

DIC Asset

Buy (unchanged) Target: Euro 11.00 (unchanged)

4 | August | 2023



Price (Euro) **4,21**
52 weeks range 11.72 / 4.13

Key Data

ISIN	DE000A1X3XX4
Bloomberg	DIC:GR
Reporting standard	IFRS
Market Cap (Euro million)	352
Number of shares (million)	83,6
Free Float	45,4%
Free Float Market Cap (Euro million)	160
CAGR EBIT (22 -25e)	5,9%

Multiples	2022	2023e	2024e	2025e
Market Cap / Total revenues	2,0	1,9	1,9	1,8
PE-Ratio	11,2	-82,4	22,3	12,2
Dividend Yield	17,8%	5,9%	8,3%	11,9%

Key Data per share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	0,38	-0,05	0,19	0,34
FFO per share	1,38	0,63	0,96	1,15
Dividend per share (DPS)	0,75	0,25	0,35	0,50

Financial Data (Euro '000)	2022	2023e	2024e	2025e
Gross rental income	175.956	188.086	181.268	195.368
Net rental income	152.540	160.803	153.356	166.836
Administrative expenses	-37.863	-27.924	-29.012	-30.100
Personnel expenses	-42.581	-43.247	-44.214	-47.781
Real estate management fees	88.375	62.693	101.060	106.150
Profit on disposal of investment property	12.697	194	14.210	6.659
EBIT	101.575	75.976	116.253	120.691
Net financial result	-60.582	-79.267	-80.207	-69.324
EBT	59.911	4.678	41.723	56.852
Taxation	-17.053	-34.577	-36.607	-38.637
Net profit after minorities	31.024	-4.270	15.847	29.181
FFO	114.200	53.019	80.795	97.296

Main Shareholders

Deutsche Immobilien Chancen-Gruppe	34,5%
Yannick Patrick Heller	10,1%
RAG-Stiftung	10,0%

Financial calendar

SRC Forum Financials & Real Estate	12 September 2023
9M 2023 report	8 November 2023
2023 annual report	February 2024

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A good letting performance and like-for-like rents, stable AuM, but overall picture coined by missing transaction related fees and high interest expenses – we keep our Euro 11.00 TP from our last update

Yesterday, DIC Asset published the 1H 2023 report and invited for a conference call. The picture was mixed. The letting performance was good in a very challenging environment, where we have to state an overall decline of at least 40% in rental take-up, both in office and logistics. DIC Asset profited from the superior asset quality and market knowledge and accelerated their letting performance by 50%, from 172k sqm to 258k sqm. The overall annualized rental income was up 7.3%, almost 5% for their own commercial portfolio of Euro 4.1bn and even 8.3% for the Institutional Business, which has a more or less unchanged size of Euro 10.1bn (2022: Euro 10.2bn). The VIB Vermögen takeover last year helped to bring the very stable logistics to first place in the own book, as it makes 41% of the 4.1bn now, compared with 37% in office. The more difficult retail assets are now below double-digit, at only 8%. With regards to green properties, these make now a high 32% of the book, a bit above the year-end 2022.

With no support from a very sluggish transaction market (overall market down 70% as a reaction to impaired financing opportunities), the FFO more than halved, from Euro 53.0m to Euro 22.4m, and almost all contribution was from Commercial Portfolio (22.0m), whereas last year the Institutional Business unit stood for an additional Euro 17.1m in FFO I terms.

With regards to P & L, the net rental income was steeply up with the VIB business, from Euro 65m to Euro 85m, but the EBIT was down with much lower management fees from third party business from Euro 42.5m to Euro 21.6m. The bottom line suffered from much higher net financing expenses, which significantly increased from Euro 24.6m to Euro 45.1m. Thus, the net profit after minorities turned into Red, from Euro 23.8m in 1H 2022 to Euro -15.1m in 1H 2023.

The debt side is of special interest, as the firm has to organize the repayment of the bridge loan for the last year's VIB takeover, with an initial size of Euro 500m, which was brought down in a first step to Euro 400m and then, at the beginning of July, again down to Euro 200m, with using a 2 years Euro 200m loan from VIB Vermögen at arm's length conditions, as we reported in our update from 10 July. The remaining Euro 200m were prolonged from January to 31 July 2024 and we expect a partly repayment (c. Euro 50m to Euro 80m) and a partly prolongation or transfer into another loan of the remaining amount in 1Q 2024. For that DIC will set free capital from the existing deal pipeline of at least Euro 200m, which means about 8 – 10 properties, with the majority directly in their own DIC books, being offices. That could lead to a net capital release of at least Euro 85m to Euro 130m, in our view. That would help to bring down LTV which was at 57.6%, more or less unchanged to year-end 2022 (57.8%). A contrary effect would occur from a down-valuation in the own Euro 4.1bn portfolio, which DIC Asset expects in a magnitude of 4% to 7% to be realistic. We also see this as a quite realistic range (Euro 150m to Euro 270m). That would mean no big overall movement for the company's year-end 2023 LTV (executed trading pipeline plus FFO in 2H vs. lower market values).

The new "Performance 2024" action plan is right to strengthen liquidity and bring down debt by reducing the expensive short-term debt step by step, by selective sales and by a steady high income from the Commercial portfolio rents which delivers a good performance in rough times. The operational excellence will be strengthened by lower OPEX. And new equity inflow in the institutional business lifts future regular fee income here. We stay with our Buy and Euro 11 target.

DIC Asset AG

Industry:	Real Estate	Management Board of DIC Asset
Sub-segment:	Commercial property investor Own book / Institutional Business / Managed Accounts (transaction, asset and property management)	Sonja Wärtnges (CEO) Johannes von Mutius (CIO) Torsten Doyen (CIBO) Christian Fritzsche (COO)
Region:	Germany	Supervisory Board of DIC Asset:
Headquarter:	Frankfurt	Prof. Dr. Gerhard Schmidt
Foundation	1998	Michael Zahn
Employees:	341	Prof. Dr. Ulrich Reuter Eberhard Vetter
IR Contact:		Rene Zahnd Dr. Angela Geerling
	Dipl.-Kfm. Peer Schlinkmann, CIRO P.Schlinkmann@dic-asset.de	

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.

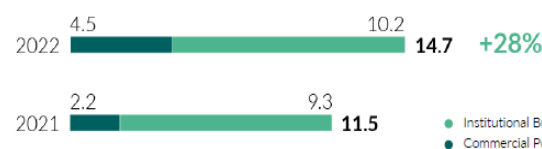
In the Commercial Portfolio DIC Asset does on balance sheet investment for their own books, in particular office properties that offer a stable cash income (core / core plus) as well as some value add properties which need more attention to reduce vacancy and increase the intrinsic cash flow in mid-term, 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 and Euro 10.25bn in 2022. 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, Dusseldorf, Cologne, Hamburg, Munich, Berlin and Stuttgart. The institutional business offers a lucrative income stream of management fees as well as transaction-related fees and performance fees. 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.

The FFO I result of 2022 reached a record level of Euro 114.2m and increased by almost 7% from Euro 107.2m in 2021. For 2023 DIC Asset guides a range of Euro 50m to Euro 55m for the FFO I result. This expected decline is mainly driven by the very sluggish market conditions and the respective much lower transaction volume in the institutional business segment. FFO I contribution from Institutional Business was only at Euro 0.4m in 1H 2023. The 1H 2023 FFO I for the entire group more than halved from Euro 53.0m to Euro 22.4m.

Assets under Management

in EUR billion

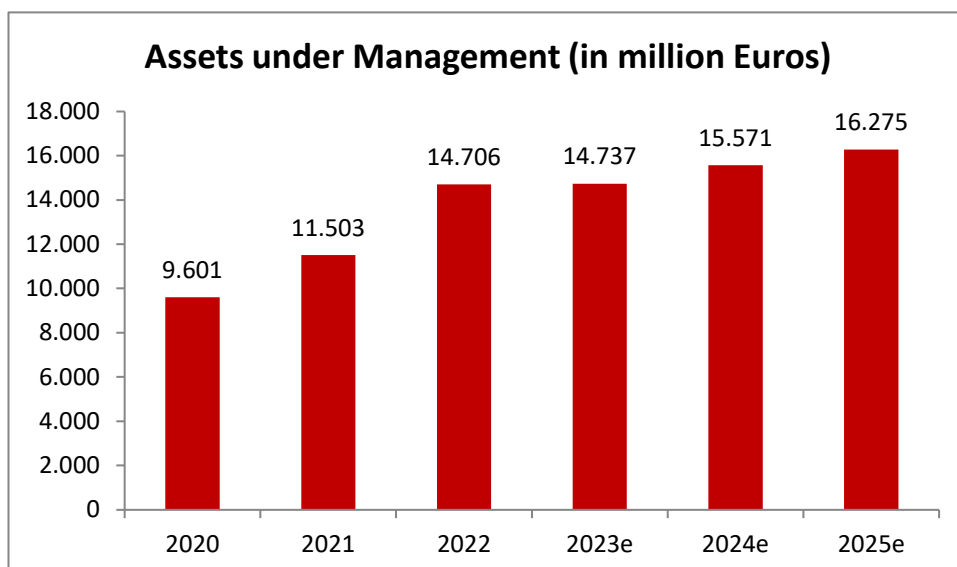


● Institutional Business
● Commercial Portfolio



Source: Company Data, SRC Research

DIC Asset AG 31/12 IFRS ('000)	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Gross rental income	100.695	108.390	175.956	188.086	181.268	195.368	3,5%
Ground rents	-510	-523	-339	-1.045	-1.276	-1.498	
Service charge income on principal basis	22.135	23.211	31.269	39.417	41.548	43.679	
Service charge expenses on principal basis	-24.029	-26.415	-36.572	-47.214	-48.974	-50.734	
Other property-related expenses	-16.070	-13.447	-17.774	-18.441	-19.210	-19.979	
Net rental income	82.221	91.216	152.540	160.803	153.356	166.836	3,0%
Administrative expenses	-19.077	-21.518	-37.863	-27.924	-29.012	-30.100	
Personnel expenses	-30.280	-38.096	-42.581	-43.247	-44.214	-47.781	
Depreciation and amortization	-38.774	-42.986	-73.883	-75.412	-78.103	-80.116	
Real estate management fees	79.722	101.225	88.375	62.693	101.060	106.150	6,3%
Other operating income	2.222	3.815	5.699	3.255	3.180	3.105	
Other operating expenses	-1.852	-1.802	-3.409	-4.386	-4.224	-4.062	
Net proceeds from disposal of investment property	116.324	139.337	51.494	88.334	89.657	54.980	
Carrying amount of investment property disposed	-84.324	-115.572	-38.797	-88.140	-75.447	-48.321	
Profit on disposal of investment property	32.000	23.765	12.697	194	14.210	6.659	
Net operating profit before financing activities (EBIT)	106.182	115.619	101.575	75.976	116.253	120.691	5,9%
Share of the profit or loss of associates	11.370	6.524	18.918	7.969	5.677	5.485	
Interest income	8.670	9.550	10.635	3.543	6.247	5.251	
Interest expenses	-36.760	-59.257	-71.217	-82.810	-86.454	-74.575	
Profit/loss before tax (EBT)	89.462	72.436	59.911	4.678	41.723	56.852	-1,7%
Tax	-16.350	-14.051	-17.053	-1.263	-10.431	-14.213	
Net profit	73.112	58.385	42.858	3.415	31.292	42.639	-0,2%
Minorities	3.099	590	11.834	7.685	15.445	13.458	
Net profit after minorities	70.013	57.795	31.024	-4.270	15.847	29.181	-2,0%
FFO	96,5	107,2	114,2	53,0	80,8	97,3	-5,2%
Number of shares ('000)	79.421	81.504	82.689	83.566	83.945	84.738	
Earnings per share	0,88	0,71	0,38	-0,05	0,19	0,34	
FFO per share	1,22	1,32	1,38	0,63	0,96	1,15	
Dividend per share	0,70	0,75	0,75	0,25	0,35	0,50	
Shareholders' Equity	1.108.421	1.133.969	1.664.101	1.737.814	1.732.770	1.872.570	4,0%
Equity Ratio	40,7%	32,5%	32,1%	31,6%	30,3%	31,2%	



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	10.07.2023	Buy	5,31 €	11,00 €
DIC Asset AG	11.05.2023	Buy	6,70 €	14,00 €
DIC Asset AG	13.04.2023	Buy	6,71 €	16,00 €
DIC Asset AG	15.02.2023	Buy	8,85 €	16,00 €
DIC Asset AG	26.01.2023	Buy	8,74 €	16,00 €
DIC Asset AG	09.11.2022	Buy	7,30 €	17,00 €
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 €

Please note:

The share price mentioned in this report is from 3 August 2023. DIC Asset AG mandated SRC Research for covering the share.

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