

Price (Euro)	37.00
52 weeks range	37.00 / 25.52
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)	1025.3
Number of shares (million)	27.7
Free Float	80.4%
Free Float MCap (million)	824.3
CAGR net profits '20 - '23e	3.7%

Multiples	2020	2021e	2022e	2023e
MarketCap/ Sales	10.9	10.0	9.5	9.1
PE-Ratio	15.5	14.9	15.1	13.9
Dynamic PE-Ratio	4.17	4.02	4.08	3.76
Dividend Yield	2.0%	2.2%	2.3%	2.4%
FFO Yield	4.9%	5.5%	5.8%	6.3%

Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	2.39	2.48	2.44	2.65
Dividends per Share (DPS)	0.75	0.80	0.84	0.88
Book Value per Share (BVPS)	20.98	22.57	24.17	25.94
NAV per share (diluted)	24.16	25.49	26.89	24.16
FFO per share	1.83	2.05	2.14	2.32

Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	94,207	102,912	108,058	113,136
Total operating revenue	95,673	103,466	108,901	113,810
EBITDA	94,552	99,476	97,955	105,200
Operating Profit (EBIT)	94,223	99,096	97,570	104,799
Pre-tax profit (EBT)	80,041	84,063	82,649	89,652
Net profit (after minorities)	65,875	68,791	67,718	73,542
Adjusted Shareholders' Equity	578,663	625,286	669,727	718,885
RoE after tax	11.9%	11.4%	10.5%	10.6%

Financial Calendar	
SRC Forum Financials & Real Estate	8 September 2021
9M 2021 report	10 November 2021

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	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA, CFA
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Very solid first half in the books with a hike of 9% in revenues and +14% in FFO – good progress in the portfolio in both lettings and developments - 36 Euros target and Hold affirmed

Yesterday, the company released the report for the first half of 2021. The numbers showed solid growth and were in line with our estimates. Revenues hiked by more than 9% from more than Euro 46m to almost Euro 51m, driven by new additions to the portfolio as well as due to rental indexing. Included here are already the impacts from corona in the form of rental waivers, which however only amounted to about Euro 200k. Revaluation gains contributed Euro 4.6m (1H 2020: Euro 5.9m) to the numbers of the first half of the year, fully coming from the completed projects in that period. With a more or less overall unchanged cost side, the firm's EBIT came in at Euro 44m, up about 5% compared to last year's number of Euro 42m. With an improved financial expenses, which declined by about 7%, pre-tax profit amounted to Euro 37.3m, up almost 8% from last year's number of Euro 34.6m. Adjusted EBT even hiked by more than 14% to almost Euro 33m. The bottom line after minorities came in at Euro 30.4m, up more than 8%, and translates into earnings per share of Euro 1.10. The cash-driven FFO result even hiked by almost 14% as it improved from Euro 25.1m to Euro 28.5m or from Euro 0.91 per share to Euro 1.03 per share respectively.

Looking at the developments of the portfolio in the first six months, the company was very active as well. The firm managed to extend rental contracts at four properties for a total of 85k sqm for terms of up to 10 years. Furthermore, two development projects and one redevelopment were completed as planned and handed over to the tenants. Additionally, the construction permit was granted for the large site in Erding and a new site in Meitingen near Augsburg was acquired. Thus, the project pipeline now stands at about 160k sqm of useful area and an additional almost 50k sqm from the joint venture. This allows for a significant expansion of the portfolio and the numbers in the coming years and we are sure, that the company will continue to find attractive sites to add to the pipeline as well. The financial position definitely offers the need room for growth and the balance sheet ratios were improved in 1H. The equity ratio was lifted from 43.0% at year-end 2020 to now 44.2% and the LTV came down from 50.3% to 48.7%. The NAV per share significantly improved from Euro 24.16 to Euro 25.35, a plus of 5% in six months.

All in all, we are very satisfied with the first half of 2021 and see the firm on track to reach our estimates and leave our P&L numbers untouched. The firm's guidance was reaffirmed as well by the management. For the remaining year we expect further positive news from the portfolio, that will drive the growth of the coming years. We confirm our Euro 36.00 target price and stick to our Hold Rating.

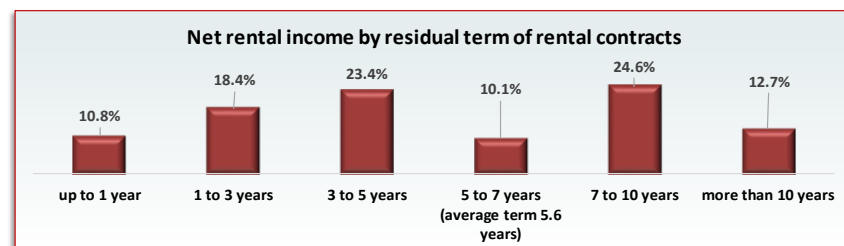
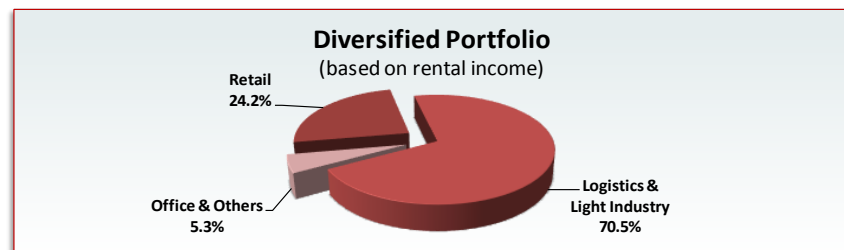
VIB Vermögen AG

Industry:	Real Estate	Management Board of VIB Vermögen AG:
Sub-segment	Logistics, Light Industry, Retail	Martin Pfandzelter (CEO)
Region:	Germany	Holger Pilgenröther (CFO)
Headquarter:	Neuburg	
Foundation	1993	
Employees:	46	Supervisory Board of VIB Vermögen AG:
		Ludwig Schlosser (Chairman)
IR Contact:		Jürgen Wittmann (Deputy Chairman)
Petra Riechert (petra.rieichert@vib-ag.de)		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 114 properties with a total lettable area of more than 1,300,000 sqm and a portfolio value of about Euro 1.4bn at 1H 2021. The company convinces by its favorable and sustainable occupancy rate of more than 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 44.2% and also a healthy LTV ratio of 48.7% at 1H 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 114 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 start into 2021 was very good with a 14% hike in FFO to almost Euro 29m.
- ▶ 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 less than 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 48.7% as of 30 June 2021, with an equity ratio of 44.2%.
- ▶ 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 5.6 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 current average interest rate came down to 1.77%, after 2.33% at FY 2018 and 2.10% in 2019 and could even further decline in the current FY 2021 (1H 2021 was slightly down to 1.75%).
- ▶ 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 below 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	102,912	108,058	113,136	6.3%
Net Result from Revaluations	17,380	19,454	22,319	22,323	19,863	13,547	16,558	
Other operating income	344	1,443	1,645	1,466	554	843	674	
Total operating income	101,274	107,686	114,959	117,996	123,329	122,448	130,368	
Expenses for investment properties	-13,775	-14,968	-16,057	-17,377	-17,366	-17,887	-18,370	
<i>Gross margin without revaluation</i>	<i>83.5%</i>	<i>82.8%</i>	<i>82.4%</i>	<i>81.6%</i>	<i>83.1%</i>	<i>83.4%</i>	<i>83.8%</i>	
Net operating income (NOI)	69,775	71,821	74,938	76,830	85,546	90,171	94,766	7.2%
<i>NOI-margin</i>	<i>83.5%</i>	<i>82.8%</i>	<i>82.4%</i>	<i>81.6%</i>	<i>83.1%</i>	<i>83.4%</i>	<i>83.8%</i>	
Personnel expenses	-3,621	-3,678	-3,861	-4,216	-4,040	-4,095	-4,138	
Other operating expenses	-1,785	-1,780	-1,775	-1,851	-2,447	-2,511	-2,660	
EBITDA	82,093	87,260	93,266	94,552	99,476	97,955	105,200	
<i>EBITDA-margin</i>	<i>98.3%</i>	<i>100.5%</i>	<i>102.5%</i>	<i>100.4%</i>	<i>96.7%</i>	<i>90.7%</i>	<i>93.0%</i>	
EBITDA without revaluation	64,713	67,806	70,947	72,229	79,613	84,408	88,642	7.1%
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	99,096	97,570	104,799	
<i>EBIT-margin</i>	<i>97.9%</i>	<i>100.2%</i>	<i>102.2%</i>	<i>100.0%</i>	<i>96.3%</i>	<i>90.3%</i>	<i>92.6%</i>	
Operating profit (EBIT) without revaluation	64,442	67,498	70,634	71,900	79,233	84,023	88,241	7.1%
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	-14,974	-14,855	-15,103	
Financial result	-17,355	-15,589	-14,950	-14,134	-14,958	-14,833	-15,084	
Expenses from guaranteed dividend	-166	-166	-166	-166	-166	-166	-166	
Pre-tax Profit (EBT)	64,453	71,200	78,287	80,041	84,063	82,649	89,652	
<i>EBT-margin</i>	<i>77.1%</i>	<i>82.0%</i>	<i>86.0%</i>	<i>85.0%</i>	<i>81.7%</i>	<i>76.5%</i>	<i>79.2%</i>	
Pre-tax Profit (EBT) without revaluation	47,073	51,746	55,968	57,718	64,200	69,102	73,094	8.2%
Tax expenses	-10,515	-11,305	-12,876	-12,772	-13,702	-13,472	-14,613	
<i>Tax rate</i>	<i>16.3%</i>	<i>15.9%</i>	<i>16.4%</i>	<i>16.0%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	
Net Profit before minorities	53,938	59,895	65,411	67,269	70,361	69,177	75,039	3.7%
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	68,791	67,718	73,542	3.7%
<i>Return on sales</i>	<i>61.8%</i>	<i>66.4%</i>	<i>69.4%</i>	<i>69.9%</i>	<i>66.8%</i>	<i>62.7%</i>	<i>65.0%</i>	
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	2.48	2.44	2.65	
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	22.57	24.17	25.94	
Adjusted Shareholders Equity' without minorities and after dividend payment	445,486	486,866	532,683	578,663	625,286	669,727	718,885	7.5%
RoE after Tax	12.1%	12.4%	12.4%	11.9%	11.4%	10.5%	10.6%	
Key ratios & figures	2017	2018	2019	2020	2021e	2022e	2023e	
Margins in %								
EBITDA	77.5%	78.1%	78.0%	76.7%	77.4%	78.1%	78.4%	
EBIT	77.1%	77.8%	77.6%	76.3%	77.0%	77.8%	78.0%	
EBT	56.3%	59.6%	61.5%	61.3%	62.4%	63.9%	64.6%	
Expense ratios in %								
Personnel costs quota	4.3%	4.2%	4.2%	4.5%	3.9%	3.8%	3.7%	
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%	
Profitability in %								
Net profit to sales ratio	61.8%	66.4%	69.4%	69.9%	66.8%	62.7%	65.0%	
Return on equity (RoE) after tax	12.1%	12.4%	12.4%	11.9%	11.4%	10.5%	10.6%	
Valuation								
PE-ratio	19.77	17.71	16.16	15.49	14.90	15.14	13.94	
Price/BVpS	2.29	2.10	1.92	1.76	1.64	1.53	1.43	
Dividend yield in %	1.6%	1.8%	1.9%	2.0%	2.2%	2.3%	2.4%	
Market Cap/Sales	12.27	11.81	11.27	10.88	9.96	9.49	9.06	
Market Cap/EBITDA	12.49	11.75	10.99	10.84	10.31	10.47	9.75	
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	2.48	2.44	2.65	
DpS	0.60	0.65	0.70	0.75	0.80	0.84	0.88	
BVpS	16.15	17.65	19.31	20.98	22.57	24.17	25.94	

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Company	Date	Rating	Former Share Price	Former Target
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 €
VIB Vermögen	25 Mar 2020	Buy	22.60 €	29.00 €
VIB Vermögen	06 Nov 2019	Hold	28.25 €	29.00 €

Please note:

The share price mentioned in this report is from 11 August 2021. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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