

Hold (unchanged) **Target: Euro 42.00** (old: Euro 36.00)

10 | November | 2021

Price (Euro)	43.25			
52 weeks range	44.05 / 26.95			
Key Data				
Segment	Open Market (Frankfurt)			
	M:access (Munich)			
ISIN	DE000A2YPDD0			
Sec. ID-No.	245751			
Symbol	VIH			
Reuters	VIHG.DE			
Bloomberg	VIH GR			
Internet	www.vib-ag.de			
Reporting Standard	IFRS			
Fiscal Year	31/12			
IPO	28 Nov. 2005			
Market Cap (EUR million)	1198.5			
Number of shares (million)	27.7			
Free Float	80.4%			
Free Float MCap (million)	963.6			
CAGR net profits '20 - '23e	5.4%			
Multiples	2020	2021e	2022e	2023e
MarketCap/ Sales	12.7	11.6	10.8	10.2
PE-Ratio	18.1	17.1	17.0	15.5
Dynamic PE-Ratio	3.35	3.16	3.15	2.87
Dividend Yield	1.7%	1.8%	1.9%	2.0%
FFO Yield	4.2%	4.9%	5.5%	6.0%
Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	2.39	2.53	2.54	2.79
Dividends per Share (DPS)	0.75	0.80	0.84	0.88
Book Value per Share (BVPS)	20.98	22.61	24.31	26.22
NAV per share (diluted)	24.16	25.49	26.89	24.16
FFO per share	1.83	2.12	2.36	2.58
Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	94,207	103,742	111,004	117,664
Total operating revenue	95,673	104,296	111,847	118,338
EBITDA	94,552	99,613	99,908	108,698
Operating Profit (EBIT)	94,223	99,233	99,523	108,297
Pre-tax profit (EBT)	80,041	85,653	85,869	94,133
Net profit (after minorities)	65,875	70,122	70,413	77,292
Adjusted Shareholders' Equity	578,663	626,617	673,754	726,661
RoE after tax	11.9%	11.6%	10.8%	11.0%
Financial Calendar				
2021 prelims		exp. March 2022		
2021 Annual Report		exp. April 2022		
Main Shareholders				
Kreissparkasse Biberach		5.6%		
Founding shareholders & family		4.1%		
VR Bank Neuburg-Rain eG		3.9%		
Family Office, Munich		3.7%		
Supervisory board + Management		2.3%		
Analysts	Dipl.-Kfm. Stefan Scharff, CREA			
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VIB reports very good 9M numbers that lead us to lift our full year estimates – robust logistics market offers significant valuation uplift – target up to Euro 42.00, Hold rating affirmed

Today, the company released the 9M 2021 report and delivered very convincing numbers, even above our expectations. Revenues climbed by almost 10% from Euro 70.4m to Euro 77.4m, driven by the expansion of the portfolio. The revaluation result amounted to Euro 8.8m (9M 2020: Euro 11.7m), but we expect a significantly higher number at year-end after the full revaluation of the portfolio. The expense side of the operating result, namely expenses for investment properties, personnel expenses and other operating expenses, remained all in all relatively unchanged to last year's period. The firm's operating profit on EBIT basis thus hiked from Euro 66.5m to Euro 69.3m, a plus of more than 4% despite the significantly lower revaluation result. As the firm managed has managed to further reduce the average interest rate to now only 1.71%, interest expenses for the first nine months came down from Euro 10.9m to Euro 10.1m. Thus, the firm's pre-tax profit amounted to Euro 59.2m compared to Euro 55.2m and showed an increase of more than 7%. The adjusted EBT, excluding the revaluation result even hiked by almost 16% from Euro 43.5m to Euro 50.4m. The 9M bottom line after minorities came in at Euro 48.2m, up more than 7% from last year's number of Euro 44.9m. Earnings per share stood at Euro 1.75, also up more than 7% from Euro 1.63 last year. The cash driven FFO result even rose by about 16% from Euro 38.1m to Euro 44.1m or from Euro 1.38 per share to Euro 1.60 per share respectively. Next to the developments of the portfolio in the first half of the year, which we have already discussed in our last update from 12 August, the company announced the disposal of a cinema/retail park in Aalen on 1 October. The more than 10k sqm large property was sold in line with the strategic selective portfolio optimization in the retail segment. While no purchase price was mentioned, we expect the sales price to be close to the latest book value. The project pipeline remains at about 160k sqm of useful area, which allows for a significant expansion of the portfolio and the numbers in the coming years and we expect further news regarding the portfolio in the coming months.

With the very good 9M numbers in the books, we decided to lift our 2021 full year estimates as we see our previous estimates as too low. This will also lead to respective increases of our estimates of the coming years. While the management reaffirmed the full year guidance, we now believe, that the guidance could possibly be somewhat too conservative. We now expect revenues to be at the upper end, while our estimates regarding the adjusted EBT and the FFO are now even slightly on top of the firm's guidance. The lifted numbers along with the very robust overall logistics market with a very positive outlook and the very conservative valuation levels of VIB, which offer further significant upside to the firm, lead us to clearly lift our to date very conservative target price from Euro 36.00 to now Euro 42.00. As the share has performed very well over the recent weeks, +17% since our last update on 12 August, our new target price still results in a Hold rating, which we thus leave unchanged.

VIB Vermögen AG

Industry:	Real Estate
Sub-segment	Logistics, Light Industry, Retail
Region:	Germany
Headquarter:	Neuburg
Foundation	1993
Employees:	46

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Management Board of VIB Vermögen AG:

Martin Pfandzelter (CEO)
Holger Pilgenröther (CFO)

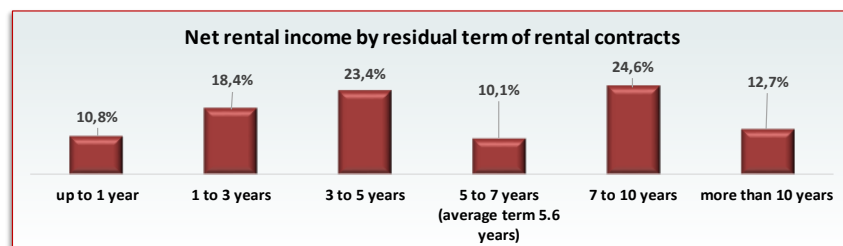
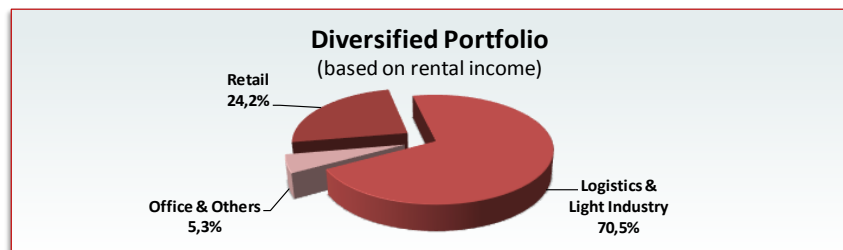
Supervisory Board of VIB Vermögen AG:

Ludwig Schlosser (Chairman)
Jürgen Wittmann (Deputy Chairman)
Franz-Xaver Schmidbauer
Rolf Klug

VIB Vermögen AG acquires and manages commercial real estate properties. Additionally, the company develops real estate properties for its own portfolio and furthermore it indirectly holds real estate assets via company holdings. The properties are located across Germany with a major focus on Southern Germany.

The company aims at a "Develop-or-Buy-and-hold" strategy and holds a diversified portfolio comprising 113 properties with a total lettable area of about 1,300,000 sqm and a portfolio value of about Euro 1.4bn at 9M 2021. The company convinces by its favorable and sustainable occupancy rate of about 99% and its lean cost and financing structures. In addition, the real estate portfolio offers a broad diversification within the commercial segment. Logistics and light industry (71%), retail (24%), office utilization (3%) and commercial building/others (2%) are covered.

The average maturity of rental contracts amounts to c. 5.6 years. Among tenants are various well-known and successful brands like Dehner Gartenfachmärkte, VW, Geis Industrie, Loxness, Edeka, Media Markt, Continental, Aldi, Kaufland etc. that have a high degree of creditworthiness. The average gross rental yield as of FY 2020 is at 6.8%. The logistics and industrial properties and the office properties offer a slightly higher yield, while retail is little below that average. In November 2020, the company completed a logistics centre, which is its largest in-house development so far. It is located in the Interpark Kösching near Ingolstadt, comprises 115,000 sqm of lettable space and is fully let. In March 2021, two more developments with a lettable space of more than 16k sqm were completed and handed over. Furthermore, the site pipeline for future projects amounts to about 160,000 sqm.



The company has a high equity ratio of 44.1% and also a healthy LTV ratio of 48.5% at 9M 2021. Concerning the shareholder structure the firm has a free Float of 80.4%. The crucial investment criteria for property acquisitions is a mid-to long-term rental contract with a solvent tenant and an initial rental yield of more than 7%. Furthermore, the location needs to be within an economically attractive region, as it was realized again with the recent deals.

VIB Vermögen AG is listed at the Open Market of the Frankfurt Stock Exchange and at M:access of the Munich Stock Exchange since November 2005. The company has distributed a dividend of 75 cents for 2020 after the AGM in July. This represents the twelfth consecutive dividend hike. For the current fiscal year 2021, the company gave a guidance for revenues between Euro 99.0m and Euro 105.0m, the EBT is guided in a range between Euro 61.0m and Euro 65.0m, and the FFO between Euro 54.0m to Euro 58.0m.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 113 objects with a rental area of almost 1,300,000 sqm. The properties are mainly located in the economically strong Southern Germany, resulting in a very stable cash income. In 2020, the FFO rose by more than 3% to over Euro 50m and is guided to a range of Euro 54m to Euro 58m in 2021. The start into 2021 was very good with a 14% hike in FFO to almost Euro 29m.
- ▶ The strategy is clearly long-term-oriented with a Buy-and-Hold or Build-and-Hold strategy. In time of low yields it is more oriented on own developments to grow. The tenant structure divided out in the Top 10 tenants standing for about 44% of the rental income.
- ▶ A very low EPRA vacancy rate of about 1% at present. In addition, the portfolio is widely spread over various sectors and therefore less affected by an economic short-fall. The average rental yield is at high 6.8% (FY 2020) and the firm's LTV ratio stands at healthy 48.5% as of 30 September 2021, with an equity ratio of 44.1%.
- ▶ VIB's successful approach and sound track record of further expanding the portfolio size by carefully analyzing given investment opportunities, either existing properties to buy or land sites for in-house developments.
- ▶ In-depth and careful planning of in-house development as exemplified by the recent logistics development in the Interpark commercial centre, which has been completed within the time as scheduled and fully leased up already much time in advance of scheduled date of completion.
- ▶ Predictability of future earnings is high due to long-term rental agreements for the majority of portfolio (~ 45% with long-term rental contracts at FY 2020).
- ▶ The average duration of rental agreements amounts to 5.7 years at 1H 2021. Furthermore, tenants have a high degree of creditworthiness (Rudolph Group, Geis Industrie, Audi, BayWa, Dehner Gartenfachmärkte, VW).
- ▶ The firm successfully placed three mandatory convertible bonds at 4.5% / 4.0% interest with institutional investors, a Euro 17m issue in Dec. 2012 and a Euro 26m issue in November 2013, and Euro 33m in Dec. 2014.

Weaknesses

- ▶ Demand for attractive logistics and retail properties has significantly increased, also due to the low interest environment. Acquiring properties at yields of more than 7.0% is becoming increasingly difficult but the last news underlined the company's ability to buy or develop the "right" assets.

Opportunities

- ▶ VIB consequently reengineers its financing by fixing the currently favorable interest-rate level by medium-term forward agreements. The average interest rate at FY 2020 came down to 1.77%, after 2.33% at FY 2018 and 2.10% in 2019 and will even further decline in the current FY 2021 (9M 2021: 1.71%).
- ▶ The firm placed a Euro 42.5m promissory note in April 2019 at a very low rate of 1.03%. The Euro 70m bonded loan issued in Sept. 2016 with an interest of only 1.27% (10 years) and even 0.7% (7 years) is another highlight of the debt side.
- ▶ In the face of growing challenges with regard to acquiring high quality German real estate at attractive prices, VIB can largely benefit from its in-house development operations in order to further strengthen its portfolio in terms of size and quality, for example the developments at Interpark in Koesching.

Threats

- ▶ In case of a sustained recession, portfolio vacancy rate might not remain at the negligibly low level of about 1% and estimated rental values with prospective tenants potentially will be agreed at lower levels. A subsequent negative impact on the portfolio, leading to valuation losses, would burden the P&L.

P&L Account for VIB Vermögen AG

VIB Vermögen AG 31/12 IFRS (Euro '000)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	83,550	86,789	90,995	94,207	103,742	111,004	117,664	7.7%
Net Result from Revaluations	17,380	19,454	22,319	22,323	19,863	13,547	16,558	
Other operating income	344	1,443	1,645	1,466	554	843	674	
Total operating income	101,274	107,686	114,959	117,996	124,159	125,394	134,896	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-17,862	-18,398	-18,895	
<i>Gross margin without revaluation</i>	<i>83.5%</i>	<i>82.8%</i>	<i>82.4%</i>	<i>81.6%</i>	<i>82.8%</i>	<i>83.4%</i>	<i>83.9%</i>	
Net operating income (NOI)	69,775	71,821	74,938	76,830	85,880	92,606	98,770	8.7%
<i>NOI-margin</i>	<i>83.5%</i>	<i>82.8%</i>	<i>82.4%</i>	<i>81.6%</i>	<i>82.8%</i>	<i>83.4%</i>	<i>83.9%</i>	
Personnel expenses	-3,621	-3,678	-3,861	-4,216	-4,473	-4,577	-4,644	
Other operating expenses	-1,785	-1,780	-1,775	-1,851	-2,211	-2,511	-2,660	
EBITDA	82,093	87,260	93,266	94,552	99,613	99,908	108,698	
<i>EBITDA-margin</i>	<i>98.3%</i>	<i>100.5%</i>	<i>102.5%</i>	<i>100.4%</i>	<i>96.0%</i>	<i>90.0%</i>	<i>92.4%</i>	
EBITDA without revaluation	64,713	67,806	70,947	72,229	79,750	86,361	92,140	8.5%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-271	-308	-313	-329	-380	-385	-401	
Operating profit (EBIT)	81,822	86,952	92,953	94,223	99,233	99,523	108,297	
<i>EBIT-margin</i>	<i>97.9%</i>	<i>100.2%</i>	<i>102.2%</i>	<i>100.0%</i>	<i>95.7%</i>	<i>89.7%</i>	<i>92.0%</i>	
Operating profit (EBIT) without revaluation	64,442	67,498	70,634	71,900	79,370	85,976	91,739	8.5%
Net income from investments accounted for using the equity method	152	3	450	118	91	78	103	
Interest earnings	23	8	18	0	16	22	19	
Interest costs	-17,378	-15,597	-14,968	-14,134	-13,521	-13,588	-14,120	
Financial result	-17,355	-15,589	-14,950	-14,134	-13,505	-13,566	-14,101	
Expenses from guaranteed dividend	-166	-166	-166	-166	-166	-166	-166	
Pre-tax Profit (EBT)	64,453	71,200	78,287	80,041	85,653	85,869	94,133	
<i>EBT-margin</i>	<i>77.1%</i>	<i>82.0%</i>	<i>86.0%</i>	<i>85.0%</i>	<i>82.6%</i>	<i>77.4%</i>	<i>80.0%</i>	
Pre-tax Profit (EBT) without revaluation	47,073	51,746	55,968	57,718	65,790	72,322	77,575	10.4%
Tax expenses	-10,515	-11,305	-12,876	-12,772	-13,961	-13,997	-15,344	
<i>Tax rate</i>	<i>16.3%</i>	<i>15.9%</i>	<i>16.4%</i>	<i>16.0%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	
Net Profit before minorities	53,938	59,895	65,411	67,269	71,692	71,872	78,789	5.4%
Minorities	-2,334	-2,285	-2,252	-1,394	-1,570	-1,459	-1,497	
Net Profit after minorities	51,604	57,610	63,159	65,875	70,122	70,413	77,292	5.5%
<i>Return on sales</i>	<i>61.8%</i>	<i>66.4%</i>	<i>69.4%</i>	<i>69.9%</i>	<i>67.6%</i>	<i>63.4%</i>	<i>65.7%</i>	
Number of shares	27,580	27,580	27,580	27,580	27,710	27,710	27,710	
Earnings per share (Euro)	1.87	2.09	2.29	2.39	2.53	2.54	2.79	
Dividends per Share (DPS) in Euro	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BookValue per Share (BVPS) in Euro	16.15	17.65	19.31	20.98	22.61	24.31	26.22	
Adjusted Shareholders Equity' without minorities and after dividend payment	445,486	486,866	532,683	578,663	626,617	673,754	726,661	7.9%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	11.6%	10.8%	11.0%	
Key ratios & figures	2017	2018	2019	2020	2021e	2022e	2023e	
Margins in %								
EBITDA	77.5%	78.1%	78.0%	76.7%	76.9%	77.8%	78.3%	
EBIT	77.1%	77.8%	77.6%	76.3%	76.5%	77.5%	78.0%	
EBT	56.3%	59.6%	61.5%	61.3%	63.4%	65.2%	65.9%	
Expense ratios in %								
Personnel costs quota	4.3%	4.2%	4.2%	4.5%	4.3%	4.1%	3.9%	
Depreciation to sales	0.3%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%	
Tax rate	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
Profitability in %								
Net profit to sales ratio	61.8%	66.4%	69.4%	69.9%	67.6%	63.4%	65.7%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	11.6%	10.8%	11.0%	
Valuation								
PE-ratio	23.11	20.71	18.89	18.11	17.09	17.02	15.51	
Price/BVpS	2.68	2.45	2.24	2.06	1.91	1.78	1.65	
Dividend yield in %	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	
Market Cap/Sales	14.34	13.81	13.17	12.72	11.55	10.80	10.19	
Market Cap/EBITDA	14.60	13.73	12.85	12.68	12.03	12.00	11.03	
Data per share								
Number of shares in k	27,580	27,580	27,580	27,580	27,710	27,710	27,710	
EpS	1.87	2.09	2.29	2.39	2.53	2.54	2.79	
DpS	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BVpS	16.15	17.65	19.31	20.98	22.61	24.31	26.22	

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Company	Date	Rating	Former Share Price	Former Target
VIB Vermögen	12 Aug 2021	Hold	37.00 €	36.00 €
VIB Vermögen	24 Jun 2021	Hold	36.40 €	36.00 €
VIB Vermögen	12 May 2021	Hold	31.70 €	33.00 €
VIB Vermögen	28 Apr 2021	Hold	31.30 €	33.00 €
VIB Vermögen	24 Mar 2021	Accumulate	29.00 €	32.00 €
VIB Vermögen	12 Nov 2020	Accumulate	29.00 €	32.00 €
VIB Vermögen	18 Sep 2020	Accumulate	26.55 €	30.00 €
VIB Vermögen	07 Aug 2020	Hold	28.50 €	29.00 €
VIB Vermögen	14 May 2020	Buy	24.40 €	29.00 €
VIB Vermögen	22 Apr 2020	Buy	24.40 €	29.00 €
VIB Vermögen	25 Mar 2020	Buy	22.60 €	29.00 €

Please note:

The share price mentioned in this report is from 9 November 2021. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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