

Price (Euro)	<b>10.34</b>
52 weeks range	16.19 / 9.69

### Key Data

ISIN	DE000A1X3XX4
Bloomberg	DIC:GR
Reporting standard	IFRS
Market Cap (Euro million)	846
Number of shares (million)	81.9
Free Float	45.5%
Free Float Market Cap (Euro million)	385
CAGR EBIT ('21 -'24e)	24.6%

Multiples	2021	2022e	2023e	2024e
Market Cap / Total revenues	7.8	4.8	4.0	3.7
PE-Ratio	<b>14.6</b>	<b>9.6</b>	<b>8.5</b>	<b>8.6</b>
Dividend Yield	7.3%	7.7%	9.1%	9.6%

Key Data per share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	<b>0.71</b>	<b>1.07</b>	<b>1.22</b>	<b>1.20</b>
FFO per share	<b>1.32</b>	<b>1.62</b>	<b>1.88</b>	<b>1.98</b>
Dividend per share (DPS)	0.75	0.80	0.94	0.99

Financial Data (Euro '000)	2021	2022e	2023e	2024e
Gross rental income	108,390	175,660	213,442	226,692
<b>Net rental income</b>	<b>91,216</b>	<b>153,181</b>	<b>186,159</b>	<b>198,780</b>
Administrative expenses	-21,518	-29,533	-27,924	-29,012
Personnel expenses	-38,096	-42,613	-43,955	-44,476
Real estate management fees	101,225	111,367	122,459	129,914
Profit on disposal of investment property	23,765	33,290	21,761	14,210
<b>EBIT</b>	<b>115,619</b>	<b>182,754</b>	<b>213,085</b>	<b>223,525</b>
Net financial result	-49,707	-57,863	-53,971	-59,166
<b>EBT</b>	<b>72,436</b>	<b>131,145</b>	<b>164,983</b>	<b>170,036</b>
Taxation	-14,051	-25,905	-34,577	-36,607
<b>Net profit after minorities</b>	<b>57,795</b>	<b>88,505</b>	<b>106,759</b>	<b>108,316</b>
<b>FFO</b>	<b>107,200</b>	<b>133,239</b>	<b>164,069</b>	<b>178,963</b>

### Main Shareholders

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

### Financial calendar

SRC Forum Financials & Real Estate	<b>13 September 2022</b>
9M 2022 report	9 November 2022

### Analysts

Dipl.-Kfm. Stefan Scharff, CREA  
Christopher Mehl, MBA, CFA

E-Mail	scharff@src-research.de mehl@src-research.de
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Internet	www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de www.aktienmarkt-deutschland.de
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## 1H numbers show +56% in EBIT, FFO unchanged – AuM grow to Euro 14.2bn – Contracts of CEO and CIO extended – Target down to Euro 22.00 due to overall market developments, Buy affirmed

Yesterday, the company released the report for the first half of 2022. The numbers, which now include the numbers of VIB Vermögen following the full consolidation starting 1 April, are mostly in line with our estimates. While adjusting the projections regarding the transactions for the full-year, the management reaffirmed all other guided numbers for 2022. Gross rental income of the first six months significantly hiked and amounted to Euro 75.2m (1H 2021: Euro 48.3m) while net rental income stood at Euro 65.3m (1H 2021: Euro 40.2m). Both numbers were on the one hand driven by a like-for-like rental growth of 3.7%, but mainly due to the inclusion of the VIB numbers. Profit from disposals contributed Euro 12.4m. The share of profits of associates amounted to Euro 16.9m compared to Euro 3.8m in the previous year and was mainly attributable to the disposal of the joint venture with WDP by VIB Vermögen. Real estate management fees on the other hand were down year-over-year, from Euro 50.5m to Euro 39.5m mainly due to fewer transactions in 1H 2022.

The firm however expects to make up here in the current second half and reaffirmed the full-year target. Looking at the expenses of the first six months we see a clear hike as well. Operating expenses increased from Euro 29.0m to Euro 44.1m. Included here are one-off expenses related to the VIB transaction of about Euro 11m. All in all, the firm's EBIT hiked by about 56% from Euro 27.3m to Euro 42.5m. While interest was up from Euro 2.6m to Euro 6.4m, the interest expenses were also significantly up from Euro -18.2m to Euro 30.9m. This was due to the VIB consolidation, the financing of the transaction, as well as due to the impacts of the financings in 2021. The pre-tax profit thus came in at Euro 34.9m compared to Euro 24.1m, leading to a bottom line after minorities that increased from Euro 14.5m to Euro 23.8m. The cash-driven FFO I result remained unchanged at Euro 53.0m, but we expect a hike here in the second half of the year.

Looking at the portfolio, the assets under management of DIC now stand at Euro 14.2bn compared to Euro 11.5bn at FY 2021, next to the acquisition of VIB Vermögen, the firm has acquired about Euro 300m of individual properties, of which about Euro 150m are already closed. For the full year, the firm adjusted its acquisition guidance from a previous range of Euro 1.4bn to Euro 1.9bn to now between Euro 3.2bn to Euro 3.3bn. While the target for the commercial portfolio has already been reached with the VIB transaction, we expect further news here for the Institutional Business. Furthermore, DIC also adjusted the guidance for disposals from previously between Euro 300m to Euro 500m to now a range of Euro 0.8bn to Euro 1.1bn. Next to the growth of the portfolio, the firm has also done a very good job regarding the lettings in 1H. With a letting volume of more than 170k sqm (1H 2021: 100k sqm), of which about 65% are renewals, the lease maturity profile now looks very comfortable with only about 5% of leases expiring until FY 2023 and more than 70% until 2026 or beyond.

We see the company on track for the 2022 targets and also welcome the prolongation of the contracts of CEO Sonja Wärntges and CIO Johannes von Mutius, as the firm can thus continue its mid- to long-term strategy, as it has successfully done in the previous years under the lead of the management board. Nevertheless, the overall market risk and the rising interest rate environment have also an impact on our valuation for DIC and reduces our fair value per share to about Euro 22.00, which also becomes our new target price for the share. We clearly confirm our Buy rating at the currently low share price levels.

### 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 Wärtnges  
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

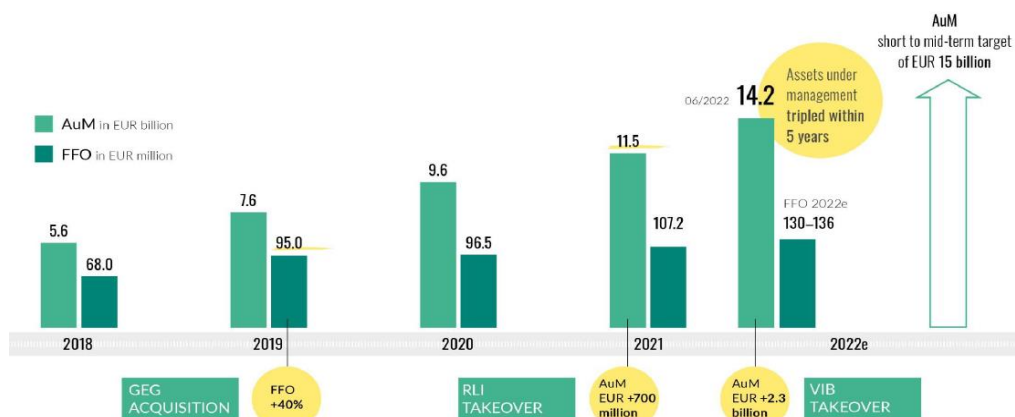
**IR Contact:**  
Dipl.-Kfm. Peer Schlinkmann, CIRO  
P.Schlinkmann@dic-asset.de

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. 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 already 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 has lifted its forecast to a range of Euro 130m to Euro 136m for the FFO I result following the successful partial takeover of VIB.



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 8 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 208 properties and annual rental income of almost Euro 200m 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 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. The hike in dividend from 70 Cents to 75 Cents offered a decent yield of almost 5%.

### 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 offers 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 successful VIB takeover with a Euro 2.3bn portfolio size was already a big milestone.
- 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 the portfolio to Euro 15bn might still offer the opportunity for MDax.

### Threats

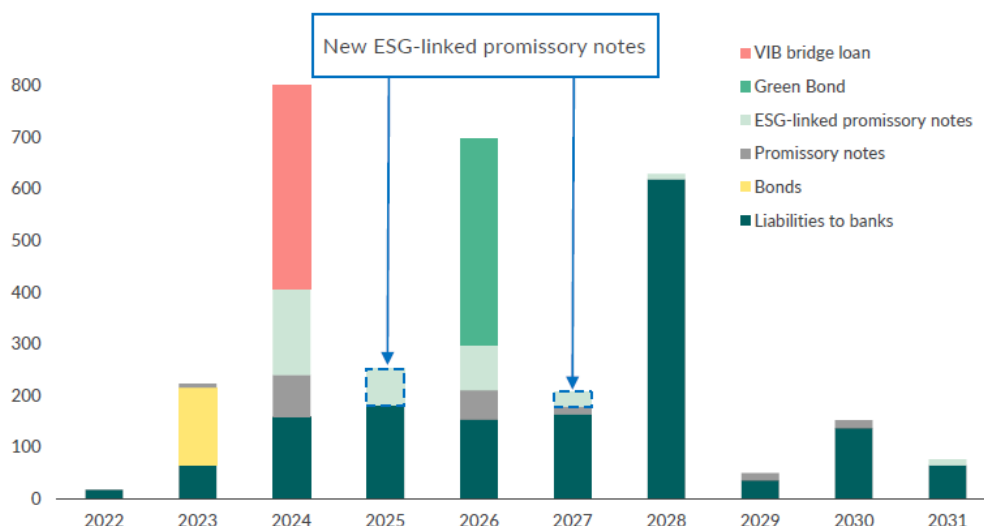
- A severe economic downturn or shocks like the current Corona pandemic would not impair the P & L so much, as the firm does cost accounting. But the institutional demand for commercial properties could decline with a decelerating demand for office space. Furthermore, the letting performance for new 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.

## Revaluation of VIB Vermögen portfolio leads to significant uplift of DIC's commercial portfolio

On 25 May, DIC Asset announced that the firm's commercial portfolio has significantly grown to a value of about Euro 4.5bn. This hike was driven by a revaluation of the portfolio of VIB Vermögen, of which DIC holds more than 60% and started to fully consolidate from 1 April. The valuation of the portfolio, which was run by a renowned external appraiser, lifted the value of VIB's portfolio from Euro 1.5bn to now Euro 2.3bn, representing a yield of about 4%. We see this new valuation as reasonable, as we considered the previous valuation of the portfolio as very conservative as already discussed in our VIB Vermögen research report from 1 February, where we argued that the portfolio could easily be valued at a yield of 4.0% to 4.2%. The assets under management of DIC now increased to Euro 14.2m and thus got another big step closer to the now short- to mid-term target of Euro 15bn. The adjusted NAV now stands at Euro 24.98.

## Placement of Euro 100m promissory note shows confidence in DIC, but bridge financing is burdening the share in our opinion

Last week Friday, on 29 July, the company announced the placement of additional ESG linked Euro 100m promissory note tranches to investors inside and outside of Germany, of which the majority had already participated in previous placements. This shows, that on the one hand the market for financing is not completely shut down and on the other hand, that investors continue to put trust in DIC and the firm's strategy. The issue has an average maturity of 3.6 years and an average coupon of 3.56%.



While we see this as a positive step, the refinancing of the Euro 500m bridge loan, which was used to finance the VIB transaction is still a topic of concern for many investors and in our opinion currently puts some pressure on the share price level. While the company originally planned to refinance the loan with a combination of an equity capital hike and some form of debt, this is currently not a viable option given the current market conditions and share price level. While there is still some time left until 2024 and the conditions could possibly brighten up again, we also believe that it would be an option to reduce the pace of growth and even sell some further objects to deliver the required liquidity at that point in time. Thus, we already somewhat reduced our growth estimates for the coming years to account for that option.

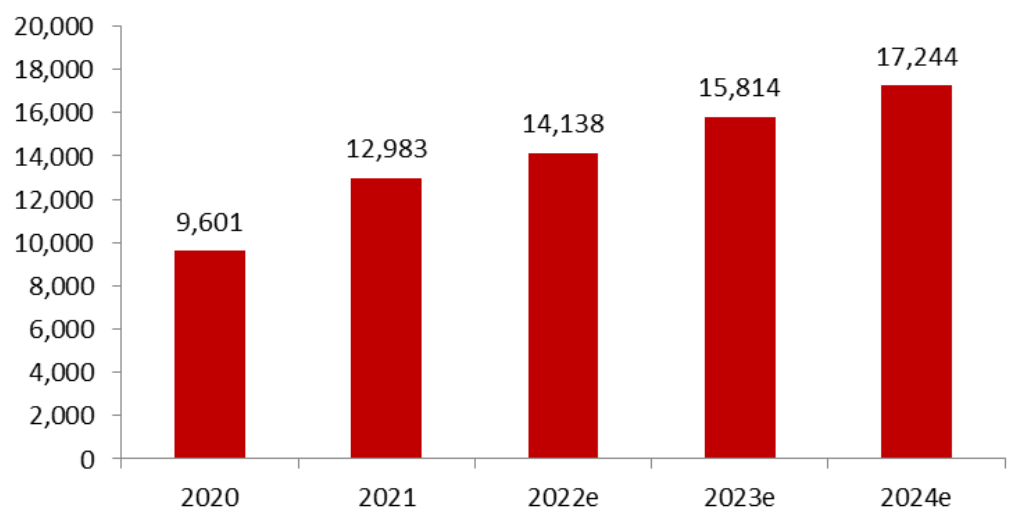
Due to the VIB acquisition, the firm's adjusted LTV has significantly risen from 41.1% at FY 2021 to now 51.6%. While this is not yet a level of concern, we believe that company will manage to reduce the LTV in the coming quarters again and bring it back to a more comfortable level of below 50%.

### **Sonja Wärtges (CEO) and Johannes von Mutius (CIO) prolong their contracts**

On 24 June some further good news was released from DIC Asset with the prolongation of the contract of Sonja Wärtges, CEO of the company. The contract was extended for another five years until 30 June 2027 and we very much welcome this step. Mrs. Wärtges has been with the company since 2017 and DIC has since then tripled its assets under management and also significantly increased its KPIs. Furthermore, the firm today announced that the contract of Johannes von Mutius, CIO of DIC Asset, has also been extended until the end of 2026. We believe that Mrs. Wärtges and Mr. von Mutius are certainly the right people to continue the successful growth path of the company in the coming years as they will be able to follow up on their implemented strategic steps of the recent years.

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	213,442	226,692	27.9%
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	
<b>Net rental income</b>	<b>87,906</b>	<b>82,221</b>	<b>91,216</b>	<b>153,181</b>	<b>186,159</b>	<b>198,780</b>	29.6%
Administrative expenses	-17,876	-19,077	-21,518	-29,533	-27,924	-29,012	
Personnel expenses	-27,918	-30,280	-38,096	-42,613	-43,955	-44,476	
Depreciation and amortization	-34,242	-38,774	-42,986	-43,941	-44,284	-44,847	
Real estate management fees	62,883	79,722	101,225	111,367	122,459	129,914	8.7%
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	883,655	124,334	89,657	
Carrying amount of investment property disposed	-135,457	-84,324	-115,572	-850,365	-102,573	-75,447	
Profit on disposal of investment property	40,516	32,000	23,765	33,290	21,761	14,210	
<b>Net operating profit before financing activities (EBIT)</b>	<b>111,906</b>	<b>106,182</b>	<b>115,619</b>	<b>182,754</b>	<b>213,085</b>	<b>223,525</b>	24.6%
Share of the profit or loss of associates	18,321	11,370	6,524	6,255	5,869	5,677	
Interest income	10,296	8,670	9,550	8,235	7,243	6,247	
Interest expenses	-42,660	-36,760	-59,257	-66,098	-61,214	-65,413	
<b>Profit/loss before tax (EBT)</b>	<b>97,863</b>	<b>89,462</b>	<b>72,436</b>	<b>131,145</b>	<b>164,983</b>	<b>170,036</b>	32.9%
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	
<b>Net profit</b>	<b>80,689</b>	<b>73,112</b>	<b>58,385</b>	<b>105,240</b>	<b>130,406</b>	<b>133,429</b>	31.7%
Minorities	-222	3,099	590	16,736	23,647	25,113	
<b>Net profit after minorities</b>	<b>80,911</b>	<b>70,013</b>	<b>57,795</b>	<b>88,505</b>	<b>106,759</b>	<b>108,316</b>	23.3%
<b>FFO</b>	<b>95.0</b>	<b>96.5</b>	<b>107.2</b>	<b>133.2</b>	<b>164.1</b>	<b>179.0</b>	18.6%
Number of shares ('000)	71,713	79,421	81,504	82,347	87,455	90,214	
<b>Earnings per share</b>	<b>1.13</b>	<b>0.88</b>	<b>0.71</b>	<b>1.07</b>	<b>1.22</b>	<b>1.20</b>	
<b>FFO per share</b>	<b>1.32</b>	<b>1.22</b>	<b>1.32</b>	<b>1.62</b>	<b>1.88</b>	<b>1.98</b>	
<b>Dividend per share</b>	<b>0.66</b>	<b>0.70</b>	<b>0.75</b>	<b>0.80</b>	<b>0.94</b>	<b>0.99</b>	
<b>Shareholders' Equity</b>	<b>968,778</b>	<b>1,108,421</b>	<b>1,133,969</b>	<b>1,734,346</b>	<b>1,915,227</b>	<b>1,941,508</b>	19.6%
<b>Equity Ratio</b>	<b>36.5%</b>	<b>40.7%</b>	<b>32.5%</b>	<b>31.4%</b>	<b>32.8%</b>	<b>31.9%</b>	

### Assets under Management (in million Euros)



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

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt am Main

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

### Rating chronicle:

Company	Date	Rating	former share price	former target
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 €
DIC Asset AG	15/01/2021	Buy	14.24 €	22.00 €
DIC Asset AG	28/10/2020	Buy	9.57 €	20.00 €

### Please note:

The share price mentioned in this report is from 2 August 2022. DIC Asset AG mandated SRC Research for covering the share.

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