

Hold (unchanged) **Target: Euro 47.00** (old: Euro 42.00)

24 | January | 2022

Price (Euro) **46.50**
52 weeks range 47.10 / 28.08

Key Data

Segment	Open Market (Frankfurt) M:access (Munich)
ISIN	DE000A2YPDD0
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)	1288.5
Number of shares (million)	27.7
Free Float	80.4%
Free Float MCap (million)	1036.0
CAGR net profits '20 - '23e	14.4%

Multiples	2020	2021e	2022e	2023e
MarketCap/ Sales	13.7	12.4	11.6	11.0
PE-Ratio	19.5	9.1	14.5	13.0
Dynamic PE-Ratio	1.35	0.63	1.01	0.90
Dividend Yield	1.6%	1.7%	1.8%	1.9%
FFO Yield	3.9%	4.6%	5.1%	5.5%

Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	2.39	5.10	3.20	3.58
Dividends per Share (DPS)	0.75	0.80	0.84	0.88
Book Value per Share (BVPS)	20.98	25.18	27.55	30.25
NAV per share (diluted)	24.16	28.56	31.04	33.86
FFO per share	1.83	2.12	2.36	2.58

Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	94,207	103,742	111,004	117,664
Total operating revenue	95,673	104,296	111,847	118,338
EBITDA	94,552	184,643	121,840	135,027
Operating Profit (EBIT)	94,223	184,263	121,455	134,626
Pre-tax profit (EBT)	80,041	170,683	107,801	120,462
Net profit (after minorities)	65,875	141,292	88,771	99,329
Adjusted Shareholders' Equity	578,663	697,787	763,281	838,225
RoE after tax	11.9%	22.1%	12.2%	12.4%

Financial Calendar

2021 prelims	23 March 2022
2021 Annual Report	27 April 2022

Main Shareholders

Kreissparkasse Biberach	5.6%
Founding shareholders & family	4.1%
VR Bank Neuburg-Rain eG	3.9%
Family Office, Munich	3.7%
Supervisory board + Management	2.3%

Analysts

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VIB reports significantly higher than expected revaluation result for 2021 – portfolio valuation still very conservative with further significant upside – target up to Euro 47.00, Hold rating affirmed

Last Friday, on 21 January, the firm released some very pleasing news regarding the revaluation result for 2021. Following the external valuation of the portfolio at year-end, the company expects the revaluation result for the recently ended fiscal year 2021 to be in a range of Euro 100m to Euro 110m. This is significantly above our estimate of only about Euro 20m and translates into a 7% to 8% value lift of the total portfolio.

We believe, that this is mainly driven by the Logistics / Light Industry portion of the portfolio, which on the one hand benefited from the very strong logistics sector, but also from the very conservative portfolio valuation of the firm. As stated in our most recent update, the firm's portfolio offers a large upside due to the very conservative valuation at a yield of more than 6.8% at FY 2020 and some of that upside has now been realized. However, we expect the overall yield to still remain clearly above 6%, which is still very conservative and continues to offer significant additional upside to the portfolio value for the future. Furthermore, we also believe that the revaluation result has benefited from the firm's efforts in the topics of sustainability and ESG.

Further good news already came about one week earlier, on 11 January, as the company reported on the acquisition of a 41k sqm large land plot in Ingolstadt. The new land plot is located directly next to another land plot owned by the company and the management plans to combine the two properties and to fully redesign them. The plans are to build a facility with a lettable space of about 25k sqm and we see a first rental income contribution in the second half of 2023 as realistic.

Following the news about the significantly higher than expected revaluation result, we accordingly adjusted our P&L estimates for 2021 and now also expect a higher revaluation result for the coming years, which we for now still continue to keep rather conservative compared to the valuation potential of the portfolio. A yield in the range of 5% or even in the upper 4% range would not be too aggressive for the properties of the company in our opinion and we expect the current yield to still remain above 6% as mentioned. Along with the lifted P&L numbers we also decided to lift our target price from Euro 42.00 to Euro 47.00 and stick to our Hold rating.

VIB Vermögen AG

Industry:	Real Estate
Sub-segment	Logistics, Light Industry, Retail
Region:	Germany
Headquarter:	Neuburg
Foundation	1993
Employees:	46

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Management Board of VIB Vermögen AG:

Martin Pfandzelter (CEO)
Holger Pilgenröther (CFO)

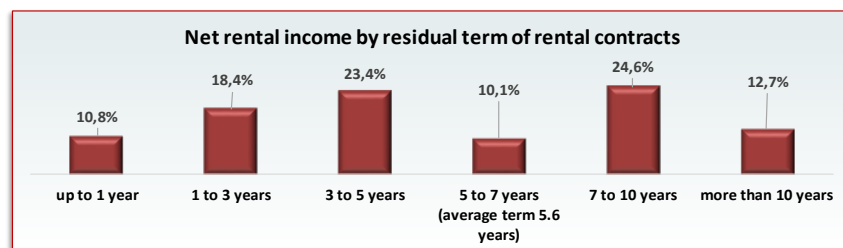
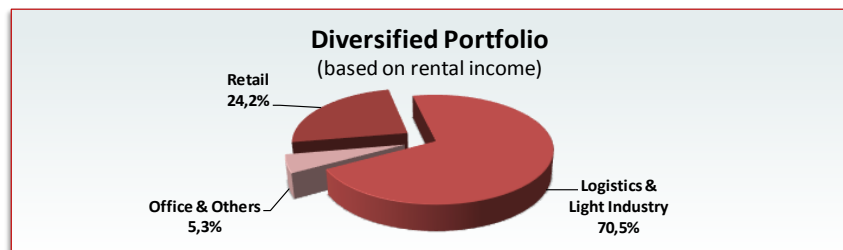
Supervisory Board of VIB Vermögen AG:

Ludwig Schlosser (Chairman)
Jürgen Wittmann (Deputy Chairman)
Franz-Xaver Schmidbauer
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 113 properties with a total lettable area of about 1,300,000 sqm and a portfolio value of about Euro 1.4bn at 9M 2021. The company convinces by its favorable and sustainable occupancy rate of about 99% 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 (71%), retail (24%), office utilization (3%) and commercial building/others (2%) are covered.

The average maturity of rental contracts amounts to c. 5.6 years. Among tenants are various well-known and successful brands like Dehner Gartenfachmärkte, VW, Geis Industrie, Loxness, Edeka, Media Markt, Continental, Aldi, Kaufland etc. that have a high degree of creditworthiness. The average gross rental yield as of FY 2020 is at 6.8%. The logistics and industrial properties and the office properties offer a slightly higher yield, while retail is little below that average. In November 2020, 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 115,000 sqm of lettable space and is fully let. In March 2021, two more developments with a lettable space of more than 16k sqm were completed and handed over. Furthermore, the site pipeline for future projects amounts to about 160,000 sqm.



The company has a high equity ratio of 44.1% and also a healthy LTV ratio of 48.5% at 9M 2021. Concerning the shareholder structure the firm has a free Float of 80.4%. 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. The company has distributed a dividend of 75 cents for 2020 after the AGM in July. This represents the twelfth consecutive dividend hike. For the current fiscal year 2021, the company gave a guidance for revenues between Euro 99.0m and Euro 105.0m, the EBT is guided in a range between Euro 61.0m and Euro 65.0m, and the FFO between Euro 54.0m to Euro 58.0m.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 113 objects with a rental area of almost 1,300,000 sqm. The properties are mainly located in the economically strong Southern Germany, resulting in a very stable cash income. In 2020, the FFO rose by more than 3% to over Euro 50m and is guided to a range of Euro 54m to Euro 58m in 2021.
- ▶ 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 about 44% of the rental income.
- ▶ A very low EPRA vacancy rate of about 1% at present. In addition, the portfolio is widely spread over various sectors and therefore less affected by an economic short-fall. The average rental yield is at high 6.8% (FY 2020) and the firm's LTV ratio stands at healthy 48.5% as of 30 September 2021, with an equity ratio of 44.1%.
- ▶ 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.
- ▶ Predictability of future earnings is high due to long-term rental agreements for the majority of portfolio (~ 45% with long-term rental contracts at FY 2020).
- ▶ The average duration of rental agreements amounts to 5.7 years at 1H 2021. Furthermore, tenants have a high degree of creditworthiness (Rudolph Group, Geis Industrie, Audi, BayWa, Dehner Gartenfachmärkte, VW).
- ▶ 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 average interest rate at FY 2020 came down to 1.77%, after 2.33% at FY 2018 and 2.10% in 2019 and will even further decline in the current FY 2021 (9M 2021: 1.71%).
- ▶ 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 developments at Interpark in Koesching.

Threats

- ▶ In case of a sustained recession, portfolio vacancy rate might not remain at the negligibly low level of about 1% 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

VIB Vermögen AG 31/12 IFRS (Euro '000)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	83,550	86,789	90,995	94,207	103,742	111,004	117,664	7.7%
Net Result from Revaluations	17,380	19,454	22,319	22,323	104,893	35,479	42,887	
Other operating income	344	1,443	1,645	1,466	554	843	674	
Total operating income	101,274	107,686	114,959	117,996	209,189	147,326	161,225	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-17,862	-18,398	-18,895	
<i>Gross margin without revaluation</i>	83.5%	82.8%	82.4%	81.6%	82.8%	83.4%	83.9%	
Net operating income (NOI)	69,775	71,821	74,938	76,830	85,880	92,606	98,770	8.7%
<i>NOI-margin</i>	83.5%	82.8%	82.4%	81.6%	82.8%	83.4%	83.9%	
Personnel expenses	-3,621	-3,678	-3,861	-4,216	-4,473	-4,577	-4,644	
Other operating expenses	-1,785	-1,780	-1,775	-1,851	-2,211	-2,511	-2,660	
EBITDA	82,093	87,260	93,266	94,552	184,643	121,840	135,027	
<i>EBITDA-margin</i>	98.3%	100.5%	102.5%	100.4%	178.0%	109.8%	114.8%	
EBITDA without revaluation	64,713	67,806	70,947	72,229	79,750	86,361	92,140	8.5%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-271	-308	-313	-329	-380	-385	-401	
Operating profit (EBIT)	81,822	86,952	92,953	94,223	184,263	121,455	134,626	
<i>EBIT-margin</i>	97.9%	100.2%	102.2%	100.0%	177.6%	109.4%	114.4%	
Operating profit (EBIT) without revaluation	64,442	67,498	70,634	71,900	79,370	85,976	91,739	8.5%
Net income from investments accounted for using the equity method	152	3	450	118	91	78	103	
Interest earnings	23	8	18	0	16	22	19	
Interest costs	-17,378	-15,597	-14,968	-14,134	-13,521	-13,588	-14,120	
Financial result	-17,355	-15,589	-14,950	-14,134	-13,505	-13,566	-14,101	
Expenses from guaranteed dividend	-166	-166	-166	-166	-166	-166	-166	
Pre-tax Profit (EBT)	64,453	71,200	78,287	80,041	170,683	107,801	120,462	
<i>EBT-margin</i>	77.1%	82.0%	86.0%	85.0%	164.5%	97.1%	102.4%	
Pre-tax Profit (EBT) without revaluation	47,073	51,746	55,968	57,718	65,790	72,322	77,575	10.4%
Tax expenses	-10,515	-11,305	-12,876	-12,772	-27,821	-17,572	-19,635	
<i>Tax rate</i>	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
Net Profit before minorities	53,938	59,895	65,411	67,269	142,862	90,230	100,826	14.4%
Minorities	-2,334	-2,285	-2,252	-1,394	-1,570	-1,459	-1,497	
Net Profit after minorities	51,604	57,610	63,159	65,875	141,292	88,771	99,329	14.7%
<i>Return on sales</i>	61.8%	66.4%	69.4%	69.9%	136.2%	80.0%	84.4%	
Number of shares	27,580	27,580	27,580	27,580	27,710	27,710	27,710	
Earnings per share (Euro)	1.87	2.09	2.29	2.39	5.10	3.20	3.58	
Dividends per Share (DPS) in Euro	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BookValue per Share (BVPS) in Euro	16.15	17.65	19.31	20.98	25.18	27.55	30.25	
Adjusted Shareholders Equity' without minorities and after dividend payment	445,486	486,866	532,683	578,663	697,787	763,281	838,225	13.1%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	22.1%	12.2%	12.4%	
Key ratios & figures	2017	2018	2019	2020	2021e	2022e	2023e	
Margins in %								
EBITDA	77.5%	78.1%	78.0%	76.7%	76.9%	77.8%	78.3%	
EBIT	77.1%	77.8%	77.6%	76.3%	76.5%	77.5%	78.0%	
EBT	56.3%	59.6%	61.5%	61.3%	63.4%	65.2%	65.9%	
Expense ratios in %								
Personnel costs quota	4.3%	4.2%	4.2%	4.5%	4.3%	4.1%	3.9%	
Depreciation to sales	0.3%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%	
Tax rate	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
Profitability in %								
Net profit to sales ratio	61.8%	66.4%	69.4%	69.9%	136.2%	80.0%	84.4%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	22.1%	12.2%	12.4%	
Valuation								
PE-ratio	24.85	22.26	20.31	19.47	9.12	14.52	12.97	
Price/BVpS	2.88	2.63	2.41	2.22	1.85	1.69	1.54	
Dividend yield in %	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	
Market Cap/Sales	15.42	14.85	14.16	13.68	12.42	11.61	10.95	
Market Cap/EBITDA	15.70	14.77	13.82	13.63	6.98	10.58	9.54	
Data per share								
Number of shares in k	27,580	27,580	27,580	27,580	27,710	27,710	27,710	
EpS	1.87	2.09	2.29	2.39	5.10	3.20	3.58	
DpS	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BVpS	16.15	17.65	19.31	20.98	25.18	27.55	30.25	

SRC Research**- Der Spezialist für Finanz- und Immobilienaktien -**

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Company	Date	Rating	Former Share Price	Former Target
VIB Vermögen	10 Nov 2021	Hold	42.00 €	43.25 €
VIB Vermögen	12 Aug 2021	Hold	37.00 €	36.00 €
VIB Vermögen	24 Jun 2021	Hold	36.40 €	36.00 €
VIB Vermögen	12 May 2021	Hold	31.70 €	33.00 €
VIB Vermögen	28 Apr 2021	Hold	31.30 €	33.00 €
VIB Vermögen	24 Mar 2021	Accumulate	29.00 €	32.00 €
VIB Vermögen	12 Nov 2020	Accumulate	29.00 €	32.00 €
VIB Vermögen	18 Sep 2020	Accumulate	26.55 €	30.00 €
VIB Vermögen	07 Aug 2020	Hold	28.50 €	29.00 €
VIB Vermögen	14 May 2020	Buy	24.40 €	29.00 €
VIB Vermögen	22 Apr 2020	Buy	24.40 €	29.00 €

Please note:

The share price mentioned in this report is from 21 January 2022. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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