

25 | March | 2022

<b>Price (Euro)</b>	<b>41.90</b>			
52 weeks range	54.40 / 28.13			
<b>Key Data</b>				
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)	1161.0			
Number of shares (million)	27.7			
Free Float	40.0%			
Free Float MCap (million)	464.4			
CAGR net profits '20 - '23e	13.9%			
<b>Multiples</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
MarketCap/ Sales	12.3	11.2	10.8	10.1
<b>PE-Ratio</b>	<b>17.5</b>	<b>7.6</b>	<b>13.3</b>	<b>11.9</b>
Dynamic PE-Ratio	1.26	0.55	0.95	0.85
Dividend Yield	1.8%	2.0%	2.1%	2.3%
<b>FFO Yield</b>	<b>4.4%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.9%</b>
<b>Key Data per Share (Euro)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
<b>Earnings per Share (EPS)</b>	<b>2.39</b>	<b>5.49</b>	<b>3.16</b>	<b>3.53</b>
Dividends per Share (DPS)	0.75	0.85	0.90	0.95
Book Value per Share (BVPS)	20.98	25.57	27.83	30.41
<b>NAV per share (diluted)</b>	<b>24.16</b>	<b>28.56</b>	<b>31.04</b>	<b>33.86</b>
<b>FFO per share</b>	<b>1.83</b>	<b>2.11</b>	<b>2.21</b>	<b>2.47</b>
<b>Financial Data (Euro '000)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
<b>Revenues</b>	<b>94,207</b>	<b>103,771</b>	<b>107,922</b>	<b>114,397</b>
Total operating revenue	95,673	104,496	108,765	115,071
<b>EBITDA</b>	<b>94,552</b>	<b>189,523</b>	<b>120,239</b>	<b>133,365</b>
<b>Operating Profit (EBIT)</b>	<b>94,223</b>	<b>189,085</b>	<b>119,854</b>	<b>132,964</b>
Pre-tax profit (EBT)	80,041	181,648	106,200	118,800
<b>Net profit (after minorities)</b>	<b>65,875</b>	<b>152,111</b>	<b>87,431</b>	<b>97,939</b>
Adjusted Shareholders' Equity	578,663	708,611	771,103	842,717
<b>RoE after tax</b>	<b>11.9%</b>	<b>23.6%</b>	<b>11.8%</b>	<b>12.1%</b>
<b>Financial Calendar</b>				
2021 Annual Report		27 April 2022		
1Q 2022 report		11 May 2022		
<b>Main Shareholders</b>				
DIC Asset AG		~ 60%		

<b>Analysts</b>	<b>Dipl.-Kfm. Stefan Scharff, CREA</b> <b>Christopher Mehl, MBA, CFA</b>
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### Further 2021 preliminary numbers released – DIC Asset now holds about 60% of outstanding shares – changes in management and supervisory board – Target down to Euro 51.00, Rating up to Buy

On Wednesday, 23 March, the company released further preliminary numbers and an outlook for the current fiscal year. Furthermore, the firm released a joint statement with DIC Asset regarding the successful partial takeover offer by DIC and the resulting business combination agreement.

Based on the preliminary numbers, revenues hiked by more than 10% from Euro 94.2m to Euro 103.8m, driven by additional rental income from completed developments. The revaluation result hiked significantly from Euro 22m to Euro 108m. While the expenses for investment properties fell from Euro 17.4m to Euro 16.6, personnel expenses rose slightly from Euro 4.2m to Euro 4.5m and other operating expenses hiked by about 14% from Euro 1.9m to Euro 2.1m. Interest costs came further down year-over-year and declined from Euro 14.1m to Euro 13.4m. All in all, the adjusted EBT hiked by almost 16% from almost Euro 58m to almost Euro 67m and thus was on top of our original estimate of about Euro 66m and on top of the firm's guided range between Euro 61m and Euro 65m. The bottom line more than doubled from Euro 67m last year to now Euro 154m. The cash driven FFO result came in at Euro 58.4m, up 16% from last year's number of Euro 50.4m, and was also on top of the firm's guided range of Euro 54m to Euro 58m. This translates into a FFO per share of Euro 2.11. Both the adjusted EBT and the FFO benefited from increased economies of scale as well as from a further reduction in interest expenses. Following the lifted 2021 numbers, the management decided to propose a dividend of 85 cents per share at the next annual meeting. This is 10 cents or more than 13% respectively above last year's dividend and also 5 cents above our estimate of 80 cents per share and represents the thirteenth consecutive dividend hike.

For the current year, the company expects revenues to grow to a range between Euro 103m and Euro 109m (SRC 2022e: Euro 108m), adjusted EBT to be between Euro 67m and Euro 71m (SRC 2022e: Euro 71m) and the FFO to a range between Euro 58m and Euro 62m. Our previous FFO estimate was a bit higher at Euro 63.5m, but we slightly reduced our estimate now and expect it to be at the upper end of the guided range at more than Euro 61m.

The offer period for the partial takeover offer from DIC Asset ended last Friday, on 18 March. DIC now holds 60% of VIB and will thus fully consolidate starting 1 April. As a result, both companies have signed a business combination agreement, DIC CEO Sonja Wärntges and the chairman of DIC's supervisory board Prof. Dr. Gerhard Schmidt will be appointed to the supervisory board of VIB and will replace Florian Lehn and Prof. Dr. Michaela Regler. Furthermore, Dirk Oehme will join the management board of VIB, while the two previous members Martin Pfandzelter and Holger Pilgenröther, who were responsible for the successful development of the company over the recent years, will resign effective end of June. VIB Vermögen is supposed to continue its proven growth strategy and will keep its headquarters in Neuburg and DIC aims to retain the relationships with the employees of VIB.

**With the successful takeover, we see the momentum for the share reduced, as speculations about a higher offer are off the table. Furthermore, with the ongoing war in Ukraine and the resulting impacts to the German economy, we also see a higher level of uncertainty regarding the real estate sector and the level of valuations. Thus, we reduce our target price from Euro 56.00 to now Euro 51.00 and lift our rating from Accumulate to Buy at a current upside of more than 20% after the slump in share price.**

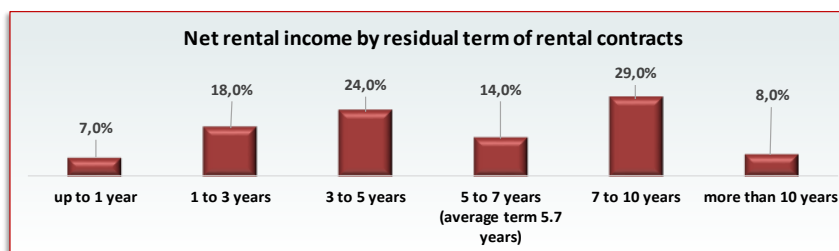
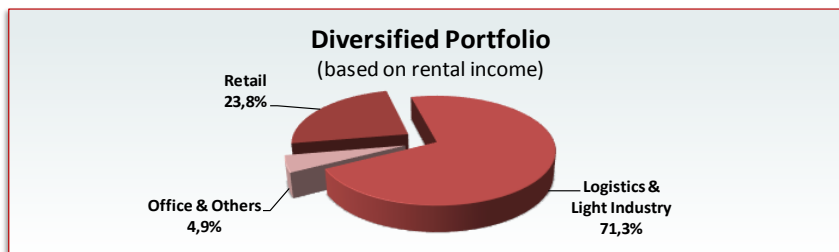
**VIB Vermögen AG**

<b>Industry:</b>	Real Estate	<b>Management Board of VIB Vermögen AG:</b>
<b>Sub-segment:</b>	Logistics, Light Industry, Retail	Martin Pfandzelter (until 30 June)
<b>Region:</b>	Germany	Holger Pilgenröther (until 30 June)
<b>Headquarter:</b>	Neuburg	Dirk Oehme
<b>Foundation</b>	1993	
<b>Employees:</b>	45	<b>Supervisory Board of VIB Vermögen AG:</b>
		Ludwig Schlosser (Chairman)
<b>IR Contact:</b>		Jürgen Wittmann (Deputy Chairman)
Petra Riechert (petra.riechert@vib-ag.de)		Prof. Dr. Gerhard Schmidt
		Sonja Wärntges

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. 5.7 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 47.4% and also a healthy LTV ratio of 44.2% at FY 2021. Concerning the shareholder structure the firm’s majority shareholder DIC Asset now holds about 60% of the shares. 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 and will propose a dividend of 85 cents (+13%) for 2021. This represents the thirteenth consecutive dividend hike. For the fiscal year 2022, the company gave a guidance for revenues between Euro 103.0m and Euro 109.0m, the EBT is guided in a range between Euro 67.0m and Euro 61.0m, and the FFO between Euro 58.0m to Euro 52.0m.

Source: Company Data, SRC Research

## SWOT Analysis

### Strengths

- ▶ VIB has a total of 112 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 2021, the FFO rose by 16% to over Euro 58m based on the preliminary numbers.
- ▶ 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 6.2% (FY 2021) and the firm's LTV ratio stands at healthy 44.2% as of FY 2021, with an equity ratio of 47.4%.
- ▶ 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 (~ 51% with long-term rental contracts at FY 2021).
- ▶ The average duration of rental agreements amounts to 5.7 years at FY 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 2021 came down to 1.70%, after 2.33% at FY 2018 and 2.10% in 2019 and 1.77% at FY 2020.
- ▶ 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. Currently there is an increased risk for a negative impact on the economic environment due to the ongoing war in Ukraine.

**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
<b>Revenues</b>	83,550	86,789	90,995	94,207	103,771	107,922	114,397	6.7%
<b>Net Result from Revaluations</b>	17,380	19,454	22,319	22,323	108,198	35,479	42,887	
Other operating income	344	1,443	1,645	1,466	725	843	674	
<b>Total operating income</b>	101,274	107,686	114,959	117,996	212,694	144,244	157,958	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-16,585	-16,917	-17,289	
<i>Gross margin without revaluation</i>	83.5%	82.8%	82.4%	81.6%	84.0%	84.3%	84.9%	
<b>Net operating income (NOI)</b>	69,775	71,821	74,938	76,830	87,186	91,005	97,108	8.1%
<i>NOI-margin</i>	83.5%	82.8%	82.4%	81.6%	84.0%	84.3%	84.9%	
Personnel expenses	-3,621	-3,678	-3,861	-4,216	-4,481	-4,577	-4,644	
Other operating expenses	-1,785	-1,780	-1,775	-1,851	-2,105	-2,511	-2,660	
<b>EBITDA</b>	82,093	87,260	93,266	94,552	189,523	120,239	133,365	
<i>EBITDA-margin</i>	98.3%	100.5%	102.5%	100.4%	182.6%	111.4%	116.6%	
<b>EBITDA without revaluation</b>	64,713	67,806	70,947	72,229	81,325	84,760	90,478	7.8%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-271	-308	-313	-329	-438	-385	-401	
<b>Operating profit (EBIT)</b>	81,822	86,952	92,953	94,223	189,085	119,854	132,964	
<i>EBIT-margin</i>	97.9%	100.2%	102.2%	100.0%	182.2%	111.1%	116.2%	
<b>Operating profit (EBIT) without revaluation</b>	64,442	67,498	70,634	71,900	80,887	84,375	90,077	7.8%
Net income from investments accounted for using the equity method	152	3	450	118	-654	78	103	
Interest earnings	23	8	18	0	6,746	22	19	
Interest costs	-17,378	-15,597	-14,968	-14,134	-13,363	-13,588	-14,120	
<b>Financial result</b>	-17,355	-15,589	-14,950	-14,134	-6,617	-13,566	-14,101	
Expenses from guaranteed dividend	-166	-166	-166	-166	-166	-166	-166	
<b>Pre-tax Profit (EBT)</b>	64,453	71,200	78,287	80,041	181,648	106,200	118,800	
<i>EBT-margin</i>	77.1%	82.0%	86.0%	85.0%	175.0%	98.4%	103.8%	
<b>Pre-tax Profit (EBT) without revaluation</b>	47,073	51,746	55,968	57,718	66,720	70,721	75,913	9.6%
Tax expenses	-10,515	-11,305	-12,876	-12,772	-27,967	-17,311	-19,364	
<i>Tax rate</i>	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
<b>Net Profit before minorities</b>	53,938	59,895	65,411	67,269	153,681	88,890	99,436	13.9%
Minorities	-2,334	-2,285	-2,252	-1,394	-1,570	-1,459	-1,497	
<b>Net Profit after minorities</b>	51,604	57,610	63,159	65,875	152,111	87,431	97,939	14.1%
<i>Return on sales</i>	61.8%	66.4%	69.4%	69.9%	146.6%	81.0%	85.6%	
Number of shares	27,580	27,580	27,580	27,580	27,710	27,710	27,710	
<b>Earnings per share (Euro)</b>	1.87	2.09	2.29	2.39	5.49	3.16	3.53	
Dividends per Share (DPS) in Euro	0.60	0.65	0.70	0.75	0.85	0.90	0.95	
BookValue per Share (BVPS) in Euro	16.15	17.65	19.31	20.98	25.57	27.83	30.41	
<b>Adjusted Shareholders Equity' without minorities and after dividend payment</b>	445,486	486,866	532,683	578,663	708,611	771,103	842,717	13.3%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	23.6%	11.8%	12.1%	
<b>Key ratios &amp; figures</b>	2017	2018	2019	2020	2021e	2022e	2023e	
<b>Margins in %</b>								
EBITDA	77.5%	78.1%	78.0%	76.7%	78.4%	78.5%	79.1%	
EBIT	77.1%	77.8%	77.6%	76.3%	77.9%	78.2%	78.7%	
EBT	56.3%	59.6%	61.5%	61.3%	70.8%	65.5%	66.4%	
<b>Expense ratios in %</b>								
Personnel costs quota	4.3%	4.2%	4.2%	4.5%	4.3%	4.2%	4.1%	
Depreciation to sales	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	
Tax rate	16.3%	15.9%	16.4%	16.0%	16.3%	16.3%	16.3%	
<b>Profitability in %</b>								
Net profit to sales ratio	61.8%	66.4%	69.4%	69.9%	146.6%	81.0%	85.6%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	23.6%	11.8%	12.1%	
<b>Valuation</b>								
PE-ratio	26.35	23.60	21.53	20.64	8.98	15.63	13.95	
Price/BVpS	3.05	2.79	2.55	2.35	1.93	1.77	1.62	
Dividend yield in %	1.2%	1.3%	1.4%	1.5%	1.7%	1.8%	1.9%	
Market Cap/Sales	16.35	15.74	15.01	14.50	13.16	12.66	11.94	
Market Cap/EBITDA	16.64	15.66	14.65	14.45	7.21	11.36	10.24	
<b>Data per share</b>								
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	5.49	3.16	3.53	
DpS	0.60	0.65	0.70	0.75	0.85	0.90	0.95	
BVpS	16.15	17.65	19.31	20.98	25.57	27.83	30.41	

## SRC Research

### - Der Spezialist für Finanz- und Immobilienaktien -

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Company	Date	Rating	Former Share Price	Former Target
VIB Vermögen	25 Feb 2022	Accumulate	49.30 €	56.00 €
VIB Vermögen	01 Feb 2022	Accumulate	51.00 €	56.00 €
VIB Vermögen	24 Jan 2022	Hold	46.50 €	47.00 €
VIB Vermögen	10 Nov 2021	Hold	43.25 €	42.00 €
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 €

#### Please note:

The share price mentioned in this report is from 24 March 2022. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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