

Price (Euro) **15,24**
52 weeks range 16.84 / 13.55

Key Data

ISIN	DE000A1X3XX4
Bloomberg	DIC:GR
Reporting standard	IFRS
Market Cap (Euro million)	1.248
Number of shares (million)	81,9
Free Float	45,1%
Free Float Market Cap (Euro million)	563
CAGR EBIT ('20-'23e)	9,8%

Multiples	2020	2021e	2022e	2023e
Market Cap / Total revenues	12,4	11,6	11,3	10,0
PE-Ratio	17,3	21,7	14,4	13,0
Dividend Yield	4,6%	4,9%	5,1%	5,2%

Key Data per share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	0,88	0,70	1,06	1,18
FFO per share	1,22	1,33	1,38	1,53
Dividend per share (DPS)	0,70	0,75	0,78	0,80

Financial Data (Euro '000)	2020	2021e	2022e	2023e
Gross rental income	100.695	107.668	110.205	124.830
Net rental income	82.221	92.596	92.643	104.331
Administrative expenses	-19.077	-20.596	-24.822	-25.544
Personnel expenses	-30.280	-37.901	-39.521	-40.177
Real estate management fees	79.722	103.161	124.434	136.287
Profit on disposal of investment property	32.000	18.724	19.116	8.890
EBIT	106.182	116.212	129.085	140.467
Net financial result	-28.090	-50.166	-30.305	-32.316
EBT	89.462	75.600	112.000	123.605
Taxation	-16.350	-18.888	-17.592	-18.661
Net profit after minorities	70.013	57.129	94.881	105.294
FFO	96.524	108.699	123.777	137.299

Main Shareholders

Deutsche Immobilien Chancen-Gruppe	34,8%
Yannick Patrick Heller	10,1%
RAG-Stiftung	10,0%

Financial calendar

Annual report 2021	9 February 2022
AGM	24 March 2022
1Q 2022 report	10 May 2022

Analysts

Dipl.-Kfm. Stefan Scharff, CREA
Christopher Mehl, MBA, CFA

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

Partial takeover offer for VIB Vermögen shareholders to form a new German office and logistics real estate champion – Euro 51.00 bid price might be enough for a big stake, but too low for the 51%

DIC Asset as one of the leading German superior office properties investors announced yesterday the plan for a voluntary partial takeover offer for VIB Vermögen shareholders to bid Euro 51.00 per share to gather a controlling 51% majority on VIB, which is the leading German investor and developer of logistics and light industry assets in Southern Germany, with a current portfolio of Euro 1.5bn and a development pipeline of another 160k sqm rentable space in some promising developments. DIC stated yesterday to already hold 10% in VIB shares. In yesterday's conference call DIC also outlined the "excellent job" that VIB Vermögen has done in the last years and that they strive for a friendly co-operation to build up a second future leading commercial champion behind

Aroundtown. This new champion with an own book coming close to Euro 4bn and an institutional business that is probably already now at above Euro 9bn could set standards for German commercial real estate, on the own book and also in an attractive strongly fee generating fund business for office and logistics. **Logistics is the flavor of the last two years with a remarkable decline in gross yields and VIB's rental revenues come 72% from logistics and light industry and the remaining is mainly very stable retail with food and garden centers (24%), including a very stable, solvent and granulated tenant base, in many cases for ten or fifteen years. Half of the rental income comes from about 50 locations, giving an impression about stability and prosperous growth with many indexed rental contracts and plans for expanding existing rental contracts.** From the financing VIB CoD is at low 1.71% at 9M '21 with further downside as average fixed interest rates of 2.74% / 2.54% expire in 2022 and 2023.

DIC announced to publish an offer document soon, on 9 February. The firm has built up a strong track record of steep and profitable growth, with an FFO and dividend payment even rising, despite a shaky economic framework in the pandemic, based on a superior asset quality, a good letting performance and some lucrative acquisitions. The company's idea is fully right to expand their footprint in attractive logistics as second strong pillar. At Dec. 2020 DIC acquired RLI Investors with AuM of Euro 700m and in summer 2021 DIC launched a new Euro 400m logistics fund. VIB Vermögen is more than that, would be a big milestone. To buy a 51% stake at the bid price of Euro 51.00 would cost about Euro 731m, thereof Euro 281m given by existing cash, the rest by bridge financing, meaning a 10% capital hike and some new debt. The current balance is solid with an LTV at 48% and an unchanged mid-term target below 45%.

The acquisition would translate into a significant improvement of diversification, in geography and asset style, and might lead to a higher S & P rating, up from current BB+ to investment grade. As size matters, the VIB deal would bring DIC much closer to Euro 15bn AuM mid-term target. The bid price implies a VIB portfolio yield of 4.5% to 4.6%, in our view. A fair yield might be more in a bit lower range of 4.0% to 4.2%, given the strategic value of the Euro 1.4bn package and the sound management. Thus, the € 51.00 bid price might be sufficient to reach a significant stake of perhaps 20% to 30% but not enough for a 51% majority. With an implied VIB portfolio yield of 4.0% to 4.2% or an FFO yield of 3.6% to 4.0% we come up with higher thinkable bid prices in a Euro 54 to Euro 58 range and refer to our VIB update from today. We confirm our Buy rating for DIC Asset and our Euro 24.00 target price.

DIC Asset AG

Industry:	Real Estate	Management Board of DIC Asset
Sub-segment:	Commercial property investor	CEO Sonja Wärntges
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	CIO Johannes von Mutius
		Patrick Weiden
		Christian Bock
Region:	Germany	Supervisory Board of DIC Asset:
Headquarter:	Frankfurt	Prof. Dr. Gerhard Schmidt
Foundation:	1998	Klaus-Jürgen Sontowski
Employees:	286	Prof. Dr. Ulrich Reuter
		Eberhard Vetter
IR Contact:		Michael Zahn
Dipl.-Kfm. Peer Schlinkmann, CIRO		Rene Zahnd
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 almost Euro 2.2bn at present. A new focus will be laid on logistics assets in future.

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 and again steeply to Euro 7.6bn in 2020. 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 and Berlin. The institutional business offers a very steady and lucrative income stream of management fees as well as transaction-related fees and performance fees. In 2020 the real estate management fees significantly hiked 27% to Euro 80m. 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. With the RLI deal and further transactions, the total assets base grew to Euro 11.4bn at 9M 2021. The company aims to reach a Euro 15bn asset base in the mid-term. We assume this is very realistic until year-end 2023 or mid 2024.

The FFO I result of 2020 was at high Euro 96.5m, almost 2% higher than the Euro 95.0m result in 2019, despite the challenging pandemic situation. For 2021 DIC Asset forecasts a realistic range of Euro 106m to Euro 110m for the FFO I result, based on the higher asset basis and the additional income of RLI Investors takeover (c. Euro 4m for 2021 EBITDA).

2021 Guidance and 9M status

	Q3 STATUS	GUIDANCE
Gross rental income	EUR 78.0 million	EUR 107-108 million
Real estate management fees	EUR 74.6 million	EUR 94-104 million
FFO	EUR 79.6 million	EUR 106-110 million
Acquisitions	EUR 1.0 billion	EUR 1.2-1.8 billion CP: EUR 200-300 million IB/Warehousing: EUR 1.0-1.5 billion
Sales	around EUR 250 million	300-400 million CP: around EUR 100 million IB: EUR 200-300 million

CP = Commercial Portfolio
IB = Institutional Business

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- The company has a very experienced management team that has a broad network in the industry and a high level of combined knowledge in investments, asset and property management and real estate finance and a year-long and outstanding track record in transactions to foster group's overall earnings with a lucrative deal pipeline.
- The company has its own property management platform (DIC Onsite) operating from 7 German cities in all German core regions for commercial properties, in particular office properties. With DIC Onsite the firm covers the entire value chain for the own properties and third party properties and exploits its platform in a perfect way.
- The commercial portfolio with 95 properties and about 1,500 rental contracts for an annual rental income of about Euro 105m is a very solid base to deliver a steady cash flow. This stable business is complemented by a lucrative Institutional Business to satisfy the growing demand for stable and lucrative yielding assets from different types of institutional investors. DIC Asset serves a long list of first class clients with demanding and often tailor-made products. Thus, the institutional business is a perfect completion for the group's earnings structure with the additional inflow of asset, property management and set up fees as well as lucrative transaction related fees for buying or selling the properties for the funds and other third party mandates. The RLI Investors takeover in December 2020 strengthened the new logistics footprint and offers some decent cross sell potential.
- The diversity of business gives DIC Asset a brighter scope in the market, as the company is offered more than 2,000 properties each year. The huge scope in the market gives a bigger impetus at typical market participants, such as banks, real estate brokers and construction firms.

Weaknesses

- The business model as investor AND property manager is not very common in Germany, but more in other countries. We assume that with a longer history and track record of the own trading platform the company gets a higher visibility for their success story which will also translate into higher prices for the DIC Asset share. The hike in dividend from 66 Cents to 70 Cents offers a decent yield far above 4%. 75 Cents for FY 2021 seems absolutely realistic to us.

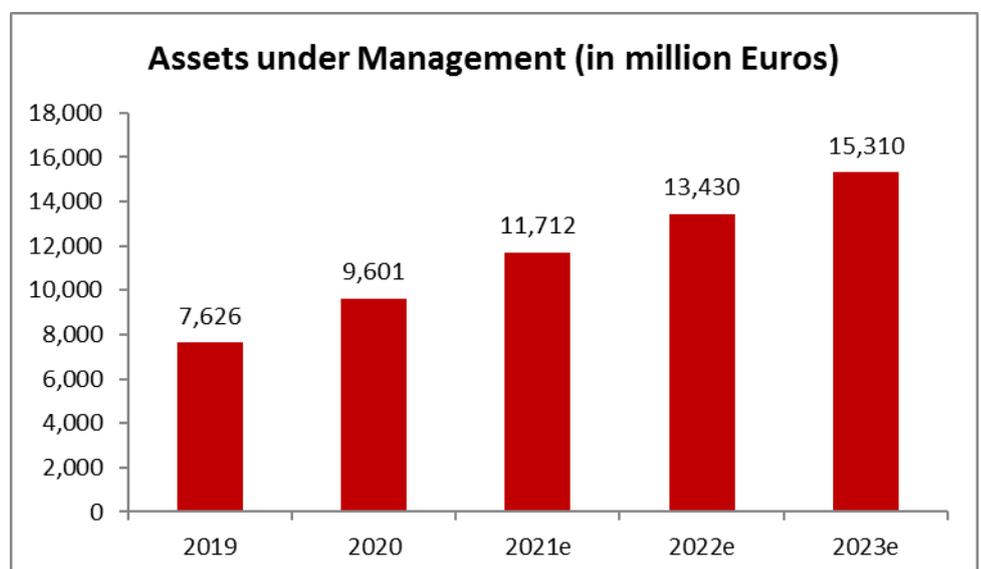
Opportunities

- There are synergies at the cost side of institutional business after the GEG takeover of about Euro 3.0m to Euro 3.5m, coming from 2020 on. The RLI Investors takeover also might offer synergies and of course important cross sell potential. More M & A deals might come in mid-term to boost the growth of assets base in Institutional Business, in office and / or logistics. A successful VIB takeover with a Euro 1.4bn portfolio size would be a big milestone.
- The firm has a very high transparency level with all new EPRA key indicators in their annual report and publishes the annual and quarterly numbers quite early, which should give further credit and higher appreciation at investors.
- A promotion of the DIC Asset share from the SDax to the higher MDax index in the mid-term would be a pushing impetus for the share price. For the moment, the free float market cap is too low, and with 34% of the shares held by Deutsche Immobilien Chancen Group and 10% by RAG Foundation it is a way to go to bring up free float market cap. The mid-term growth of the portfolio to Euro 15bn in the next 2-3 years might still offer the opportunity for MDax.

Threats

- A severe economic downturn or shocks like the current Corona pandemic would not impair the P & L so much, as the firm does cost accounting. But the institutional demand for commercial properties could decline with a decelerating demand for office space. Furthermore, the letting performance for new lettings or prolongations might dwindle. The 2021 letting performance and space demand draw another picture, so far.
- The general trend for more working in home office accelerating in pandemic times might have a dampening effect on the general space demand. In general, some new economic research reports show that the "working from home effect" on the space demand is overestimated.
- An uplift in bid price could significantly bring up transaction costs. It is also thinkable that VIB only reaches a minority stake in VIB Vermögen and holds it as at-equity investment.

DIC Asset AG 31/12 IFRS ('000)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Gross rental income	100,189	101,942	100,695	107,668	110,205	124,830	7.4%
Ground rents	-810	-676	-510	-561	-814	-1,045	
Service charge income on principal basis	20,438	20,836	22,135	23,788	27,144	30,119	
Service charge expenses on principal basis	-22,941	-23,565	-24,029	-24,358	-29,145	-33,445	
Other property-related expenses	-12,186	-10,631	-16,070	-13,941	-14,747	-16,128	
Net rental income	84,690	87,906	82,221	92,596	92,643	104,331	8.3%
Administrative expenses	-12,113	-17,876	-19,077	-20,596	-24,822	-25,544	
Personnel expenses	-18,204	-27,918	-30,280	-37,901	-39,521	-40,177	
Depreciation and amortization	-29,577	-34,242	-38,774	-42,178	-43,558	-44,102	
Real estate management fees	33,639	62,883	79,722	103,096	124,302	136,160	19.5%
Other operating income	585	2,616	2,222	3,855	2,549	2,775	
Other operating expenses	-730	-1,979	-1,852	-1,449	-1,756	-1,993	
Net proceeds from disposal of investment property	86,752	175,973	116,324	126,174	124,563	85,775	
Carrying amount of investment property disposed	-68,106	-135,457	-84,324	-107,450	-105,447	-76,885	
Profit on disposal of investment property	18,646	40,516	32,000	18,724	19,116	8,890	
Net operating profit before financing activities (EBIT)	76,936	111,906	106,182	116,147	128,953	140,340	9.7%
Share of the profit or loss of associates	15,829	18,321	11,370	9,554	13,220	15,454	
Interest income	9,266	10,296	8,670	8,577	8,221	7,231	
Interest expenses	-46,098	-42,660	-36,760	-58,743	-38,526	-39,547	
Profit/loss before tax (EBT)	55,933	97,863	89,462	75,535	111,868	123,478	11.3%
Current income tax expenses	-6,241	-13,803	-14,128	-6,534	-7,145	-8,774	
Deferred tax expenses	-2,079	-3,371	-2,222	-12,354	-10,447	-9,887	
Tax	-8,320	-17,174	-16,350	-18,888	-17,592	-18,661	
Net profit	47,613	80,689	73,112	56,647	94,276	104,817	12.8%
Minorities	-78	-222	3,099	-417	-473	-350	
Net profit after minorities	47,691	80,911	70,013	57,064	94,749	105,167	14.5%
FFO	68.0	95.0	96.5	108.7	123.7	137.2	12.4%
Number of shares ('000)	69,958	71,713	79,421	81,500	89,500	89,500	
Earnings per share	0.68	1.13	0.88	0.70	1.06	1.18	
FFO per share	0.97	1.32	1.22	1.33	1.38	1.53	
Dividend per share	0.48	0.66	0.70	0.75	0.78	0.80	
Shareholders' Equity	895,921	968,778	1,108,421	1,139,890	1,333,514	1,388,871	7.8%
Balance Sheet sum	2,490,051	2,657,443	2,724,168	3,862,153	4,325,611	4,541,892	
Equity Ratio	36.0%	36.5%	40.7%	29.5%	30.8%	30.6%	



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	12.01.2022	Buy	15,18 €	24,00 €
DIC Asset AG	15/11/2021	Buy	15,44 €	22,00 €
DIC Asset AG	16/09/2021	Buy	15,30 €	22,00 €
DIC Asset AG	08.06.2021	Buy	15,03 €	22,00 €
DIC Asset AG	06.05.2021	Buy	14,67 €	22,00 €
DIC Asset AG	11.02.2021	Buy	15,56 €	22,00 €
DIC Asset AG	15.01.2021	Buy	14,24 €	22,00 €
DIC Asset AG	28.10.2020	Buy	9,57 €	20,00 €
DIC Asset AG	06.07.2020	Buy	12,32 €	20,00 €
DIC Asset AG	30.04.2020	Buy	12,72 €	20,00 €
DIC Asset AG	06.04.2020	Buy	9,02 €	20,00 €

Please note:

The share price mentioned in this report is from 31 January 2022. DIC Asset AG mandated SRC Research for covering the share.

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