

1 | February | 2022

Price (Euro) **51.00**
52 weeks range 51.10 / 28.08

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)	1413.2
Number of shares (million)	27.7
Free Float	80.4%
Free Float MCap (million)	1136.2
CAGR net profits '20 - '23e	14.4%

Multiples	2020	2021e	2022e	2023e
MarketCap/ Sales	15.0	13.6	12.7	12.0
PE-Ratio	21.4	10.0	15.9	14.2
Dynamic PE-Ratio	1.48	0.69	1.10	0.99
Dividend Yield	1.5%	1.6%	1.6%	1.7%
FFO Yield	3.6%	4.2%	4.6%	5.1%

Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	2.39	5.10	3.20	3.58
Dividends per Share (DPS)	0.75	0.80	0.84	0.88
Book Value per Share (BVPS)	20.98	25.18	27.55	30.25
NAV per share (diluted)	24.16	28.56	31.04	33.86
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	184,643	121,840	135,027
Operating Profit (EBIT)	94,223	184,263	121,455	134,626
Pre-tax profit (EBT)	80,041	170,683	107,801	120,462
Net profit (after minorities)	65,875	141,292	88,771	99,329
Adjusted Shareholders' Equity	578,663	697,787	763,281	838,225
RoE after tax	11.9%	22.1%	12.2%	12.4%

Financial Calendar

2021 prelims	23 March 2022
2021 Annual Report	27 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
Christopher Mehl, MBA, CFA

☎ 49 (0)69 400 313-80 and -79

✉ scharff@src-research.de

✉ mehl@src-research.de

Internet

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

DIC Asset AG intends to launch partial offer for about 51% of VIB shares – added value to the operations is not too high in our opinion – 51.00 Euro offer price does not consider some factors – target up to 56 Euros, rating upgrade to Accumulate

Yesterday morning, DIC Asset AG announced in an Ad-hoc news, that the company intends to launch a voluntary public partial offer for the majority stake in VIB Vermögen in order to expand its logistics footprint as well as the real estate platform in Southern Germany. DIC Asset strives to build up a second national champion for commercial real estate behind Aroundtown, with an own common book of almost Euro 4bn and managed assets of over Euro 9bn. By now, DIC Asset already holds about 10% of VIB's shares, which have been acquired on the open market, likely over the course of the recent months. With the plan to hold about 51% of VIB shares, DIC will offer a cash payment of Euro 51.00 per share and the respective offer documents will be published soon, next week on 9 February.

From a VIB Vermögen perspective, the intended offer and targeted cooperation does not add too much value to the operations of VIB in our opinion, as we see no strategic rationale on the VIB side of the deal and also no or only minor financial synergies. We believe, that the company can continue its growth path equally well on a stand-alone basis, as the management and the staff are experts in the field of their operations and a proposed deal from an office investor and manager like DIC Asset, which up until about a year ago had almost no exposure to the logistics sector, and would therefore not help to significantly accelerate the firm's further growth and intrinsic value generation.

As we expect the EPRA NTA per share of VIB to be between Euro 30.00 to Euro 31.00 at year end, which is based on very conservative valuation levels however, the offer price of Euro 51.00 is at a significant premium to NTA and has a small 4% premium to last Friday's closing price. However, this reflects the value of the portfolio at an implied gross yield of about 4.5% to 4.6%, which is not a very aggressive valuation for the stable and granulated portfolio of the company either, as the yield could also easily be justified at a gross yield in a range of 4.0% to 4.2%. Furthermore, the offer price does not reflect any strategic premium that DIC would pay in order to get the expertise and platform from VIB, nor the further development potential and the pipeline of land plots that offer potential for new developments of about 160k sqm of lettable space over the coming years.

All in all, at the current constellation of the deal, we do not see too much benefit to VIB and their shareholders and also expect that the management will be of the same opinion. The offer price of Euro 51.00 for the moment now becomes the new floor for the share and given the above described valuation potential and the other factors, we see our new VIB price target more in the range between Euro 54.00 to Euro 58.00 and can also not rule out further offers in the coming weeks. We set our new target price at Euro 56.00 and in turn lift our rating from Hold to Accumulate.

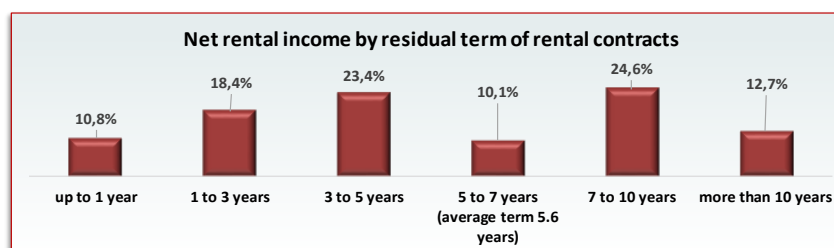
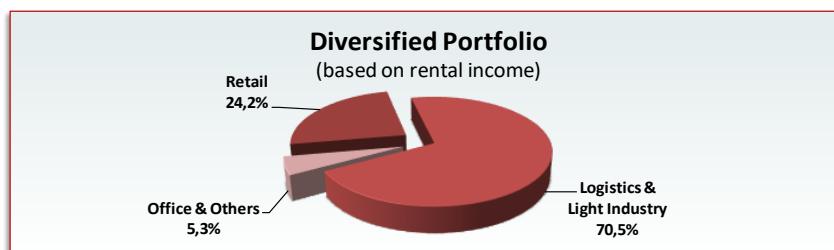
VIB Vermögen AG

Industry:	Real Estate	Management Board of VIB Vermögen AG: Martin Pfandzelter (CEO) Holger Pilgenröther (CFO)
Sub-segment	Logistics, Light Industry, Retail	
Region:	Germany	Supervisory Board of VIB Vermögen AG: Ludwig Schlosser (Chairman) Jürgen Wittmann (Deputy Chairman) Franz-Xaver Schmidbauer Rolf Klug
Headquarter:	Neuburg	
Foundation	1993	
Employees:	46	
IR Contact: Petra Riechert (petra.rieichert@vib-ag.de)		

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 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	104,893	35,479	42,887	
Other operating income	344	1,443	1,645	1,466	554	843	674	
Total operating income	101,274	107,686	114,959	117,996	209,189	147,326	161,225	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-17,862	-18,398	-18,895	
<i>Gross margin without revaluation</i>	83.5%	82.8%	82.4%	81.6%	82.8%	83.4%	83.9%	
Net operating income (NOI)	69,775	71,821	74,938	76,830	85,880	92,606	98,770	8.7%
<i>NOI-margin</i>	83.5%	82.4%	82.4%	81.6%	82.8%	83.4%	83.9%	
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	184,643	121,840	135,027	
<i>EBITDA-margin</i>	98.3%	100.5%	102.5%	100.4%	178.0%	109.8%	114.8%	
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	184,263	121,455	134,626	
<i>EBIT-margin</i>	97.9%	100.2%	102.2%	100.0%	177.6%	109.4%	114.4%	
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	170,683	107,801	120,462	
<i>EBT-margin</i>	77.1%	82.0%	86.0%	85.0%	164.5%	97.1%	102.4%	
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	-27,821	-17,572	-19,635	
<i>Tax rate</i>	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
Net Profit before minorities	53,938	59,895	65,411	67,269	142,862	90,230	100,826	14.4%
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	141,292	88,771	99,329	14.7%
<i>Return on sales</i>	61.8%	66.4%	69.4%	69.9%	136.2%	80.0%	84.4%	
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	5.10	3.20	3.58	
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	25.18	27.55	30.25	
Adjusted Shareholders Equity' without minorities and after dividend payment	445,486	486,866	532,683	578,663	697,787	763,281	838,225	13.1%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	22.1%	12.2%	12.4%	
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%	136.2%	80.0%	84.4%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	22.1%	12.2%	12.4%	
Valuation								
PE-ratio	24.85	22.26	20.31	19.47	9.12	14.52	12.97	
Price/BVpS	2.88	2.63	2.41	2.22	1.85	1.69	1.54	
Dividend yield in %	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	
Market Cap/Sales	15.42	14.85	14.16	13.68	12.42	11.61	10.95	
Market Cap/EBITDA	15.70	14.77	13.82	13.63	6.98	10.58	9.54	
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	5.10	3.20	3.58	
DpS	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BVpS	16.15	17.65	19.31	20.98	25.18	27.55	30.25	

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

Company	Date	Rating	Former Share Price	Former Target
VIB Vermögen	24 Jan 2022	Hold	46.50 €	47.00 €
VIB Vermögen	10 Nov 2021	Hold	43.25 €	42.00 €
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 €

Please note:

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

Disclaimer© 2022: This equity research report is published by: SRC-Scharff Research und Consulting GmbH, Klingerstr. 23, D-60313 Frankfurt, Germany (short name: SRC Research). All rights reserved.

Although we feel sure that all information in this SRC report originates from carefully selected sources with high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgement of the author which is not necessarily the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All the opinions and assessment made in this report may be changed without prior notice. Within the scope of German regulative framework the author and SRC-Scharff Research und Consulting GmbH do not assume any liability for this document or its content being used. This report is solely for information purposes and does not constitute a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should obtain personal advice at their bank or investment house and should keep in mind that prices and dividends of equities can rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to having no long or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution or publishing this report and its content as a whole or in parts is only allowed with approval of SRC management written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at anytime at our website www.src-research.de.