

# DIC Asset

Buy (unchanged) Target: Euro 11.00 (old: Euro 14.00)

10 | July | 2023



Price (Euro) **5,31**  
52 weeks range 11.72 / 4.82

## Key Data

ISIN	DE000A1X3XX4
Bloomberg	DIC:GR
Reporting standard	IFRS
Market Cap (Euro million)	444
Number of shares (million)	83,6
Free Float	45,4%
Free Float Market Cap (Euro million)	201
CAGR EBIT (22 -25e)	5,9%

Multiples	2022	2023e	2024e	2025e
Market Cap / Total revenues	2,5	2,4	2,4	2,3
PE-Ratio	14,2	-103,9	28,1	15,4
Dividend Yield	14,1%	12,2%	9,1%	13,2%

Key Data per share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	0,38	-0,05	0,19	0,34
FFO per share	1,38	0,63	0,96	1,15
Dividend per share (DPS)	0,75	0,65	0,48	0,70

Financial Data (Euro '000)	2022	2023e	2024e	2025e
Gross rental income	175.956	188.086	181.268	195.368
Net rental income	152.540	160.803	153.356	166.836
Administrative expenses	-37.863	-27.924	-29.012	-30.100
Personnel expenses	-42.581	-43.247	-44.214	-47.781
Real estate management fees	88.375	62.693	101.060	106.150
Profit on disposal of investment property	12.697	194	14.210	6.659
EBIT	101.575	75.976	116.253	120.691
Net financial result	-60.582	-79.267	-80.207	-69.324
EBT	59.911	4.678	41.723	56.852
Taxation	-17.053	-34.577	-36.607	-38.637
Net profit after minorities	31.024	-4.270	15.847	29.181
FFO	114.200	53.019	80.795	97.296

## Main Shareholders

Deutsche Immobilien Chancen-Gruppe	34,5%
Yannick Patrick Heller	10,1%
RAG-Stiftung	10,0%

## Financial calendar

1H 2023 report	3 August 2023
SRC Forum Financials & Real Estate	12 September 2023
9M 2023 report	8 November 2023

Analyst Dipl.-Kfm. Stefan Scharff, CREA

E-Mail scharff@src-research.de  
mehl@src-research.de

Internet www.src-research.de  
www.aktienmarkt-international.at  
www.aktienmarkt-international.de  
www.aktienmarkt-deutschland.de

## A sharp reduction in 2023 FFO target but a solution for the Euro 400m bridge financing - rough seas ahead but slump in share price exaggerated – target down to Euro 11.00, but Buy clearly confirmed

Friday evening, DIC Asset released an ad hoc news regarding the FFO target for the current year 2023 and also released a “Performance 2024” action plan. With very sluggish transaction markets in the months before and a very probably prevailing low level of trading to come in the second half of the year, that impairs the fees in the Institutional Business of the firm, DIC Asset was forced to sharply bring down the full year FFO guidance to a range of Euro 50m to Euro 55m, after before Euro 90m to Euro 97m. Due to the slump in transaction-based mgmt. fees the firm also reduced the forecast for the income from mgmt. fees from Euro 70m to Euro 80m to a much lower level of Euro 50m to Euro 55m.

**One reason for the reduced FFO target is the sluggish overall market and very low trading level, bringing down fees in the AuM 10bn Euro managed Institutional business, even if you have to keep in mind, that DIC managed 4 logistics asset sales end of June (1 for RLI fund, 3 from the own group portfolio) for a total of Euro 132m. The other reason is the higher interest expenses to come, as DIC managed a solution for the remaining Euro 400m bridge loan which was initially running until January 2024, even if this solution is more expensive than expected at the start of the takeover which was before the Ukraine war and the rocketing inflation rates.**

**Euro 200m are repaid instantly to the banking consortium with a loan from VIB Vermögen, which was given for 2 years until mid 2025 at arm’s length, for an interest rate, which we assume at mezzanine level of around 8% to 9%. The other Euro 200m are refinanced with the banking consortium and have an extended duration, now until July 2024, instead of January 2024. The conditions here are similar to the loan from VIB in our view, again we assume about 8% to 9%.**

The company continues to set a big focus on reducing debt and setting free some capital from selling assets from the own portfolio, if this is possible in this challenging market environment, as mentioned above with the deals end of June. Besides that, **the good letting performance is helpful to generate rising and stable rents. Like-for-like rents are up 8% in the first quarter and a steadily rising share of green sustainable offices makes us optimistic for a good letting result even in depressed markets. A further point of bringing up future cash flows comes from cost optimization measures.** DIC will have an eye here, but did not give a guidance so far for cost savings, but might do this with 1H results to be published next month, on 3 August.

Today’s slump in share price of 6% or more is exaggerated, the solution for the outstanding bridge financing is not cheap, yes sure. But the company has still to offer a great expertise in office and logistics real estate and a dedicated team to exploit market opportunities to occur in future years, standing on two pillars, superior office and logistics at infrastructure core centers of Germany. **The portfolio quality is high and NAV per share at approx. Euro 18.50 at 1Q results, including IB value even Euro 22.00. Even if you deduct a market value adjustment of 5% to 10%, the gap is very huge to the current share price level and not justified by two years with lower results coming from a sluggish market and higher interest expenses.**

**We maintain our Buy recommendation and set our target price at Euro 11.00, from previous Euro 14.00, as we expect with the partly repaid and partly prolonged bridge loan to have a higher level of certainty in the equity story.**

**DIC Asset AG**

**Industry:** Real Estate  
**Sub-segment:** Commercial property investor  
Own book / Institutional Business / Managed Accounts (transaction, asset and property management)

**Management Board of DIC Asset**  
Sonja Wärtges (CEO)  
Johannes von Mutius (CIO)  
Torsten Doyen (CIBO)  
Christian Fritzsche (COO)

**Region:** Germany  
**Headquarter:** Frankfurt  
**Foundation:** 1998  
**Employees:** 341

**Supervisory Board of DIC Asset:**  
Prof. Dr. Gerhard Schmidt  
Michael Zahn  
Prof. Dr. Ulrich Reuter  
Eberhard Vetter  
Rene Zahnd  
Dr. Angela Geerling

**IR Contact:**  
Dipl.-Kfm. Peer Schlinkmann, CIRO  
P.Schlinkmann@dic-asset.de

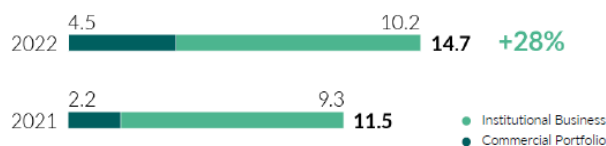
DIC Asset is a strong commercial properties player in the German market with two strong and more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio DIC Asset does on balance sheet investment for their own books, in particular office properties that offer a stable cash income (core / core plus) as well as some value add properties which need more attention to reduce vacancy and increase the intrinsic cash flow in mid-term, in particular by repositioning or revitalization of some assets. This strategy is complemented by an intelligent cycle management to sell some properties at the right time for portfolio optimization and generating additional trading profits. The commercial portfolio has a size of about Euro 4.5bn at present. A bigger focus is now laid on logistics assets. Here, the successful partial takeover of VIB Vermögen is already a big milestone and lifts the share of logistics asset to almost 40% of the commercial portfolio.

In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. DIC also initiated funds outside the office topic, for instance with the DIC Retail Balance I fund, which came in September 2017 with a size of about Euro 250m or the new RLI-GEG Logistics & Light Industrial III fund with a volume of Euro 400m. The institutional business offers a great range of fees for set-up, transactions, asset and property management services for the funds, club deals and individual mandates. In addition to a broad income stream from servicing fees there are lucrative equity returns from the co-investment stakes. The assets under management in the Institutional Business steeply increased by almost 50% in 2019, from Euro 3.9bn to Euro 5.7bn, to Euro 7.6bn in 2020 and again steeply to Euro almost Euro 9.3bn in 2021 and Euro 10.25bn in 2022. All activities in the field of fund business (third party mandates) have been bundled under the GEG roof. Both pillars, the Commercial Portfolio and the Institutional Business, are serviced from the group's own asset and property management platform, named DIC Onsite, with branches in Frankfurt, Mannheim, Dusseldorf, Cologne, Hamburg, Munich, Berlin and Stuttgart. The institutional business offers a lucrative income stream of management fees as well as transaction-related fees and performance fees. Another milestone was the takeover of Munich based RLI investors in December 2020 (closing January 2021) with over Euro 700m Assets under Management. This helps to sharpen the profile of DIC in the field of logistics investments and helps to cross sell logistics assets to GEG clients and vice versa. The company aims to reach a Euro 15bn asset base in the short- to mid-term.

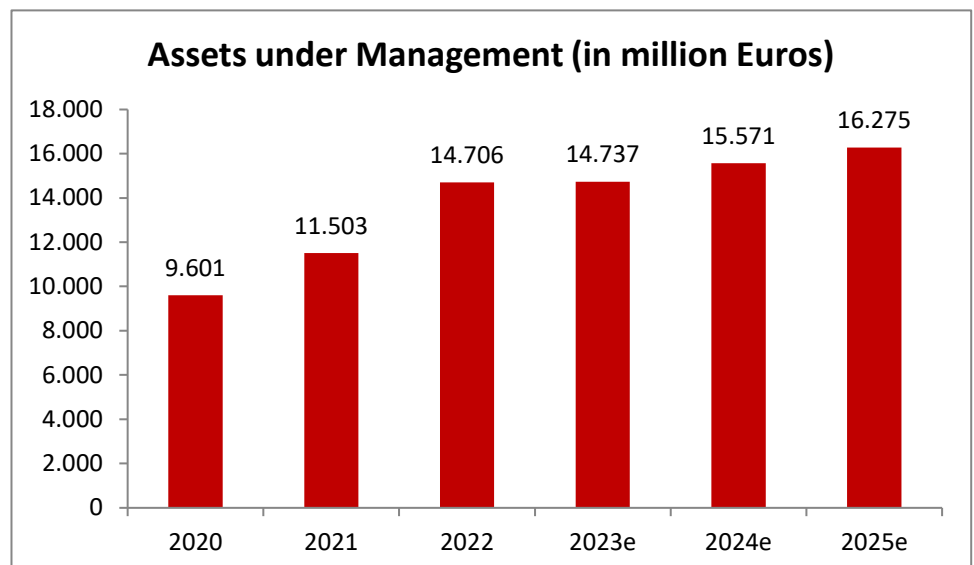
The FFO I result of 2022 reached a record level of Euro 114.2m and increased by almost 7% from Euro 107.2m in 2021. For 2023 DIC Asset guides a range of Euro 90m to Euro 97m for the FFO I result. This expected decline is mainly driven by the worse market conditions and the respective lower transaction volume in the institutional business segment.

**Assets under Management**  
in EUR billion



Source: Company Data, SRC Research

DIC Asset AG 31/12 IFRS ('000)	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Gross rental income	100.695	108.390	175.956	188.086	181.268	195.368	3,5%
Ground rents	-510	-523	-339	-1.045	-1.276	-1.498	
Service charge income on principal basis	22.135	23.211	31.269	39.417	41.548	43.679	
Service charge expenses on principal basis	-24.029	-26.415	-36.572	-47.214	-48.974	-50.734	
Other property-related expenses	-16.070	-13.447	-17.774	-18.441	-19.210	-19.979	
<b>Net rental income</b>	<b>82.221</b>	<b>91.216</b>	<b>152.540</b>	<b>160.803</b>	<b>153.356</b>	<b>166.836</b>	3,0%
Administrative expenses	-19.077	-21.518	-37.863	-27.924	-29.012	-30.100	
Personnel expenses	-30.280	-38.096	-42.581	-43.247	-44.214	-47.781	
Depreciation and amortization	-38.774	-42.986	-73.883	-75.412	-78.103	-80.116	
Real estate management fees	79.722	101.225	88.375	62.693	101.060	106.150	6,3%
Other operating income	2.222	3.815	5.699	3.255	3.180	3.105	
Other operating expenses	-1.852	-1.802	-3.409	-4.386	-4.224	-4.062	
Net proceeds from disposal of investment property	116.324	139.337	51.494	88.334	89.657	54.980	
Carrying amount of investment property disposed	-84.324	-115.572	-38.797	-88.140	-75.447	-48.321	
Profit on disposal of investment property	32.000	23.765	12.697	194	14.210	6.659	
<b>Net operating profit before financing activities (EBIT)</b>	<b>106.182</b>	<b>115.619</b>	<b>101.575</b>	<b>75.976</b>	<b>116.253</b>	<b>120.691</b>	5,9%
Share of the profit or loss of associates	11.370	6.524	18.918	7.969	5.677	5.485	
Interest income	8.670	9.550	10.635	3.543	6.247	5.251	
Interest expenses	-36.760	-59.257	-71.217	-82.810	-86.454	-74.575	
<b>Profit/loss before tax (EBT)</b>	<b>89.462</b>	<b>72.436</b>	<b>59.911</b>	<b>4.678</b>	<b>41.723</b>	<b>56.852</b>	-1,7%
Tax	-16.350	-14.051	-17.053	-1.263	-10.431	-14.213	
<b>Net profit</b>	<b>73.112</b>	<b>58.385</b>	<b>42.858</b>	<b>3.415</b>	<b>31.292</b>	<b>42.639</b>	-0,2%
Minorities	3.099	590	11.834	7.685	15.445	13.458	
<b>Net profit after minorities</b>	<b>70.013</b>	<b>57.795</b>	<b>31.024</b>	<b>-4.270</b>	<b>15.847</b>	<b>29.181</b>	-2,0%
<b>FFO</b>	<b>96,5</b>	<b>107,2</b>	<b>114,2</b>	<b>53,0</b>	<b>80,8</b>	<b>97,3</b>	-5,2%
Number of shares ('000)	79.421	81.504	82.689	83.566	83.945	84.738	
<b>Earnings per share</b>	<b>0,88</b>	<b>0,71</b>	<b>0,38</b>	<b>-0,05</b>	<b>0,19</b>	<b>0,34</b>	
<b>FFO per share</b>	<b>1,22</b>	<b>1,32</b>	<b>1,38</b>	<b>0,63</b>	<b>0,96</b>	<b>1,15</b>	
<b>Dividend per share</b>	<b>0,70</b>	<b>0,75</b>	<b>0,75</b>	<b>0,65</b>	<b>0,48</b>	<b>0,70</b>	
<b>Shareholders' Equity</b>	<b>1.108.421</b>	<b>1.133.969</b>	<b>1.664.101</b>	<b>1.737.814</b>	<b>1.699.343</b>	<b>1.828.127</b>	3,2%
<b>Equity Ratio</b>	<b>40,7%</b>	<b>32,5%</b>	<b>32,1%</b>	<b>31,6%</b>	<b>29,8%</b>	<b>30,5%</b>	



## SRC Research - Der Spezialist für Finanz- und Immobilienaktien -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

### Rating chronicle:

Company	Date	Rating	former share price	former target
DIC Asset AG	11.05.2023	Buy	6,70 €	14,00 €
DIC Asset AG	13.04.2023	Buy	6,71 €	16,00 €
DIC Asset AG	15.02.2023	Buy	8,85 €	16,00 €
DIC Asset AG	26.01.2023	Buy	8,74 €	16,00 €
DIC Asset AG	09.11.2022	Buy	7,30 €	17,00 €
DIC Asset AG	03.11.2022	Buy	7,03 €	17,00 €
DIC Asset AG	03.08.2022	Buy	10,34 €	22,00 €
DIC Asset AG	10.05.2022	Buy	12,04 €	26,00 €
DIC Asset AG	24.03.2022	Buy	15,48 €	26,00 €
DIC Asset AG	10.02.2022	Buy	15,46 €	24,00 €
DIC Asset AG	01.02.2022	Buy	15,24 €	24,00 €
DIC Asset AG	12.01.2022	Buy	15,18 €	24,00 €

### Please note:

The share price mentioned in this report is from 7 July 2023. DIC Asset AG mandated SRC Research for covering the share.

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