

CR Energy AG

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

6M'24 report

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 12.00**

151.0%

High

STACKING GROWTH OPPORTUNITIES

Six month reporting focused on updates on operations at the core holdings, while CRE's financials took a backseat with earnings to be backloaded in H2/24. NAV was thus largely unchanged at €394m for the January-to-June period. Terrabau and Solartec racked up combined six month net earnings of €9.5m, but CRE brass expect this figure to climb in the back half of 2024 when the entire distribution is booked. Business momentum remained good in H1 despite another headwind year for the property sector, and Terrabau now wants to expand into social housing. The general contractor has a proven blueprint that should easily translate on this new frontier, which offers excellent growth prospects. For the time being, we expect CRE to refrain from non-cash portfolio revaluations and focus on cash distributions from its holdings. We have adjusted our projections accordingly and remain Buy-rated on CRE with an unchanged €12 TP.

Stacking growth opportunities CRE controls a value chain that enables it to harness synergies between clean energy, affordable home building, and financial solutions. The combined operations are currently seizing opportunities across various residential subsectors to tackle Germany's acute housing shortage at a time when most property developers are struggling. Now CRE has its sights set on Germany's beleaguered social housing sector (overleaf). Terrabau has earned its chops in the affordable housing segment for years and can apply its well-tuned operations to the subsidised segment. CRE hinted that a pilot project will kick off in the near term. Solartec will orchestrate the installation of all power systems, while CR Opportunities (CRO) will serve as the financial mothership for the various projects.

Other H1 takeaways CRE commented that Terrabau handed over the keys to some 170 townhomes to their new owners in H1. This equates to around 11k m² of living space, and the general contractor plans to . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Investment rev. (€m)	64.4	68.9	77.9	68.6	15.8	26.4
Y/Y growth	-33.9%	7.0%	13.1%	-12.0%	-76.9%	66.3%
EBIT (€m)	51.2	66.4	76.3	66.4	13.6	24.1
EBIT margin	79.5%	96.4%	97.9%	96.8%	86.1%	91.5%
Net income (€m)	51.3	65.4	75.3	65.8	13.4	23.7
EPS* (diluted) (€)	3.42	4.04	4.16	2.92	0.57	1.01
DPS* (€)	0.38	0.63	0.63	0.00	0.50	0.60
NAVPS* (€)	11.9	14.9	17.4	17.5	17.4	18.0
Net gearing	-0.5%	-0.6%	-5.1%	-5.0%	-6.1%	-6.8%
Liquid assets (€m)	0.8	1.5	16.0	19.5	24.9	28.7

* 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.

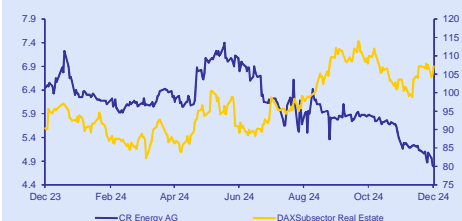
MARKET DATA

As of 11 Dec 2024

Closing Price	€ 4.78
Shares outstanding	23.52m
Market Capitalisation	€ 112.42m
52-week Range	€ 4.78 / 7.40
Avg. Volume (12 Months)	6,121

Multiples	2023	2024E	2025E
P/NAV*	0.3	0.3	0.3
EV/Sales	1.6	6.9	4.1
EV/EBIT	1.6	8.0	4.5
Div. Yield	0.0%	10.5%	12.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 3.75m
Current Assets	€ 9.08m
Financial Assets	€ 394.78m
Total Assets	€ 403.88m
Current Liabilities	€ 0.10m
Shareholders' Equity	€ 394.06m

SHAREHOLDERS

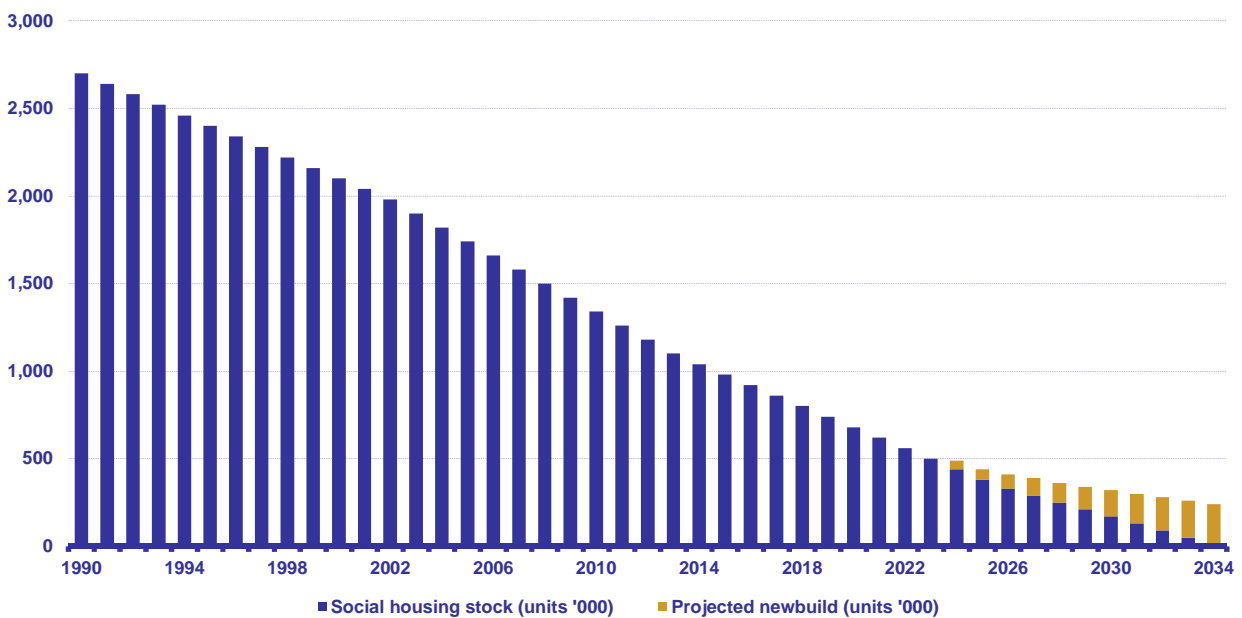
MPH Group	59.0%
Free Float	41.0%



. . . deliver a further 5,000 m² by YE24. Given the ongoing headwinds faced by home builders, this is quite a feat. Meanwhile, CRO launched a Reserved Alternative Investment Fund (RAIF) in the first half of 2024. The financier is also on the verge of launching its maiden ELTIF to supplement the newly minted CR FutureInvest SCSp SICAV-RAIF. The ELTIF is presently being reviewed by the Luxemburg financial regulator, Commission de Surveillance du Secteur Financier. In July, CRO also distributed a 9.5% dividend for the third consecutive year to holders of its participation bond. Launched in 2021, this instrument is tailored for private investors.

Planned move into social housing in the spotlight To say that Germany has an acute housing shortage would be a Teutonic understatement. Not only are affluent and middle class urbanites scrambling to find flats in metropolitan hubs, housing for senior folks is also a mess. Meanwhile, Germany's subsidized housing sub-sector has also been trending in the wrong direction for years (figure 1).

Figure 1: German social housing stock trends



Source: First Berlin Equity Research; IW Trends

According to the *Berliner Mieterverein* (Berlin Tenant Association), Germany is short roughly 900k affordable homes and only 80,000 subsidized apartments were registered in Berlin last year. This compares to about 95,000 such flats in 2019. Now the German government wants to pump an additional €3.5bn into social housing projects in 2025, and has budgeted similar amounts the following two years.

Berlin's development bank (IBB) is supporting social housing new-build with interest-free loans of up to €3.8k / m² of which €1.8k / m² is a construction cost subsidy. We reckon Terrabau will prosper from these ramped up investments, since it can readily apply its proven affordable housing business to this residential sub-segment. A pilot-project is already underway to gauge interaction with the IBB. Assuming the process works smoothly, Terrabau is ready to put the shovel in the dirt at a number of its suitable development properties to capitalise on the social housing opportunity.



SIX MONTH REPORTING OVERVIEW

Table 1: Six month results* vs prior year and FBe

All figures in EUR '000	H1/24	H1/24E	Variance	H1/23	Variance
Investment revenue *	0	0	-	53,373	-100.0%
EBITDA	-1,228	-1,132	-	52,631	-
Margin (%)	n.a.	n.a.	-	99%	-
Net income	-1,303	-1,349	-	52,021	-

*EUR9.5m profit unrecognised in H1/24 as defined by the transfer agreement with holdings

Source: First Berlin Equity Research; CR Energy AG

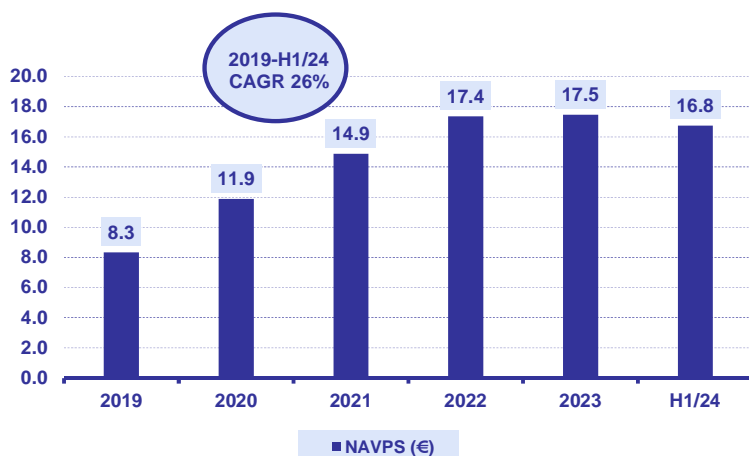
Financial reporting will be backloaded in H2/24 as defined by the transfer agreements with its holdings. CRE booked a mere 66k in other income with no investment income during the six months to July. The company noted that Terrabau and Solartec racked up €9.5m in profit during the period, but CRE expects this cash figure to rise further in H2 before the YE24 distributions are made. The company does not guide for the full year, but given the expected handovers in H2, this number should land higher for the year.

Table 2: Financial highlights

All figures in EUR '000	H1/24	2023	Variance
Cash & equivalents	3,753	19,498	-81%
Current assets	9,077	20,711	-56%
Financial assets	394,696	383,271	3%
Total assets	403,882	404,132	0%
Financial debt (short- and long-term)	0	0	-
Shareholders' equity	394,061	393,472	0%
Equity ratio	98%	97%	-

Source: First Berlin Equity Research; CR Energy AG

Cash and equivalents declined to some €3.8m after CRE deployed the bulk of its ample YE23 cash position to support its holdings. This was expected, given the various growth opportunities in its core markets. The financial assets line item moved up 3% during the reported period, while the equity ratio inched higher to 98% (YE23: 97%).

**Table 3: Net asset value per share development**

Source: First Berlin Equity Research; CR Energy AG

NAV KPIs stable YTD With no material portfolio revaluations booked in H1, NAV was virtually unchanged at the six month juncture at €394m (YE23: €393m). NAVPS dipped slightly to €16.8 (YE23: €17.5) on the small capital increase executed in H1 to support the growth of its holdings, but this still equates to a 26% CAGR for the period 2019 to H1/24.

Revised forecasts CRE has booked an average of roughly €58m in annual portfolio revaluations the past four years. After speaking with management, we assume the company will now focus on cash distributions to drive investment income and the bottom line through YE25. We think this is a prudent course until the turmoil that has ravaged the property sectors the past years abates.

Table 4: Changes to FBe and target price

	old	new	revision	upside	dividend yield	total return
Price target (€)	12	12	0.0%	151.0%	0.0%	151.0%
	2024E			2025E		
All figures in € '000	old	new	revision	old	new	revision
Investment revenue	82,807	15,848	-80.9%	95,962	26,358	-72.5%
EBITDA	80,628	13,669	-83.0%	93,739	24,135	-74.3%
Margin (%)	97.4%	86.3%	-	97.7%	91.6%	-
Net income	79,394	13,440	-83.1%	92,309	23,749	-74.3%
EPS diluted (€)	3.4	0.6	-83.1%	3.9	1.0	-74.3%
DPS (€)	0.6	0.5	-16.7%	0.6	0.6	0.0%

Source: First Berlin Equity Research estimates

Consequently, we have stripped non-cash revaluation results from our forecasts but have upped the dividend payout ratio model to offset the sharp drop in the bottom line. Management still want to payout in the direction of €0.50 to €0.60 per share on 2024 results, which will now be almost entirely cash-driven. We now set the 2024 dividend at the low end of the range.



VALUATION

CRE's Terrabau continues to dodge issues that hamper other property developers in another headwind year for the sector. In fact, business has been going gangbusters. Operations initially focused on affordable green housing are currently expanding into new residential subsectors. Senior and subsidised housing are the next frontiers for the Terrabau, Solartec, and CRO trio. We look for a strong H2/24 from CRE and stick to our Buy rating. Our DDM-driven target price remains at €12.

Table 5: Discounted dividend model

	Unit	2024E	2025E	2026E	2027E	2028E	2029E	TV
EPS	€	0.6	1.0	3.1	5.5	5.9	6.5	7.8
Payout ratio	%	88	59	26	14	15	15	14
Dividend (DPS)	€	0.5	0.6	0.8	0.8	0.9	1.0	1.1
NPV	€	0.5	0.5	0.7	0.6	0.6	0.6	6.4
CAGR 2023 -2028	%	6.3						
Terminal growth rate	%	2.5						
Discount factor	%	9.9						
(+) NPV of dividends	€	5.6						
(+) Terminal value (TV)	€	6.4						
(+) Dividend paid (2023)	€	0.0						
(=) Fair value per share	€	12.0						

**Our model runs through 2034 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	2020	2021	2022	2023	2024E	2025E
Investment income	64,378	68,914	77,914	68,565	15,848	26,358
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	13,669	24,135
Depreciation & amortisation	0	-47	-40	-40	-25	-25
Operating income (EBIT)	51,190	66,441	76,262	66,389	13,644	24,110
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	13,644	24,110
Tax expense	0	-1,032	-826	-525	-205	-362
Minority expense	0	0	0	0	0	0
Net income / loss	51,265	65,391	75,305	65,782	13,440	23,749
Diluted EPS (in €)*	3.4	4.0	4.2	2.9	0.6	1.0
Ratios						
EBITDA margin on revenues	79.5%	96.5%	97.9%	96.9%	86.3%	91.6%
EBIT margin on revenues	79.5%	96.4%	97.9%	96.8%	86.1%	91.5%
Net margin on revenues	79.6%	94.9%	96.7%	95.9%	84.8%	90.1%
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%	3.9%	2.4%
Other operating expenses	3.6%	3.7%	2.8%	2.4%	10.4%	6.4%
Y-Y Growth						
Revenues	-31.2%	7.0%	13.1%	-12.0%	-76.9%	66.3%
Operating income	-43.9%	29.8%	14.8%	-12.9%	-79.4%	76.7%
Net income/ loss	-44.6%	27.6%	15.2%	-12.6%	-79.6%	76.7%

* 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	26,186	30,092
Cash and cash equivalents	841	1,486	16,032	19,497	24,879	28,745
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	395,601	404,457
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	395,503	404,354
Total assets	188,465	248,020	321,892	404,130	421,787	434,548
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	410,410	422,399
Total consolidated equity and debt	188,465	248,020	321,892	404,130	421,787	434,548
Ratios						
Current ratio (x)	109.2	15.8	218.5	195.9	224.6	234.6
Net debt / (cash)	-841	-1,486	-16,032	-19,497	-24,879	-28,745
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.	1.1	1.6	1.8
Net gearing	0%	-1%	-5%	-5%	-6%	-7%
Equity ratio	94%	97%	98%	97%	97%	97%
NAV	177,977	240,784	314,227	393,471	410,410	422,399
NAVPS (€)	11.9	14.9	17.4	17.5	17.4	18.0



CASH FLOW STATEMENT

in € '000	2020	2021	2022	2023	2024E	2025E
Net income	51,265	65,391	75,305	65,782	13,440	23,749
Depreciation & amortisation	10,203	47	40	40	25	25
Result from at equity participations	-61,293	-54,993	-44,328	-8,828	-732	-851
Financial result	-75	18	131	82	0	0
Tax Result	0	1,032	826	525	205	362
Change in working capital	-426	3,983	-14,527	-33,498	680	733
Operating cash flow	-326	15,478	17,447	24,103	13,617	24,018
Tax paid	0	-1,032	-826	-525	-205	-362
Net operating cash flow	-326	14,446	16,621	23,578	13,412	23,656
Cash flow from investing	647	-11,145	-215	-17,494	-11,530	-8,030
Dividend paid to shareholders	0	-5,619	-1,729	-4,708	0	-11,760
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	3,500	0
Interest expense	-207	-178	-131	-82	0	0
Cash flow from financing	-207	-2,656	-1,860	-2,619	3,500	-11,760
Cash, start of the year	1,071	841	1,486	16,032	19,497	24,879
Consolidation changes	-344	0	0	0	0	0
Change in cash, net	114	645	14,546	3,465	5,382	3,866
Cash, end of the year	841	1,486	16,032	19,497	24,879	28,745
Free cash flow (FCF)	321	3,301	16,406	6,084	1,882	15,626
FCFPS (in €)	0.0	0.2	0.9	0.3	0.1	0.7
Y-Y Growth						
Net operating cash flow	n.m.	n.m.	15.1%	41.9%	-43.1%	76.4%
Free cash flow	n.m.	928.3%	397.0%	-62.9%	-69.1%	730.1%
FCFPS	n.m.	851.2%	344.8%	-70.2%	-70.4%	730.1%

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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...9	↓	↓	↓	↓
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	30 July 2024	€6.24	Buy	€12.00
18	Today	€4.78	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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