

25 | February | 2022

■ **Price (Euro)** **49.30**
52 weeks range 54.40 / 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)	1366.1
Number of shares (million)	27.7
Free Float	80.4%
Free Float MCap (million)	1098.3
CAGR net profits '20 - '23e	13.7%

■ Multiples	2020	2021e	2022e	2023e
MarketCap/ Sales	14.5	13.2	12.7	11.9
PE-Ratio	20.6	9.6	15.7	14.0
Dynamic PE-Ratio	1.51	0.70	1.15	1.03
Dividend Yield	1.5%	1.7%	1.8%	1.9%
FFO Yield	3.7%	4.3%	4.6%	5.0%

■ Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	2.39	5.13	3.13	3.51
Dividends per Share (DPS)	0.75	0.85	0.90	0.95
Book Value per Share (BVPS)	20.98	25.16	27.39	29.95
NAV per share (diluted)	24.16	28.56	31.04	33.86
FFO per share	1.83	2.11	2.29	2.47

■ Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	94,207	103,782	107,933	114,409
Total operating revenue	95,673	104,336	108,776	115,083
EBITDA	94,552	185,338	119,436	132,544
Operating Profit (EBIT)	94,223	184,958	119,051	132,143
Pre-tax profit (EBT)	80,041	171,585	105,397	117,979
Net profit (after minorities)	65,875	142,047	86,758	97,252
Adjusted Shareholders' Equity	578,663	697,156	758,975	829,903
RoE after tax	11.9%	22.3%	11.9%	12.2%

■ **Financial Calendar**

2021 Annual Report	27 April 2022
1Q 2022 report	11 May 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**

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2021 prelims hint for a very successful year with a hike of 16% in FFO – Dividend of 85 cents to be proposed – Pipeline to deliver Euro 14m of rental income – Accumulate and Euro 56.00 affirmed

On Wednesday night, the company released first key data regarding the FY 2021 results. The released numbers were very pleasing and met both our estimates and the firm's guidance or were even above them.

Based on the preliminary numbers, revenues hiked by more than 10% from Euro 94.2m to Euro 103.8m, driven by additional rental income from completed developments. The adjusted EBT hiked by almost 16% from almost Euro 58m to almost Euro 67m and thus was on top of our estimate of about Euro 66m and on top of the firm's guided range between Euro 61m and Euro 65m. The cash driven FFO result came in at Euro 58.4m, up 16% from last year's number of Euro 50.4m, and was also on top of the firm's guided range of Euro 54m to Euro 58m. This translates into a FFO per share of Euro 2.11. Both the adjusted EBT and the FFO benefited from increased economies of scale as well as from a further reduction in interest expenses. Following the lifted 2021 numbers, the management decided to propose a dividend of 85 cents per share at the next annual meeting. This is 10 cents or more than 13% respectively above last year's dividend and also 5 cents above our estimate of 80 cents per share and also represents the thirteenth consecutive dividend hike.

While the company has not yet given a guidance for the current fiscal year, the management went into more detail regarding a quantification of the current development pipeline. From the six development projects that are currently under the implementation, the firm expects the generate about Euro 14m of additional rental income, representing a yield of 6% to 7% based on expected investment costs of about Euro 220m. This also translates into about Euro 10m of additional FFO. We expect the projects to be completed in 2022 and 2023, leading to the respective rental contributions over the coming quarters and for the Euro 14m to hit the P&L for the full year from 2024 on. Next to the current pipeline, we see additional income coming from further development opportunities that will arise in the coming months.

Furthermore, the management and supervisory board once again rejected the partial offer of DIC Asset, on which we have commented with our most recent update from 1 February in more detail. Yesterday, the management and supervisory report released a joint statement in that regard, which can be found on the company's website, stating that the offer consideration is not adequate. On 23 February, DIC Asset has reached the minimum acceptance rate of 30% and the offer period will end on 18 March.

Based on the 2021 prelims, VIB can once again look back on a very successful year and we are optimistic, that the current fiscal year will show further growth along the P&L as well. While the share price level has somewhat decreased over the recent days, along with the overall market due to the ongoing war in Ukraine, we confirm our Euro 56.00 target as the fundamentals of the company are still intact. We also confirm our Accumulate rating.

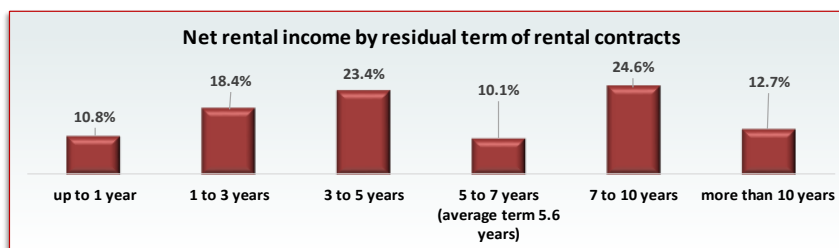
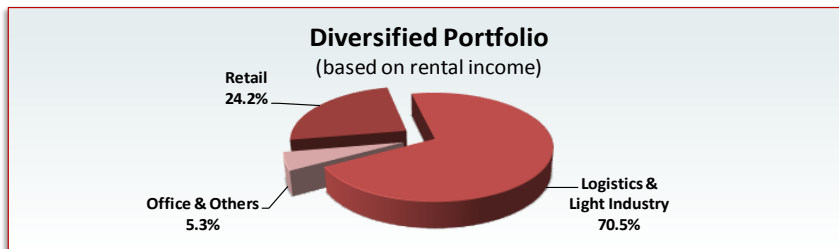
VIB Vermögen AG

Industry:	Real Estate	Management Board of VIB Vermögen AG:
Sub-segment	Logistics, Light Industry, Retail	Martin Pfandzelter (CEO)
Region:	Germany	Holger Pilgenröther (CFO)
Headquarter:	Neuburg	
Foundation	1993	
Employees:	45	Supervisory Board of VIB Vermögen AG:
		Ludwig Schlosser (Chairman)
IR Contact:		Jürgen Wittmann (Deputy Chairman)
Petra Riechert (petra.rieichert@vib-ag.de)		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 and will propose a dividend of 85 cents (+13%) for 2021. This represents the thirteenth consecutive dividend hike. For the 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. The released preliminary numbers were in line and even above these guided ranges.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 112 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 2021, the FFO rose by 16% to over Euro 58m based on the preliminary numbers.
- ▶ 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 shortfall. 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. Currently there is an increased risk for a negative impact on the economic environment due to the ongoing war in Ukraine.

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	103,782	107,933	114,409	6.7%
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	209,229	144,255	157,970	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-17,384	-17,732	-18,122	
Gross margin without revaluation	83.5%	82.8%	82.4%	81.6%	83.2%	83.6%	84.2%	
Net operating income (NOI)	69,775	71,821	74,938	76,830	86,398	90,202	96,287	7.8%
NOI-margin	83.5%	82.8%	82.4%	81.6%	83.2%	83.6%	84.2%	
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	-2,034	-2,511	-2,660	
EBITDA	82,093	87,260	93,266	94,552	185,338	119,436	132,544	
EBITDA-margin	98.3%	100.5%	102.5%	100.4%	178.6%	110.7%	115.9%	
EBITDA without revaluation	64,713	67,806	70,947	72,229	80,445	83,957	89,657	7.5%
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	184,958	119,051	132,143	
EBIT-margin	97.9%	100.2%	102.2%	100.0%	178.2%	110.3%	115.5%	
Operating profit (EBIT) without revaluation	64,442	67,498	70,634	71,900	80,065	83,572	89,256	7.5%
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	-13,314	-13,588	-14,120	
Financial result	-17,355	-15,589	-14,950	-14,134	-13,298	-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	171,585	105,397	117,979	
EBT-margin	77.1%	82.0%	86.0%	85.0%	165.3%	97.6%	103.1%	
Pre-tax Profit (EBT) without revaluation	47,073	51,746	55,968	57,718	66,692	69,918	75,092	9.2%
Tax expenses	-10,515	-11,305	-12,876	-12,772	-27,968	-17,180	-19,231	
Tax rate	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	143,617	88,217	98,749	13.7%
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	142,047	86,758	97,252	13.9%
Return on sales	61.8%	66.4%	69.4%	69.9%	136.9%	80.4%	85.0%	
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	5.13	3.13	3.51	
Dividends per Share (DPS) in Euro	0.60	0.65	0.70	0.75	0.85	0.90	0.95	
BookValue per Share (BVPS) in Euro	16.15	17.65	19.31	20.98	25.16	27.39	29.95	
Adjusted Shareholders Equity' without minorities and after dividend payment	445,486	486,866	532,683	578,663	697,156	758,975	829,903	12.8%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	22.3%	11.9%	12.2%	
Key ratios & figures	2017	2018	2019	2020	2021e	2022e	2023e	
Margins in %								
EBITDA	77.5%	78.1%	78.0%	76.7%	77.5%	77.8%	78.4%	
EBIT	77.1%	77.8%	77.6%	76.3%	77.1%	77.4%	78.0%	
EBT	56.3%	59.6%	61.5%	61.3%	64.3%	64.8%	65.6%	
Expense ratios in %								
Personnel costs quota	4.3%	4.2%	4.2%	4.5%	4.3%	4.2%	4.1%	
Depreciation to sales	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	
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%	136.9%	80.4%	85.0%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	22.3%	11.9%	12.2%	
Valuation								
PE-ratio	26.35	23.60	21.53	20.64	9.62	15.75	14.05	
Price/BVpS	3.05	2.79	2.55	2.35	1.96	1.80	1.65	
Dividend yield in %	1.2%	1.3%	1.4%	1.5%	1.7%	1.8%	1.9%	
Market Cap/Sales	16.35	15.74	15.01	14.50	13.16	12.66	11.94	
Market Cap/EBITDA	16.64	15.66	14.65	14.45	7.37	11.44	10.31	
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	5.13	3.13	3.51	
DpS	0.60	0.65	0.70	0.75	0.85	0.90	0.95	
BVpS	16.15	17.65	19.31	20.98	25.16	27.39	29.95	

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Company	Date	Rating	Former Share Price	Former Target
VIB Vermögen	01 Feb 2022	Accumulate	51.00 €	56.00 €
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 €

Please note:

The share price mentioned in this report is from 24 February 2022. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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