

# Buy

# Colonia Real Estate

Taking the next step for continued growth

Current €13.5  
Target €20.0

Current price equivalent  
US\$20.9

Market cap  
€302.8m  
US\$468m

52-week high/low  
€39.7/€11.1

Price performance	1M	3M	12M
Price (€)	14.55	16.29	384
Absolute (%)	-12.1	-21.0	-64.4
Rel market (%)	-10.0	-126	-62.4
EPS change			
EPS change	1M	3M	12M
Sector EPS (%)	-3.5	-0.8	29.7
Market EPS (%)	-0.1	-1.7	-10.7

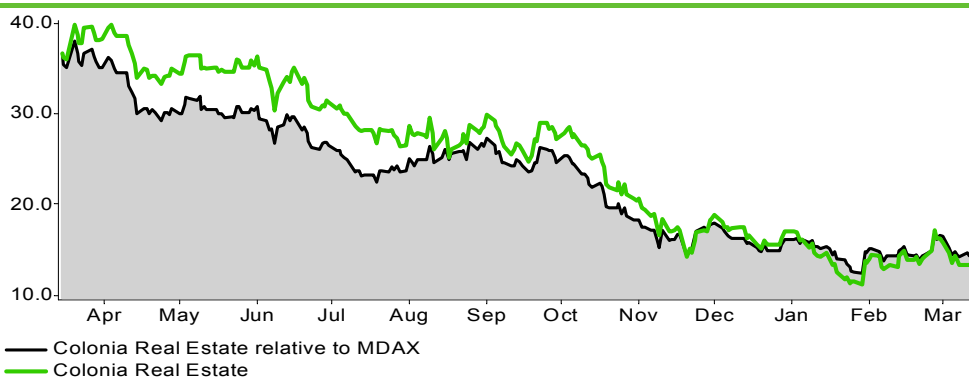
Source: DKIB Research, Thomson IBES

Reuters **Bloomberg**  
KBUG.DE KBU GR Equity

**Colonia has grown significantly over the last three years. It owns the third-largest residential portfolio among the listed German property stocks and manages more than €3bn commercial assets for third parties. Colonia is now entering into a new phase with a significant increase in predictability and earnings quality. We initiate coverage with a Buy rating and €20 target price.**

- ▶ **Upside potential:** Our target price offers upside potential of more than 40% to current levels. Our target price is based on an EVA model, cost-of-capital and sum-of-the-parts-analyses, all three of which offer similar valuations. The estimated FFO yield of 11.2% for 2008 is the highest in our research universe.
- ▶ **Track record in buying...:** The company has been one of the most frequent buyers of residential assets and has established a portfolio of ca. 20,000 units located nationwide in a remarkably short period of time.
- ▶ **...and value-accretive management:** Colonia has been able to significantly reduce vacancy levels within its portfolio. We believe this demonstrates Colonia's understanding of the residential markets owing to its staff having great knowledge of the local market.
- ▶ **Market leader in property asset management:** Colonia quickly identified and capitalised on the rising demand for third-party asset management. With more than €3bn AuM and a sound client base, we argue that Colonia is in a strong competitive situation.
- ▶ **"Sustainable living":** We have not yet included Colonia's solar project for its own assets and later for third parties into our model. At least it reflects that the company is very innovative and it seems to be attractive with an additional income of €6-8m.

## Price relative



Source: RIMES

## Research Analyst

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Year to end Dec	Revenues €m	EBIT €m	EBIT margin %	Net profit €m	EPS €	P/E x	EV/ EBITDA x	Dividend yield %	P/NAV %	FFO yield %
2006	129	52	40	31	1.5	22.8	8.9	0	NM	NM
2007E	161	118	73	69	2.5	6.8	6.9	0.9	-10	3
2008E	282	130	46	75	2.6	6.0	6.3	1.9	-24	10
2009E	316	138	44	76	2.7	5.8	9.0	2.2	-21	9

Source: Company data, Dresdner Kleinwort Research estimates

Please refer to the Disclosure Appendix for all relevant disclosures and our disclaimer.

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## Valuation shows upside potential

The results of our three different valuation scenarios all come out relatively close. Our first approach is a stand-alone valuation in order to reflect the specific situation of the company. For illustrative reasons, we have also included a peer group overview.

### Standalone valuation first

We believe that the starting point for the valuation of real estate companies with a standing portfolio is an assessment of the Net Asset Value (NAV). We regard it as the “economic equity” and it is the basis for the RoE and for the EVA calculation. For a cash flow-related figure, we focus on Funds From Operations (FFO), where we subtract revaluation gains net of deferred taxes, but include gains from property disposals when this is recurrent. In the case of Colonia, we forecast annual disposals of 2,000-3,000 units for 2008 and 10-15% of the portfolio annually from 2009 onwards.

We forecast continuous growth in NAV. The residential portfolio is still conservatively valued that potential write-downs are very unlikely.

### NAV forecasts for Colonia Real Estate

	2007E	2008E	2009E	2010E
Investment properties	840.8	1,065.4	1,286.8	1,586.2
Other assets (excl deferred taxes)	135.7	132.8	136.3	142.0
Asset management	76.3	159.5	178.4	224.9
Fund management	3.5	6.2	6.4	6.4
Total assets	1,056.3	1,363.9	1,607.8	1,959.5
Non-current liabilities (excl deferred taxes)	528.0	729.7	933.7	1,212.3
Current liabilities	106.2	118.6	136.2	156.7
Total liabilities	634.2	848.2	1,069.9	1,368.9
<b>Net asset value</b>	<b>422.1</b>	<b>515.7</b>	<b>537.9</b>	<b>590.5</b>
NOSH	22.4	24.8	27	27
<b>NAV per share (€)</b>	<b>18.84</b>	<b>20.84</b>	<b>19.92</b>	<b>21.87</b>

Source: Company data, Dresdner Kleinwort Research estimates

Taking the NAV as the economic equity, we derive a fair value of €18.65 based on the cost-of-capital/return-on-equity approach.

### Valuation of Colonia Real Estate

Return on NAV 2009E (%)	14.3
COE (%)	9.0
Long term growth (%)	1.4
Price-NAV multiplier	2.8
NAV 2009E	547
Discounted NAV2009E in 2008	460.8
Discounted dividends 2008-2010E	0.7
Adjusted NAV2009e by dividend payments	461.5
Number of shares 2008	24.8
<b>Fair value (€)</b>	<b>18.65</b>

Source: Dresdner Kleinwort Research estimates

### Generating positive EVA

Owing to the capital intensity of the business model, an EVA approach is a suitable valuation tool, especially for property companies with a standing portfolio. We also regard it as appropriate for Colonia, despite the fact that its property asset management operation is less capital intensive. Our EVA-based valuation derives at €20.60 per share.

**Colonia Real Estate – EVA-calculation**

(€m)	2006	2007E	2008E	2009E	2010E
<b>Invested Capital</b>					
Long-term financial debt	113.9	475.7	677.4	881.4	1,159.9
+ Short-term financial debt	26.9	32.2	38.6	46.4	55.6
- Cash	36.0	52.2	44.4	44.4	32.1
= Net Debt	104.8	455.7	671.6	883.4	1,183.5
+ Provisions	0.0	0.0	0.0	0.0	0.0
+ NAV	134.0	422.1	515.7	547.5	600.7
= Capital employed	238.8	877.8	1,187.4	1,430.9	1,784.2
Total return	30.3	67.6	71.0	73.7	74.4
Average Capital employed	238.8	558.3	1,032.6	1,309.1	1,607.5
Capital charge	13.7	32.1	59.4	75.3	92.5
ROIC (%)	12.7	12.1	6.9	5.6	4.6
WACC (%)	5.75	5.75	5.75	5.75	5.75
Spread (%)	6.9	6.4	1.1	-0.1	-1.1
EVA	16.6	35.5	11.6	-1.6	-18.1
Years			1.0	2.0	3.0
NPV EVA			10.9	-1.4	-15.3
<b>Terminal Value</b>					
Total NPV of EVA until 2010	-5.8				
+ NAV 2008E	515.7				
Fair Value	509.9				
Fair Value per share (€)	20.60				

Source: Company data, Dresdner Kleinwort Research estimates

**Conservative SOTP valuation**

Colonia runs an integrated business: its two largest operations are the rental of its own residential properties and it manages commercial properties for third parties. The origination of closed-end funds and co-investments is much smaller. In our SOTP calculation, we value asset management most highly (multiple of 14.5x on 2008E EBITDA) owing to the high stability offered by this business and because of Colonia's strong market position, which should allow it to gain further mandates. The residential portfolio is valued at a 2008E EBITDA multiple of 14.0x, which reflects a reversionary yield of 7.1%. The closed-end funds business is no longer in the start-up phase, in our view, but the predictability is lower as it is always an up-front-fee business. Our SOTP analysis suggests a fair value of €21.75 per share.

**Colonia Real Estate – SOTP analysis**

(€m)	EBITDA 2008E (€m)	Multiple (x)	EV (€m)
Residential properties (excl. revaluation gains)	70.9	14.0	993.0
Asset management	11.2	14.5	162.9
Funds management	1.1	11.2	11.8
Co-investments	3.5	12.1	42.35
Total	83.2		1,210.0
Net debt			671.6
Market Cap			538.4
Fair value per share			21.75

Source: Dresdner Kleinwort Research estimates

**Valuation shows significant upside**

In order to derive our target price of €20, we put greater emphasis on the EVA model (50%), with the weightings of our SOTP and cost-of-capital approaches being split equally. However, we regard our SOTP approach as very conservative, which could leave room for further upside.

**FFO yield of 9.6% placing Colonia at the top**

In addition to earnings growth, Colonia's increasing earnings quality is also worth mentioning. Due to IAS 40 (concerning investment properties), the company is obliged to show to the valuation of the portfolio in the P&L. IAS40 gives the market an indication of the value of the properties in a portfolio should they be sold. However, these amounts are not cash realised. The financial ratio Funds From Operations (FFO) therewith adjusts the revaluation gains net of deferred taxes. In our FFO calculation we include gains from property disposals, as this is part of an active portfolio management. For 9M2007,

Colonia has reported revaluation gains of €61m. Going forward, we expect that recurrent income from rents, fees and property disposals should increase significantly, resulting in our forecast of an attractive FFO yield of 9.6% for 2008.

#### Colonia Real Estate – Funds From Operations (FFO)

(€m)	2007E	2008E	2009E	2010E
Net profit	69.0	75.5	75.9	76.9
+ Depreciation	0.0	0.0	0.0	0.0
- Revaluation gains	92.0	48.0	50.0	50.0
+ Taxes on revaluation gains	35.0	13.7	14.3	14.3
FFO	12.0	41.2	40.2	41.2
FFO per share (€)	0.5	1.5	1.5	1.5
FFO yield	3.9%	11.2%	10.5%	11.2%
P/FFO	25.5	8.9	9.1	8.9

Source: Dresdner Kleinwort Research estimates

Additionally, we find that Colonia's share is attractively valued offering further upside potential, when compared with peers.

#### Peer group for German residential stocks / stocks investing in German residential properties

Name	Country	Currency	Price	Market Cap	YTD (%)	PE 2008E	PE 2009E	EV/EBITDA 2008E	EV/EBITDA 2009E	DY (%)	P/NAV 08E (%)
GAGFAH SA	LX	€	11.4	2,571.3	-44	14.0	12.3	25.7	21.9	7.4	-25
DEUTSCHE WOHNEN AG-BR	GE	€	21.9	588.4	-52	28.1	14.1	16.8	13.3	7.1	-44
VIVACON AG	GE	€	13.8	275.4	-49	4.9	4.5	9.7	8.6	4.1	NM
PATRIZIA IMMOBILIEN AG	GE	€	3.8	200.7	-81	4.2	3.7	14.0	9.3	5.8	NM
CONWERT IMMOBILIEN INVEST SE	AS	€	10.7	906.5	-37	9.2	8.3	27.2	18.2	1.8	-32
TAG TEGERNSEE IMMOB & BETEIL	GE	€	6.1	199.0	-43	12.5	11.1	24.0	14.3	3.3	-50
COLONIA REAL ESTATE AG	GE	€	13.4	306.8	-65	5.1	4.9	5.9	8.7	2.2	-36
				Average *		12.1	9.0	19.6	14.3	4.9	-37.7
				Median *		10.8	9.7	20.4	13.8	4.9	-38.0

Source: Thomson IBES, Dresdner Kleinwort Research estimates (\* excl Colonia Real Estate)

## Transparent integrated business model

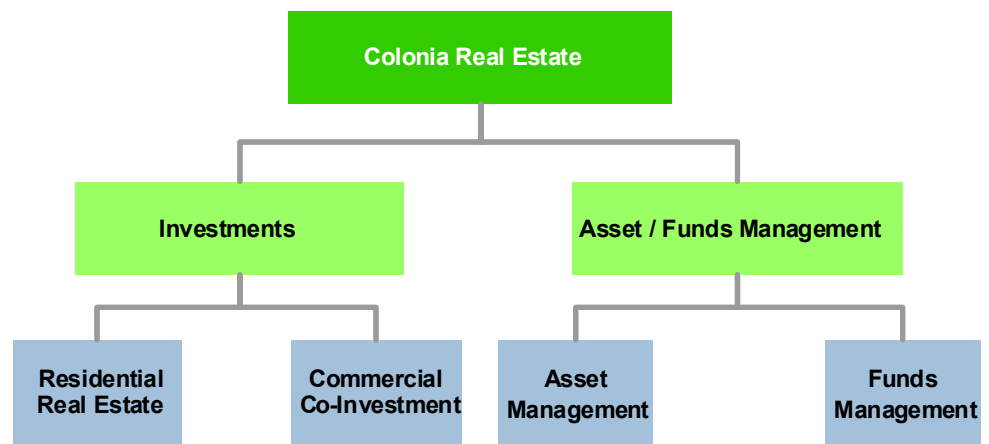
### Clear organisation structure

Colonia started its real estate business 2003. Initially, the company followed an opportunistic-driven investment policy with the acquisition of two office properties in Cologne. This was followed by the acquisition of three hotels in Germany in 2004. The first landmark deal was the purchase of the "Friesland" portfolio, consisting of almost 3,500 residential units in Northern and Western Germany. However, we would regard 2006 as the first full year of operations, when Colonia acquired more than 5,300 units, successfully entered the property asset management space with the acquisition of Resolution GmbH, and the shares were included in the German SDAX.

The development of Colonia can also be seen in its organisational structure, with a clear separation of investments for own accounts and asset management for third parties. Both segments now have critical mass.

**Residential portfolio is the driving force**

**Integrated business model**



Source: Company Data, Dresdner Kleinwort Research

Residential portfolio with upside potential

The regional focus of Colonia’s residential portfolio is centred on Western and Northern Germany and on Berlin. We would regard the quality of the assets as average and would see the portfolio mainly as for rental rather than for sale.

**Colonia Real Estate – residential portfolio**

Name	Acquisition date	Residential units	Commercial units	Space sqm	Initial investment €m	Initial rent €m	Yield %	Vacancy rates at acquisition (%)	
								Yield %	Current
Grasmus	Jun 05	1,384	6	78,100	29.8	3.8	12.9	5.6	6.6
Bremen	Aug 06	470	--	27,253	9.4	1.1	12.1	8.1	8.5
Berlin Capital	Sep 06	2,492	10	149,141	83.2	6.1	7.4	22.4	11.8
Aachen	Nov 06	925	--	54,417	18.4	2	10.8	11.0	19.0
Hamburg	Dec 06	1,577	4	101,069	38.2	4.8	12.4	23.7	28.2
Berlin Pike	Dec 06	2,125	61	132,732	72.5	6.6	9.0	9.5	4.4
Maximilian	Jun 07	9,857	70	624,783	360	30	8.3	17.3	16.3
Berlin Signa	Nov 07	948	86	78,100	76.0	5	6.6	7.5	7.5
<b>Total / average</b>		<b>19,778</b>	<b>237</b>	<b>1,245,595</b>	<b>687.5</b>	<b>59.4</b>	<b>8.8</b>	<b>15.4</b>	<b>14.3</b>

Source: Company data, Dresdner Kleinwort Research estimates

In our view, one of Colonia’s core competencies is its sound understanding of local markets. With an almost nationwide network, the company is quick to take advantage of current developments. The success is seen in the significant reduction of vacancy rates, especially in the “Berlin Capital” portfolio. The company acquired the apartments in Berlin-Marzahn for €83m. The former owner became insolvent as the refurbishment of the assets was longer than expected and no rent was received as the tenants were taken out during the refurbishment work. So Colonia was able to purchase the properties at a significant discount to market value. The refurbishment of the properties has heralded an influx of new tenants, thus lowering vacancy rates. The initial vacancy rate of 22.4% has almost halved to 11.8% and we regard the targeted occupancy rate as being as close to 90% as possible.

Starting active portfolio management with disposal...

As from this year, Colonia intends to sell up to 15-20% of its portfolio annually. We welcome the strategy of selling non-core assets and of focussing on properties with upside potential. Given the high demand for German residential properties, we forecast a net margin of 12%.

### Stable profit from property disposals

	2008E	2009E	2010E	2011E	2012E
Disposal volume	134.6	161.5	188.4	215.3	215.3
Book value	114.4	137.2	160.1	183.0	183.0
Gross profit	20.2	24.2	28.3	32.3	32.3
Disposal costs	4.0	4.8	5.7	6.5	6.5
Net profit	16.1	19.4	22.6	25.8	25.8

Source: Dresdner Kleinwort Research estimates

...on a recurrent base

We run a conservative scenario regarding future growth of Colonia and assume an acquisition volume of 6,000-6,500 units pa, amounting to an investment of about €300m. Given the expected proceeds from property disposals, we do not regard a capital increase as necessary to fund this, and Colonia should be able to keep the LTV well below 70%. In addition to new acquisitions, we expect that Colonia should be able to decrease vacancy rates continuously by about 1% per year.

### Development of Colonia's residential portfolio

(€m)	2008E	2009E	2010E	2011E	2012E
Total gross rents	69.4	70.3	71.2	72.6	74.0
Loss by vacancy	8.3	7.1	6.7	6.1	6.0
in %	12	10	9	8	8
Realized gross rents	61.2	63.1	64.6	66.5	67.9
<b>New acquisitions:</b>					
6,000 - 6,500 units, 65 sqm, €4.50/sqm/month	21.1	21.1	22.8	22.8	22.8
Asset value	305.4	305.4	330.8	330.8	330.8
Loss in rents from disposals	4.5	5.4	6.3	7.2	7.2
Net growth in rents from acquisitions	16.6	15.7	16.5	15.6	15.6
Annualised gross rents	77.8	78.8	81.1	82.1	83.6
Size of portfolio at year-end	23,308	25,308	27,808	29,808	31,808

Source: Dresdner Kleinwort Research estimates

### Co-investments will show up (later)

Co-investments should be a future trigger

Co-investments are closely related to the property asset management business. It is a common practice, especially among large foreign investors who expect the appointed asset manager to acquire a stake in the equity of the relevant portfolio. It shows the commitment of the asset manager and strengthens the relationship. Colonia's intention is to take a stake of between 5-10% depending on the size of the portfolio. The exit could either be a disposal of the portfolio or an IPO. Most of the managed portfolios would be suitable to be taken public as a REIT as soon as markets recover, in our view. Currently Colonia has €140m in co-investments, which we expect to increase to €210 by 2010.

### Colonia – Co-investments

(€m)	2008E	2009E	2010E
Co-investments	140	175	210
Equity volume (25% on average)	35	44	53
Targeted return yield 10-20%	10	15	18
EBITDA	3.5	6.6	9.5

Source: Dresdner Kleinwort Research estimates

### Market leader in asset management

Stable and recurrent income

Colonia has realised the opportunities in the markets of asset management for third parties following the significant inflow of mainly foreign investment capital into Germany, starting in 2004. In February 2006, the company acquired 54% of the nationwide asset manager, Resolution GmbH. At this time, Resolution managed €700m of commercial real estate for institutional investors.

The landmark deal was the acquisition of the €1bn "Herkules" portfolio by Oaktree, where Colonia was appointed as asset manager and as co-investor. The managed assets have increased significantly to more than €3bn as of today, and we expect an average

increase of €775m pa until 2010. In addition to its stake as co-investor, Colonia receives a stable fee income.

### Colonia – asset management

(€m)	2007E	2008E	2009E	2010E
AuM at year end	3,000	3,700	4,300	4,600
Increase in AuM	1,200	700	600	600
Average AuM	2,100	2,200	2,450	2,600
Management fee income	10.5	13.2	14.7	15.6
Other fee	2.0	8.4	9.0	10.8
Total revenue	12.5	21.6	23.7	26.4
EBITDA	6.3	11.2	12.6	15.8

Source: Dresdner Kleinwort Research estimates

### Funds business as an add-on

In 2006, Colonia hired an experienced team from DB Real Estate to set up the special funds business. The first fund, consisting of a portfolio of nursing homes, valued at €57m, was placed with institutional investors in February last year. From 2008, we expect an annual distribution volume of at least €100-120m. The up-front fee differs according to the type and structure of funds, but normally comes out at 6-8% of the volume.

### Colonia – funds management

(€m)	2008E	2009E	2010E
Distribution volume	100	120	120
Revenues	7.0	7.2	7.2
Expenses	6.0	4.5	4.4
EBITDA	1.1	2.7	2.8
CRE stake	0.6	1.5	1.6
Minorities	0.5	1.2	1.2

Source: Dresdner Kleinwort Research estimates

## Solar project look attractive

Colonia recently announced the closing of a master agreement with systaic AG for €100m about the construction of solar panels on Colonia's residential properties. The company expects an investment volume of €60m and an additional income of €6-8m because of the fact that the energy produced by the solar panels can be fed into the national power grid according to a special German law. Colonia expects that about 60% of its existing 20,000 residential units can be used to install solar panels. Later on Colonia considers also constructing solar panels also on some of the third-party commercial properties which are managed by the company.

We have not yet included the earnings of Colonia's new business segment ("Sustainable Living") into our model but it looks attractive at a first glance: no capital increase is necessary (10% equity) and the part of recurrent income will increase further.

Funds business exceeded starting phase

## Appendix

### Colonia Real Estate – income statement

(€m)	2006	2007E	2008E	2009E	2010E
Total income (excl. interest income)	128.55	160.65	282.38	315.68	345.46
Total expenses (excl. interest expense)	-76.87	-59.59	47.40	65.87	83.86
Gross rental income	16.27	52.85	81.52	82.69	85.07
Service charge on principal basis	4.19	9.80	16.30	16.54	17.01
Property operating expenses	-9.63	-18.50	-28.53	-28.94	-29.77
Net rental income	10.83	44.15	69.30	70.28	72.31
Proceeds from asset and funds management	3.03	16.50	28.60	30.90	33.60
Expenses from asset and funds management	-2.80	-11.50	-12.87	-13.91	-15.12
Net income from asset and funds management	0.23	5.00	15.73	17.00	18.48
Administrative expenses	-8.94	-16.09	-18.02	-20.19	-22.20
Other income	0.21	6.00	2.00	5.00	5.00
Other expenses	-0.92	-13.50	-3.50	-3.50	-3.50
Investment property disposal proceeds	62.00	0.00	134.55	161.46	188.37
Expenses in connection with sale of investment property	-2.11	0.00	-4.04	-4.84	-5.65
Carrying value of investment property disposals	-52.46	0.00	114.37	137.24	160.11
Profit on disposal of investment property	7.43	0.00	16.15	19.38	22.60
Valuation gains	42.85	92.00	48.00	50.00	50.00
Valuation losses	0.00	0.00	0.00	0.00	0.00
Valuation movements	42.85	92.00	48.00	50.00	50.00
EBIT	51.68	117.56	129.65	137.97	142.69
Interest expense	-9.83	-18.68	-25.21	-32.78	-36.06
Interest income	0.60	4.10	1.10	1.00	0.90
EBT	42.44	102.98	105.53	106.19	107.53
Income tax expense	-11.31	-33.98	-30.08	-30.26	-30.65
Net profit	31.14	69.00	75.46	75.93	76.89
Attributable to:					
Equity holders of the parent	30.32	67.60	70.96	73.73	74.39
Minority interest	0.81	1.40	4.50	2.20	2.50
Consolidated net profit	31.14	69.00	75.46	75.93	76.89
Basic EPS	1.52	3.00	3.15	2.73	2.76
Diluted EPS	1.52	2.50	2.63	2.73	2.76
DPS	0.00	0.15	0.30	0.35	0.40

Source: Company data, Dresdner Kleinwort Research estimates

# Disclosure appendix

## Disclosures under US regulations

The relevant research analyst(s), as named on the front cover of this report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this report; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this report.

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### Recommendation history charts

Past performance is not an indicator of future performance.

### Dresdner Kleinwort Research – Recommendation definition

(Except as otherwise noted, expected performance over next 12 months)

Buy:	10% or greater increase in share price	Sell:	10% or more decrease in share price
Add:	5-10% increase in share price	Reduce:	5-10% decrease in share price
Hold:	+5%/-5% variation in share price		

### Distribution of Dresdner Kleinwort equity recommendations as of 31 Dec 2007

	All covered companies		Companies where a Dresdner Kleinwort company has provided investment banking services (in the last 12 months)	
Buy/Add	383	61%	142	37%
Hold	165	26%	34	21%
Sell/Reduce	77	12%	14	18%
<b>Total</b>	<b>625</b>		<b>190</b>	

Source: Dresdner Kleinwort Research

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# Summary financials and key valuations

## Profit and loss statement

		2006	2007E	2008E	2009E
Sales	€m	129	161	282	316
EBITDA	€m	54	136	117	120
EBITDA margin	%	41.8	84.8	41.6	38.1
EBITA incl associates	€m	95	210	178	188
EBITA margin	%	73.5	NM	62.9	59.5
Pre-tax profit excl except	€m	85	195	154	156
Pre-tax margin	%	66.3	NM	54.4	49.5
Attributable profit	€m	57	125	105	109
Dil EPS incl except	€	1.52	2.50	2.63	2.73
DPS	€	0.00	0.15	0.30	0.35

## Balance sheet

		2006	2007E	2008E	2009E
Total fixed assets	€m	371	901	1,131	1,360
Total current assets	€m	49	86	80	79
Total assets	€m	420	986	1,211	1,439
Equity & min int	€m	100	297	301	302
Total liabilities	€m	320	690	909	1,137
Total provisions	€m	0	0	0	0
Total liab, prov & equity	€m	420	986	1,211	1,439
Working capital	€m	(69)	10	(2)	(13)
Net (debt)/cash	€m	(105)	(456)	(672)	(890)

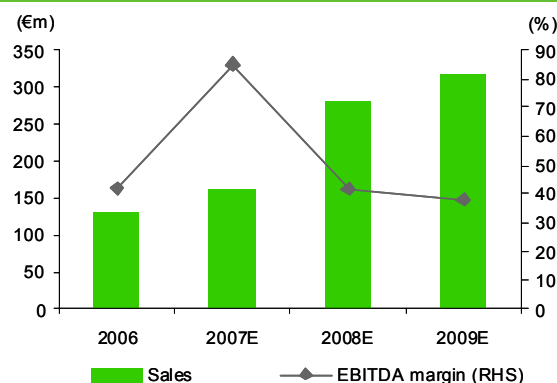
## Cash flow

		2006	2007E	2008E	2009E
Pre WC gross cash flow	€m	(13)	72	79	75
Gross cash flow	€m	(3)	2	83	76
Net capex	€m	(98)	(520)	(466)	(439)
Free cash flow	€m	(112)	(595)	(410)	(390)
FCF post div	€m	(112)	(595)	(410)	(390)

## Ratios

		2006	2007E	2008E	2009E
P/E	x	22.8	6.8	6.0	5.8
P/E rel	%	29.9	17.6	28.8	30.8
PEG	x	0.0	0.0	NM	0.8
P/CF	x	NM	4.2	3.8	4.9
Yield	%	0.0	0.9	1.9	2.2
P/B	x	2.7	1.0	1.0	1.2
EV/ sales	x	2.92	4.74	3.47	4.00
EV/ EBITDA	x	7.0	5.6	8.3	10.5
EV/ EBITA	x	4.0	3.6	5.5	6.7
Post tax ROCE	%	31.2	18.0	13.1	11.3
ROE	%	57.3	42.5	35.5	37.2
Net debt/ equity	%	104.7	153.6	222.8	295.1
Net debt/ MV	%	34.6	150.5	221.8	293.9
Interest cover	x	1.2	3.0	2.9	2.2
Dividend cover	x	NA	16.7	8.8	7.8

## Sales and EBITDA margin



Source: Company data, Dresdner Kleinwort Research estimates

## Company

With 20,000 units, Colonia owns the third-largest residential portfolio among the listed German property stocks. Colonia's second division manages commercial real estate for third parties and has more than €3bn AuM. The integrated business model delivers stable income from rents, management fees and gains from property disposals. The stock is currently trading at an FFO yield of 11.2% and at a 35% discount to 2008E NAV.

## Key share data

Total no. of shares	t	21,986
Free float	%	55.7
<b>Major shareholders</b>		
Swiss Real estate	%	28.3
William Blair & Company	%	6.1
Wedge International B.V.	%	3.6
Atticus	%	3.4
UBS	%	3