



GNAM Investment Competition

UCD, School of Business

Top Investment Idea- GREEN REIT PLC

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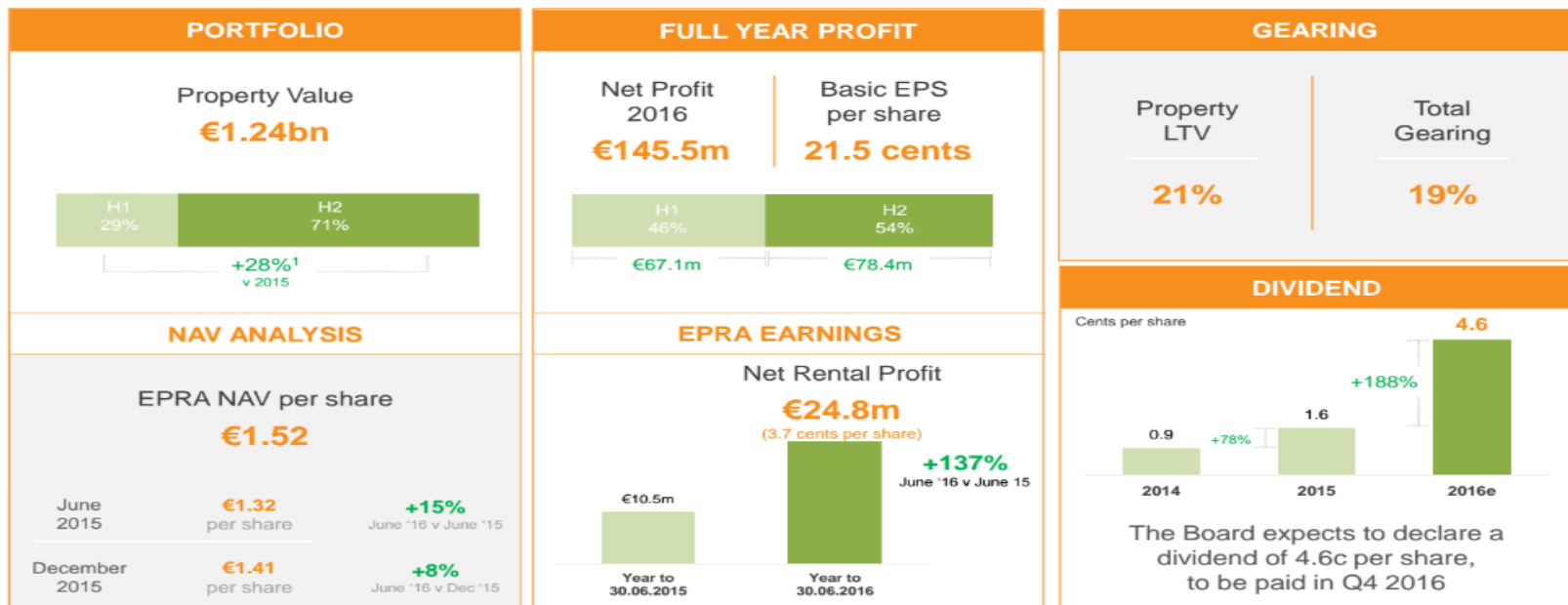
Green REIT – Key takeouts

- Strong income growth
- Consistent performance
- Upside potential of 18%
- Low leverage
- Portfolio focused in prime areas in Dublin
- Company committed to return value to shareholders, via capital gains and dividends

Firm Analyst Consensus		
Consensus Rating		4.60
Buys	4	66.67%
Holds	1	16.67%
Sells	0	0.00%

Green REIT- Company Overview

- Irish real estate investment trust listed on Irish and London stock exchange.
- Portfolio of 21 high-quality prime commercial property assets in Ireland, with strong Dublin focus (93%).
- Experienced management team
- Financially strong tenants, both domestic and international companies





PORTFOLIO THE CYCLE



Source: Company's presentation



Macro Outlook

Republic of Ireland

- Passporting right- benefit from being a member of European Union
- Low tax rate of 12.5% - “tax heaven”
- Impressive GDP growth post “crisis”: 26% in 2015, 4.3% in 2016
- Low inflation of nearly 0%, decreasing unemployment rate
- Low interest rate
- Irish Stock Exchange: 57 companies listed, average return of ISEQ is 16.8% p.a over 2011-2016
- Brexit is affecting!! Time to take advantage of this.

Commercial Property Market

Dublin

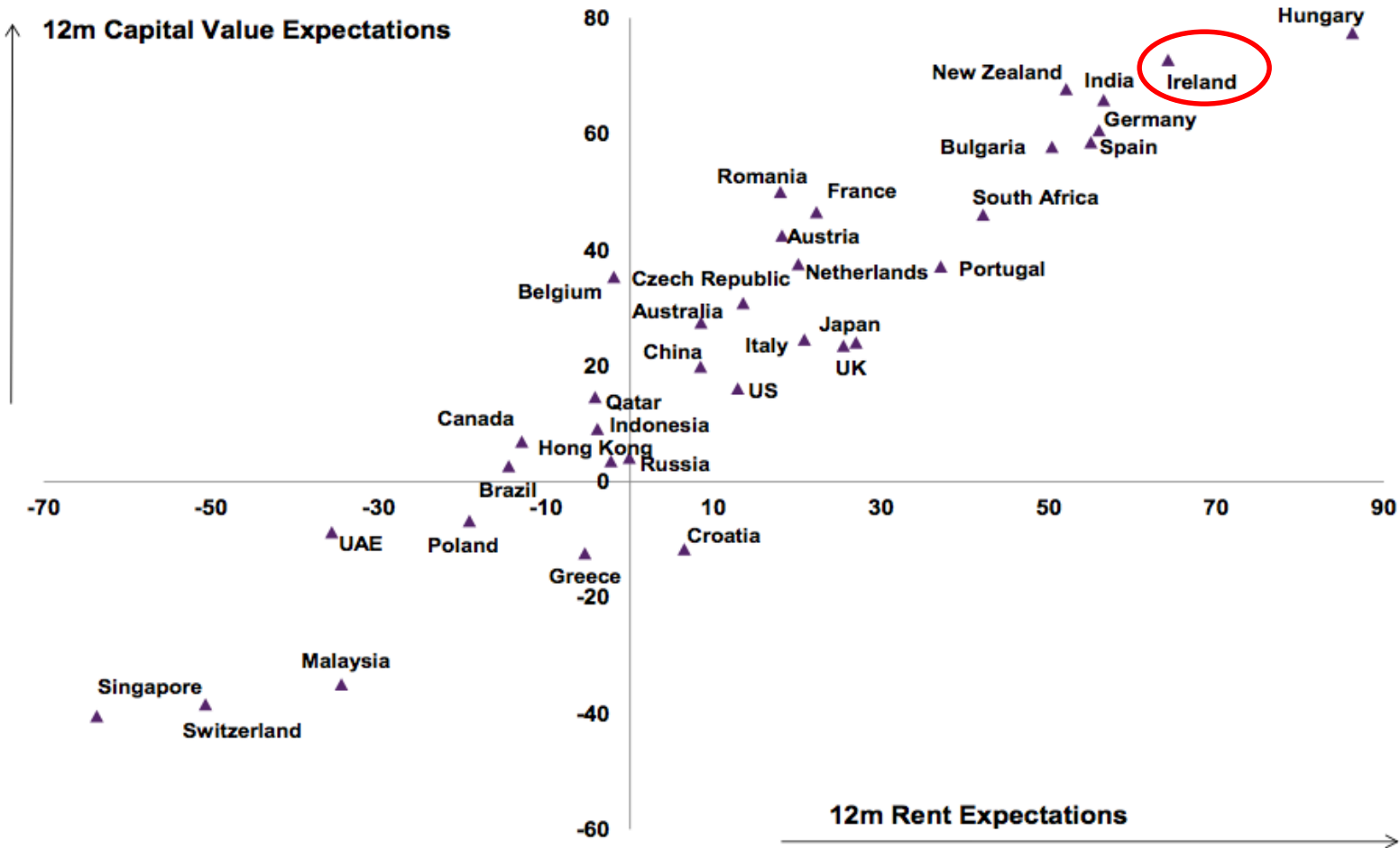
- Dublin prime headline office rent: €618/m², 4.5% increase from 2015, expected to increase to €645/m² (JLL, 2016).
- High industrial rent growth- strongest driver
- Steady increase in occupancy rate (Dublin 91.7%)
- Supply may increase as result of construction
- 8.9% increase in the retail sector over the past 12 months

Europe: Down 7% YoY in commercial property investment activity

- Lack of prime property in Europe
- Political uncertainty as a result of Brexit and fewer large scale property deals (Savills, 2016).
- However: Low yields on government bonds → investors will benefit from the wide positive yield gap.
- Offices accounted for 46% of the aggregate transaction volume in 2016 to date, which is 8% above the ten-year historic average (Savills, 2016).



Commercial Property Market: Global



Source: RICS

Competitors

- Irish players: IRES REIT and Hibernia REIT
- IRES REIT focus: residential property and has a “negligible” interest in the commercial property market (IRES, 2016).
- Hibernia REIT: significant player on the Irish commercial property scene. Portfolio value of €938m and 25 properties located in Dublin (Hibernia REIT, 2016).

	Hibernia Reit	Green Reit
WAULT	5.6 years	7.8 years
2016-2018 pipeline	32,800 m2	39,000 m2
Vacancy rate	6%	2%
P/B	0.98	0.9

Valuation: BUY

Valuation methods: DCF, NAV per share and Price to Fund from Operation ratio

DCF Summary

WACC	5.70%
Perpetuity Growth rate	1.74%
PV of 5 year FCF	€ 230,470.32
Terminal value	€ 1,358,371.00
PV(Terminal value)	€ 1,030,960.37
Enterprise Value	€ 1,261,430.68
Net debt	€ (252,948.00)
Plus Cash and Cash equivalent	€ 76,839.00
Equity Value	€ 1,085,321.68
Shares outstanding	€ 679,456.28
Estimated Share Price	€ 1.60

DCF UPSIDE POTENTIAL: 15%

Implied Share Price

		Perpetuity Growth Rate				
		1.24%	1.49%	1.74%	1.99%	2.24%
WACC	4.7%	1.90	2.05	2.22	2.43	2.67
	5.2%	1.63	1.74	1.86	2.01	2.18
	5.7%	1.42	1.50	\$1.60	1.70	1.83
	6.2%	1.25	1.32	1.39	1.47	1.57
	6.7%	1.11	1.17	1.23	1.29	1.36

	2016	
Net Income	145502	
Abnormal Losses (Gains)	-32100	
Tax Effect on Abnormal Items	0	
NI to Common Incl. Extra Items	113,402.0	
Funds From Operations	113,402.0	
Weighted average number of ordinary shares - diluted	679,456,275	
FFO/Share	1.6690	
P/FFO	0.84	19.73%



- DCF : € 1.60
- Adjusted Funds From Operations To Price: € 1.66
- NAV per share method: € 1.65

Equally weighted each method, we derive the final price: € 1.64.

Upside potential: 18% → BUY recommendation