

Accumulate (unchanged) Target: Euro 32.00 (old: Euro 30.00)

12 | November | 2020

Price (Euro)	29.00
52 weeks range	33.25 / 16.52
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)	799.8
Number of shares (million)	27.6
Free Float	82.4%
Free Float MCap (million)	659.0
CAGR net profits '19 - '22e	1.9%

Multiples	2019	2020e	2021e	2022e
MarketCap/ Sales	8.8	8.4	7.8	7.4
PE-Ratio	12.7	13.9	11.6	11.8
Dynamic PE-Ratio	6.72	7.37	6.17	6.27
Dividend Yield	2.4%	2.6%	2.8%	2.9%
FFO Yield	6.1%	6.4%	6.9%	7.2%

Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per Share (EPS)	2.29	2.09	2.49	2.46
Dividends per Share (DPS)	0.70	0.75	0.80	0.84
Book Value per Share (BVPS)	19.31	20.65	22.35	23.96
NAV per share (diluted)	22.23	23.45	24.74	26.10
FFO per share	1.77	1.87	2.00	2.10

Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	90,995	95,732	102,912	108,057
Total operating revenue	92,640	96,259	103,466	108,900
EBITDA	93,266	85,705	99,476	97,955
Operating Profit (EBIT)	92,953	85,355	99,096	97,570
Pre-tax profit (EBT)	78,287	70,627	84,063	82,649
Net profit (after minorities)	63,159	57,595	68,791	67,718
Adjusted Shareholders' Equity	532,683	569,593	616,320	660,871
RoE after tax	12.4%	10.5%	11.6%	10.6%

Financial Calendar	
2020 prelims	March 2021
2020 Annual Report	April 2021

Main Shareholders	
Kreissparkasse Biberach	7.3%
VR Bank Neuburg-Rain eG	4.1%
Family Office, Munich	3.7%
Supervisory board + Management	2.5%

Analysts **Dipl.-Kfm. Stefan Scharff, CREA**
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Very pleasant 9M results lead us to lift our full-year estimates for 2020 and the coming years - Portfolio developments proceeding well - Target up to Euro 32.00, Accumulate affirmed

Yesterday, the company published the report for the first nine months, which were once again successful and delivered some further solid growth. The numbers were very pleasant and even somewhat on top of our estimates. Revenues increased by more than 4% compared to last year's period from Euro 67.6m to Euro 70.4m and was driven by new additions to the portfolio. The revaluation result was at almost Euro 12m (9M 2019: about Euro 4m). Operating profit (EBIT) all in all increased by more than 17% from Euro 56.7m to Euro 66.5m. Interest expenses decreased once again from Euro 11.3m to Euro 10.9m due to a reduced average interest rate despite an increased amount of debt. The pre-tax profit came in at Euro 55.2m, up more than 21% from last year's Euro 45.5m. Even though this number is coined by the higher revaluation result, the adjusted EBT excluding revaluation still hiked by very solid 4%. The bottom line after minorities was up 22% from Euro 36.8m to Euro 44.9m. The cash driven funds from operations (FFO) amounted to Euro 38.1m, an increase of more than 4% compared to last year's period. FFO per share thus stood at Euro 1.38.

The development of the portfolio has also proceeded well. The portfolio comprises 113 properties as of 30 September and has seen several completions over the course of the year such as the Amazon distribution center in Gersthofen, which was completed and handed over in the third quarter. Furthermore, the largest development project to date at Interpark is to be completed within the next weeks. In addition to that, several new projects were already acquired and construction has started and will be completed in 2021. Keep in mind, that the site pipeline for future projects remains high at about 160k sqm of useful area which allows for further significant growth in the coming years. As of 30 September, the EPRA NAV per share was at Euro 23.31. The financial ratios also allow for further growth with an equity ratio of 43.1% and a LTV of 51.3%.

As the numbers of the first nine months are on top of our estimates and we don't believe that the current lockdown and the overall Corona environment should have further significant effects on the full-year numbers, we decided to lift these accordingly. We now expect a FFO per share of Euro 1.87 instead of Euro 1.82 for 2020. Along with the positive developments of the portfolio and the overall positive outlook for the coming years, this also leads to raised FFO estimates for the following years. Resulting from our lifted FFO numbers, we accordingly also increased our dividend estimates for 2020 and the years after and now expect 75 cents per share for 2020 instead of 72 cents.

While the share has surged by about 10% since our last update, we believe that it still offers some further upside. With our new P&L estimates and the positive outlook, we lift our target price from Euro 30.00 to Euro 32.00 and stick to our Accumulate rating.

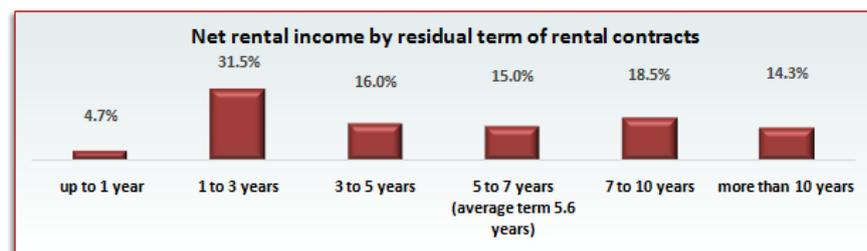
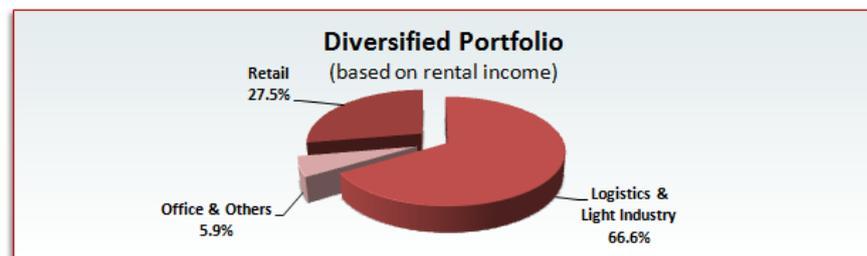
VIB Vermögen AG

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:	45	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 113 properties with a total lettable area of almost 1,200,000 sqm and a portfolio value of about Euro 1.36bn at 9M 2020. The company convinces by its favorable and sustainable occupancy rate of 97.4% 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 (67%), retail (27%), office utilization (3%) and commercial building/others (3%) are covered.

The average maturity of rental contracts amounts to c. 5.6 years. Among tenants are various well-known and successful brands like Geis Industrie, Loxness, Dehner Gartenfachmärkte, Edeka, Media Markt, Continental, Aldi, Kaufland etc. that have a high degree of creditworthiness. The average gross rental yield as of 1H 2020 is at 6.92%. The logistics and industrial properties and the office properties offer a slightly higher yield, while retail is little below that average. In autumn 2015, 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 55,000 sqm of lettable space and is fully leased up at an initial gross rental yield of 9.5%. Currently, one projects is under construction, which is to be completed in 2020. The project is the second construction phase of a two-storey flagship project at Interpark, which after the expected completion at the end of 2020 will be the firm's largest logistics facility in the portfolio with a rentable area of about 115,000 sqm. Additionally, several projects are under development with completions in the second quarter of 2021. Furthermore, the site pipeline for future projects amounts to 160,000 sqm.



The company has a high equity ratio of 43.1% and also a healthy LTV ratio of 51.3% at 9M 2020. Concerning the shareholder structure the firm has a free Float of 82.4%. 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 will propose a dividend of 70 cents for 2019 at the upcoming AGM in July. For the current fiscal year 2020, the company gave a guidance for revenues between Euro 91.0m an Euro 97.0m, the EBT is guided in a range between Euro 55.0m and Euro 59.0m, and the FFO between Euro 48.0m to Euro 52.0m.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 113 commercials with a rental area of almost 1,200,000 sqm. The properties are mainly located in the economically strong Southern Germany, resulting in a very stable cash income. In 2019, the FFO surged by 8% to almost Euro 49m and is guided to a range of Euro 48m to Euro 52m in 2020.
- ▶ 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 45% of the rental income.
- ▶ A very low EPRA vacancy rate of about 2.6% 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 6.92% at FY 2019 and the firm's LTV ratio stands at healthy 51.3%.
- ▶ 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 (~ 48% with long-term rental contracts at 1H 2020).
- ▶ The average duration of rental agreements amounts to 5.6 years at 1H 2020. Furthermore, tenants have a high degree of creditworthiness (Rudolph Group, Geis Industrie, Audi, BayWa, Dehner Gartenfachmärkte).
- ▶ 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 2.04%, after 2.55% in 2017 and 2.33% at FY 2018 and should further decline in the current 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 two new Kösching developments in 2017.

Threats

- ▶ In case of a sustained recession, portfolio vacancy rate might not remain at the negligibly low level of 2.6% 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)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Revenues	79,549	83,550	86,789	90,995	95,732	102,912	108,057	5.9%
Net Result from Revaluations	18,018	17,380	19,454	22,319	12,369	19,863	13,547	
Other operating income	350	344	1,443	1,645	527	554	843	
Total operating income	97,917	101,274	107,686	114,959	108,628	123,329	122,447	
Expenses for investment properties	-13,292	-13,775	-14,968	-16,057	-16,860	-17,366	-17,887	
<i>Gross margin without revaluation</i>	83.3%	83.5%	82.8%	82.4%	82.4%	83.1%	83.4%	
Net operating income (NOI)	66,257	69,775	71,821	74,938	78,872	85,546	90,171	6.4%
<i>NOI-margin</i>	83.3%	83.5%	82.8%	82.4%	82.4%	83.1%	83.4%	
Personnel expenses	-3,797	-3,621	-3,678	-3,861	-4,012	-4,040	-4,095	
Other operating expenses	-1,647	-1,785	-1,780	-1,775	-2,051	-2,447	-2,511	
EBITDA	79,181	82,093	87,260	93,266	85,705	99,476	97,955	
<i>EBITDA-margin</i>	99.5%	98.3%	100.5%	102.5%	89.5%	96.7%	90.7%	
EBITDA without revaluation	61,163	64,713	67,806	70,947	73,336	79,613	84,408	6.0%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-62	-271	-308	-313	-350	-380	-385	
Operating profit (EBIT)	79,119	81,822	86,952	92,953	85,355	99,096	97,570	
<i>EBIT-margin</i>	99.5%	97.9%	100.2%	102.2%	89.2%	96.3%	90.3%	
Operating profit (EBIT) without revaluation	61,101	64,442	67,498	70,634	72,986	79,233	84,023	6.0%
Net income from investments accounted for using the equity method	210	152	3	125	108	91	78	
Income from participating interests	0	0	0	0	0	0	0	
Income/Expenses from measurement of financial derivatives	0	0	0	0	0	0	0	
Interest earnings	0	23	8	343	14	16	22	
Interest costs	-20,509	-17,378	-15,597	-14,968	-14,684	-14,974	-14,855	
Financial result	-20,509	-17,355	-15,589	-14,625	-14,670	-14,958	-14,833	
Expenses from guaranteed dividend	0	-166	-166	-166	-166	-166	-166	
Pre-tax Profit (EBT)	58,820	64,453	71,200	78,287	70,627	84,063	82,649	
<i>EBT-margin</i>	73.9%	77.1%	82.0%	86.0%	73.8%	81.7%	76.5%	
Pre-tax Profit (EBT) without revaluation	40,802	47,073	51,746	55,968	58,258	64,200	69,102	7.3%
Tax expenses	-9,417	-10,515	-11,305	-12,876	-11,512	-13,702	-13,472	
<i>Tax rate</i>	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	
Net Profit before minorities	49,403	53,938	59,895	65,411	59,115	70,361	69,177	1.9%
Minorities	-2,140	-2,334	-2,285	-2,252	-1,520	-1,570	-1,459	
Net Profit after minorities	47,263	51,604	57,610	63,159	57,595	68,791	67,718	2.4%
<i>Return on sales</i>	59.4%	61.8%	66.4%	69.4%	60.2%	66.8%	62.7%	
Number of shares	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
Earnings per share (Euro)	1.71	1.87	2.09	2.29	2.09	2.49	2.46	
Dividends per Share (DPS) in Euro	0.55	0.60	0.65	0.70	0.75	0.80	0.84	
BookValue per Share (BVPS) in Euro	14.82	16.15	17.65	19.31	20.65	22.35	23.96	
Adjusted Shareholders Equity' without minorities and after dividend payment	408,678	445,486	486,866	532,683	569,593	616,320	660,871	7.5%
RoE after Tax	12.1%	12.1%	12.4%	12.4%	10.5%	11.6%	10.6%	
Key ratios & figures	2016e	2017	2018	2019	2020e	2021e	2022e	
Margins in %								
EBITDA	76.9%	77.5%	78.1%	78.0%	76.6%	77.4%	78.1%	
EBIT	76.8%	77.1%	77.8%	77.6%	76.2%	77.0%	77.8%	
EBT	51.3%	56.3%	59.6%	61.5%	60.9%	62.4%	63.9%	
Expense ratios in %								
Personnel costs quota	4.8%	4.3%	4.2%	4.2%	4.2%	3.9%	3.8%	
Depreciation to sales	0.1%	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%	
Tax rate	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	
Profitability in %								
Net profit to sales ratio	59.4%	61.8%	66.4%	69.4%	60.2%	66.8%	62.7%	
Return on equity (RoE) after tax	12.1%	12.1%	12.4%	12.4%	10.5%	11.6%	10.6%	
Valuation								
PE-ratio	15.49	14.19	12.71	11.59	12.71	10.64	10.81	
Price/BVpS	1.79	1.64	1.50	1.37	1.29	1.19	1.11	
Dividend yield in %	2.1%	2.3%	2.4%	2.6%	2.8%	3.0%	3.2%	
Market Cap/Sales	9.20	8.76	8.44	8.05	7.65	7.12	6.78	
Market Cap/EBITDA	9.25	8.92	8.39	7.85	8.54	7.36	7.48	
Data per share								
Number of shares in k	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
EpS	1.71	1.87	2.09	2.29	2.09	2.49	2.46	
DpS	0.55	0.60	0.65	0.70	0.75	0.80	0.84	
BVpS	14.82	16.15	17.65	19.31	20.65	22.35	23.96	

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

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Company	Date	Rating	Former Share Price	Former Target
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 €
VIB Vermögen	07 Aug 2019	Hold	25.40 €	28.00 €
VIB Vermögen	02 Jul 2019	Accumulate	25.40 €	27.00 €
VIB Vermögen	15 May 2019	Hold	24.90 €	26.00 €
VIB Vermögen	02 May 2019	Hold	25.20 €	26.00 €

Please note:

The share price mentioned in this report is from 11 November 2020. VIB Vermögen AG mandated SRC Research for covering the VIB share.

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