

9 | November | 2022

■ **Price (Euro)** **7.30**
52 weeks range 16.19 / 6.51

■ **Key Data**

ISIN DE000A1X3XX4
Bloomberg DIC:GR
Reporting standard IFRS
Market Cap (Euro million) 598
Number of shares (million) 81.9
Free Float 45.5%
Free Float Market Cap (Euro million) 272
CAGR EBIT ('21 -'24e) 11.7%

■ **Multiples**

	2021	2022e	2023e	2024e
Market Cap / Total revenues	5.5	3.4	2.9	2.9
PE-Ratio	10.3	19.5	10.0	13.2
Dividend Yield	10.3%	10.3%	11.0%	11.5%

■ **Key Data per share (Euro)**

	2021	2022e	2023e	2024e
Earnings per share (EPS)	0.71	0.37	0.73	0.55
FFO per share	1.32	1.40	1.64	1.68
Dividend per share (DPS)	0.75	0.75	0.80	0.84

■ **Financial Data (Euro '000)**

	2021	2022e	2023e	2024e
Gross rental income	108,390	175,660	205,974	208,224
Net rental income	91,216	153,181	178,691	180,312
Administrative expenses	-21,518	-36,135	-27,924	-29,012
Personnel expenses	-38,096	-43,975	-45,841	-46,811
Real estate management fees	101,225	92,334	111,843	116,138
Profit on disposal of investment property	23,765	17,437	21,761	14,210
EBIT	115,619	110,286	167,055	161,246
Net financial result	-49,707	-55,757	-53,971	-59,166
EBT	72,436	73,491	118,953	107,757
Taxation	-14,051	-25,905	-34,577	-36,607
Net profit after minorities	57,795	30,851	60,729	46,037
FFO	107,200	115,437	136,476	139,759

■ **Main Shareholders**

Deutsche Immobilien Chancen-Gruppe 34.4%
Yannick Patrick Heller 10.1%
RAG-Stiftung 10.0%

■ **Financial calendar**

9M 2022 report 9 November 2022
2022 annual report 15 February 2023
AGM 30 March 2023

■ **Analysts**

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9M numbers in line with revised guidance and our adjusted P&L numbers – further operational progress in the portfolio – solid balance sheet and an eye on the debt side – Euro 17 and Buy affirmed

Following last week's news stating that the full year guidance for 2022 was adjusted due to changed parameters in the real estate investment market, the firm released the report for the first nine months of 2022 today, reflecting the last week stated effects in the institutional business segment, but also some good developments in the commercial portfolio segment.

Gross rental income hiked by more than 60% from Euro 78m to Euro 125m while net rental income was up by about 67% from Euro 65m to Euro 109m. Both hikes were clearly driven by the VIB consolidation in the second quarter, but a like-for-like growth in the commercial portfolio of 3.9% also contributed to the increase. The letting performance of the first three quarters was again at a high level of almost 300k sqm, of which about 77% come from renewals and 26% from new lettings. The lease expiry volume thus is very comfortable with less than 5% of leases expiring until FY 2023 and more than 73% with terms beyond 2025. The overall like-for-like rental income of both segments amounts to 4.2%, of which about 90% come from indexation. Real estate management fees are down from Euro 75m last year to now Euro 57m, due to lower transaction and performance fees, as already announced in last week's news and discussed in our update from 3 November. On the cost side, operating expenses are up from Euro 44m to Euro 62m, including transaction costs of about Euro 11m from the VIB acquisition, while depreciation is also up clearly from Euro 32m to Euro 53m. The firm's EBIT all in all stood at Euro 64.6m compared to last year's number of Euro 83m. The net interest result amounted to Euro -42m compared to last year's number of Euro -23.6m, resulting from the initial recognition of VIB, the bond placements implemented in 2021 and the VIB bridge loan. The firm's bottom line after minorities all in all came in at Euro 36.4m (9M 2021: Euro 50.8m). The cash driven FFO of the first nine months excluding minorities amounted to more than Euro 76m, slightly below last year's number of almost Euro 80m. Keep in mind, while the FFO of the first nine months remains below last year's number, the firm still expects a hike for the full year, as stated in last weeks revised guidance, where the firm now expects the FFO to be between Euro 114m and Euro 117m (FY 2021: Euro 107m).

Looking at the financing side, while the larger debt maturities are only in 2024, with the current state of the capital markets the refinancing topic is still a concern for many investors in our opinion, burdening the share price. Here, the management today stated that it has already repaid about Euro 100m of the VIB bridge loan and that it currently plans to further repay that loan with the cash flow from different income streams. The firm also has a liquidity position of more than Euro 220m as of 9M and we see the balance sheet as solid at present. The bond LTV at 51.9% and the secured LTV at 24.9% as well as the ICR of 3.4x also still offer headroom to the covenants and we at current don't see too much upward pressure on these numbers. The management also stated today, that it expects to stick to the dividend policy and expects to pay a dividend for the current year, which, given the current share price level, should be very attractive with a yield of about 10%. **We confirm our Euro 17.00 target price, which we reduced following last week's news, and clearly confirm our Buy Rating.**

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 Wärntges
 CIO Johannes von Mutius
 Patrick Weiden
 Christian Bock

Region: Germany
Headquarter: Frankfurt
Foundation: 1998
Employees: 306

Supervisory Board of DIC Asset:
 Prof. Dr. Gerhard Schmidt
 Michael Zahn
 Prof. Dr. Ulrich Reuter
 Eberhard Vetter
 Rene Zahnd
 Dr. Angela Geerling

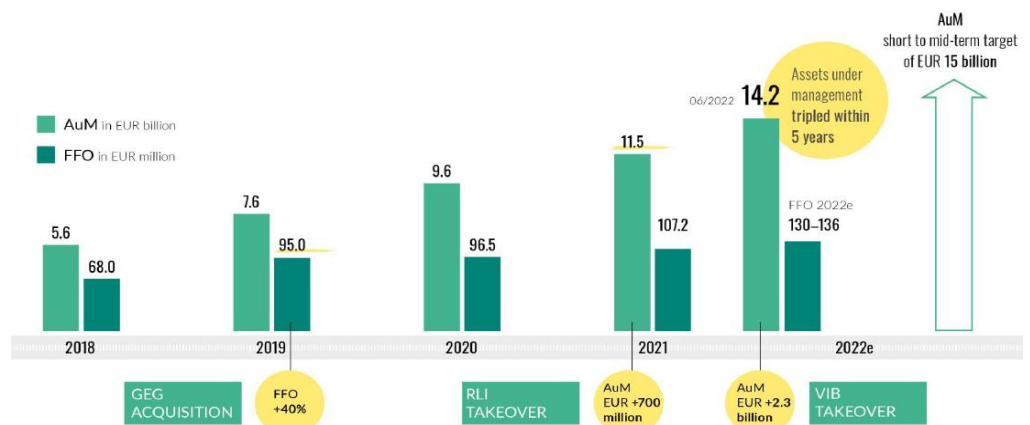
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DIC Asset is a strong commercial properties player in the German market with two strong and more or less equally weighted pillars or businesses, which help for a very complementary income and investment structure.

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 about Euro 4.5bn at present. A bigger focus is now laid on logistics assets. Here, the successful partial takeover of VIB Vermögen is already a big milestone and lifts the share of logistics asset to almost 40% of the commercial portfolio.

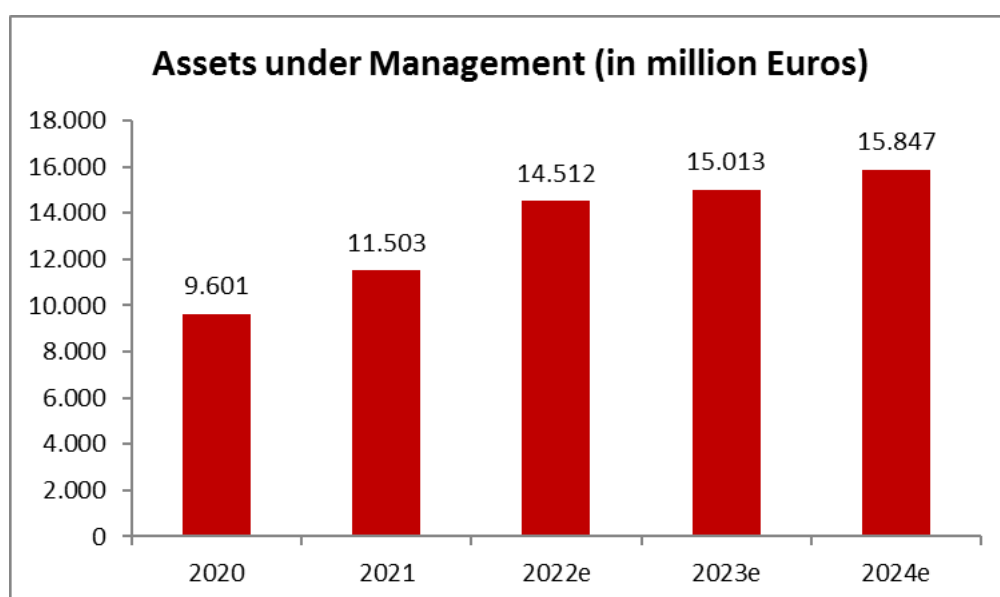
In the second pillar, the Institutional Business, the company launches diversified real estate funds for many years, as the DIC Office Balance I was initiated in 2010 and DIC Office Balance II in 2014 and DIC Office Balance III in 2015, all with targeted AuM between Euro 300m and Euro 450m. DIC also 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, to Euro 7.6bn in 2020 and again steeply to Euro almost Euro 9.3bn in 2021. 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, Berlin and Stuttgart. 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. The company aims to reach a Euro 15bn asset base in the short- to mid-term. We assume this is very realistic in 2023, as the VIB consolidation has already brought the portfolio a big step closer to that target, as can be seen in the graph below.

The FFO I result of 2021 crossed the Euro 100m mark for the first time and was at more than Euro 107m, up more than 11% from the Euro 96.5m in 2020. For 2022 DIC Asset guides a range of Euro 114m to Euro 117m for the FFO I result.



Source: Company Data, SRC Research

DIC Asset AG 31/12 IFRS ('000)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
Gross rental income	101,942	100,695	108,390	175,660	205,974	208,224	24.3%
Ground rents	-676	-510	-523	-814	-1,045	-1,276	
Service charge income on principal basis	20,836	22,135	23,211	33,053	39,417	41,548	
Service charge expenses on principal basis	-23,565	-24,029	-26,415	-39,167	-47,214	-48,974	
Other property-related expenses	-10,631	-16,070	-13,447	-15,552	-18,441	-19,210	
Net rental income	87,906	82,221	91,216	153,181	178,691	180,312	25.5%
Administrative expenses	-17,876	-19,077	-21,518	-36,135	-27,924	-29,012	
Personnel expenses	-27,918	-30,280	-38,096	-43,975	-45,841	-46,811	
Depreciation and amortization	-34,242	-38,774	-42,986	-73,558	-70,344	-72,547	
Real estate management fees	62,883	79,722	101,225	92,334	111,843	116,138	4.7%
Other operating income	2,616	2,222	3,815	3,146	3,255	3,180	
Other operating expenses	-1,979	-1,852	-1,802	-2,144	-4,386	-4,224	
Net proceeds from disposal of investment property	175,973	116,324	139,337	245,321	124,334	89,657	
Carrying amount of investment property disposed	-135,457	-84,324	-115,572	-227,884	-102,573	-75,447	
Profit on disposal of investment property	40,516	32,000	23,765	17,437	21,761	14,210	
Net operating profit before financing activities (EBIT)	111,906	106,182	115,619	110,286	167,055	161,246	11.7%
Share of the profit or loss of associates	18,321	11,370	6,524	18,963	5,869	5,677	
Interest income	10,296	8,670	9,550	10,341	7,243	6,247	
Interest expenses	-42,660	-36,760	-59,257	-66,098	-61,214	-65,413	
Profit/loss before tax (EBT)	97,863	89,462	72,436	73,491	118,953	107,757	14.2%
Current income tax expenses	-13,803	-14,128	-19,447	-17,758	-25,443	-26,874	
Deferred tax expenses	-3,371	-2,222	5,396	-8,147	-9,134	-9,733	
Tax	-17,174	-16,350	-14,051	-25,905	-34,577	-36,607	
Net profit	80,689	73,112	58,385	47,586	84,376	71,150	6.8%
Minorities	-222	3,099	590	16,736	23,647	25,113	
Net profit after minorities	80,911	70,013	57,795	30,851	60,729	46,037	-7.3%
FFO	95.0	96.5	107.2	115.4	136.5	139.8	9.2%
Number of shares ('000)	71,713	79,421	81,504	82,347	83,152	83,152	
Earnings per share	1.13	0.88	0.71	0.37	0.73	0.55	
FFO per share	1.32	1.22	1.32	1.40	1.64	1.68	
Dividend per share	0.66	0.70	0.75	0.75	0.80	0.84	
Shareholders' Equity	968,778	1,108,421	1,133,969	1,676,692	1,815,660	1,795,176	16.5%
Equity Ratio	36.5%	40.7%	32.5%	32.3%	33.0%	31.3%	



SRC Research - Der Spezialist für Finanz- und Immobilienaktien -

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Rating chronicle:

Company	Date	Rating	former share price	former target
DIC Asset AG	03/11/2022	Buy	7.03 €	17.00 €
DIC Asset AG	03/08/2022	Buy	10.34 €	22.00 €
DIC Asset AG	10/05/2022	Buy	12.04 €	26.00 €
DIC Asset AG	24/03/2022	Buy	15.48 €	26.00 €
DIC Asset AG	10/02/2022	Buy	15.46 €	24.00 €
DIC Asset AG	01/02/2022	Buy	15.24 €	24.00 €
DIC Asset AG	12/01/2022	Buy	15.18 €	24.00 €
DIC Asset AG	15/11/2021	Buy	15.44 €	22.00 €
DIC Asset AG	16/09/2021	Buy	15.30 €	22.00 €
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 €

Please note:

The share price mentioned in this report is from 8 November 2022. DIC Asset AG mandated SRC Research for covering the share.

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