CR Energy AG

Germany / Investment Holding
Primary exchange: Frankfurt
Bloomberg: CRZK GR
ISIN: DE000A2GS625

Portfolio update
2023 results &
AGM

RATING	**BUY**
PRICE TARGET	**€ 12.00**
Return Potential	92.3%
Risk Rating	High

FULL STEAM AHEAD

Audited 2023 reporting was close to March prelims and showed another good performance during a headwind year for the property sector. EBITDA tallied €66m vs €76m in 2022 (FBe: €76m). The Y/Y decline stems from lower portfolio revaluation gains booked in 2023 than the prior year. Operating cash flow (CFO) climbed 42% Y/Y to €23.5 allowing CRE to exit the year flush with cash (€19.5m) to deploy for growing operations. Meanwhile, the 27 June AGM nodded through the issuance of bonus shares in lieu of a cash dividend payout, and each share became four. CR Opportunities will launch a European Long Term Investment Fund (ELTIF) this summer and populate it with properties in need of refurbishment, which will play off the synergies from CRE's Terrabau and Solartec holdings. We stick to our Buy rating and have adjusted our target price for the increased share count from the bonus shares to €12 (old: €48).

Full steam ahead CRE now controls a value chain that enables it to harness synergies between clean energy, affordable home building, and financial solutions (overleaf). The combined operations are going full steam ahead across various residential subsectors to tackle Germany's acute housing shortage for both middle class earners and senior folks. Solartec will handle energy upgrades, while CR Opportunities will serve as the financial mothership for the various projects. The latter is in the process of launching its maiden ELTIF for ~€100m this summer. The overall business surge is part of the recently unveiled 2027 strategy (overleaf) that aims for AuM (assets under management) of €1bn at CRO in 5 years.

2023 reporting & AGM highlights The 2023 miss relative to FBe owes chiefly to lower than expected non-cash portfolio revaluation gains. Profitability remained high with a 96% bottom line margin. This spurred good CFO and allowed CRE to boost cash to deploy for planned operational growth. The recent AGM approved the issuance of bonus shares, and each CRE share became four, which is now reflected in FBe and company KPIs. This largely. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Investment rev. (€m)	64.4	68.9	77.9	68.6	82.8	96.0
Y/Y growth	-33.9%	7.0%	13.1%	-12.0%	20.8%	15.9%
EBIT (€m)	51.2	66.4	76.3	66.4	80.6	93.7
EBIT margin	79.5%	96.4%	97.9%	96.8%	97.3%	97.7%
Net income (€m)	51.3	65.4	75.3	65.8	79.4	92.3
EPS* (diluted) (€)	3.42	4.04	4.16	2.92	3.38	3.92
DPS* (€)	0.38	0.63	0.63	0.00	0.60	0.60
NAVPS* (€)	11.9	14.9	17.4	17.5	20.3	23.6
Net gearing	-0.5%	-0.6%	-5.1%	-5.0%	-9.3%	-10.5%
Liquid assets (€m)	0.8	1.5	16.0	19.5	44.2	58.2

** adjusted for 2024 bonus shares at 1:3 ratio*

RISKS

Risks include but are not limited to: increasing competition, the company's focus on the residential market in Berlin, and the loss of key personnel.

COMPANY PROFILE

CR Energy is a Berlin-based investment holding focused on growth opportunities in the sustainable technology, private equity, and residential property development sectors in order to positively impact key social issues such as climate change, pension planning, and affordable housing. The company is listed on the Open Market of the Frankfurt Stock Exchange.

MARKET DATA

As of 29 Jul 2024

Closing Price	€ 6.24
Shares outstanding	23.52m
Market Capitalisation	€ 146.76m
52-week Range	€ 5.65 / 7.40
Avg. Volume (12 Months)	5,698

Multiples	2023	2024E	2025E
P/NAV*	0.4	0.3	0.3
EV/Sales	1.9	1.5	1.3
EV/EBIT	1.9	1.6	1.4
Div. Yield	0.0%	9.6%	9.6%

STOCK OVERVIEW

COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 19.50m
Current Assets	€ 20.80m
Financial Assets	€ 383.30m
Total Assets	€ 404.10m
Current Liabilities	€ 0.10m
Shareholders' Equity	€ 393.80m

SHAREHOLDERS

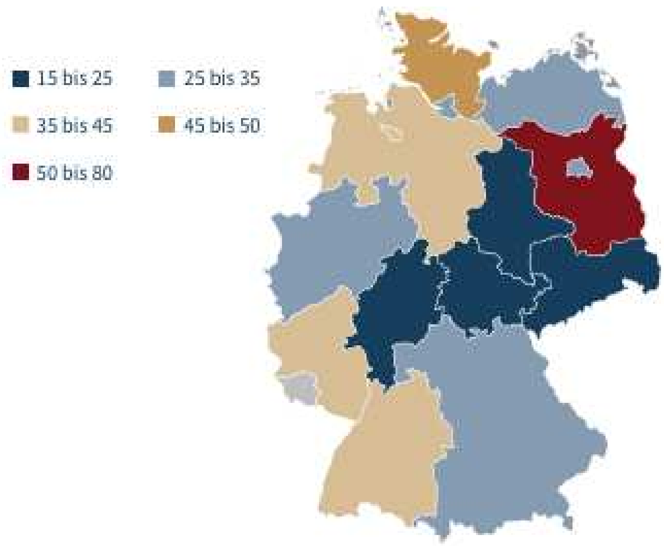
MPH Group	59.0%
Free Float	41.0%

Analyst: Ellis Acklinl. +49 (0)30 - 80 93 96 83

. . . administrative exercise will help boost stock trading liquidity and also husbands cash, but we expect the cash dividend to resume this year. In January, the investment holding successfully completed a rights issuance for gross proceeds of €3.5m. CRE should be able to deploy its ample liquidity at Solartec, CR Opportunities, and Terrabau all of which are aiming to capitalise on attractive growth opportunities this year.

Germany has a massive housing problem. . . While this (obviously) is not breaking news, the problem can't be overstated, and the crisis will likely get worse. Finding a flat in the German capital is tantamount to winning the lottery these days. The German Property Federation (ZIA) puts the country's flat shortage at 600k, and the deficit is expected to swell to over 830k by YE27. New construction has been crippled by soaring costs and remains woefully incapable of closing the gap any time soon. A scant 260k apartment building permits were granted in 2023—the lowest level since 2012 according to Destatis, Germany's Federal Statistics Office. We note that the German government hasn't hit its annual 400k apartment target since 2021, and market watchers think new build might fall short of the 200k level this year. While this is terrible news for urbanites looking for flats to rent, CRE's Terrabau stands to prosper with its affordable housing business that is able to dodge issues hurting other developers.

Figure 1: Number of available barrier-free flats per 100 households in target group

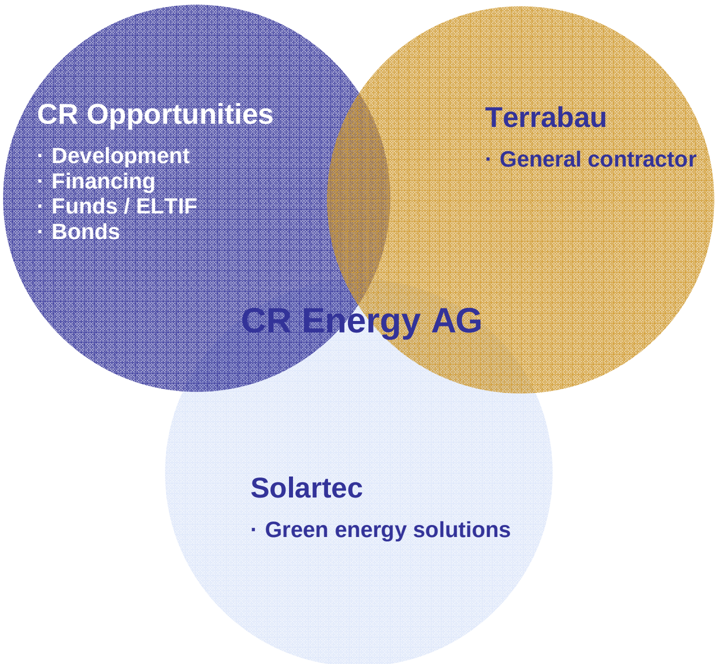


Source: First Berlin Equity Research; IW Trends

. . . and this includes senior folks Germany is getting older. Nearly 22m citizens (26%) will be over 65 years old by 2035. If aging isn't hard enough, seniors are having a tough time finding flats suitable for their creaking knees and frames. The government says Germany will be short over 2m homes appropriate for senior citizens by 2035 and is straining to tackle the mounting problem by throwing subsidies at the issue. Last year, Germany's Federal Ministry of Housing, Urban Development and Building (BMWSB) gave the KfW, a state development bank, €75m for its grant program that supports the conversion of residential buildings into age-appropriate housing. Meanwhile, Berlin is offering interest free loans of up to €3.8k/m² for senior housing projects plus a one-time grant of up to €20k per flat that considers senior accessibility.

CR Energy wants to get in on this action The investment holding will marshal its stable of companies along with its green expertise to help tackle Germany's aging residential stock and dearth of barrier-free flats. CRO is set to launch an ELTIF to provide financing firepower and populate the fund with investment properties from these projects.

Figure 2: Dovetailing operations



Source: First Berlin Equity Research; CR Energy

CRO working in concert with Terrabau and Solartec Having successfully placed an €8m bond with a 9.5% coupon tailored for mainstream investors including small retail folks, CRO is shifting its focus towards European Long-Term Investment Funds and will launch its maiden ELTIF for institutions.

ELTIFs are a new fund category launched by the EU in 2015 and are specifically designed for infrastructure investments. These financial instruments are issued as closed-end funds and are authorized for sale to professionals—insurers and pension funds—as well as private investors.

Starting in 2024, Terrabau wants to build over 500 units, and we expect roughly 200 of these flats will be earmarked for CRO, which wants to populate the new fund with attractive investment properties to drive returns.

Meanwhile, Solartec continues to ramp up its business with solutions that optimise the supply of power and heating with solar, heat pump and infrared heating solutions, as it continues to test batteries and other storage options. The renewable energy specialist will take the reins in updating energy standards across CRE's various residential projects to make them compliant with Germany's green building guidelines.

FULL YEAR RESULTS BREAKDOWN

Table 1: 2023 results vs FBe and prior year

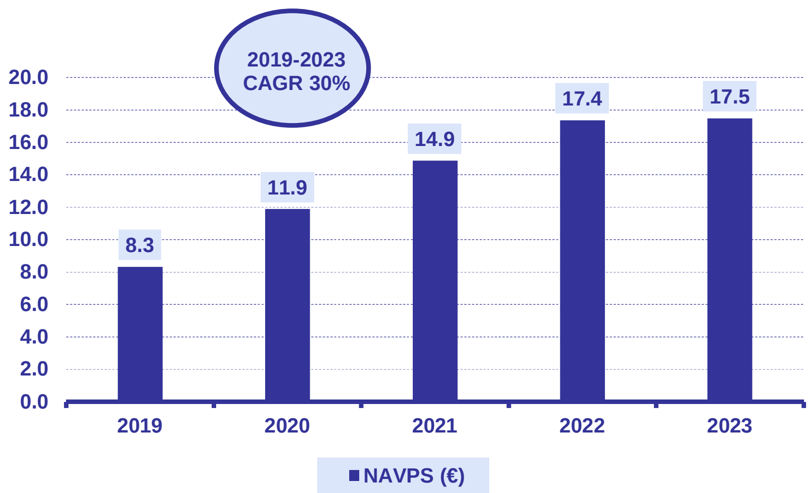
All figures in EUR '000	2023	2023E	*Variance*	2022	*Variance*
Investment revenue	68,644	76,136	*-9.8%*	79,407	*-13.6%*
EBITDA	66,429	74,460	*-10.8%*	76,302	*-12.9%*
Margin (%)	*97%*	*98%*	-	*96%*	-
Net income	66,308	73,309	*-9.5%*	75,305	*-11.9%*
EPS diluted (€)	11.7	12.9	*-9.5%*	18.1	*-35.4%*

Source: First Berlin Equity Research; CR Capital AG

Contributions across the board Full year results showcased the synergies between the holdings, with Solartec, CRO, and Terrabau all contributing to the topline mix. Cash earnings from dividends received amounted to ~€30m for the year with portfolio revaluations accounting for the balance of investment revenue. Net income tallied €66m with operating revenue flowing abundantly to the bottom line, thanks to low operating costs and no interest expense.

Dividend payout to resume on 2024 earnings CRE paused its dividend policy of the past few years that gave shareholders the option to receive a tax-free payout through a scrip dividend or a cash payout (2023: €2.5ps). This year the company issued bonus shares and each CRE share became four. We have adjusted our model for the new share count and reckon this largely administrative exercise will help trading volumes.

Figure 3: Five year net asset value per share development



Source: First Berlin Equity Research; CR Capital AG

Five year NAV CAGR of 30% The NAV climbed 25% on an annualised basis to €393m, while NAVPS stood at €17.5 at YE23 (+1%). The variance is traced to the higher share count from scrip dividend shares issued in 2023. CRE also upped its stake in Solartec to 100% last year with the issuance of new contribution-in-kind shares.

Table 2: YE financial highlights

All figures in EUR '000	2023	2022	*Variance*
Cash & equivalents	19,498	16,032	*22%*
Current assets	20,711	16,553	*25%*
Financial assets	383,271	305,158	*26%*
Total assets	404,132	321,892	*26%*
Financial debt (short- and long-term)	0	0	-
Shareholders' equity	393,472	314,227	*25%*
Equity ratio	97%	98%	-

Source: First Berlin Equity Research; CR Capital AG

Balance sheet still debt-free The rise in total assets is occasioned by the 26% increase in the value of the investment portfolio to €383m under the financial assets line item. Current assets rose at a similar rate because net cash flows generated last year boosted the cash position. The investment holding and its companies continue to self-finance operations with equity and free-cash flows, while CRO will soon chip in hefty sums of cash once its maiden ELTIF is launched.

Table 3: Cash flow developments

All figures in EUR '000	2023	2022	*Variance*
Net operating cash flow	23,496	16,490	*42%*
Cash flow from investing	-17,494	-215	-
Free cash flow	6,002	16,275	*n.m.*
FCF conversion rate	*9%*	*22%*	-
Cash flow from financing	-2,537	-1,729	-
Net cash flow	3,465	14,546	*-76%*

Source: First Berlin Equity Research; CR Capital AG

The solid rise in operating cash flow is traced to the dividend payouts from the core holdings (~€30m). The weaker FCF conversion rate (21%) owes to further investments into the portfolio vs 2022.

Figure 4: Solartec rooftop energy solutions

Source: First Berlin Equity Research; CR Energy

LOOKING AHEAD

CRE recently unveiled its "2027 strategy" that aims for the acquisition of around 500 residential units p.a. Once the first ELTIF is set up, the company wants to load up the portfolio yearly with around 200 duplexes from the Terrabau construction pipeline and another 300 flats bought on the market. Solartec will play a central role in improving the energy standards of the latter group, which we understand will need to be extensively upgraded.

Leaning into this formula, CRO is aiming to ratchet up the AuM by €200m per year, while generating an annual return of 10% to 15%. This should allow the financier to grow earnings by ~20% per year.

We think the overall plan looks ambitious, but not impossible. Terrabau has a full construction pipeline that paves the way for roughly 500 units per year, but the residential market is extremely tight. Landlords are in no hurry to sell off quality assets now that the capital markets are starting to thaw. For instance, Grand City Properties, a residential landlord, recently issued a new €0.5bn bond. CRE's medium-term guide is largely in line with our running forecasts.

VALUATION MODEL

Updated forecasts chiefly reflect changes to the cap table following the issuance of 17,640,654 bonus shares. These were entered into the commercial register on 5 July 2024 bringing the share count to 23,520,872. The new shares carry dividend rights as of 1 January 2024. We have adjusted our TP accordingly to €12, and our rating remains Buy.

Table 4: Discounted dividend model

	Unit	2024E	2025E	2026E	2027E	2028E	2029E	TV
EPS	€	3.4	3.9	4.7	5.5	5.9	6.5	7.8
Payout ratio	%	18	15	15	14	15	15	14
Dividend (DPS)	€	0.6	0.6	0.7	0.8	0.9	1.0	1.1
NPV	**€**	**0.6**	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**6.6**
CAGR 2023 -2028	%	6.3						
Terminal growth rate	%	2.5						
Discount factor	%	9.8						
NPV of dividends	€	5.5						
Terminal value (TV)	€	6.6						
Dividend paid (2023)	€	0.0						
Fair value per share	**€**	**12.00**						

**Our model runs through 2034 and we have only shown the abbreviated version for formatting purposes*

Cost of equity	9.8%	After-tax cost of debt	6.4%
Pre-tax cost of debt	6.5%	Share of equity capital	100.0%
Tax rate	2.0%	Share of debt capital	0.0%
WACC	**9.8%**		

INCOME STATEMENT

in € '000	2020	2021	2022	2023	2024E	2025E
Investment income	**64,378**	**68,914**	**77,914**	**68,565**	**82,807**	**95,962**
Other operating income	156	942	1,493	79	81	82
Personnel expenses	-815	-828	-938	-601	-613	-625
Other impairments	-10,203	0	0	0	0	0
Other operating expenses	-2,326	-2,540	-2,167	-1,614	-1,646	-1,679
EBITDA	**51,190**	**66,488**	**76,302**	**66,429**	**80,628**	**93,739**
Depreciation & amortisation	0	-47	-40	-40	-25	-25
Operating income (EBIT)	**51,190**	**66,441**	**76,262**	**66,389**	**80,603**	**93,714**
Interest expense	-207	-178	-131	-82	0	0
Interest income	282	160	0	0	0	0
Pre-tax income (EBT)	**51,265**	**66,423**	**76,131**	**66,307**	**80,603**	**93,714**
Tax expense	0	-1,032	-826	-525	-1,209	-1,406
Minority expense	0	0	0	0	0	0
Net income / loss	**51,265**	**65,391**	**75,305**	**65,782**	**79,394**	**92,309**
Diluted EPS (in €)*	**3.4**	**4.0**	**4.2**	**2.9**	**3.4**	**3.9**
Ratios						
EBITDA margin on revenues	79.5%	96.5%	97.9%	96.9%	97.4%	97.7%
EBIT margin on revenues	79.5%	96.4%	97.9%	96.8%	97.3%	97.7%
Net margin on revenues	79.6%	94.9%	96.7%	95.9%	95.9%	96.2%
Tax rate	0.0%	1.6%	1.5%	1.5%	1.5%	1.5%
Expenses as % of revenues						
Personnel expenses	1.3%	1.2%	1.2%	0.9%	0.7%	0.7%
Other operating expenses	3.6%	3.7%	2.8%	2.4%	2.0%	1.7%
Y-Y Growth						
Revenues	-31.2%	7.0%	13.1%	-12.0%	20.8%	15.9%
Operating income	-43.9%	29.8%	14.8%	-12.9%	21.4%	16.3%
Net income/ loss	-44.6%	27.6%	15.2%	-12.6%	20.7%	16.3%

** Share count adjusted for 2024 share dividend at 3:1 ratio*

BALANCE SHEET

in € '000	2020	2021	2022	2023	2024E	2025E
Assets						
Current assets, total	**18,888**	**2,306**	**16,603**	**20,766**	**45,479**	**59,564**
Cash and cash equivalents	841	1,486	16,032	19,497	44,171	58,218
Accounts receivable	0	0	0	0	0	0
Other ST assets	18,047	820	571	1,269	1,307	1,346
Non-current assets, total	**169,577**	**245,714**	**305,289**	**383,364**	**442,263**	**507,147**
Intangible assets & goodwill	5	77	69	52	52	52
Tangible assets	96	77	62	41	46	51
Financial assets	169,476	245,560	305,158	383,271	442,165	507,044
Total assets	**188,465**	**248,020**	**321,892**	**404,130**	**487,742**	**566,711**
Shareholders' equity & debt						
Current liabilities, total	**173**	**146**	**76**	**106**	**117**	**128**
Accounts payable	173	146	76	106	117	128
ST debt	0	0	0	0	0	0
Long-term liabilities, total	**10,315**	**7,090**	**7,589**	**10,553**	**11,260**	**12,021**
Deferred tax liabilities	1,445	2,324	3,148	3,670	4,037	4,441
Provisions	50	119	174	134	137	139
Other LT liabilities	8,820	4,647	4,267	6,749	7,086	7,441
LT debt	0	0	0	0	0	0
Shareholders' equity, total	**177,977**	**240,784**	**314,227**	**393,471**	**476,365**	**554,562**
Total consolidated equity and debt	**188,465**	**248,020**	**321,892**	**404,130**	**487,742**	**566,711**
Ratios						
Current ratio (x)	109.2	15.8	218.5	195.9	390.0	464.4
Net debt / (cash)	-841	-1,486	-16,032	-19,497	-44,171	-58,218
Net debt /EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover (x)	-0.3	1.3	n.a.	1.5	2.0	2.1
Net gearing	0%	-1%	-5%	-5%	-9%	-10%
Equity ratio	94%	97%	98%	97%	98%	98%
NAV	177,977	240,784	314,227	393,471	476,365	554,562
NAVPS (€)	11.9	14.9	17.4	17.5	20.3	23.6

CASH FLOW STATEMENT

in € '000	2020	2021	2022	2023	2024E	2025E
Net income	**51,265**	**65,391**	**75,305**	**65,782**	**79,394**	**92,309**
Depreciation & amortisation	10,203	47	40	40	25	25
Result from at equity participations	-61,293	-54,993	-44,328	-8,828	-58,894	-64,879
Financial result	-75	18	131	82	0	0
Tax Result	0	1,032	826	525	1,209	1,406
Change in w orking capital	-426	3,983	-14,527	-33,498	680	733
Operating cash flow	**-326**	**15,478**	**17,447**	**24,103**	**22,414**	**29,594**
Tax paid	0	-1,032	-826	-525	-1,209	-1,406
Net operating cash flow	**-326**	**14,446**	**16,621**	**23,578**	**21,205**	**28,188**
Cash flow from investing	**647**	**-11,145**	**-215**	**-17,494**	**-30**	**-30**
Dividend paid to shareholders	0	-5,619	-1,729	-4,708	0	-14,070
Dividends received	0	3,141	0	2,171	0	0
Debt inflow , net	0	0	0	0	0	0
Equity inflow , net	0	0	0	0	3,489	0
Interest expense	-207	-178	-131	-82	0	0
Cash flow from financing	**-207**	**-2,656**	**-1,860**	**-2,619**	**3,489**	**-14,070**
Cash, start of the year	1,071	841	1,486	16,032	19,497	44,161
Consolidation changes	-344	0	0	0	0	0
Change in cash, net	114	645	14,546	3,465	24,664	14,088
Cash, end of the year	**841**	**1,486**	**16,032**	**19,497**	**44,161**	**58,249**
Free cash flow (FCF)	**321**	**3,301**	**16,406**	**6,084**	**21,175**	**28,158**
FCFPS (in €)	0.0	0.2	0.9	0.3	0.9	1.2

Y-Y Growth						
Net operating cash flow	n.m.	n.m.	15.1%	41.9%	-10.1%	32.9%
Free cash flow	n.m.	928.3%	397.0%	-62.9%	248.0%	33.0%
FCFPS	n.m.	851.2%	344.8%	-70.2%	234.2%	33.0%

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PRICE TARGET DATES

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

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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[1]	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%

[1] 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	23 July 2014	€0.95	Buy	€2.60
2...8	↓	↓	↓	↓
9	4 June 2020	€28.90	Buy	€9.20
10	7 April 2020	€21.70	Buy	€9.20
11	17 September 2021	€34.00	Buy	€14.50
12	21 July 2022	€30.50	Buy	€13.30
13	19 October 2022	€23.00	Buy	€13.30
14	6 July 2023	€32.20	Buy	€12.50
15	16 October 2023	€24.90	Buy	€12.00
16	26 March 2024	€24.70	Buy	€12.00
17	Today	€6.24	Buy	€12.00

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.

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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/

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