

Price (Euro) **14.67**
52 weeks range 16.63 / 8.85

Key Data

ISIN DE000A1X3XX4
Bloomberg DIC:GR
Reporting standard IFRS
Market Cap (Euro million) 1,201
Number of shares (million) 81.9
Free Float 45.1%
Free Float Market Cap (Euro million) 542
CAGR EBIT ('19 -'22e) 6.4%

Multiples

	2020	2021e	2022e	2023e
Market Cap / Total revenues	11.9	11.3	11.1	9.8
PE-Ratio	16.6	13.9	13.7	12.8
Dividend Yield	4.8%	5.1%	5.3%	5.5%

Key Data per share (Euro)

	2020	2021e	2022e	2023e
Earnings per share (EPS)	0.88	1.05	1.07	1.15
FFO per share	1.22	1.33	1.32	1.42
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	105,950	108,045	122,670
Net rental income	82,221	87,361	90,483	102,171
Administrative expenses	-19,077	-20,596	-24,822	-25,544
Personnel expenses	-30,280	-30,586	-31,745	-33,114
Real estate management fees	79,722	99,960	117,978	130,100
Profit on disposal of investment property	32,000	17,107	19,116	8,890
EBIT	106,182	117,515	134,654	144,570
Net financial result	-28,090	-31,858	-34,970	-37,999
EBT	89,462	98,169	112,904	122,025
Taxation	-16,350	-12,879	-17,592	-18,661
Net profit after minorities	70,013	85,707	95,785	103,714
FFO	96,524	108,039	118,115	128,895

Main Shareholders

Deutsche Immobilien Chancen-Gruppe 34.8%
Yannick Patrick Heller 10.1%
RAG-Stiftung 10.0%

Financial calendar

1H 2021 report 11 August 2021
SRC Forum Financials & Real Estate 8 September 2021
9M 2021 report 11 November 2021

Analysts

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Numbers on track after opening quarter of 2021 – AuM increased to Euro 10.6bn – Solid balance sheet and new promissory note give plenty of leeway for further growth – 22.00 Euros and Buy affirmed

Today, the company released the report for the first three months of 2021. The numbers and developments of the opening quarters are all in all fully in line with our estimates and the firm's full-year guidance. While gross rental income declined from Euro 26.0m to Euro 23.4m due to the sale and transfers of warehousing properties, real estate management fees hike from Euro 20.4m to Euro 24.0m, resulting from the growth of assets under management in the institutional business. Including the profits on disposal of properties of Euro 12m (1Q 2020: Euro 2.5m), the firm's EBIT stood at almost Euro 35m, up about 30% from last year's number of almost Euro 27m. The bottom line after minorities came in at more than Euro 22m. The cash-driven FFO remained more or less unchanged to the previous year's period at Euro 26.5m, of which about 54% comes from the Institutional Business. The FFO I per share was at 33 cents, slightly down from last year's 34 cent due to the higher number of shares outstanding.

Year to date the company has purchased two properties for the commercial portfolio for around Euro 101m. These properties are the Logistikpark Erfurter Kreuz in Arnstadt for Euro 30m and the Mercedes-Benz-Center Cologne for about Euro 71m (after reporting date) at a gross rental yield of more than 7%. Furthermore, two properties from third-party mandates were sold for Euro 173m, the Villa Kennedy and the Riverpark project development (after reporting date) in Frankfurt. At the reporting date, total assets under management stood at Euro 10.6bn, up 26% year-over-year and more than 10% since year-end 2020. Included here is also the acquisition of RLI Investors with about Euro 0.7bn of assets, which was closed in January and was successfully integrated in the first quarter. A first joint product with RLI Investors after the takeover has already been launched with the first logistics property fund in February, with a target volume of Euro 400m and an investment focus on Germany as well as Benelux and Austria. On the letting side, the letting volume significantly increased by 50% from more than Euro 37k sqm at 1Q 2020 to almost 56k sqm in 1Q 2021. Of this, about 41k sqm were new lettings and almost 15k sqm were renewals. Thus, leases with an annualized rental income of Euro 6.6m were signed in the first quarter and the lease expiry volume for 2021 is now at only 3.7%.

The balance sheet remained very healthy with an equity ratio of 39.2% and an LTV of 44.8%. Together with the new ESG linked promissory note of Euro 250m, which was placed in April at an average interest coupon of only 1.78%, this gives the company plenty of leeway for an additional expansion of AuM (mid-term target of Euro 15bn) and for further growth in earnings. Given the larger amount of acquisitions already early in the year, we would not be too surprised if the company might even exceeds its acquisition guidance for the commercial portfolio of Euro 200m to Euro 300m for the full-year.

All in all, we are satisfied with the opening quarter and see the company on track to reach our estimates and the firm's guidance, which was reaffirmed by DIC Asset. We confirm our Euro 22.00 target price and stick to our Buy recommendation.

DIC Asset AG

Industry:	Real Estate	Management Board of DIC Asset:
Sub-segment:	Commercial property investor	CEO Sonja Wärtnges
	Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	CIO Johannes von Mutius
		Patrick Weiden
		Christian Bock
Region:	Germany	Supervisory Board of DIC Asset:
Headquarter:	Frankfurt	Prof. Dr. Gerhard Schmidt
Foundation:	1998	Klaus-Jürgen Sontowski
Employees:	272	Prof. Dr. Ulrich Reuter
		Eberhard Vetter
IR Contact:		Michael Zahn
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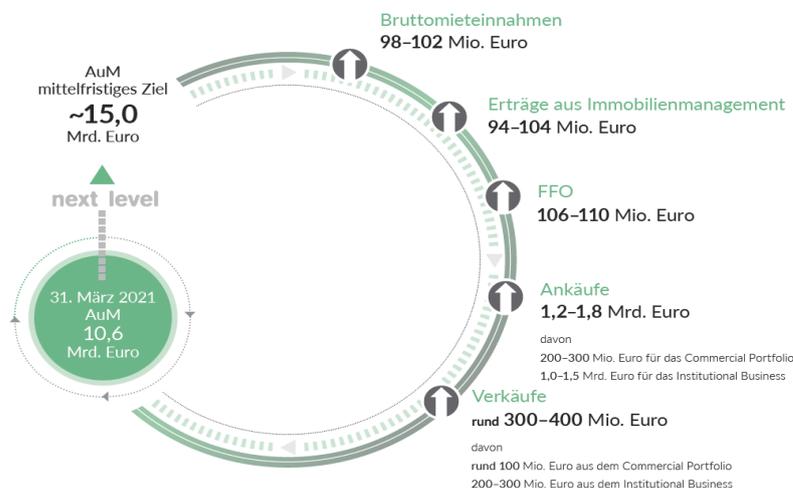
DIC Asset is a strong commercial properties player in the German market with two strong and more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

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 2bn 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. 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 the total assets base grew to Euro 10.6bn at 1Q 2021. In 2020, the DIC Office funds stood for about 33% of the total fee volume of Euro 80m, the Pool funds and several separate mandates stood for about 45% of management fees. The remaining 22% came from club deals. The volume of acquisitions was in 2020 very similar to the 2019 level at over Euro 1.8bn, despite Covid-19. 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 96m 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%.

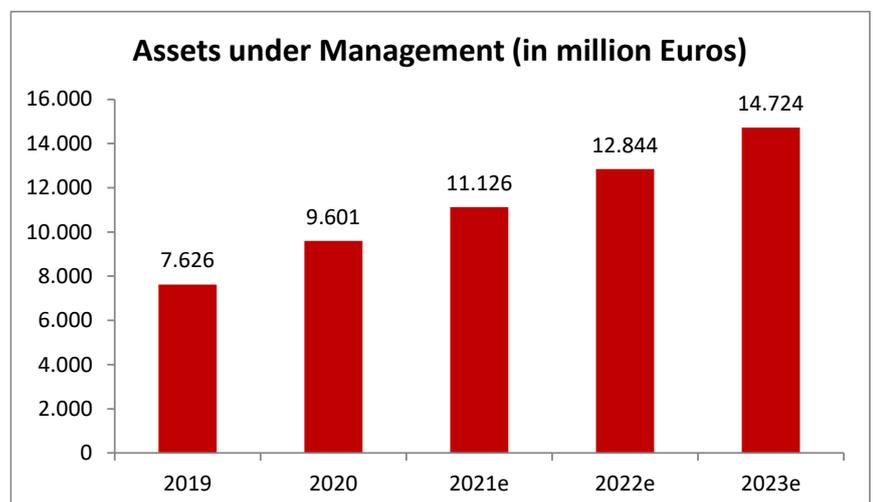
Opportunities

- 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 '19 - '22e
Gross rental income	100.189	101.942	100.695	105.950	108.045	122.670	2,0%
Ground rents	-810	-676	-510	-775	-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	-25.157	-29.145	-33.445	
Other property-related expenses	-12.186	-10.631	-16.070	-16.445	-14.747	-16.128	
Net rental income	84.690	87.906	82.221	87.361	90.483	102.171	1,0%
Administrative expenses	-12.113	-17.876	-19.077	-20.596	-24.822	-25.544	
Personnel expenses	-18.204	-27.918	-30.280	-30.586	-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	99.960	117.978	130.100	23,3%
Other operating income	585	2.616	2.222	2.843	2.549	2.775	
Other operating expenses	-730	-1.979	-1.852	-2.144	-1.756	-1.993	
Net proceeds from disposal of investment property	86.752	175.973	116.324	124.557	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	17.107	19.116	8.890	
Net operating profit before financing activities (EBIT)	76.936	111.906	106.182	117.515	134.654	144.570	6,4%
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	-40.002	-43.191	-45.230	
Profit/loss before tax (EBT)	55.933	97.863	89.462	98.169	112.904	122.025	4,9%
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	85.290	95.312	103.364	5,7%
Minorities	-78	-222	3.099	-417	-473	-350	
Net profit after minorities	47.691	80.911	70.013	85.707	95.785	103.714	5,8%
FFO	68,0	95,0	96,5	108,0	118,1	128,9	7,5%
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	1,07	1,15	
FFO per share	0,97	1,32	1,22	1,33	1,32	1,42	
Dividend per share	0,48	0,66	0,70	0,75	0,78	0,80	
Shareholders' Equity	895.921	968.778	1.108.421	1.168.533	1.363.193	1.417.097	12,1%
Balance Sheet sum	2.490.051	2.657.443	2.724.168	3.071.101	3.588.547	3.769.832	
Equity Ratio	36,0%	36,5%	40,7%	38,0%	38,0%	37,6%	



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Rating chronicle:

Company	Date	Rating	former share price	former target
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 5 May 2021. DIC Asset AG mandated SRC Research for covering the share.

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