

18 | September | 2020

<b>Price (Euro)</b>	<b>26.55</b>
52 weeks range	33.25 / 16.52
<b>Key Data</b>	
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)	732.2
Number of shares (million)	27.6
Free Float	82.4%
Free Float MCap (million)	603.4
CAGR net profits '19 - '22e	1.5%

<b>Multiples</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
MarketCap/ Sales	8.0	7.7	7.2	6.9
PE-Ratio	11.6	12.8	10.8	10.9
Dynamic PE-Ratio	7.77	8.56	7.21	7.33
Dividend Yield	2.6%	2.7%	2.8%	2.9%
FFO Yield	6.7%	6.9%	7.0%	7.3%

<b>Key Data per Share (Euro)</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Earnings per Share (EPS)	2.29	2.08	2.47	2.43
Dividends per Share (DPS)	0.70	0.72	0.75	0.78
Book Value per Share (BVPS)	19.31	20.67	22.39	24.03
NAV per share (diluted)	22.23	23.45	24.74	50.85
FFO per share	1.77	1.82	1.87	1.94

<b>Financial Data (Euro '000)</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Revenues	90,995	95,033	101,685	106,770
Total operating revenue	92,640	95,560	102,239	107,613
EBITDA	93,266	85,327	98,580	97,008
Operating Profit (EBIT)	92,953	84,977	98,200	96,623
Pre-tax profit (EBT)	78,287	70,249	83,167	81,702
Net profit (after minorities)	63,159	57,279	68,041	66,925
Adjusted Shareholders' Equity	532,683	570,104	617,461	662,874
RoE after tax	12.4%	10.4%	11.5%	10.5%

<b>Financial Calendar</b>	
9M 2020 report	11 November 2020

<b>Main Shareholders</b>	
Kreissparkasse Biberach	7.3%
VR Bank Neuburg-Rain eG	4.1%
Family Office, Munich	3.7%
Supervisory board + Management	2.5%

<b>Analysts</b>	<b>Dipl.-Kfm. Stefan Scharff, CREA</b> <b>Christopher Mehl, MBA</b>
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**Portfolio expansion of about 20,000 sqm announced with own-developments to be completed in 2Q 2021 - P&L estimates lifted - Target up to Euro 30,00, rating up to Accumulate**

Over the course of the last week, the company announced several new own-developments that will be added to the firms portfolio after the completion in the first half of 2021.

On Wednesday, 16 September, the expansion of the portfolio with a development in Eslarn near Waidhaus on the Czech border was announced. A logistics property with a rentable area of about 9,400 sqm is to be constructed in the Zankeltrad Industrial Park and will be a returns center after the completion in April 2021. A respective lease agreement has already been concluded with Tech Data GmbH for a term of 10 years. The building will be divided into hall and office space.

Today, the construction of a logistics hall and an expansion of an existing property was announced. A property with a rentable space of 7,100 sqm is currently being built on an existing plot at Interpark near Ingolstadt, where the company already has several properties. A respective lease agreement was already signed before the start of construction with a term of 10 years. The handover to the tenant is planned for April 2021. Furthermore, an already existing businessPark property will be expanded. Another 3,200 sqm of office space are to be added by early May 2021. About one fourth of the additional space has already been let, but we are very optimistic that the remaining space can be successfully let in due time.

Thus, an additional space of about 20,000 sqm has been added to the portfolio and will add to the firm's earnings starting in the second quarter of 2021. In turn, we lifted our estimates for the coming years. The remaining constructions with planned completions in 2020 are on track as well and will, as already stated in our previous updates, also lift the 2021 numbers significantly. Thus, we all in all now expect the revenues to cross the Euro 100m mark in 2021. With a development pipeline of still well above 100,000 sqm and an additional 40,000 sqm in the joint venture, we also expect further positive news flow in the coming quarters, which could even further lift the numbers. **We lift our target price from Euro 29.00 to Euro 30.00. With an upside of currently 13%, we lift our rating from Hold to Accumulate.**

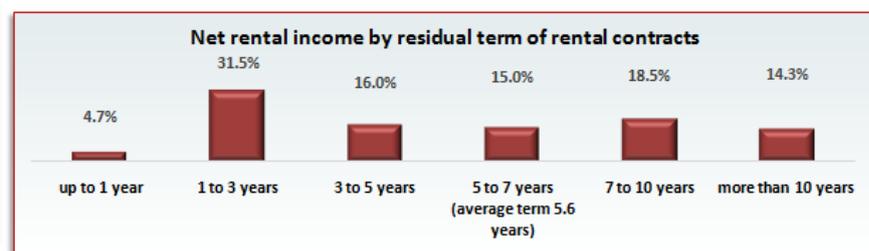
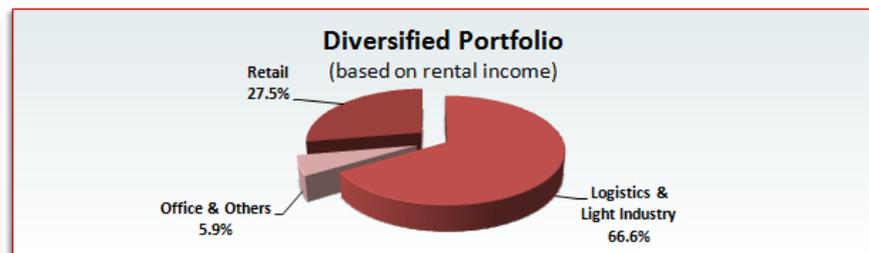
## VIB Vermögen AG

<b>Industry:</b>	Real Estate	<b>Management Board of VIB Vermögen AG:</b>
<b>Sub-segment</b>	Logistics, Light Industry, Retail	Martin Pfandzelter (CEO)
<b>Region:</b>	Germany	Holger Pilgenröther (CFO)
<b>Headquarter:</b>	Neuburg	
<b>Foundation</b>	1993	
<b>Employees:</b>	45	<b>Supervisory Board of VIB Vermögen AG:</b>
		Ludwig Schlosser (Chairman)
<b>IR Contact:</b>		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 112 properties with a total lettable area of almost 1,200,000 sqm and a portfolio value of about Euro 1.34bn at 1H 2020. The company convinces by its favorable and sustainable occupancy rate of 97.3% 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 (67%), retail (27%), office utilization (3%) and commercial building/others (3%) are covered.

The average maturity of rental contracts amounts to c. 5.6 years. Among tenants are various well-known and successful brands like Geis Industrie, Loxxess, Dehner Gartenfachmärkte, Edeka, Media Markt, Continental, Aldi, Kaufland etc. that have a high degree of creditworthiness. The average gross rental yield as of 1H 2020 is at 6.92%. The logistics and industrial properties and the office properties offer a slightly higher yield, while retail is little below that average. In autumn 2015, 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 55,000 sqm of lettable space and is fully leased up at an initial gross rental yield of 9.5%. Currently, one projects is under construction, which is to be completed in 2020. The project is the second construction phase of a two-storey flagship project at Interpark, which after the expected completion at the end of 2020 will be the firm's largest logistics facility in the portfolio with a rentable area of about 115,000 sqm. Additionally, several projects are under development with completions in the second quarter of 2021. Furthermore, the site pipeline for future projects amounts to 170,000 sqm as of 1H 2020.



The company has a high equity ratio of 43.3% and also a healthy LTV ratio of 50.6% at 1H 2020. Concerning the shareholder structure the firm has a free Float of 82.4%. 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 will propose a dividend of 70 cents for 2019 at the upcoming AGM in July. For the current fiscal year 2020, the company gave a guidance for revenues between Euro 91.0m and Euro 97.0m, the EBT is guided in a range between Euro 55.0m and Euro 59.0m, and the FFO between Euro 48.0m to Euro 52.0m.

Source: Company Data, SRC Research

## SWOT Analysis

### Strengths

- ▶ VIB has a total of 112 commercials with a rental area of almost 1,200,000 sqm. The properties are mainly located in the economically strong Southern Germany, resulting in a very stable cash income. In 2019, the FFO surged by 8% to almost Euro 49m and is guided to a range of Euro 48m to Euro 52m in 2020.
- ▶ 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 45% of the rental income.
- ▶ A very low EPRA vacancy rate of about 2.7% 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 6.92% at FY 2019 and the firm's LTV ratio stands at healthy 50.6%.
- ▶ 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 (~ 48% with long-term rental contracts at 1H 2020).
- ▶ The average duration of rental agreements amounts to 5.6 years at 1H 2020. Furthermore, tenants have a high degree of creditworthiness (Rudolph Group, Geis Industrie, Audi, BayWa, Dehner Gartenfachmärkte).
- ▶ 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 current average interest rate came down to 2.04%, after 2.55% in 2017 and 2.33% at FY 2018 and should further decline in the current FY 2020.
- ▶ 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 two new Kösching developments in 2017.

### Threats

- ▶ In case of a sustained recession, portfolio vacancy rate might not remain at the negligibly low level of 2.7% 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)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	79,549	83,550	86,789	90,995	95,033	101,685	106,770	5.5%
<b>Net Result from Revaluations</b>	<b>18,018</b>	<b>17,380</b>	<b>19,454</b>	<b>22,319</b>	<b>12,369</b>	<b>19,863</b>	<b>13,547</b>	
Other operating income	350	344	1,443	1,645	527	554	843	
<b>Total operating income</b>	<b>97,917</b>	<b>101,274</b>	<b>107,686</b>	<b>114,959</b>	<b>107,929</b>	<b>122,102</b>	<b>121,160</b>	
Expenses for investment properties	-13,292	-13,775	-14,968	-16,057	-16,539	-17,035	-17,546	
Gross margin without revaluation	83.3%	83.5%	82.8%	82.4%	82.6%	83.2%	83.6%	
<b>Net operating income (NOI)</b>	<b>66,257</b>	<b>69,775</b>	<b>71,821</b>	<b>74,938</b>	<b>78,494</b>	<b>84,650</b>	<b>89,224</b>	<b>6.0%</b>
NOI-margin	83.3%	83.5%	82.8%	82.4%	82.6%	83.2%	83.6%	
Personnel expenses	-3,797	-3,621	-3,678	-3,861	-4,012	-4,040	-4,095	
Other operating expenses	-1,647	-1,785	-1,780	-1,775	-2,051	-2,447	-2,511	
<b>EBITDA</b>	<b>79,181</b>	<b>82,093</b>	<b>87,260</b>	<b>93,266</b>	<b>85,327</b>	<b>98,580</b>	<b>97,008</b>	
EBITDA-margin	99.5%	98.3%	100.5%	102.5%	89.8%	96.9%	90.9%	
<b>EBITDA without revaluation</b>	<b>61,163</b>	<b>64,713</b>	<b>67,806</b>	<b>70,947</b>	<b>72,958</b>	<b>78,717</b>	<b>83,461</b>	<b>5.6%</b>
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-62	-271	-308	-313	-350	-380	-385	
<b>Operating profit (EBIT)</b>	<b>79,119</b>	<b>81,822</b>	<b>86,952</b>	<b>92,953</b>	<b>84,977</b>	<b>98,200</b>	<b>96,623</b>	
EBIT-margin	99.5%	97.9%	100.2%	102.2%	89.4%	96.6%	90.5%	
<b>Operating profit (EBIT) without revaluation</b>	<b>61,101</b>	<b>64,442</b>	<b>67,498</b>	<b>70,634</b>	<b>72,608</b>	<b>78,337</b>	<b>83,076</b>	<b>5.6%</b>
Net income from investments accounted for using the equity method	210	152	3	125	108	91	78	
Income from participating interests	0	0	0	0	0	0	0	
Income/Expenses from measurement of financial derivatives	0	0	0	0	0	0	0	
Interest earnings	0	23	8	343	14	16	22	
Interest costs	-20,509	-17,378	-15,597	-14,968	-14,684	-14,974	-14,855	
<b>Financial result</b>	<b>-20,509</b>	<b>-17,355</b>	<b>-15,589</b>	<b>-14,625</b>	<b>-14,670</b>	<b>-14,958</b>	<b>-14,833</b>	
Expenses from guaranteed dividend	0	-166	-166	-166	-166	-166	-166	
<b>Pre-tax Profit (EBT)</b>	<b>58,820</b>	<b>64,453</b>	<b>71,200</b>	<b>78,287</b>	<b>70,249</b>	<b>83,167</b>	<b>81,702</b>	
EBT-margin	73.9%	77.1%	82.0%	86.0%	73.9%	81.8%	76.5%	
<b>Pre-tax Profit (EBT) without revaluation</b>	<b>40,802</b>	<b>47,073</b>	<b>51,746</b>	<b>55,968</b>	<b>57,880</b>	<b>63,304</b>	<b>68,155</b>	<b>6.8%</b>
Tax expenses	-9,417	-10,515	-11,305	-12,876	-11,451	-13,556	-13,317	
Tax rate	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	
<b>Net Profit before minorities</b>	<b>49,403</b>	<b>53,938</b>	<b>59,895</b>	<b>65,411</b>	<b>58,799</b>	<b>69,611</b>	<b>68,384</b>	<b>1.5%</b>
Minorities	-2,140	-2,334	-2,285	-2,252	-1,520	-1,570	-1,459	
<b>Net Profit after minorities</b>	<b>47,263</b>	<b>51,604</b>	<b>57,610</b>	<b>63,159</b>	<b>57,279</b>	<b>68,041</b>	<b>66,925</b>	<b>1.9%</b>
Return on sales	59.4%	61.8%	66.4%	69.4%	60.3%	66.9%	62.7%	
Number of shares	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
<b>Earnings per share (Euro)</b>	<b>1.71</b>	<b>1.87</b>	<b>2.09</b>	<b>2.29</b>	<b>2.08</b>	<b>2.47</b>	<b>2.43</b>	
Dividends per Share (DPS) in Euro	0.55	0.60	0.65	0.70	0.72	0.75	0.78	
BookValue per Share (BVPS) in Euro	14.82	16.15	17.65	19.31	20.67	22.39	24.03	
<b>Adjusted Shareholders Equity' without minorities and after dividend payment</b>	<b>408,678</b>	<b>445,486</b>	<b>486,866</b>	<b>532,683</b>	<b>570,104</b>	<b>617,461</b>	<b>662,874</b>	<b>7.6%</b>
RoE after Tax	12.1%	12.1%	12.4%	12.4%	10.4%	11.5%	10.5%	
<b>Key ratios &amp; figures</b>	<b>2016e</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	
<b>Margins in %</b>								
EBITDA	76.9%	77.5%	78.1%	78.0%	76.8%	77.4%	78.2%	
EBIT	76.8%	77.1%	77.8%	77.6%	76.4%	77.0%	77.8%	
EBT	51.3%	56.3%	59.6%	61.5%	60.9%	62.3%	63.8%	
<b>Expense ratios in %</b>								
Personnel costs quota	4.8%	4.3%	4.2%	4.2%	4.2%	4.0%	3.8%	
Depreciation to sales	0.1%	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%	
Tax rate	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	
<b>Profitability in %</b>								
Net profit to sales ratio	59.4%	61.8%	66.4%	69.4%	60.3%	66.9%	62.7%	
Return on equity (RoE) after tax	12.1%	12.1%	12.4%	12.4%	10.4%	11.5%	10.5%	
<b>Valuation</b>								
PE-ratio	15.49	14.19	12.71	11.59	12.78	10.76	10.94	
Price/BVpS	1.79	1.64	1.50	1.37	1.28	1.19	1.10	
Dividend yield in %	2.1%	2.3%	2.4%	2.6%	2.7%	2.8%	2.9%	
Market Cap/Sales	9.20	8.76	8.44	8.05	7.71	7.20	6.86	
Market Cap/EBITDA	9.25	8.92	8.39	7.85	8.58	7.43	7.55	
<b>Data per share</b>								
Number of shares in k	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
EpS	1.71	1.87	2.09	2.29	2.08	2.47	2.43	
DpS	0.55	0.60	0.65	0.70	0.72	0.75	0.78	
BVpS	14.82	16.15	17.65	19.31	20.67	22.39	24.03	

**SRC Research****- Der Spezialist für Finanz- und Immobilienaktien -**

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Company	Date	Rating	Former Share Price	Former Target
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 €
VIB Vermögen	06 Nov 2019	Hold	28.25 €	29.00 €
VIB Vermögen	07 Aug 2019	Hold	25.40 €	28.00 €
VIB Vermögen	02 Jul 2019	Accumulate	25.40 €	27.00 €
VIB Vermögen	15 May 2019	Hold	24.90 €	26.00 €
VIB Vermögen	02 May 2019	Hold	25.20 €	26.00 €
VIB Vermögen	27 Mar 2019	Accumulate	24.00 €	26.00 €

**Please note:**

The share price mentioned in this report is from 17 September 2020. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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