1.6	10.5	6.7	10.5	15.7
Share of debt capital	55.0%	5.4%	-2.6	-1.2	0.4	8.4	5.0	8.4	12.8
<b>WACC</b>	<b>5.0%</b>	5.6%	-3.4	-2.1	-0.6	6.5	3.5	6.5	10.3

\*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes; net debt includes hybrid notes for DCF purposes



## INCOME STATEMENT

All figures in EURm	2020	2021	2022	2023	2024E	2025E
<b>Net rent</b>	<b>372</b>	<b>375</b>	<b>396</b>	<b>411</b>	<b>421</b>	<b>433</b>
<b>Rental and operating income</b>	<b>535</b>	<b>525</b>	<b>583</b>	<b>608</b>	<b>623</b>	<b>639</b>
Property revaluations & capital gains	343	695	118	-890	-353	134
Result from equity-accounted investees	4	4	0	0	0	0
Property expenses	-226	-218	-266	-279	-283	-288
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-5	-8	-10	-9	-9	-10
<b>Operating income (EBIT)</b>	<b>640</b>	<b>986</b>	<b>413</b>	<b>-582</b>	<b>-34</b>	<b>465</b>
Finance expenses	-53	-46	-47	-57	-61	-65
Other financial results	-46	-149	-137	-86	0	0
<b>Pre-tax income (EBT)</b>	<b>542</b>	<b>791</b>	<b>229</b>	<b>-724</b>	<b>-95</b>	<b>400</b>
Current tax	-31	-39	-39	-41	-42	-43
Deferred tax	-61	-135	-11	127	42	-16
<b>Tax result</b>	<b>-93</b>	<b>-174</b>	<b>-50</b>	<b>86</b>	<b>0</b>	<b>-60</b>
Minority interests	-54	-69	-25	124	14	-51
Hybrid note investors	-33	-25	-25	-34	-42	-42
<b>Net income</b>	<b>362</b>	<b>524</b>	<b>129</b>	<b>-548</b>	<b>-123</b>	<b>248</b>
Basic EPS (€)	2.13	3.12	0.77	-3.18	-0.71	1.44
<b>AEBITDA</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>330</b>	<b>342</b>
<b>Ratios</b>						
AEBITDA margin (% of net rent)	80.5%	79.7%	77.8%	77.7%	78.3%	79.0%
Tax rate	10.5%	13.1%	12.7%	-12.8%	12.7%	12.7%
<b>Expenses (% of net rent)</b>						
Property expenses	60.8%	58.2%	67.2%	67.8%	67.1%	66.5%
Administration expenses	2.9%	3.0%	2.7%	2.7%	2.6%	2.6%
<b>Y-Y Growth</b>						
Rental and operating income	-4.4%	-2.0%	11.0%	4.3%	2.4%	2.6%
Total revenues	-4.4%	-2.0%	11.0%	4.3%	2.4%	2.6%
Operating income	-7.6%	54.0%	-58.1%	n.m.	n.m.	n.m.
Adjusted EBITDA	0.7%	-0.4%	3.2%	3.7%	3.3%	3.5%
Net income/ loss	-11.0%	44.5%	-75.3%	n.m.	n.m.	n.m.
<b>Funds from Operations (FFO)</b>						
<b>Operating profit</b>	<b>640</b>	<b>986</b>	<b>413</b>	<b>-582</b>	<b>-34</b>	<b>465</b>
Depreciation and amortisation	5	8	10	9	9	10
<b>EBITDA</b>	<b>645</b>	<b>994</b>	<b>423</b>	<b>-572</b>	<b>-25</b>	<b>475</b>
Property revaluations & capital gains	-343	-695	-118	890	353	-134
Others	-2	-1	3	2	2	2
<b>Adjusted EBITDA</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>330</b>	<b>342</b>
Financial expense	-53	-46	-47	-57	-61	-65
Tax	-31	-39	-39	-41	-42	-43
Minority & JV contributions	-1	-2	-5	-4	-5	-5
<b>FFO 1 (before perpetuals)</b>	<b>215</b>	<b>211</b>	<b>217</b>	<b>218</b>	<b>222</b>	<b>229</b>
Perpetual note adjustment	-33	-25	-25	-34	-42	-42
<b>FFO 1</b>	<b>182</b>	<b>186</b>	<b>192</b>	<b>184</b>	<b>180</b>	<b>187</b>



## BALANCE SHEET

All figures in EURm	2020	2021	2022	2023	2024E	2025E
<b>Current assets, total</b>	<b>2,264</b>	<b>1,679</b>	<b>1,134</b>	<b>1,841</b>	<b>1,880</b>	<b>1,680</b>
Cash and cash equivalents	1,412	895	325	1,129	1,245	1,033
Traded securities at fair value through P&L	286	218	112	125	126	127
Trade and other receivables	395	452	353	391	409	420
Inventories - Trading property	16	0	0	0	0	0
Assets held for sale	155	114	344	196	100	100
<b>Non-current assets, total</b>	<b>8,602</b>	<b>9,883</b>	<b>9,997</b>	<b>9,078</b>	<b>8,643</b>	<b>9,022</b>
Equipment and intangible assets	27	70	77	64	70	77
Investment property	8,043	9,364	9,550	8,650	8,190	8,543
Equity accounted investees	108	0	0	0	0	0
Other LT assets	373	397	316	298	310	322
Deferred tax assets	51	51	54	66	73	80
<b>Total assets</b>	<b>10,866</b>	<b>11,562</b>	<b>11,131</b>	<b>10,918</b>	<b>10,523</b>	<b>10,702</b>
<b>Current liabilities, total</b>	<b>427</b>	<b>773</b>	<b>309</b>	<b>654</b>	<b>373</b>	<b>383</b>
Short-term debt	147	455	5	299	10	10
Trade and other payables	209	216	225	254	256	260
Other current liabilities	71	103	79	101	107	114
<b>Long-term liabilities, total</b>	<b>4,884</b>	<b>4,986</b>	<b>4,908</b>	<b>5,034</b>	<b>5,089</b>	<b>5,094</b>
Long-term debt	427	353	319	863	950	1,200
Convertible and straight bonds	3,639	3,642	3,612	3,271	3,271	3,000
Deferred taxes	634	760	789	662	620	636
Other LT liabilities	183	231	189	239	249	259
Minority interests	535	615	666	516	502	553
<b>Shareholders' equity</b>	<b>5,020</b>	<b>5,188</b>	<b>5,249</b>	<b>4,714</b>	<b>4,560</b>	<b>4,672</b>
<b>Total consolidated equity and debt</b>	<b>10,866</b>	<b>11,562</b>	<b>11,131</b>	<b>10,918</b>	<b>10,523</b>	<b>10,702</b>
<b>Ratios</b>						
EPRA NTA* (€m)	4,566	5,020	4,656	4,014	3,858	3,984
EPRA NTAPS* (€)	26.5	30.4	27.0	23.2	22.3	23.1
Net debt (€m)	2,521	3,342	3,506	3,202	2,860	3,050
Net debt / equity (x)	0.5	0.6	0.7	0.7	0.6	0.7
Net debt / EBITDA (x)	8.4	11.2	11.4	10.0	8.7	8.9
Interest cover (x)	5.7	6.4	6.6	5.6	3.6	3.6
Loan-to-value (LTV)	31%	36%	36%	37%	36%	37%
Equity ratio	51%	50%	53%	48%	48%	49%
Return on equity (ROE)	8.1%	10.6%	3.0%	-12.2%	-1.9%	6.5%

\* updated to exclude RETT



## CASH FLOW STATEMENT

All figures in EURm	2020	2021	2022	2023	2024E	2025E
<b>Net income</b>	<b>449</b>	<b>617</b>	<b>179</b>	<b>-638</b>	<b>-95</b>	<b>341</b>
Depreciation and amortisation	5	8	10	9	9	10
Profit from equity accounted investees	-4	-4	0	0	0	0
Change in fair value of investment properties	-343	-695	-118	890	353	-134
Net finance expenses	98	195	184	143	61	65
Tax result	93	174	50	-86	0	60
Others	2	3	3	2	0	0
<b>Operating cash flow</b>	<b>300</b>	<b>299</b>	<b>308</b>	<b>320</b>	<b>329</b>	<b>340</b>
Change in working capital	-29	-45	-61	-38	-7	3
Tax paid	-28	-37	-31	-32	-42	-43
<b>Net cash flow from operating activities</b>	<b>242</b>	<b>217</b>	<b>216</b>	<b>249</b>	<b>280</b>	<b>300</b>
Investment in fixed/intangible assets	-7	-8	-5	-3	-16	-17
Net property investments / disposals	-492	-465	-242	51	202	-218
Acquisition of subsidiaries	547	333	-4	0	0	0
Proceeds from investments in financial assets	-439	-58	82	99	-13	-14
<b>Cash flow from investing</b>	<b>-392</b>	<b>-198</b>	<b>-168</b>	<b>148</b>	<b>173</b>	<b>-249</b>
Debt financing, net	559	-71	-486	496	-202	-21
Equity financing, net	0	17	0	0	0	0
Share buyback	0	-272	0	0	0	0
Dividend paid	-71	-54	-56	0	0	-135
Other financing activities	214	-109	-28	-40	-74	-42
Net paid financing expenses	-51	-50	-47	-49	-61	-65
<b>Cash flow from financing</b>	<b>651</b>	<b>-537</b>	<b>-618</b>	<b>407</b>	<b>-337</b>	<b>-264</b>
Fx effects	-3	2	-1	0	0	0
<b>Net cash flows</b>	<b>498</b>	<b>-517</b>	<b>-571</b>	<b>804</b>	<b>116</b>	<b>-212</b>
Cash, start of the year	914	1,412	895	325	1,129	1,245
<b>Cash, end of the year</b>	<b>1,412</b>	<b>895</b>	<b>325</b>	<b>1,129</b>	<b>1,245</b>	<b>1,033</b>
<b>AEBITDA / share (€)</b>	<b>1.74</b>	<b>1.69</b>	<b>1.75</b>	<b>1.81</b>	<b>1.87</b>	<b>1.94</b>
<b>FFO 1</b>	<b>182</b>	<b>186</b>	<b>192</b>	<b>184</b>	<b>180</b>	<b>187</b>
<b>FFOPS 1 (€)</b>	<b>1.07</b>	<b>1.11</b>	<b>1.14</b>	<b>1.07</b>	<b>1.04</b>	<b>1.08</b>
<b>Y-Y Growth</b>						
Operating cash flow	-2.9%	-10.4%	-0.4%	15.4%	12.1%	7.2%
Adjusted EBITDA / share	-1.6%	-2.8%	3.2%	3.7%	3.3%	3.5%
FFO 1	1.8%	2.3%	3.2%	-4.3%	-2.0%	3.7%
FFOPS 1	0.3%	3.6%	2.8%	-6.8%	-2.1%	3.7%

## Imprint / Disclaimer

### First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH  
Friedrichstr. 34  
10117 Berlin  
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: [info@firstberlin.com](mailto:info@firstberlin.com)

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

**Authored by: Ellis Acklin, Senior Analyst**

**All publications of the last 12 months were authored by Ellis Acklin.**

**Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin**

The production of this recommendation was completed on 15 April 2024 at 13:14

**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

**Copyright© 2024 First Berlin Equity Research GmbH** No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

### **INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.**

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

### **CONFLICTS OF INTEREST**

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Grand City Properties S.A. the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of Grand City Properties S.A. the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Grand City Properties S.A. for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

**INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).**

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

**ASSET VALUATION SYSTEM**

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

**ASSET RECOMMENDATION**

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

**RISK ASSESSMENT**

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

**RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 January 2013	€4.37	Buy	€14.30
2...51	↓	↓	↓	↓
52	12 October 2022	€9.29	Buy	€19.00
53	17 November 2022	€10.51	Buy	€16.80
54	21 March 2023	€7.32	Buy	€12.80
55	21 May 2023	€7.18	Buy	€12.80
56	17 August 2023	€7.32	Buy	€12.80
57	16 November 2023	€9.11	Buy	€12.60
58	18 March 2024	€8.98	Buy	€12.50
59	12 April 2024	€10.35	Buy	€12.50
60	Today	€10.64	Buy	€12.90

**INVESTMENT HORIZON**

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.



### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

### SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main**

### EXCLUSION OF LIABILITY (DISCLAIMER)

#### RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

#### RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

#### INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

#### NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

#### NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

#### DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

#### SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

#### APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

#### NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

#### QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

**This report is not intended for distribution in the USA and/or Canada.**