



Hold (unchanged) **Target: Euro 26.00** (unchanged)

15 | May | 2019

Price (Euro)	24.90
52 weeks range	25.90 / 20.20

Key Data

Segment	Open Market (Frankfurt)
	M:access (Munich)
ISIN	DE0002457512
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)	686.7
Number of shares (million)	27.6
Free Float	80.9%
Free Float MCap (million)	555.6
CAGR net profits '18 - '21e	1.6%

Multiples

	2018	2019e	2020e	2021e
MarketCap/ Sales	7.9	7.5	7.1	6.9
PE-Ratio	11.9	11.8	11.4	11.2
Dynamic PE-Ratio	7.38	7.33	7.05	6.93
Dividend Yield	2.6%	2.7%	2.9%	3.1%
FFO Yield	6.6%	6.9%	7.4%	7.7%

Key Data per Share (Euro)

	2018	2019e	2020e	2021e
Earnings per Share (EPS)	2.09	2.11	2.19	2.22
Dividends per Share (DPS)	0.65	0.68	0.72	0.76
Book Value per Share (BVPS)	17.65	19.08	20.55	22.01
NAV per share (diluted)	20.30	21.42	22.59	23.84
FFO per share	1.64	1.72	1.83	1.93

Financial Data (Euro '000)

	2018	2019e	2020e	2021e
Revenues	86,789	91,763	96,168	99,053
Total operating revenue	88,232	92,263	96,695	99,607
EBITDA	87,260	87,517	90,608	92,226
Operating Profit (EBIT)	86,952	87,197	90,258	91,846
Pre-tax profit (EBT)	71,200	71,021	73,787	75,081
Net profit (after minorities)	57,610	58,075	60,335	61,363
Adjusted Shareholders' Equity	486,866	526,187	566,664	607,066
RoE after tax	12.4%	11.5%	11.0%	10.5%

Financial Calendar

AGM	4 July 2019
1H 2019 report	7 August 2019
SRC Forum Financials & Real Estate	3 September 2019
9M 2019 report	6 November 2019

Main Shareholders

Kreissparkasse Biberach	9.6%
VR Bank Neuburg-Rain eG	4.1%
Family Office, Munich	3.7%
Supervisory board + Management	1.7%

Analysts **Dipl.-Kfm. Stefan Scharff, CREA**
Christopher Mehl, MBA

☎ 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

1Q 2019 marks a good start into the year with +6% in revenues and +12% increase in FFO – Euro 42.5m promissory note placed at a very attractive rate of only 1.03%

Today, the company released the report for the first quarter of 2019. The numbers and developments were fully in line with our estimates. Revenues hiked by almost 6% from Euro 21.3m to Euro 22.5m, mostly driven by the properties completed in the last year. Expenses for investment properties and personnel expenses increased slightly while other operating expenses slightly decreased. The firm's operating profit on EBIT basis was thus up by almost 7%, from Euro 16.5m to Euro 17.6m. Profit on equity-accounted investments was at Euro 124k. The firm's interest expenses came down again from Euro 3.91m in last year's period to Euro 3.75m due to a further decline in the average interest rate to 2.26% (FY 2018: 2.33%, 1Q 2018: 2.52%). Pre-tax profit amounted to Euro 13.9m, a significant increase of more than 11% compared to last year's Euro 12.5m. The bottom line after minorities was at Euro 11.2m (1Q 2018: Euro 10.0m). This translates into earnings per share of 40 cents. The cash-driven FFO climbed significantly as well and was at Euro 12.1m almost 12% on top of last year's number Euro 10.8m.

The firm's portfolio remains mostly unchanged to FY 2018 at 108 properties with rentable area of more than 1.1m sqm and a market value of almost Euro 1.2bn. The already very low vacancy rate of 0.7% at FY 2018 was further reduced, however, and now stands at 0.6%. The EPRA NAV has increased by more than 2% in the first 3 months of 2019 and now stands at Euro 572m or at Euro 20.74 per share respectively. The equity ratios slightly decreased since year-end 2018 from 42.7% to 42.3% while the LTV also came down slightly from 51.0% to 50.3%.

VIB Vermögen delivered a good start into the year and we expect the coming quarters to be equally good. Beyond 2019, our outlook remains very positive as well. With the completions in 2019 and 2020, as well as with the large pipeline of 115k sqm of future development potential the growth for the coming years is already locked in. Furthermore, with the recent placement of the Euro 42.5m promissory note on 2 April, the firm has more firepower to extend their development pipeline further. At the same time, the note has a very cheap interest rate of only 1.03% and will further decrease the firm's financing costs and lift the profitability. The VIB share has already gained more than 17% since the beginning of 2019 and is closing in on our current target price of 26.00 Euros, which we confirm. We stick to our Hold rating.

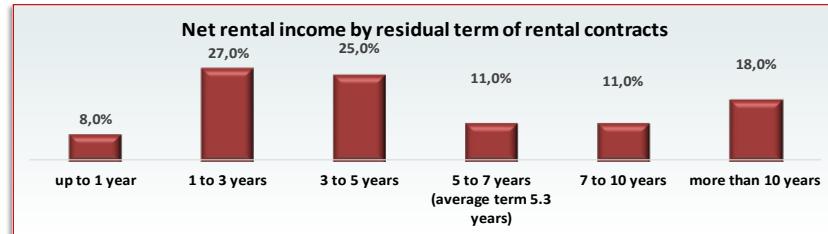
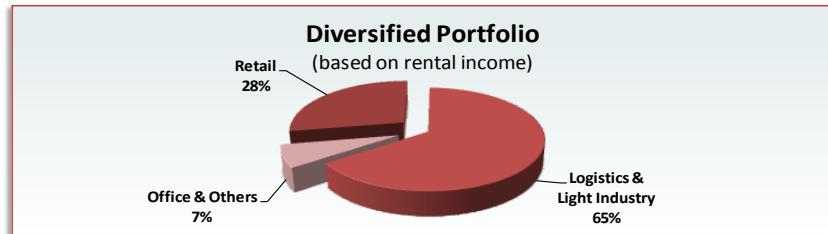
VIB Vermögen AG

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:	40	
IR Contact:	Petra Riechert (petra.riechert@vib-ag.de)	Supervisory Board of VIB Vermögen AG:
		Franz-Xaver Schmidtbauer (Chairman)
		Jürgen Wittmann (Deputy Chairman)
		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 108 properties with a total lettable area of more than 1,100,000 sqm and a portfolio value of almost Euro 1.2bn at FY 2018. The company convinces by its favorable and sustainable occupancy rate of about 99.4% 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 (65%), retail (28%), office utilization (4%) and commercial building/others (3%) are covered.

The average maturity of rental contracts amounts to c. 5.3 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 FY 2018 is at 7.02%. 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, two projects are under construction, both of which are to be completed in 4Q 2019. In early 2019, the company announced 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. Furthermore, the site pipeline for future projects amounts to 115,000 sqm as of FY 2018.



The company has a high equity ratio of 42.3% and also a healthy LTV ratio of 50.3% at 1Q 2019. Concerning the shareholder structure the firm has a free Float of 80.9%. 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. After strong 2018 prelims the company gave a guidance for the 2019 revenues in a range of Euro 88.5m to Euro 92.5m and a pre-tax profit without revaluation to increase to between Euro 52.0m to Euro 54.5m. The FFO should also climb from the Euro 45.3m level in 2018 to a range of Euro 45.5m to Euro 48.0m in 2019. The company will propose a dividend of 65 Cents for FY 2018 at the AGM in July. Our 2018 dividend forecast was at only 63 Cents. Accordingly we increased our 2019 and 2020 dividend forecasts from 66 Cents to 68 Cents (2019) and from 70 Cents to 72 Cents (2020) after the release of 2018 prelims on 27 March.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 108 commercials with a rental area of more than 1,100,000 sqm. The properties are mainly located in the economically strong Southern Germany, resulting in a very stable cash income. In 2018, the FFO surged by 10% to more than Euro 45m and is realistically guided to grow to a range of Euro 45.5m to Euro 48.0m in 2019.
- ▶ 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 less than 50% of the rental income.
- ▶ A very low EPRA vacancy rate of about 0.6% at present compared to 1.8% at year-end 2015. 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 7.02% at FY 2018 and the firm's LTV ratio stands at healthy 50.3%.
- ▶ 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.
- ▶ The operating profit (EBIT) before net revaluations jumped by almost 5% to Euro 67.5m in 2018 (2017: Euro 64.4m). There were also net revaluation gains of Euro 19.5m.

Weaknesses

- ▶ Predictability of future earnings is high due to long-term rental agreements for the majority of portfolio (~ 40% with long-term rental contracts at FY 2018).
- ▶ The average duration of rental agreements amounts to 5.3 years at FY 2018. 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.

Opportunities

- ▶ 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.
- ▶ 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 2.26%, after 2.55% in 2017 and should further decline in the current FY 2019.
- ▶ 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 0.6% 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

	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
VIB Vermögen AG 31/12 IFRS (Euro '000)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	75,133	79,549	83,550	86,789	91,763	96,168	99,053	4.5%
Increase in finished products	0	0	0	0	0	0	0	0
Net Result from Revaluations	16,410	18,018	17,380	19,454	16,887	16,278	15,669	
Other operating income	500	350	344	1,443	500	527	554	
Total operating income	92,043	97,917	101,274	107,686	109,150	112,973	115,276	
Expenses for investment properties	-13,620	-13,292	-13,775	-14,968	-15,552	-16,081	-16,563	
Cost of material	0	0	0	0	0	0	0	
<i>Gross margin without revaluation</i>	<i>81.9%</i>	<i>83.3%</i>	<i>83.5%</i>	<i>82.8%</i>	<i>83.1%</i>	<i>83.3%</i>	<i>83.3%</i>	
Net operating income (NOI)	61,513	66,257	69,775	71,821	76,211	80,087	82,490	4.7%
<i>NOI-margin</i>	<i>81.9%</i>	<i>83.3%</i>	<i>83.5%</i>	<i>82.8%</i>	<i>83.1%</i>	<i>83.3%</i>	<i>83.3%</i>	
Personnel expenses	-3,303	-3,797	-3,621	-3,678	-3,984	-4,012	-4,040	
Other operating expenses	-1,626	-1,647	-1,785	-1,780	-2,097	-2,272	-2,447	
EBITDA	73,494	79,181	82,093	87,260	87,517	90,608	92,226	1.9%
<i>EBITDA-margin</i>	<i>97.8%</i>	<i>99.5%</i>	<i>98.3%</i>	<i>100.5%</i>	<i>95.4%</i>	<i>94.2%</i>	<i>93.1%</i>	
EBITDA without revaluation	57,084	61,163	64,713	67,806	70,630	74,330	76,557	4.1%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-56	-62	-271	-308	-320	-350	-380	
Operating profit (EBIT)	73,438	79,119	81,822	86,952	87,197	90,258	91,846	1.8%
<i>EBIT-margin</i>	<i>97.7%</i>	<i>99.5%</i>	<i>97.9%</i>	<i>100.2%</i>	<i>95.0%</i>	<i>93.9%</i>	<i>92.7%</i>	
Operating profit (EBIT) without revaluation	57,028	61,101	64,442	67,498	70,310	73,980	76,177	
Net income from investments accounted for using the equity method	19	210	152	3	125	108	91	
Income from participating interests	0	0	0	0	0	0	0	
Income/Expenses from measurement of financial derivatives	-132	0	0	0	0	0	1	
Interest earnings	62	0	23	8	12	14	16	
Interest costs	-20,433	-20,509	-17,378	-15,597	-16,147	-16,427	-16,707	
Financial result	-20,371	-20,509	-17,355	-15,589	-16,135	-16,413	-16,691	
Expenses from guaranteed dividend	-166	0	-166	-166	-166	-166	-166	
Extraordinary result	0	0	0	0	0	0	0	
Pre-tax Profit (EBT)	52,788	58,820	64,453	71,200	71,021	73,787	75,081	1.8%
<i>EBT-margin</i>	<i>70.3%</i>	<i>73.9%</i>	<i>77.1%</i>	<i>82.0%</i>	<i>77.4%</i>	<i>76.7%</i>	<i>75.8%</i>	
Pre-tax Profit (EBT) without revaluation	36,378	40,802	47,073	51,746	54,134	57,509	59,412	
Tax expenses	-8,741	-9,417	-10,515	-11,305	-11,576	-12,027	-12,238	
<i>Tax rate</i>	<i>16.6%</i>	<i>16.0%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	
Net Profit before minorities	44,047	49,403	53,938	59,895	59,445	61,760	62,843	1.6%
Minorities	-3,928	-2,140	-2,334	-2,285	-1,370	-1,425	-1,480	
Net Profit after minorities	40,119	47,263	51,604	57,610	58,075	60,335	61,363	2.1%
<i>Return on sales</i>	<i>53.4%</i>	<i>59.4%</i>	<i>61.8%</i>	<i>66.4%</i>	<i>63.3%</i>	<i>62.7%</i>	<i>61.9%</i>	
Number of shares	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
Earnings per share (Euro)	1.45	1.71	1.87	2.09	2.11	2.19	2.22	
Dividends per Share (DPS) in Euro	0.51	0.55	0.60	0.65	0.68	0.72	0.76	
BookValue per Share (BVPS) in Euro	13.59	14.82	16.15	17.65	19.08	20.55	22.01	
Adjusted Shareholders Equity' without minorities and after dividend payment	374,744	408,678	445,486	486,866	526,187	566,664	607,066	7.6%
RoE after Tax	11.1%	12.1%	12.1%	12.4%	11.5%	11.0%	10.5%	
Key ratios & figures	2015	2016e	2017	2018	2019e	2020e	2021e	
Margins in %								
EBITDA	76.0%	76.9%	77.5%	78.1%	77.0%	77.3%	77.3%	
EBIT	75.9%	76.8%	77.1%	77.8%	76.6%	76.9%	76.9%	
EBT	48.4%	51.3%	56.3%	59.6%	59.0%	59.8%	60.0%	
Expense ratios in %								
Personnel costs quota	4.4%	4.8%	4.3%	4.2%	4.3%	4.2%	4.1%	
Depreciation to sales	0.1%	0.1%	0.3%	0.4%	0.3%	0.4%	0.4%	
Tax rate	16.6%	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	
Profitability in %								
Net profit to sales ratio	53.4%	59.4%	61.8%	66.4%	63.3%	62.7%	61.9%	
Return on equity (RoE) after tax	11.1%	12.1%	12.1%	12.4%	11.5%	11.0%	10.5%	
Valuation								
PE-ratio	17.32	14.71	13.47	12.06	11.97	11.52	11.33	
Price/BVpS	1.85	1.70	1.56	1.43	1.32	1.23	1.14	
Dividend yield in %	2.0%	2.2%	2.4%	2.6%	2.7%	2.9%	3.0%	
Market Cap/Sales	9.25	8.74	8.32	8.01	7.57	7.23	7.02	
Market Cap/EBITDA	9.46	8.78	8.47	7.96	7.94	7.67	7.54	
Data per share								
Number of shares in k	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
EpS	1.45	1.71	1.87	2.09	2.11	2.19	2.22	
DpS	0.51	0.55	0.60	0.65	0.68	0.72	0.76	
BVpS	13.59	14.82	16.15	17.65	19.08	20.55	22.01	

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	02 May 2019	Hold	25.20 €	26.00 €
VIB Vermögen	27 Mar 2019	Accumulate	24.00 €	26.00 €
VIB Vermögen	05 Feb 2019	Accumulate	22.50 €	25.00 €
VIB Vermögen	07 Nov 2018	Accumulate	21.70 €	24.50 €
VIB Vermögen	08 Aug 2018	Accumulate	22.00 €	24.50 €
VIB Vermögen	28 Jun 2018	Accumulate	22.10 €	24.50 €
VIB Vermögen	09 May 2018	Accumulate	21.70 €	24.00 €
VIB Vermögen	25 Apr 2018	Accumulate	21.10 €	24.00 €
VIB Vermögen	21 Mar 2018	Accumulate	21.30 €	24.00 €
VIB Vermögen	13 Nov 2017	Accumulate	21.91 €	23.50 €

Please note:

The share price mentioned in this report is from 14 May 2019. VIB Vermögen AG mandated SRC Research for covering the VIB share.

Disclaimer © 2019: 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.