

CR Energy AG

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

2023 prelims &
 cap hike

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
€ 48.00
 94.3%
 High

SET TO EXTEND GROWTH TRAJECTORY

CR Energy reported preliminary 2023 KPIs showing another good financial performance during the ongoing property downturn. EBIT tallied €65m vs €75m in 2022 (FBe: €76m). The Y/Y decline stems from lower portfolio revaluations booked in 2023 than the prior year. Meanwhile, operating cash flow climbed 8% Y/Y to €4.0 per share allowing CRE to exit 2023 with cash and equivalents totalling €19.5m (YE22: €16.3m). In January, the investment holding also successfully completed a rights issuance. All 232,610 offered shares were subscribed at €15 per share for gross proceeds of €3.5m. CRE should be able to deploy its topped up coffers at Solartec, CR Opportunities, and Terrabau all of which are aiming to capitalise on attractive growth opportunities this year. We are Buy-rated on CRE with a €48 TP.

Share placement sets up 2024 Solartec's nascent operations are dovetailing well with Terrabau's green home construction business. The PV system integrator works in concert with the home builder outfitting townhomes and condos with rooftop solar rigs. Now CR Energy (CRE) wants to marshal its green home expertise to help tackle Germany's aging residential stock. CR Opportunities, the third core holding, will add European Long-Term Investment Funds (ELTIF) to its financing toolbox to support the upcoming home revitalisation campaign, and we suspect the cash will be deployed to realise ELTIF plans. The company also has a good acquisition pipeline for Terrabau's home construction business, and CRE is keen to bolster its position in the renewable space. In short, there is no shortage of targets for the increased financial firepower.

Equity story remains underappreciated Over the past three years, CRE has evolved away from its roots as a pure-play property developer into an investment entity that has diversified into sustainable technologies that play off of each other. But the underwhelming share price suggests investors have remained somewhat nonplussed and continue to view CR Energy through a . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Investment rev. (€m)	93.60	64.38	68.91	77.91	66.89	82.81
Y/Y growth	n.a.	-31.2%	7.0%	13.1%	-14.2%	23.8%
EBIT (€m)	91.23	51.19	66.44	76.26	65.18	87.05
EBIT margin	97.5%	79.5%	96.4%	97.9%	97.4%	105.1%
Net income (€m)	92.47	51.27	65.39	75.31	64.20	85.75
EPS (diluted) (€)	24.69	13.65	17.11	18.06	13.65	14.80
DPS (€)	1.50	1.50	2.50	2.50	2.50	2.50
NAVPS (€)	33.30	47.50	59.44	69.43	67.28	77.92
Net gearing	4.7%	-0.5%	-0.6%	-5.1%	-5.2%	-8.5%
Liquid assets (€m)	1.07	0.84	1.49	16.03	19.48	38.61

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.

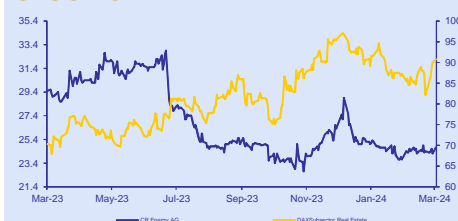
MARKET DATA

As of 25 Mar 2024

Closing Price	€ 24.70
Shares outstanding	5.58m
Market Capitalisation	€ 137.75m
52-week Range	€ 22.70 / 32.90
Avg. Volume (12 Months)	1,244

Multiples	2022	2023E	2024E
P/NAV	0.4	0.4	0.3
EV/Sales	1.6	1.9	1.5
EV/EBIT	1.6	1.9	1.4
Div. Yield	10.1%	10.1%	10.1%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 13.37m
Current Assets	€ 14.59m
Financial Assets	€ 358.56m
Total Assets	€ 373.31m
Current Liabilities	€ 3.24m
Shareholders' Equity	€ 366.24m

SHAREHOLDERS

MPH Group	59.0%
Free Float	41.0%



. . . myopic, overwhelmingly property-focused lens. Given the tough times facing landlords and home builders, sector skepticism will likely persist while interest rate remain elevated. This could in turn weigh on CRE shares, until investor perception fully shifts.

That said, we believe CRE's portfolio is well positioned and offers unique synergies to capitalize on major trends in renewable energy, affordable green housing, and wealth management with the former having moved to the operational forefront. As CRE continues to register good top line growth and high profitability, we think the power of its well-diversified portfolio will become self-evident to even the most jaded investors.

VALUATION MODEL

The share count rises to 5.88m after the rights issue plus the 0.6m shares issued last fall to acquire the remaining 20% stake in Solartec. We have adjusted our discounted dividend model accordingly. We have also lowered the risk free rate of 2.50% in our cost of equity calculation (old: 2.9%) to mirror the decline in 10 year German bond yields. The effects offset each other, and our TP stays at €48.

Figure 1: Discounted dividend model

	Unit	2023E	2024E	2025E	2026E	2027E	2028E	TV
EPS	€	13.7	14.8	17.1	19.9	22.6	23.5	29.6
Payout ratio	%	17	17	15	15	15	15	15
Dividend (DPS)	€	2.5	2.5	2.6	3.0	3.4	3.5	4.4
NPV	€	2.5	2.3	2.2	2.3	2.4	2.2	24.3
CAGR 2023 -2028	%	5.8						
Terminal growth rate	%	2.5						
Discount factor	%	9.9						
NPV of dividends	€	23.8						
Terminal value (TV)	€	24.3						
Fair value per share	€	48.0						

**Our model runs through 2033 and we have only shown the abbreviated version for formatting purposes*

Cost of equity	9.9%	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	9.9%		



INCOME STATEMENT

in € '000	2019	2020	2021	2022	2023E	2024E
Investment income	93,604	64,378	68,914	77,914	66,885	82,807
Other operating income	1,172	156	942	1,493	1,523	1,553
Personnel expenses	-1,494	-815	-828	-938	-966	-985
Other impairments	0	-10,203	0	0	0	0
Other operating expenses	-2,878	-2,326	-2,540	-2,167	-2,232	-2,277
EBITDA	91,267	51,190	66,488	76,302	65,210	81,098
Depreciation & amortisation	-40	0	-47	-40	-35	-35
Operating income (EBIT)	91,227	51,190	66,441	76,262	65,175	81,063
Interest expense	-254	-207	-178	-131	0	0
Interest income	368	282	160	0	0	0
Pre-tax income (EBT)	91,341	51,265	66,423	76,131	65,175	81,063
Tax expense	1,129	0	-1,032	-826	-978	-1,306
Minority expense	0	0	0	0	0	0
Net income / loss	92,470	51,265	65,391	75,305	64,198	79,758
Diluted EPS (in €)	24.7	13.6	17.1	18.1	13.7	16.5
Ratios						
EBITDA margin on revenues	97.5%	79.5%	96.5%	97.9%	97.5%	97.9%
EBIT margin on revenues	97.5%	79.5%	96.4%	97.9%	97.4%	97.9%
Net margin on revenues	98.8%	79.6%	94.9%	96.7%	96.0%	96.3%
Tax rate	-1.2%	0.0%	1.6%	1.5%	1.5%	1.5%
Expenses as % of revenues						
Personnel expenses	1.6%	1.3%	1.2%	1.2%	1.4%	1.2%
Other operating expenses	3.1%	3.6%	3.7%	2.8%	3.3%	2.7%
Y-Y Growth						
Revenues	n.m.	-31.2%	7.0%	13.1%	-14.2%	23.8%
Operating income	n.m.	-43.9%	29.8%	14.8%	-14.5%	24.4%
Net income/ loss	n.m.	-44.6%	27.6%	15.2%	-14.7%	24.2%



BALANCE SHEET

in € '000	2019	2020	2021	2022	2023E	2024E
Assets						
Current assets, total	19,282	18,888	2,306	16,603	20,073	39,218
Cash and cash equivalents	1,071	841	1,486	16,032	19,484	38,612
Accounts receivable	285	0	0	0	0	0
Other ST assets	13,605	18,047	820	571	588	606
Non-current assets, total	117,622	169,577	245,714	305,289	363,346	422,261
Intangible assets & goodwill	6,586	5	77	69	79	89
Tangible assets	105	96	77	62	72	82
Financial assets	100,531	169,476	245,560	305,158	363,195	422,090
Total assets	136,904	188,465	248,020	321,892	383,419	461,479
Shareholders' equity & debt						
Current liabilities, total	2,821	173	146	76	84	92
Accounts payable	1,136	173	146	76	84	92
ST debt	1,685	0	0	0	0	0
Long-term liabilities, total	8,992	10,315	7,090	7,589	8,121	8,694
Deferred tax liabilities	2,353	1,445	2,324	3,148	3,463	3,809
Provisions	1,253	50	119	174	177	181
Other LT liabilities	176	8,820	4,647	4,267	4,480	4,704
LT debt	5,210	0	0	0	0	0
Shareholders' equity, total	125,091	177,977	240,784	314,227	375,214	452,692
Total consolidated equity and debt	136,904	188,465	248,020	321,892	383,419	461,479
Ratios						
Current ratio (x)	6.8	109.2	15.8	218.5	240.1	426.5
Net debt / (cash)	5,824	-841	-1,486	-16,032	-19,484	-38,612
Net debt / EBITDA (x)	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover (x)	-2.3	-0.3	-0.2	1.7	1.9	2.5
Net gearing	5%	0%	-1%	-5%	-5%	-9%
Equity ratio	91%	94%	97%	98%	98%	98%
NAV	125,091	177,977	240,784	314,227	375,214	452,692
NAVPS (€)	33.3	47.5	59.4	69.4	67.3	77.9

* IFRS 10 reporting as of 2019



CASH FLOW STATEMENT

in € '000	2019	2020	2021	2022	2023E	2024E
Net income	92,470	51,265	65,391	75,305	64,198	85,745
Depreciation & amortisation	40	10,203	47	40	35	35
Result from at equity participations	-89,589	-61,293	-54,993	-44,328	-44,737	-58,894
Financial result	-114	-75	18	131	0	0
Tax Result	-1,131	0	1,032	826	978	1,306
Change in working capital	-4,108	-426	3,983	-14,527	522	565
Operating cash flow	-2,432	-326	15,478	17,447	20,995	28,756
Tax paid	-78	0	-1,032	-826	-978	-1,306
Net operating cash flow	-2,510	-326	14,446	16,621	20,017	27,450
Cash flow from investing	-372	647	-11,145	-215	-13,355	-55
Dividend paid to shareholders	-2,809	0	-5,619	-1,729	-3,210	-11,757
Dividends received	0	0	3,141	0	0	0
Debt inflow, net	3,402	0	0	0	0	0
Equity inflow, net	0	0	0	0	0	3,489
Interest expense	-253	-207	-178	-131	0	0
Cash flow from financing	340	-207	-2,656	-1,860	-3,210	-8,267
Cash, start of the year	3,940	1,071	841	1,486	16,032	19,484
Consolidation changes	-327	-344	0	0	0	0
Change in cash, net	-2,542	114	645	14,546	3,452	19,128
Cash, end of the year	1,071	841	1,486	16,032	19,484	38,612
Free cash flow (FCF)	-2,882	321	3,301	16,406	6,662	27,395
FCFPS (in €)	-0.8	0.1	0.9	3.9	1.4	4.7
Y-Y Growth						
Net operating cash flow	n.m.	n.m.	n.m.	15.1%	20.4%	37.1%
Free cash flow	n.m.	n.m.	928.3%	397.0%	-59.4%	311.2%
FCFPS	n.m.	n.m.	910.9%	355.6%	-64.0%	233.6%

* IFRS 10 reporting as of 2019

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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.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 July 2014	€0.95	Buy	€10.50
2...7	↓	↓	↓	↓
8	30 September 2019	€25.20	Buy	€35.00
9	4 June 2020	€28.90	Buy	€37.00
10	7 April 2020	€21.70	Buy	€37.00
11	17 September 2021	€34.00	Buy	€58.00
12	21 July 2022	€30.50	Buy	€53.00
13	19 October 2022	€23.00	Buy	€53.00
14	6 July 2023	€32.20	Buy	€50.00
15	16 October 2023	€24.90	Buy	€48.00
16	Today	€24.70	Buy	€48.00

INVESTMENT HORIZON

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

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