

## FAIR VALUE REIT-AG

GERMANY / REAL ESTATE

Primary exchange: Frankfurt  
 Bloomberg symbol: FVI GR  
 ISIN: DE000A0MW975

### Q1 RESULTS

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€7.80</b>
RETURN POTENTIAL:	<b>90.2%</b>
RISK RATING:	<b>Medium</b>

### Q1 RESULTS IN LINE WITH EXPECTATIONS

**Fair Value REIT-AG (“Fair Value”) has published Q1 2012 results. Sales and income development were in line with our expectations. The company confirmed its FY 2012 guidance and still predicts funds from operations to reach €4.8m or €0.52 per share. We have adjusted our forecasts to the sale of subsidiary IC 01’s residential and commercial property in Alzey. We reiterate our Buy rating and our €7.80 price target.**

**Positive start to 2012** In Q1 2012, revenues (including net rental income and income from operating and incidental costs) amounted to €3.29m (FB: €3.23m; Q1/11: €3.19m). The slight increase in G&A costs (€0.53m; FB: 0.46m) was more than offset by lower real estate-related expenses (€1.18m; FB: €1.32m). EBIT of €1.46m (FB: €1.42m; Q1/11: €1.21m) was thus better than we had anticipated. Due mainly to changes in the valuation of interest rate hedges, profit contribution of equity-accounted investments decreased to €1.42m (FB: €1.26m; Q1/11: €1.90m). Consequently, Fair Value reported a decline in net income to €1.36m (FB: €1.40m; Q1/11: €1.83m) or €0.15 (FB: €0.15; Q1/11: €0.20) per share.

**Strong balance sheet** Due mainly to the decline in net income, the firm’s operating cash flow declined to €0.76m (Q1/11: €1.44m). Net cash flows amounted to €0.19m (Q1/11: €1.14m). Thus, liquid funds increased slightly to €7.91m (end of 2011: €7.73m). Financial debt (short- & long-term) was €89.36m (end of 2011: €91.03m) at the end of March. The company’s balance sheet equity ratio improved to 41.1% (end of 2011: 40.5%). Fair Value’s NAV per share rose to €8.44 (end of 2011: €8.31) as of 31 March.

### FINANCIAL HISTORY & PROJECTIONS

	2009	2010	2011	2012E	2013E	2014E
Revenue (€m)	11.97	14.33	13.33	13.38	13.52	13.64
Y-o-y growth	n.a.	19.8%	-7.0%	0.4%	1.0%	0.9%
EBIT (€m)	-0.73	2.87	6.75	6.35	6.77	6.84
EBIT margin	-6.1%	20.0%	50.6%	47.5%	50.1%	50.2%
Net income (€m)	-2.91	2.23	4.59	4.86	5.97	6.26
EPS (diluted) (€)	-0.31	0.24	0.49	0.52	0.64	0.67
EV / Sales (x)	10.2	8.5	9.2	9.1	9.0	8.9
EV / EBIT (x)	n.a.	42.6	18.1	19.2	18.0	17.8
P/E (x)	n.a.	17.1	8.3	7.9	6.4	6.1
DPS (€)	0.00	0.10	0.08	0.10	0.11	0.12
Yield	0.0%	2.4%	2.0%	2.4%	2.7%	2.9%
FCF (€m)	-1.28	5.13	3.58	1.62	2.76	3.15
Equity ratio	35.7%	38.2%	40.5%	41.7%	43.2%	44.9%
Liquid assets (€m)	8.28	11.98	7.73	8.33	8.66	8.49

### RISKS

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

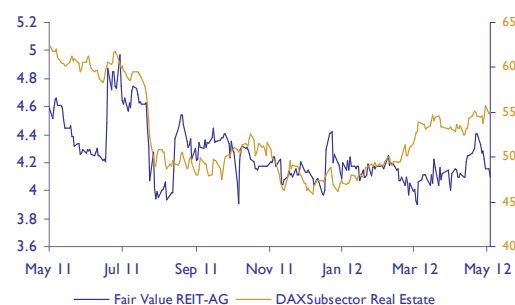
### COMPANY PROFILE

Fair Value REIT-AG is a real estate investment trust. The firm invests directly and indirectly in real estate. The company focuses on long-term leased office and retail properties in attractive “B” locations and regional centres.

### TRADING DATA

Closing price (15.05.12)	€4.10
Shares outstanding	9.33m
Market capitalisation	€38.23m
52-week range	€3.90 / 4.97
Average volume (12 months)	5,472

### STOCK OVERVIEW



### COMPANY DATA (as of 31 March 2012)

Liquid assets	€7.91m
Current assets	€10.06m
Intangible assets	€0.17m
Total assets	€191.37m
Current liabilities	€42.85m
Shareholders’ equity	€78.72m

### SHAREHOLDERS

H.F.S.	30.5%
IC	18.1%
IFB	5.4%
Other	7.7%
Free Float	38.4%



**FY 2012 guidance confirmed, sale of Alzey property** Fair Value still expects funds from operations to reach €4.8m or €0.52 per share in FY 2012. The firm also announced that the payment behaviour shown by the ground-floor commercial tenants in the residential and commercial property in Alzey (subsidiary IC 01's only asset) has deteriorated in an unacceptable manner. Thus, a subsidiary's shareholders' meeting held in April decided to sell the building. Fair Value predicts the commercial result of the transaction (purchase price plus insurance payment for a still unrepaired fire damage) to amount to roughly €1.0m. Due to the sale, the firm expects that Q3 2012 income development will be dragged-down by roughly €0.3m (according to Fair Value's stake in the property; total burden of €0.5m). However, following the sale, a short-term liquidation of the subsidiary is possible, which - in return - will lower G&A expenses in the future.

**Slight revision to our estimates** We have adjusted our FY 2012 estimates to above-mentioned effects of the sale of the Alzey property and the associated liquidation of subsidiary IC 01. Beginning in 2013, we now forecast slightly lower sales and increased profitability as a result of the Alzey transaction. Changes to our forecasts are shown in the table below. Our combined DCF/NAV model yields an unchanged price target of €7.80. We reiterate our Buy rating.

#### ESTIMATES VS. REPORTED FIGURES

All figures in €m	Q1-12A	Q1-12E	Delta	Q1-11	Delta
Sales	3.29	3.23	2.0%	3.18	3.4%
EBIT	1.46	1.42	2.8%	1.21	20.5%
margin	44.4%	44.1%		38.1%	
Net income	1.36	1.40	-3.3%	1.83	-25.7%
margin	41.3%	43.5%		57.4%	
EPS (diluted)	0.15	0.15	-3.3%	0.20	-25.7%

Table 1

Source: First Berlin

#### CHANGES TO FORECASTS

All figures in €m	2012E			2013E			2014E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	13.51	13.38	-0.9%	13.65	13.52	-1.0%	13.77	13.64	-0.9%
EBIT	6.56	6.35	-3.2%	6.79	6.77	-0.2%	6.83	6.84	0.1%
margin	48.6%	47.5%		49.7%	50.1%		49.6%	50.2%	
Net income	5.02	4.86	-3.3%	5.96	5.97	0.0%	6.24	6.26	0.4%
margin	37.2%	36.3%		43.7%	44.1%		45.3%	45.9%	
EPS (diluted)	0.54	0.52	-3.3%	0.64	0.64	-0.3%	0.67	0.67	0.1%

Table 2

Source: First Berlin

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	11 May 2012	€4.23	Buy	€7.80
	↓	↓	↓	↓
2	Today	€4.10	Buy	€7.80

Jens Hasselmeier

First Berlin  
Equity Research GmbH

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

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**STRONG BUY:** Expected return greater than 50% and a high level of confidence in management's financial guidance

**BUY:** Expected return greater than 25%

**ADD:** Expected return between 0% and 25%

**REDUCE:** Expected negative return between 0% and -15%

**SELL:** Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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