



Accumulate (old: Hold) Target: Euro 27.00 (old: Euro 26.00)

2 | July | 2019

Price (Euro)	25.40			
52 weeks range	26.20 / 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)	700.5			
Number of shares (million)	27.6			
Free Float	80.9%			
Free Float MCap (million)	566.7			
CAGR net profits '18 - '21e	2.1%			
Multiples				
	2018	2019e	2020e	2021e
MarketCap/ Sales	8.1	7.6	7.2	7.0
PE-Ratio	12.2	12.0	11.5	11.3
Dynamic PE-Ratio	5.83	5.74	5.49	5.40
Dividend Yield	2.6%	2.7%	2.8%	3.0%
FFO Yield	6.5%	6.8%	7.3%	7.6%
Key Data per Share (Euro)				
	2018	2019e	2020e	2021e
Earnings per Share (EPS)	2.09	2.12	2.22	2.25
Dividends per Share (DPS)	0.65	0.68	0.72	0.76
Book Value per Share (BVPS)	17.65	19.09	20.59	22.08
NAV per share (diluted)	20.30	21.42	22.59	23.84
FFO per share	1.64	1.73	1.84	1.93
Financial Data (Euro '000)				
	2018	2019e	2020e	2021e
Revenues	86,789	92,261	97,190	100,105
Total operating revenue	88,232	92,761	97,717	100,659
EBITDA	87,260	88,015	91,630	93,278
Operating Profit (EBIT)	86,952	87,695	91,280	92,898
Pre-tax profit (EBT)	71,200	71,519	74,809	76,133
Net profit (after minorities)	57,610	58,432	61,095	62,154
Adjusted Shareholders' Equity	486,866	526,544	567,781	608,974
RoE after tax	12.4%	11.5%	11.2%	10.6%
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				
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Faster than expected growth with two additions to portfolio – potential regional expansion via JV with WDP offers further room for growth – Target up to Euro 27.00

Today, the company announced the acquisition of a new logistics/light industry property in the south of the German state of Thuringia. The purchase was via a sale-and-lease-back share deal with Geis Industrie-Service GmbH, the firm's third largest tenant. The property has a lettable area of 19,500 sqm, split between three separate areas, and is located right next to one of Germany's main highways, the A9, spanning all the way from Berlin to Munich. Furthermore, the 74,000 sqm plot offers further potential for re-densification projects in the future. The total investment volume amounts to almost Euro 17m. No details about rental income or a respective rental yield were given, however, we expect an annual rental income of about Euro 1m. The rental agreements with Geis have a term of 10 years. The vendor of the property will continue to be involved and keep a share of about 10%.

On 6 June, VIB released news about a potential joint-venture with WDP, a developer and portfolio manager in Benelux. Both companies have signed a letter of interest with the intent to evaluate joint expansions of their logistics portfolios. The companies consider investing in a 50/50 JV in the regions of North Rhine-Westphalia, Bremen and Hamburg. Thus, VIB would expand its regional presence to the north and west of Germany, aiming to offer the current tenant base a wider geographic coverage. Even though JVs can bring on further external risk factors, we welcome the step as we see potential for synergies and the regional expansion offers further room for growth.

Furthermore, on 23 May, the company reported on the acquisition and development of a logistics/light industry property in Ehningen, Baden-Württemberg. The property has a rentable space of about 9,100 sqm and is currently being renovated to meet the latest standards. Completion is expected by the end of this year and negotiations with potential tenants are under way.

With the recent newsflow VIB Vermögen secured some additional portfolio growth apart from the own-development pipeline and thus faster than expected. The two acquisitions will lift earnings in the current year and the next years respectively. Thus, we adjusted our P&L accordingly and lift our target price from Euro 26.00 to Euro 27.00. We also lift our recommendation from Hold to Accumulate. Regarding the announced JV, we are awaiting further news and expect some progress and further announcements in the coming months.

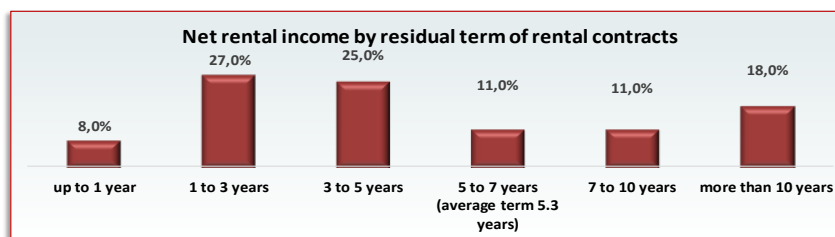
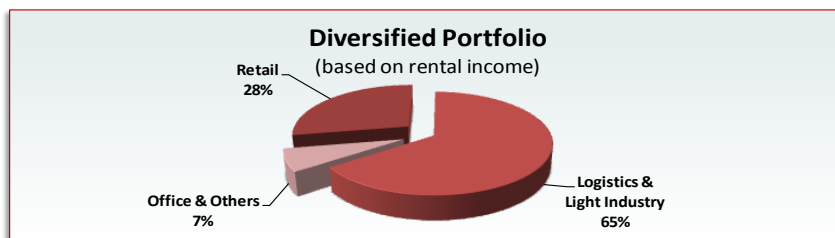
VIB Vermögen AG

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	Supervisory Board of VIB Vermögen AG:
		Franz-Xaver Schmidtbauer (Chairman)
IR Contact:		Jürgen Wittmann (Deputy Chairman)
Petra Riechert (petra.riechert@vib-ag.de)		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 110 properties with a total lettable area of about 1,200,000 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, Loxness, 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 110 commercials with a rental area of about 1,200,000 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.
- ▶ 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.

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 2.26%, 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								CAGR
VIB Vermögen AG 31/12 IFRS (Euro '000)	2015	2016	2017	2018	2019e	2020e	2021e	'18 - '21e
Revenues	75,133	79,549	83,550	86,789	92,261	97,190	100,105	4.9%
Increase in finished products	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	109,648	113,995	116,328	
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>83.5%</i>	<i>83.5%</i>	
Net operating income (NOI)	61,513	66,257	69,775	71,821	76,709	81,109	83,542	5.2%
<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>83.5%</i>	<i>83.5%</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	88,015	91,630	93,278	2.2%
<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>94.3%</i>	<i>93.2%</i>	
EBITDA without revaluation	57,084	61,163	64,713	67,806	71,128	75,352	77,609	4.6%
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	87,695	91,280	92,898	2.2%
<i>EBIT-margin</i>	<i>97.7%</i>	<i>99.5%</i>	<i>97.9%</i>	<i>100.2%</i>	<i>95.1%</i>	<i>93.9%</i>	<i>92.8%</i>	
Operating profit (EBIT) without revaluation	57,028	61,101	64,442	67,498	70,808	75,002	77,229	
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	71,519	74,809	76,133	2.3%
<i>EBT-margin</i>	<i>70.3%</i>	<i>73.9%</i>	<i>77.1%</i>	<i>82.0%</i>	<i>77.5%</i>	<i>77.0%</i>	<i>76.1%</i>	
Pre-tax Profit (EBT) without revaluation	36,378	40,802	47,073	51,746	54,632	58,531	60,464	
Tax expenses	-8,741	-9,417	-10,515	-11,305	-11,658	-12,194	-12,410	
<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	59,862	62,615	63,724	2.1%
Minorities	-3,928	-2,140	-2,334	-2,285	-1,430	-1,520	-1,570	
Net Profit after minorities	40,119	47,263	51,604	57,610	58,432	61,095	62,154	2.6%
<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>62.9%</i>	<i>62.1%</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	2.12	2.22	2.25	
Dividends per Share (DPS) in Euro	0.51	0.55	0.60	0.65	0.68	0.72	0.76	
Book Value per Share (BVPS) in Euro	13.59	14.82	16.15	17.65	19.09	20.59	22.08	
Adjusted Shareholders Equity' without minorities and after dividend payment	374,744	408,678	445,486	486,866	526,544	567,781	608,974	7.7%
RoE after Tax	11.1%	12.1%	12.1%	12.4%	11.5%	11.2%	10.6%	
Key ratios & figures	2015	2016e	2017	2018	2019e	2020e	2021e	
Margins in %								
EBITDA	76.0%	76.9%	77.5%	78.1%	77.1%	77.5%	77.5%	
EBIT	75.9%	76.8%	77.1%	77.8%	76.7%	77.2%	77.1%	
EBT	48.4%	51.3%	56.3%	59.6%	59.2%	60.2%	60.4%	
Expense ratios in %								
Personnel costs quota	4.4%	4.8%	4.3%	4.2%	4.3%	4.1%	4.0%	
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%	62.9%	62.1%	
Return on equity (RoE) after tax	11.1%	12.1%	12.1%	12.4%	11.5%	11.2%	10.6%	
Valuation								
PE-ratio	17.46	14.82	13.58	12.16	11.99	11.47	11.27	
Price/BVpS	1.87	1.71	1.57	1.44	1.33	1.23	1.15	
Dividend yield in %	2.0%	2.2%	2.4%	2.6%	2.7%	2.8%	3.0%	
Market Cap/Sales	9.32	8.81	8.38	8.07	7.59	7.21	7.00	
Market Cap/EBITDA	9.53	8.85	8.53	8.03	7.96	7.65	7.51	
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	2.12	2.22	2.25	
DpS	0.51	0.55	0.60	0.65	0.68	0.72	0.76	
BVpS	13.59	14.82	16.15	17.65	19.09	20.59	22.08	

SRC Research

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Company	Date	Rating	Former Share Price	Former Target
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 €
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 €

Please note:

The share price mentioned in this report is from 1 July 2019. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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