

Buy (old: Hold) **Target: Euro 29.00** (unchanged)

25 | March | 2020

Price (Euro)	22.60			
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)	623.3			
Number of shares (million)	27.6			
Free Float	80.7%			
Free Float MCap (million)	503.0			
CAGR net profits '18 - '21e	2.6%			
Multiples		2018	2019e	2020e
MarketCap/ Sales		7.2	6.8	6.6
PE-Ratio		10.8	9.9	11.0
Dynamic PE-Ratio		4.21	3.85	4.28
Dividend Yield		2.9%	3.1%	3.2%
FFO Yield		7.3%	7.8%	8.0%
Key Data per Share (Euro)		2018	2019e	2020e
Earnings per Share (EPS)		2.09	2.29	2.05
Dividends per Share (DPS)		0.65	0.70	0.72
Book Value per Share (BVPS)		17.65	19.31	20.65
NAV per share (diluted)		20.30	22.23	23.45
FFO per share		1.64	1.77	1.87
Financial Data (Euro '000)		2018	2019e	2020e
Revenues		86,789	90,995	94,914
Total operating revenue		88,232	92,640	95,441
EBITDA		87,260	93,266	85,208
Operating Profit (EBIT)		86,952	92,953	84,858
Pre-tax profit (EBT)		71,200	78,287	69,487
Net profit (after minorities)		57,610	63,047	56,641
Adjusted Shareholders' Equity		486,866	532,683	569,467
RoE after tax		12.4%	12.4%	10.3%
Financial Calendar				
2019 Annual Report		30 April 2020		
1Q 2020 report		13 May 2020		
AGM		2 July 2020		
Main Shareholders				
Kreissparkasse Biberach		9.6%		
VR Bank Neuburg-Rain eG		4.1%		
Family Office, Munich		3.7%		
Supervisory board + Management		1.9%		
Analysts	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA			
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2019 prelims in line or even on top of estimates – company to benefit in current environment from solid and conservative approach – rating up to Buy after slump in share price

Today, the company released the 2019 preliminary numbers, which were in line with our expectations and in some key numbers even on top. Revenues increased by almost 5% from Euro 87m to Euro 91m, driven by new investments and indexation. This led to a NOI of Euro 75m and a NOI-margin of more than 82%. The revaluation result was at more than Euro 22m. Interest expenses once again came down from Euro -15.6m in 2018 to Euro -15.0m in 2019. All in all, the firm's EBT hiked by 10% from Euro 71.2m to Euro 78.3m. Adjusted for revaluation gains, this number still hiked by more than 8% from Euro 51.7m to Euro 56.0m. The bottom line rose by more than 9% from Euro 59.9m to Euro 65.4m. The cash driven FFO increased by a strong 8% from Euro 45.3m to Euro 48.9m. This translates into Euro 1.77 per share and is thus on top of our estimate of Euro 1.75. The management will propose a dividend of 70 cents per share, an about 8% increase to last year's 65 cents and also on top of our expectation of 68 cents. This is already the eleventh consecutive dividend increase (+250% since 2008) and a good signal to the market of the firm's solidity and sustainable growth approach.

The portfolio of the company stands at 109 objects with almost 1.2 million sqm and a very low vacancy rate of only 1%. In 2019 the company again successfully completed some own developments with an investment volume of Euro 41m, adding net rent of Euro 3.2m at a high yield of almost 8%. Further completions with a rental area of almost 100k sqm are to come in 2020, which are already fully let and will further lift the firm's income. The EPRA NAV per share increased year-over-year by almost 10%, from Euro 20.30 to Euro 22.23.

As for the current Corona situation, we believe that the firm will reap the benefits from its always solid and conservative approach in terms of operations and on the financing side. With a very low vacancy rate of only 1%, the focus on logistics that makes up for almost 70% of the portfolio and an additional 15% in retail which is to most parts supermarkets and other suppliers that are currently in high demand, as well as no bullets in the financing structure, we currently evaluate to possible impact of the pandemic on the firm's operations as limited. Also in terms of the progress of the current development projects we as of today expect a timely completion. The equity ratio of 42.5% and the LTV of 51.0% at year-end are also at a very comfortable level.

For the current year the company expects revenues in a range of Euro 91m to Euro 97m, an adjusted EBT between Euro 55m to Euro 59m, and a FFO between Euro 48m and Euro 52m. Our now slightly more cautious estimates are now more or less in the mid range of the given guidance instead of at the top end. All in all this has no material impact on our valuation, however, and with our above discussed low risk evaluation of VIB, we stick to our Euro 29.00 target price. Due to the losses of the overall stock markets, which also became visible in the VIB share, the current upside is at about 28%. Thus, we lift our rating from Hold to Buy. The annual report will be published on 30 April.

VIB Vermögen AG

Industry: Real Estate
Sub-segment Logistics, Light Industry, Retail
Region: Germany
Headquarter: Neuburg
Foundation 1993
Employees: 41

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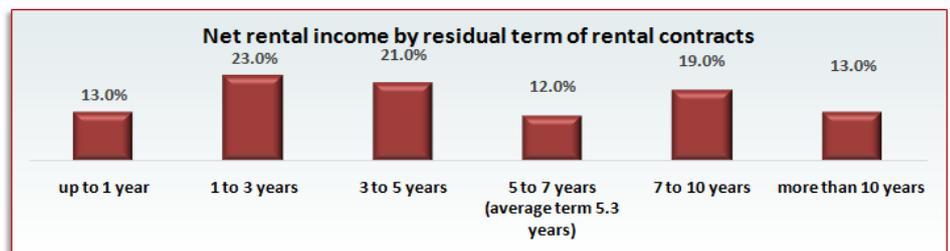
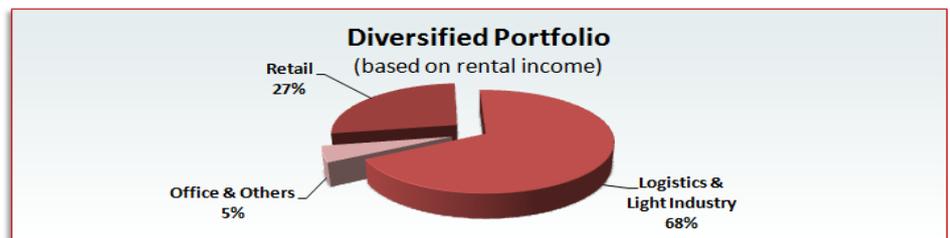
Management Board of VIB Vermögen AG:
 Martin Pfandzelter (CEO)
 Holger Pilgenröther (CFO)

Supervisory Board of VIB Vermögen AG:
 Ludwig Schlosser (Chairman)
 Jürgen Wittmann (Deputy Chairman)
 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 109 properties with a total lettable area of almost 1,200,000 sqm and a portfolio value of about Euro 1.3bn at FY 2019. The company convinces by its favorable and sustainable occupancy rate of about 99.0% 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 (68%), retail (27%), office utilization (3%) and commercial building/others (2%) are covered.

The average maturity of rental contracts amounts to c. 5.3 years. Among tenants are various well-known and successful brands like Geis Industrie, Loxxess, Dehner Gartenfachmärkte, Edeka, Media Markt, Continental, Aldi, Kaufland etc. that have a high degree of creditworthiness. The average gross rental yield as of FY 2018 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%. In 2019, own developments with an investment volume of Euro 41m were completed. In early 2019, the company announced 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. Furthermore, the site pipeline for future projects amounts to 160,000 sqm as of FY 2019.



The company has a high equity ratio of 42.5% and also a healthy LTV ratio of 51.0% at FY 2019. Concerning the shareholder structure the firm has a free Float of 80.7%. 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 gave a guidance for the 2019 revenues in a range of Euro 88.5m to Euro 92.5m and a pre-tax profit without revaluation to increase to between Euro 52.0m to Euro 54.5m. The FFO should also climb from the Euro 45.3m level in 2018 to a range of Euro 45.5m to Euro 48.0m in 2019. Based on the release of the 2019 prelims, the guidance was fully reached and even exceeded. The company will propose a dividend of 70 cents per share at the next AGM. Our estimate was at only 68 cents. This is already the eleventh consecutive dividend increase.

Source: Company Data, SRC Research

SWOT Analysis

Strengths

- ▶ VIB has a total of 109 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 1.0% at present compared to 1.8% at year-end 2015. In addition, the portfolio is widely spread over various sectors and therefore less affected by an economic shortfall. The average rental yield is at high 6.92% at FY 2019 and the firm's LTV ratio stands at healthy 51.0%.
- ▶ 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 (~ 44% with long-term rental contracts at FY 2019).
- ▶ The average duration of rental agreements amounts to 5.3 years at FY 2019. Furthermore, tenants have a high degree of creditworthiness (Rudolph Group, GeisIndustrie, Audi, BayWa, DehnerGartenfachmärkte).
- ▶ 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 2.10%, 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 1.0% 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)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	75,133	79,549	83,550	86,789	90,995	94,914	98,711	4.4%
Net Result from Revaluations	16,410	18,018	17,380	19,454	22,319	12,369	17,854	
Other operating income	500	350	344	1,443	1,645	527	554	
Total operating income	92,043	97,917	101,274	107,686	114,959	107,810	117,119	
Expenses for investment properties	-13,620	-13,292	-13,775	-14,968	-16,057	-16,539	-17,035	
<i>Gross margin without revaluation</i>	81.9%	83.3%	83.5%	82.8%	82.4%	82.6%	82.7%	
Net operating income (NOI)	61,513	66,257	69,775	71,821	74,938	78,375	81,676	4.4%
<i>NOI-margin</i>	81.9%	83.3%	83.5%	82.8%	82.4%	82.6%	82.7%	
Personnel expenses	-3,303	-3,797	-3,621	-3,678	-3,861	-4,012	-4,040	
Other operating expenses	-1,626	-1,647	-1,785	-1,780	-1,775	-2,051	-2,447	
EBITDA	73,494	79,181	82,093	87,260	93,266	85,208	93,597	2.4%
<i>EBITDA-margin</i>	97.8%	99.5%	98.3%	100.5%	102.5%	89.8%	94.8%	
EBITDA without revaluation	57,084	61,163	64,713	67,806	70,947	72,839	75,743	3.8%
Amortization of intangible assets and depreciation of property, plant and equipment and investment properties	-56	-62	-271	-308	-313	-350	-380	
Operating profit (EBIT)	73,438	79,119	81,822	86,952	92,953	84,858	93,217	2.3%
<i>EBIT-margin</i>	97.7%	99.5%	97.9%	100.2%	102.2%	89.4%	94.4%	
Operating profit (EBIT) without revaluation	57,028	61,101	64,442	67,498	70,634	72,489	75,363	
Net income from investments accounted for using the equity method	19	210	152	3	125	108	91	
Income from participating interests	0	0	0	0	0	0	0	
Income/Expenses from measurement of financial derivatives	-132	0	0	0	0	0	1	
Interest earnings	62	0	23	8	343	14	16	
Interest costs	-20,433	-20,509	-17,378	-15,597	-14,968	-15,327	-15,943	
Financial result	-20,371	-20,509	-17,355	-15,589	-14,625	-15,313	-15,927	
Expenses from guaranteed dividend	-166	0	-166	-166	-166	-166	-166	
Extraordinary result	0	0	0	0	0	0	0	
Pre-tax Profit (EBT)	52,788	58,820	64,453	71,200	78,287	69,487	77,216	2.7%
<i>EBT-margin</i>	70.3%	73.9%	77.1%	82.0%	86.0%	73.2%	78.2%	
Pre-tax Profit (EBT) without revaluation	36,378	40,802	47,073	51,746	55,968	57,118	59,362	
Tax expenses	-8,741	-9,417	-10,515	-11,305	-12,876	-11,326	-12,586	
<i>Tax rate</i>	16.6%	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	
Net Profit before minorities	44,047	49,403	53,938	59,895	65,411	58,161	64,630	2.6%
Minorities	-3,928	-2,140	-2,334	-2,285	-2,364	-1,520	-1,570	
Net Profit after minorities	40,119	47,263	51,604	57,610	63,047	56,641	63,060	3.1%
<i>Return on sales</i>	53.4%	59.4%	61.8%	66.4%	69.3%	59.7%	63.9%	
Number of shares	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
Earnings per share (Euro)	1.45	1.71	1.87	2.09	2.29	2.05	2.29	
Dividends per Share (DPS) in Euro	0.51	0.55	0.60	0.65	0.70	0.72	0.76	
BookValue per Share (BVPS) in Euro	13.59	14.82	16.15	17.65	19.31	20.65	22.17	
Adjusted Shareholders Equity' without minorities and after dividend payment	374,744	408,678	445,486	486,866	532,683	569,467	611,565	7.9%
RoE after Tax	11.1%	12.1%	12.1%	12.4%	12.4%	10.3%	10.7%	
Key ratios & figures	2015	2016e	2017	2018	2019e	2020e	2021e	
Margins in %								
EBITDA	76.0%	76.9%	77.5%	78.1%	78.0%	76.7%	76.7%	
EBIT	75.9%	76.8%	77.1%	77.8%	77.6%	76.4%	76.3%	
EBT	48.4%	51.3%	56.3%	59.6%	61.5%	60.2%	60.1%	
Expense ratios in %								
Personnel costs quota	4.4%	4.8%	4.3%	4.2%	4.2%	4.2%	4.1%	
Depreciation to sales	0.1%	0.1%	0.3%	0.4%	0.3%	0.4%	0.4%	
Tax rate	16.6%	16.0%	16.3%	16.3%	16.3%	16.3%	16.3%	
Profitability in %								
Net profit to sales ratio	53.4%	59.4%	61.8%	66.4%	69.3%	59.7%	63.9%	
Return on equity (RoE) after tax	11.1%	12.1%	12.1%	12.4%	12.4%	10.3%	10.7%	
Valuation								
PE-ratio	15.54	13.19	12.08	10.82	9.89	11.00	9.88	
Price/BVpS	1.66	1.53	1.40	1.28	1.17	1.09	1.02	
Dividend yield in %	2.3%	2.4%	2.7%	2.9%	3.1%	3.2%	3.4%	
Market Cap/Sales	8.30	7.84	7.46	7.18	6.85	6.57	6.31	
Market Cap/EBITDA	8.48	7.87	7.59	7.14	6.68	7.32	6.66	
Data per share								
Number of shares in k	27,580	27,580	27,580	27,580	27,580	27,580	27,580	
EpS	1.45	1.71	1.87	2.09	2.29	2.05	2.29	
DpS	0.51	0.55	0.60	0.65	0.70	0.72	0.76	
BVpS	13.59	14.82	16.15	17.65	19.31	20.65	22.17	

SRC Research

- Der Spezialist für Finanz- und Immobilienaktien -

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Company	Date	Rating	Former Share Price	Former Target
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 €
VIB Vermögen	27 Mar 2019	Accumulate	24.00 €	26.00 €
VIB Vermögen	05 Feb 2019	Accumulate	22.50 €	25.00 €
VIB Vermögen	07 Nov 2018	Accumulate	21.70 €	24.50 €
VIB Vermögen	08 Aug 2018	Accumulate	22.00 €	24.50 €
VIB Vermögen	28 Jun 2018	Accumulate	22.10 €	24.50 €

Please note:

The share price mentioned in this report is from 24 March 2020. VIB Vermögen AG mandated SRC Research for covering the VIBshare.

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