

26 | January | 2023

■ **Price (Euro)** **8.74**
52 weeks range 16.19 / 6.51

■ **Key Data**

ISIN DE000A1X3XX4
Bloomberg DIC:GR
Reporting standard IFRS
Market Cap (Euro million) 715
Number of shares (million) 81.9
Free Float 45.5%
Free Float Market Cap (Euro million) 326
CAGR EBIT ('21 -'24e) 5.1%

■ Multiples	2021	2022e	2023e	2024e
Market Cap / Total revenues	6.6	4.1	3.8	3.9
PE-Ratio	12.3	26.8	159.5	38.3
Dividend Yield	8.6%	8.6%	7.4%	8.7%

■ Key Data per share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	0.71	0.33	0.05	0.23
FFO per share	1.32	1.39	1.15	1.51
Dividend per share (DPS)	0.75	0.75	0.65	0.76

■ Financial Data (Euro '000)	2021	2022e	2023e	2024e
Gross rental income	108,390	175,982	187,952	182,694
Net rental income	91,216	153,503	160,669	154,782
Administrative expenses	-21,518	-36,135	-27,924	-29,012
Personnel expenses	-38,096	-43,975	-45,841	-46,811
Real estate management fees	101,225	88,384	73,693	114,773
Profit on disposal of investment property	23,765	17,437	21,761	14,210
EBIT	115,619	106,658	110,883	134,351
Net financial result	-49,707	-56,157	-53,971	-59,166
EBT	72,436	69,463	62,781	80,862
Taxation	-14,051	-25,905	-34,577	-36,607
Net profit after minorities	57,795	26,823	4,557	19,142
FFO	107,200	114,200	95,900	127,106

■ **Main Shareholders**

Deutsche Immobilien Chancen-Gruppe 34.4%
Yannick Patrick Heller 10.1%
RAG-Stiftung 10.0%

■ **Financial calendar**

2022 annual report 15 February 2023
AGM 30 March 2023
1Q 2023 report 11 May 2023

■ **Analysts**

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2022 prelims mostly in line with our estimates and the firm's guidance – FFO expected to decline in the current year due to market environment expectations – Target down to Euro 16, Buy affirmed

Yesterday evening, the company released first key data regarding the recently ended fiscal year 2022 and also gave a first outlook for the current fiscal year.

The preliminary numbers for 2022 were mostly in line with the most recent 2022 guidance from 2 November. Gross rental income of the commercial portfolio hiked by about 62% from more than Euro 108m in 2021 to now Euro 176m, which was also our expectation. This was mainly driven by the acquisition of VIB Vermögen in the first quarter of the year. Furthermore, a like-for-like hike of 3.6% also supported that significant growth. The Institutional Business segment on the other hand clearly suffered from the severely worsened conditions in the real estate market, which amongst other consequences also led to delays and planning changes regarding transactions. Here, the management fees declined from more than Euro 101m in 2021 to more than Euro 88m in 2022 and came in somewhat below our expectation and slightly below the guidance. The FFO for the last year amounted to Euro 114.2m, a plus of 7% year-over-year and the highest FFO result in the firm's history. This translates into an FFO per share of about Euro 1.39. In accordance with the firm's dividend policy, the management plans to propose a dividend of 75 cents per share at the general meeting in March, which was also our expectation and is on the same level as the previous year. The firm's assets under management amount to Euro 14.7bn at year-end (FY 2021: Euro 11.5bn). The commercial portfolio more than doubled in 2022 and now stood at Euro 4.5bn, while the institutional business portfolio amounted to about Euro 10.2bn.

Looking at the current year, the firm also gave a first guidance regarding the FFO. The management stated that it has the focus on the continued portfolio and cash flow optimization. Furthermore, due to the current market environment, the management now expects a decline to a range between Euro 90m to Euro 97m, which is significantly below our previous expectation of Euro 136.5m. This decline compared to last year will mainly be due to the continuation of the difficult real estate market, which will also clearly coin the management fees of the institutional business in regards to transaction-related fees. For the commercial portfolio, we see another hike in rental income and FFO contribution on the other hand due to the first time full-year consolidation of VIB Vermögen, which together with the effects from rent indexation and other factors should more than cover the lost rental income from further sales, which we expect to come from the commercial portfolio in 2023. Furthermore, we also see the given guidance rather as a conservative approach, which could also clearly benefit from a better than expected development of the transaction markets.

While we are satisfied with the numbers of 2022, the outlook for 2023 led us to reduce our P&L estimates. With the focus on the portfolio and cash flow optimization and the in our opinion focus on the balance sheet optimization we see the company however in a good position to react to an improvement of the transaction markets and expect that the following years will already see an improved FFO picture again. The higher contribution from the commercial portfolio gives the company already a good level of earnings security in times where the institutional business suffers from the present market conditions. Another good news in our opinion was the sale of the Kaufhof object in Chemnitz earlier this months, which further improves the asset quality of the commercial portfolio. Due to the reduced P&L estimates, we also reduce our target price from Euro 17.00 to Euro 16.00, but clearly confirm our Buy Rating.

DIC Asset AG

Industry:	Real Estate	Management Board of DIC Asset
Sub-segment:	Commercial property investor	Sonja Wärtges (CEO)
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	Johannes von Mutius (CIO)
		Torsten Doyen (CIBO)
		Christian Fritzsche (COO)
Region:	Germany	Supervisory Board of DIC Asset:
Headquarter:	Frankfurt	Prof. Dr. Gerhard Schmidt
Foundation	1998	Michael Zahn
Employees:	306	Prof. Dr. Ulrich Reuter
		Eberhard Vetter
IR Contact:		Rene Zahnd
Dipl.-Kfm. Peer Schlinkmann, CIRO		Dr. Angela Geerling
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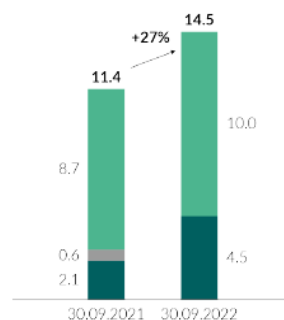
DIC Asset is a strong commercial properties player in the German market with two strong and more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio DIC Asset does on balance sheet investmenst 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 mandatess. 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 10.2bn 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 2021 crossed the Euro 100m mark for the first time and was at more than Euro 107m, up more than 11% from the Euro 96.5m in 2020. For 2022 DIC Asset guides a range of Euro 114m to Euro 117m for the FFO I result. Based on the preliminary numbers, the FFO reached a record level of Euro 114.2m in 2022.

Assets under Management
in EUR billion

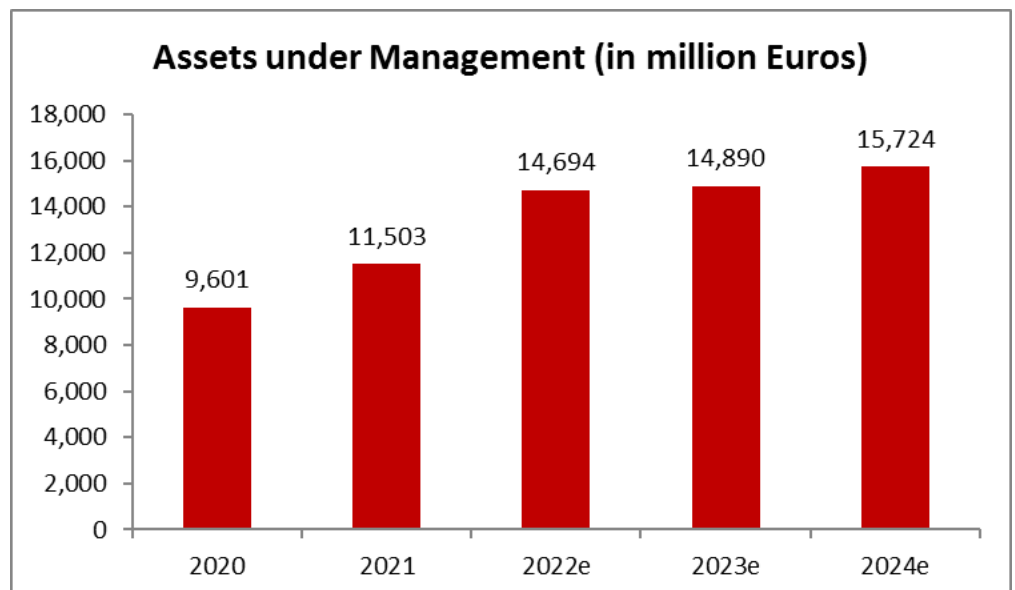


Portfolio by segment

30.09.2022	Commercial Portfolio	Institutional Business	Total
	Investment Properties	Warehousing	
Number of properties	208	0	359
Market value in EUR million*	4,507.7	0.0	9,968.4
Rental space in sqm	2,105,400	0	2,576,700

Source: Company Data, SRC Research

DIC Asset AG 31/12 IFRS ('000)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
Gross rental income	101,942	100,695	108,390	175,982	187,952	182,694	19.0%
Ground rents	-676	-510	-523	-814	-1,045	-1,276	
Service charge income on principal basis	20,836	22,135	23,211	33,053	39,417	41,548	
Service charge expenses on principal basis	-23,565	-24,029	-26,415	-39,167	-47,214	-48,974	
Other property-related expenses	-10,631	-16,070	-13,447	-15,552	-18,441	-19,210	
Net rental income	87,906	82,221	91,216	153,503	160,669	154,782	19.3%
Administrative expenses	-17,876	-19,077	-21,518	-36,135	-27,924	-29,012	
Personnel expenses	-27,918	-30,280	-38,096	-43,975	-45,841	-46,811	
Depreciation and amortization	-34,242	-38,774	-42,986	-73,558	-70,344	-72,547	
Real estate management fees	62,883	79,722	101,225	88,384	73,693	114,773	4.3%
Other operating income	2,616	2,222	3,815	3,146	3,255	3,180	
Other operating expenses	-1,979	-1,852	-1,802	-2,144	-4,386	-4,224	
Net proceeds from disposal of investment property	175,973	116,324	139,337	245,321	124,334	89,657	
Carrying amount of investment property disposed	-135,457	-84,324	-115,572	-227,884	-102,573	-75,447	
Profit on disposal of investment property	40,516	32,000	23,765	17,437	21,761	14,210	
Net operating profit before financing activities (EBIT)	111,906	106,182	115,619	106,658	110,883	134,351	5.1%
Share of the profit or loss of associates	18,321	11,370	6,524	18,963	5,869	5,677	
Interest income	10,296	8,670	9,550	10,341	7,243	6,247	
Interest expenses	-42,660	-36,760	-59,257	-66,498	-61,214	-65,413	
Profit/loss before tax (EBT)	97,863	89,462	72,436	69,463	62,781	80,862	3.7%
Current income tax expenses	-13,803	-14,128	-19,447	-17,758	-25,443	-26,874	
Deferred tax expenses	-3,371	-2,222	5,396	-8,147	-9,134	-9,733	
Tax	-17,174	-16,350	-14,051	-25,905	-34,577	-36,607	
Net profit	80,689	73,112	58,385	43,558	28,204	44,255	-8.8%
Minorities	-222	3,099	590	16,736	23,647	25,113	
Net profit after minorities	80,911	70,013	57,795	26,823	4,557	19,142	-30.8%
FFO	95.0	96.5	107.2	114.2	95.9	127.1	5.8%
Number of shares ('000)	71,713	79,421	81,504	82,347	83,152	83,945	
Earnings per share	1.13	0.88	0.71	0.33	0.05	0.23	
FFO per share	1.32	1.22	1.32	1.39	1.15	1.51	
Dividend per share	0.66	0.70	0.75	0.75	0.65	0.76	
Shareholders' Equity	968,778	1,108,421	1,133,969	1,672,664	1,755,461	1,720,554	14.9%
Equity Ratio	36.5%	40.7%	32.5%	32.2%	31.9%	30.0%	



SRC Research

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Rating chronicle:

Rating Chronicle

Company	Date	Rating	former share price	former target
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 €
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 €

Please note:

The share price mentioned in this report is from 25 January 2023. DIC Asset AG mandated SRC Research for covering the share.

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