

Price (Euro)	15.26			
52 weeks range	16.63 / 8.85			
Key Data				
ISIN	DE000A1X3XX4			
Bloomberg	DIC:GR			
Reporting standard	IFRS			
Market Cap (Euro million)	1,249			
Number of shares (million)	81.9			
Free Float	45.1%			
Free Float Market Cap (Euro million)	563			
CAGR EBIT ('20 -'23e)	12.5%			
Multiples				
	2020	2021e	2022e	2023e
Market Cap / Total revenues	12.4	12.1	11.3	10.0
PE-Ratio	17.3	14.5	13.3	12.5
Dividend Yield	4.6%	4.9%	5.1%	5.2%
Key Data per share (Euro)				
	2020	2021e	2022e	2023e
Earnings per share (EPS)	0.88	1.05	1.14	1.22
FFO per share	1.22	1.33	1.36	1.46
Dividend per share (DPS)	0.70	0.75	0.78	0.80
Financial Data (Euro '000)				
	2020	2021e	2022e	2023e
Gross rental income	100,695	102,998	110,205	124,830
Net rental income	82,221	87,926	92,643	104,331
Administrative expenses	-19,077	-20,596	-24,822	-25,544
Personnel expenses	-30,280	-37,415	-31,745	-33,114
Real estate management fees	79,722	102,203	122,502	134,435
Profit on disposal of investment property	32,000	18,724	19,116	8,890
EBIT	106,182	116,455	141,338	151,065
Net financial result	-28,090	-31,003	-34,970	-37,999
EBT	89,462	97,964	119,588	128,520
Taxation	-16,350	-12,879	-17,592	-18,661
Net profit after minorities	70,013	85,502	102,469	110,209
FFO	96,524	108,076	121,599	132,209
Main Shareholders				
Deutsche Immobilien Chancen-Gruppe	34.8%			
Yannick Patrick Heller	10.1%			
RAG-Stiftung	10.0%			
Financial calendar				
SRC Forum Financials & Real Estate	8 September 2021			
9M 2021 report	11 November 2021			
Analysts				
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FFO I at Euro 51m and FFO II at Euro 69m reach new record highs at 1H – further growth expected in the second half of the year - new logistics fund fully placed –Buy and 22 Euros affirmed

Today, the company released the report for the first half of 2021. The numbers were fully in line with the firm's guidance and our estimates. Gross rental income for the first six months stood at more than Euro 48m, slightly down from last year's number of more than Euro 51m due to the sales of last year and the transfers of properties into funds of the institutional business. Real estate management fees on the other hand hike significantly from more than Euro 42m to almost Euro 51m, a plus of 20%, resulting from the growth of assets under management in the institutional business as well as structuring and transaction activities. Sales profits of the first six months amounted to more than Euro 16m (1H 2020: Euro 2.5m). Thus, the firm's EBIT hiked by 37%, from more than Euro 42m to above Euro 58m, while the bottom line after minorities increased by 32% from Euro 28.5m to Euro 37.5m. The cash-driven FFO increased year-over-year as well and hiked by about 5% from almost Euro 51m at 1H 2020 to now Euro 53m. The FFO I per share remained stable at 65 cents despite the increased number of shares outstanding. The FFO II result, including the transactions, even hiked by 31% to more than Euro 69m. Hence, both FFO I and FFO II results mark a new record high for the firm. With the 1H numbers in the book, the firm is well on track to reach its full year guidance. This is even more the case as the second half of the year should show another hike in the numbers as the firm has year to date purchased more than Euro 700m of assets that will now add to the numbers of the second half of the year, especially after the Uptown Tower, which is currently in the warehousing portfolio will be transferred to the institutional business, most likely in the fourth quarter. Additionally, the letting performance of the first six months was again high at more than 100k sqm, which were let at clearly higher prices per sqm, lifting the numbers as well. The AuM have all in all grown to Euro 11.3bn, up by 33% from last year's number of Euro 8.5bn, and a significant step closer to the firm's mid-term target of Euro 15bn.

Furthermore, two weeks ago on 28 July, DIC announced the full placement of the new logistics fund. Within only four months, a total of about Euro 210m was raised by German institutional investors. Thus, we expect that some transactions for the Euro 400m fund will be reported in the coming months. The two properties from the seed portfolio were already successfully transferred to the fund as of yesterday.

While the balance sheet ratios somewhat came down at the reporting date due to the acquisitions and the dividend payment, a current LTV of 48.1% and an equity ratio of 32.8% are still very solid and the numbers should improve again over the remainder of the year in our opinion. The NAV of the commercial portfolio stands at Euro 17.43 per share. Keep in mind, that this does not include the institutional business, which however adds significant additional value.

We continue to see the company on a very good way to reach its 2021 targets and also well positioned for the mid- and long term. Thus, we confirm our Euro 22.00 target price and stick to our Buy recommendation at a current upside of more than 40%.

DIC Asset AG

Industry: Real Estate
Sub-segment: Commercial property investor
Own book / Institutional Business / Managed Accounts (transaction, asset and property management)

Management Board of DIC Asset
CEO Sonja Wärtnges
CIO Johannes von Mutius
Patrick Weiden
Christian Bock

Region: Germany
Headquarter: Frankfurt
Foundation: 1998
Employees: 286

Supervisory Board of DIC Asset:
Prof. Dr. Gerhard Schmidt
Klaus-Jürgen Sontowski
Prof. Dr. Ulrich Reuter
Eberhard Vetter
Michael Zahn
Rene Zahnd

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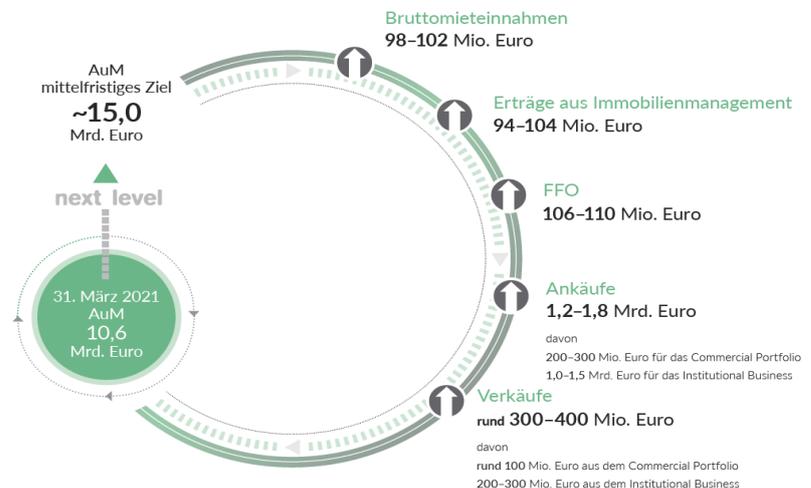
DIC Asset is a strong commercial properties player in the German market with two strong and more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

In the Commercial Portfolio DIC Asset does on balance sheet investment for their own books, in particular office properties that offer a stable cash income (core / core plus) as well as some value add properties which need more attention to reduce vacancy and increase the intrinsic cash flow in mid-term, in particular by repositioning or revitalization of some assets. This strategy is complemented by an intelligent cycle management to sell some properties at the right time for portfolio optimization and generating additional trading profits. The commercial portfolio has a size of Euro 2.1bn at present. A new focus will be laid on logistics assets in future.

In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. DIC also initiated funds outside the office topic, for instance with the DIC Retail Balance I fund, which came in September 2017 with a size of about Euro 250m or the new RLI-GEG Logistics & Light Industrial III fund with a volume of Euro 400m. The institutional business offers a great range of fees for set-up, transactions, asset and property management services for the funds, club deals and individual mandates. In addition to a broad income stream from servicing fees there are lucrative equity returns from the co-investment stakes. The assets under management in the Institutional Business steeply increased by almost 50% in 2019, from Euro 3.9bn to Euro 5.7bn and again steeply to Euro 7.6bn in 2020. All activities in the field of fund business (third party mandates) have been bundled under the GEG roof. Both pillars, the Commercial Portfolio and the Institutional Business, are serviced from the group's own asset and property management platform, named DIC Onsite, with branches in Frankfurt, Mannheim, Düsseldorf, Cologne, Hamburg, Munich and Berlin. The institutional business offers a very steady and lucrative income stream of management fees as well as transaction-related fees and performance fees. In 2020 the real estate management fees significantly hiked 27% to Euro 80m. Another milestone was the takeover of Munich based RLI investors in December 2020 (closing January 2021) with over Euro 700m Assets under Management. This helps to sharpen the profile of DIC in the field of logistics investments and helps to cross sell logistics assets to GEG clients and vice versa. With the RLI deal and further transactions, the total assets base grew to Euro 11.3bn at 1H 2021. The company aims to reach a Euro 15bn asset base in the mid-term. We assume this is very realistic until year-end 2023 or mid 2024.

The FFO I result of 2020 was at high Euro 96.5m, almost 2% higher than the Euro 95.0m result in 2019, despite the challenging pandemic situation. For 2021 DIC Asset forecasts a realistic range of Euro 106m to Euro 110m for the FFO I result, based on the higher asset basis and the additional income of RLI Investors takeover (c. Euro 4m for 2021 EBITDA).

2021 Guidance and mid-term target



Source: Company Data, SRC Research

SWOT Analysis

Strengths

- The company has a very experienced management team that has a broad network in the industry and a high level of combined knowledge in investments, asset and property management and real estate finance and a year-long and outstanding track record in transactions to foster group's overall earnings with a lucrative deal pipeline.
- The company has its own property management platform (DIC Onsite) operating from 7 German cities in all German core regions for commercial properties, in particular office properties. With DIC Onsite the firm covers the entire value chain for the own properties and third party properties and exploits its platform in a perfect way.
- The commercial portfolio with 93 properties and about 1,500 rental contracts for an annual rental income of about Euro 102m is a very solid base to deliver a steady cash flow. This stable business is complemented by a lucrative Institutional Business to satisfy the growing demand for stable and lucrative yielding assets from different types of institutional investors. DIC Asset serves a long list of first class clients with demanding and often tailor-made products. Thus, the institutional business is a perfect completion for the group's earnings structure with the additional inflow of asset, property management and set up fees as well as lucrative transaction related fees for buying or selling the properties for the funds and other third party mandates. The RLI Investors takeover in December 2020 strengthens the new logistics footprint and offers some decent cross sell potential.
- The diversity of business gives DIC Asset a brighter scope in the market, as the company is offered more than 2,000 properties each year. The huge scope in the market gives a bigger impetus at typical market participants, such as banks, real estate brokers and construction firms.

Weaknesses

- The business model as investor AND property manager is not very common in Germany, but more in other countries. We assume that with a longer history and track record of the own trading platform the company gets a higher visibility for their success story which will also translate into higher prices for the DIC Asset share. With a share price up more than 50% since November in only three and a half months, the market now seems to more appreciate the stable and lucrative growth. In addition, the hike in dividend from 66 Cents to 70 Cents offers a decent yield far above 4%.

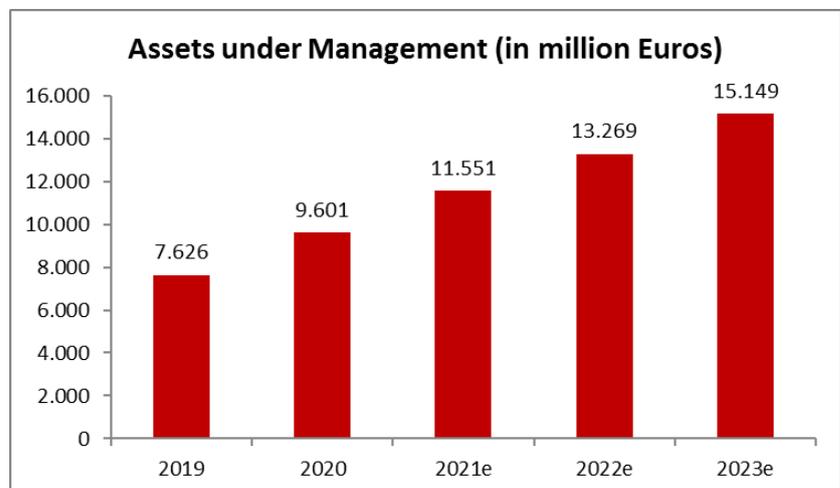
Opportunities

- There are synergies at the cost side of institutional business after the GEG takeover of about Euro 3.0m to Euro 3.5m, coming from 2020 on. The RLI Investors takeover also might offer synergies and of course important cross sell potential. More M & A deals might come in mid-term to boost the growth of assets base in Institutional Business, in office and / or logistics.
- The firm has a very high transparency level with all new EPRA key indicators in their annual report and publishes the annual and quarterly numbers quite early, which should give further credit and higher appreciation at investors.
- A promotion of the DIC Asset share from the SDax to the higher MDax index in the mid-term would be a pushing impetus for the share price. For the moment, the free float market cap is too low, and with 34% of the shares held by Deutsche Immobilien Chancen Group and 10% by RAG Foundation it is a way to go to bring up free float market cap. The mid-term growth of portfolio to Euro 15bn in the next 3-4 years might still offer the opportunity for MDax.

Threats

- A severe economic downturn or shocks like the current Corona pandemic would not impair the P & L so much, as the firm does cost accounting. But the institutional demand for commercial properties could decline with a decelerating demand for office space. Furthermore, the letting performance for new lettings or prolongations might dwindle. The 2021 letting performance and space demand draw another picture, so far.
- The general trend for more working in home office accelerating in pandemic times might have a dampening effect on the general space demand. In general, some new economic research reports show that the "working from home effect" on the space demand is overestimated.

DIC Asset AG 31/12 IFRS ('000)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Gross rental income	100,189	101,942	100,695	102,998	110,205	124,830	7.4%
Ground rents	-810	-676	-510	-561	-814	-1,045	
Service charge income on principal basis	20,438	20,836	22,135	23,788	27,144	30,119	
Service charge expenses on principal basis	-22,941	-23,565	-24,029	-24,358	-29,145	-33,445	
Other property-related expenses	-12,186	-10,631	-16,070	-13,941	-14,747	-16,128	
Net rental income	84,690	87,906	82,221	87,926	92,643	104,331	8.3%
Administrative expenses	-12,113	-17,876	-19,077	-20,596	-24,822	-25,544	
Personnel expenses	-18,204	-27,918	-30,280	-37,415	-31,745	-33,114	
Depreciation and amortization	-29,577	-34,242	-38,774	-36,430	-37,149	-38,715	
Real estate management fees	33,639	62,883	79,722	102,203	122,502	134,435	19.0%
Other operating income	585	2,616	2,222	3,247	2,549	2,775	
Other operating expenses	-730	-1,979	-1,852	-1,204	-1,756	-1,993	
Net proceeds from disposal of investment property	86,752	175,973	116,324	126,174	124,563	85,775	
Carrying amount of investment property disposed	-68,106	-135,457	-84,324	-107,450	-105,447	-76,885	
Profit on disposal of investment property	18,646	40,516	32,000	18,724	19,116	8,890	
Net operating profit before financing activities (EBIT)	76,936	111,906	106,182	116,455	141,338	151,065	12.5%
Share of the profit or loss of associates	15,829	18,321	11,370	12,512	13,220	15,454	
Interest income	9,266	10,296	8,670	8,144	8,221	7,231	
Interest expenses	-46,098	-42,660	-36,760	-39,147	-43,191	-45,230	
Profit/loss before tax (EBT)	55,933	97,863	89,462	97,964	119,588	128,520	12.8%
Current income tax expenses	-6,241	-13,803	-14,128	-4,778	-7,145	-8,774	
Deferred tax expenses	-2,079	-3,371	-2,222	-8,101	-10,447	-9,887	
Tax	-8,320	-17,174	-16,350	-12,879	-17,592	-18,661	
Net profit	47,613	80,689	73,112	85,085	101,996	109,859	14.5%
Minorities	-78	-222	3,099	-417	-473	-350	
Net profit after minorities	47,691	80,911	70,013	85,502	102,469	110,209	16.3%
FFO	68.0	95.0	96.5	108.1	121.6	132.2	11.1%
Number of shares ('000)	69,958	71,713	79,421	81,500	89,500	90,500	
Earnings per share	0.68	1.13	0.88	1.05	1.14	1.22	
FFO per share	0.97	1.32	1.22	1.33	1.36	1.46	
Dividend per share	0.48	0.66	0.70	0.75	0.78	0.80	
Shareholders' Equity	895,921	968,778	1,108,421	1,168,328	1,369,672	1,430,071	8.9%
Balance Sheet sum	2,490,051	2,657,443	2,724,168	3,449,542	3,588,547	3,769,832	
Equity Ratio	36.0%	36.5%	40.7%	33.9%	38.2%	37.9%	



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Rating chronicle:

Company	Date	Rating	former share price	former target
DIC Asset AG	08/06/2021	Buy	15.03 €	22.00 €
DIC Asset AG	06/05/2021	Buy	14.67 €	22.00 €
DIC Asset AG	11/02/2021	Buy	15.56 €	22.00 €
DIC Asset AG	15/01/2021	Buy	14.24 €	22.00 €
DIC Asset AG	28/10/2020	Buy	9.57 €	20.00 €
DIC Asset AG	06/07/2020	Buy	12.32 €	20.00 €
DIC Asset AG	30/04/2020	Buy	12.72 €	20.00 €
DIC Asset AG	06/04/2020	Buy	9.02 €	20.00 €
DIC Asset AG	05/03/2020	Buy	17.12 €	23.00 €

Please note:

The share price mentioned in this report is from 10 August 2021. DIC Asset AG mandated SRC Research for covering the share.

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