

/ morning bite /

COMMERZBANK EQUITY RESEARCH

Colonia Real Estate

CRE buys out minorities – positive 2008 earnings effect

CRE announced yesterday afternoon announced the acquisition of the outstanding stake in the two portfolios with a combined total 9,857 units. CRE is expected to have paid some €170m for this remaining stake. As CRE had originally invested some €60m in equity for the initial 51% stake, we assume that the stake now would only have consumed some €15–20m in equity, bringing the total invested equity to about 20–23% of the portfolio value of around €345m.

CRE buys 99.24% of portfolios CRE acquired a further 48.24% of two portfolios comprising of 9,857 residential units for an estimated €170m. We assume that CRE only used some €15–20m in equity, after having invested about €60 in equity for the initial stake. The transaction thus has used about 10% of the proceeds from the recent capital increase.

Positive earnings impact in 2008 CRE exercised its option to acquired the stake earlier than expected. We have thus reduced the 3rd party impact on its 2008 earnings by around €3,5m, or about 5% of our previous estimate. Results for 2007 are left unchanged.

CRE should trade at around NAV Following the acquisition and the capital increase, we assume that CRE shares trade close to NAV: CRE's current portfolio value should be around €850m, with c. €450m of debt. Its cash position should be around €180m. This would lead to an NAV of around €26 per share. CRE indicated that its overall portfolio might still hold hidden values of some €120m, bringing the total value close its current market capitalisation.

CRE likely to issue related comments at AGM CRE will hold its AGM on 4 July. Given this transaction, we assume that CRE's CEO Rind will use the opportunity to highlight the effects on CRE's NAV. The stock suffered in recent months from the weakness in the real estate sector. Based on current estimates, CRE's shares look attractive at current levels. We expect CEO Rind to at least reiterate his 2007 earnings guidance of €62–65m, which is in line with our current 2007 estimates.

Key data

	2004	2005	2006	2007E	2008E	2009E
Performance (€m)	n.a.	43,573	128,545	226,995	309,915	330,805
Sales (€m)	0.0	35,153	85,699	164,821	259,548	277,803
EBIT IFRS (€m)	0.0	12,926	51,676	109,496	147,708	156,130
EBIT (€m)	0.0	4,506	8,830	47,322	97,341	103,128
FFO (€m)	0.0	-1,385	-11,773	6,085	43,889	43,688
EPS as rep. (€)	n.a.	1.89	1.93	3.63	4.83	3.97
EPS adj. (€)	0.00	1.89	1.93	3.63	4.83	3.97
NAVPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
DPS (€)	n.a.	0.00	0.00	0.00	0.00	0.00
P/NAV (x)	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
P/E (x)	n.a.	3.3	16.9	8.4	6.3	7.7
Div. Yield	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing (x)	n.a.	2.4	1.7	4.8	4.3	3.0
Net debt /EBITDA (x)	n.a.	17.5	19.1	18.7	11.9	10.9

Source: Commerzbank Corporates & Markets

Buy

(unchanged)

TP €45

(unchanged)

CP €30.59

(Close 2 July 2007)

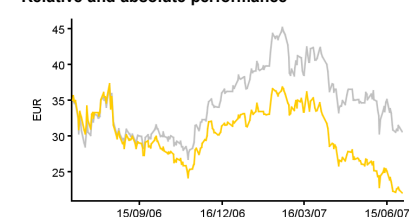
Expected performance	47.1%
Volatility	42.1%
Risk adjusted performance	1.0
Bloomberg / Reuters:	KBU GY, KBUG.DE
Market cap (€m)	684.0
EV (€m)	1,396.165
Shares outstanding (m)	22,500
Free float	100.0%
Dly trading vol(last 3m) (€m)	3.0
Sales CAGR 06A-09E	48.0%
EBIT CAGR 06A-09E	126.9%
EPS CAGR 06A-09E	27.2%

Changes in estimates

	2007o	2007n	2008o	2008n
Sales	164,821	-	259,548	-
EBIT	47,322	-	97,341	-
EPS	2.83	-	3.93	-

Source: Commerzbank Corporates & Markets

Relative and absolute performance



Source: Bloomberg

Next news event:

AGM, July 4th

Major shareholders: Swiss Real Estate AG (38.2%)
Fortman Cline (0.8%)

Sources: Bloomberg, Commerzbank Corporates & Markets, Company data



Analyst

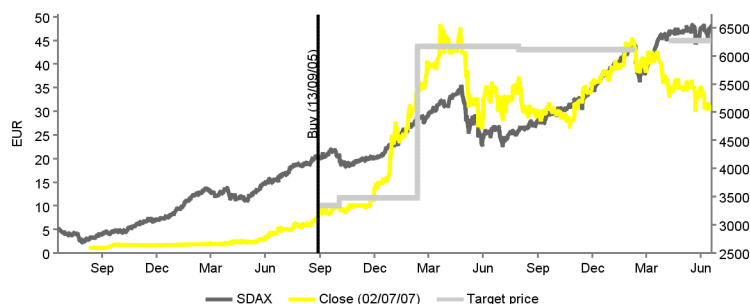
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Colonia Real Estate price chart



Source: Commerzbank Corporates & Markets

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