DEMIRE Deutsche Mittelstand Real Estate AG

**Conference Call – Results Q1 2019** 

15 May 2019



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# Agenda



# **Highlights**

# Results Q1 2019

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# Highlights Results Q1 2019

#### FFO I significantly increased at very stable Business Metrics, 2019 Guidance confirmed

FFO & EPRA-NAV	<ul> <li>» FFO I (after taxes, before minorities) significantly increased to € 8.9m (Q1 2018: € 5.2m)</li> <li>» EPRA-NAV per share up at € 5.56 (diluted, +1.1% vs. 31 December 2018)</li> </ul>
PORTFOLIO	<ul> <li>Stable rental income of € 18.2m (Q1 2018: € 18.3m)</li> <li>Solid letting performance: letting activities of c. 22,100 sqm, with average WALT of 5.1 years, WALT across portfolio at 4.3 years</li> <li>Like-for-like rental growth of 1.5% vs. Q1 2018, EPRA-Vacancy rate slightly up by 80 bps to 8.3%</li> <li>Due to stable market yields, no external valuation conducted in Q1 2019, hence no valuation effect in earnings figures</li> <li>Profit from rental up 30% to EUR 17.1m due to meaningful operational improvements</li> </ul>
FINANCING	<ul> <li>Capital Increase in November 2018 with gross proceeds of c. € 150m earmarked for further portfolio growth</li> <li>Net-LTV still comfortably low at 38.6% (31 December 2018: 38.7%)</li> <li>Average cost of debt remain stable at 3.0% p.a.<sup>(1)</sup></li> </ul>
GUIDANCE	<ul> <li>» 2019 Guidance confirmed after a good start into the year:</li> <li>» Rental income EUR 77-79m on current portfolio and announced acquisition</li> <li>» FFO I (after taxes, before minorities) EUR 27-29m</li> </ul>

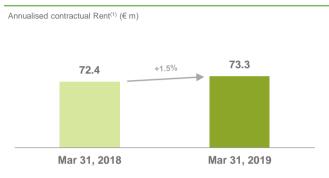
# **Portfolio Update**



# Leasing Performance Q1 2019

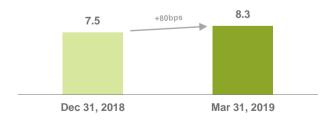
### Like-for-like Rental Growth despite slightly higher Vacancy

#### Like-for-like Rental Growth



#### Vacancy slightly higher

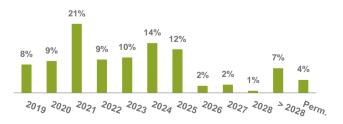
EPRA-Vacancy (in %)



- » Compared to 31 March 2018, like-for-like rental growth of 1.5%, primarily driven by indexations, step up rents and extended and new leases
- » EPRA-Vacancy rate up by 80 bps to 8.3%, mainly due to matured lease contracts at year end
- » Higher EPRA-Vacancy after closing of the recently acquired office portfolio expected

#### Low Level of upcoming Lease Maturities

Lease Expiry Schedule<sup>(2)</sup>



(1) Excluding service charges

(2) Over term of leases signed



# Portfolio Breakdown

#### Unchanged Metrics since end of 2018

#### **Development of Investment Properties** €m 1.139.9 0.9 1.140.8 12.3 1.153.1 Capex<sup>(1)</sup> **IFRS** Investment **IFRS** Investment Assets held Book Value of Portfolio properties properties for sale 31 Dec 18 31 Mar 19 31 Mar 19

#### All three Clusters generate attractive Rental Yields

	No. of proper- ties	<b>GAV</b> (€m)	GRI p.a. (€ m) <sup>(2)</sup>	GRI p.a. (€/m²/ p.m.) <sup>(2)</sup>	GRI Yield (%)	EPRA- Vacancy (%)	WALT (Years)
Core+	38	618.3	39.9	9.3	6.5	2.3	5.4
Value added	40	458.8	30.4	5.7	5.7	15.5	3.1
Redevelopment	6	54.2	3.0	8.0	8.0	0.6	1.9
Total (Q1 2019)	84	1,131.3 <sup>(3)</sup>	73.3	7.3	6.5	8.3	4.3
Total (Q1 2018)	86	1,066.3	72.4	7.0	6.8	8.6	4.8
Change	(2 units)	6.1%	1.5%	4.3%	(30 bp)	(30 bp)	(0.5)

- » Due to stable market yields, no valuation conducted in Q1 2019, hence investment properties unchanged compared to 31 December 2018
- » Average asset value at € 13.5m (Q1 2018: € 12.4m)
- » Assets held for sale: no material changes during reporting period
- » Solid GRI-Yield of 6.5% across the portfolio

#### Attractive Yield and WALT across Asset Classes

	No. of proper- ties	<b>GAV</b> (€ m)	GRI p.a. (€ m) <sup>(2)</sup>	<b>GRI p.a.</b> (€/m²/ p.m.) <sup>(2)</sup>	GRI Yield (%)	EPRA- Vacancy (%)	WALT (Years)
Office	<b>e</b> 61 765.8		49.7	8.2	6.5	7.8	3.9
Retail	etail 16		17.4	10.4	6.6	8.1	5.9
Logistics	1	65.6	4.2	2.3	6.5	16.0	1.4
Other	6	36.4	2.0	4.4	5.6	0.2	5.4
Total (Q1 2019)	84	1,131.3 <sup>(3)</sup>	73.3	7.3	6.5	8.3	4.3
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(1) Capitalisation of investments

(2) Annualised contractual rent excluding service charges

(3) € 1,140.8 investment properties, less € 21.9m down-payment for acquisitions, plus € 12.3m assets held for sale

# Update on

# recent Acquisition



## Update on recent Acquisition: attractive Office Portfolio

Four Office Buildings in lucrative Locations - Closed 30 April 2019



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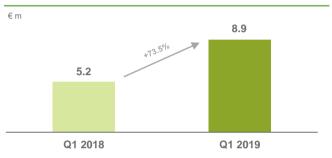




# Selected P&L Positions

#### Significant Improvement of FFO I

#### Funds from Operations I<sup>(1)</sup>

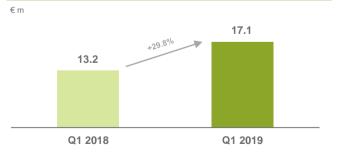


- » FFO I significantly improved due to operational performance, lower administrative expenses and slightly lower interest expenses
- » Rental income stable at € 18.2m
- » Profit from rental up 30% to EUR 17.1m due to improvement in utility and service management
- » No material changes y-o-y in financial expenses
- » Average costs of debt unchanged at 3.0%<sup>(2)</sup>
- » Profit for the period down 68.1% to EUR 6.6m, due to no external valuation; Q1 2018 profit without valuation effect EUR -1.6m

#### **Rental Income**



#### Profit from the Rental of Real Estate



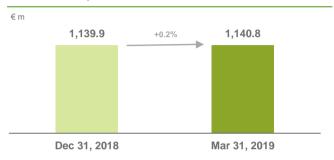
(2) Based on nominal interest rate



# **Selected Balance Sheet Positions**

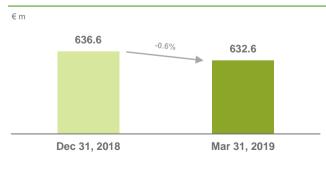
#### EPRA-NAV per Share up 1.1% since year end 2018

**Investment Properties** 



- Marginal increase in investment property value due to capitalisation of capex and no revaluation in Q1 2019
   Financial debt stable given no financing activities in Q1 2019
   Net-LTV stable at 38,6%
   EPRA-NAV per share (diluted & undiluted) increased by 6 cent per
- » EPRA-NAV per share (diluted & undiluted) increased by 6 cent per share or 1.1% to EUR 5.56 and EUR 5.58 respectively

**Financial Debt** 



EPRA-NAV per Share diluted/undiluted







## Summary & Outlook

Well on Track for a successful 2019



Further support of FFO improvement

on basis of current portfolio and

announced acquisition

Capitalisation of capex

measures - when possible

Strong deal-pipeline

ahead, deploying current

solid cash position



# Contact Details & Financial Calendar 2019



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#### **Financial Calender 2019**

29 May	Annual General Meeting
14 August	Half Year Results 2019
14 November	Interim Results Q3 2019

#### Share Information<sup>(1)</sup>

Symbol / Ticker	DMRE
Share Price (XETRA)	€ 4.95
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market Capitalisation	€ 533.5m
Free Float <sup>(2)</sup>	11.43%
Shares Outstanding	107,777,324

# **Appendix I**

**Additional Financial Information** 

# P&L Q1 2019

## Operational Performance improved

P&L (in € k)	Q1 2019	Q1 2018
Rental income	18,239	18,256
Income from utility and service charges	7,217	5,742
Other operating expenses to generate rental income	-8,375	-10,843
Income from the rental of real estate	1 17,081	13,155
Profit/loss from the sale of real estate companies	-71	-2
Profit/loss form fair value adjustments in investment properties	2 0	32,078
Other operating income and other effects	-12	1,233
General and administrative expenses	3 -2,931	-3,137
Other operating expenses	-492	-1,191
Earnings before interest and taxes (EBIT)	13,575	42,190
Financial income	262	59
Financial expenses	-5,861	-6,047
Minorities	4 -849	-5,723
Earnings before taxes (EBT)	7,126	30,479
Current income taxes	-42	-151
Deferred taxes	-441	-9,502
Net profit/loss for the period	6,643	20,826
Of which attributable to		
Non-controlling shareholder	816	2,654
Parent company shareholder	5,828	18,173

 Rental income stable despite asset sales, income from utilities improved by consequent and prompt clearing

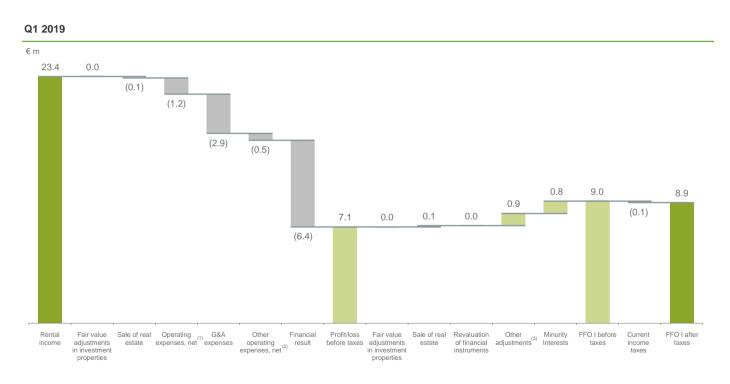
- » Maintenance down due to higher capitalisation and operational savings
- Overall increase in rental income, partly by deferral of costs
- 2 No valuation of investment properties conducted in Q1 2019
- 3 G&A expenses improved, driven mainly by lower advisory and consultancy fees
- Minorities at FVR Funds decreased, as no valuation of assets conducted in Q1 2019
- » FFO (after tax, before minorities) in Q1 2019 up to EUR 8,9m (Q1 2018: EUR 5,2m)

# **Balance Sheet**

## Solid, with a slight Increase since end of 2018

Balance Sheet (in € k)	31.03.2019	31.12.2018	
ASSETS			
Investment properties	1,140,785	1,139,869	
Properties held for sale	12,262	12,262	
Other assets	2 40,954	36,119	<ol> <li>Increase in investment properties driven by</li> </ol>
Cash and cash equivalents	187,231	190,442	capitalization
Total assets	1,381,232	1,378,692	2 Increase mainly driven by
EQUITY AND LIABILITIES			accrual of property tax according to IFRS
Subscribed capital	107,777	107,777	3 Increase driven by Q1
Reserves	3 435,967	430,136	2019 result
Equity attributable to parent company shareholder's	543,745	537,913	4 Change in financial debt
Non-controlling interests	45,241	44,425	due to a reclassification of a FVR loan to short term
Total Equity	588,985	582,338	debt
Minority interest	73,909	73,085	» EPRA-NAV per Share
Non-current financial debt	<b>4</b> 578,129	606,404	(diluted) up by 6 Cents to EUR 5,56 from end of 2018
Current financial debt	4 54,490	30,168	
Other liabilities	85,719	86,697	
Total liabilities	792,247	796,354	
Total Equity and liabilities	1,381,232	1,378,692	

# Funds From Operations (FFO) Reconciliation - Q1 2019



(1) Includes income from utility and service charges of € 7.2m and operating expenses to generate rental income of € (8.4)m

(2) Includes impairment of receivables of  $\in$  (0.1)m, other operating income of  $\in$  0.1m and other operating expenses of  $\in$  (0.5)m

(3) Other adjustments relate to effective interest rate payments of € 0.9m

# **Financial Profile**

#### Unchanged strong Capital Structure

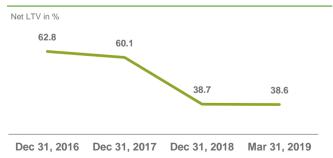
#### Financing KPIs as of 31 March 2019

Gross debt	€ 632.6m
Net LTV	38.6%
Average cost of debt	<b>3.0%</b> <sup>(1)</sup>
Interest rate fixed	94.0%
Unencumbered asset ratio	<b>46.7%</b> <sup>(2)</sup>

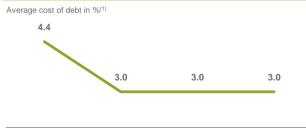
#### Financing Structure as of 31 March 2019

Tranche	IFRS-Amount (€ m)	Margin / Coupon
Cash and Cash Equivalents	(187.2)	
Senior Unsecured Notes	361.6	2.875%
Bank Loans	22.9	2.450% - 3.250%
Promissory Notes	135.4	4.000%
Total Fair Value REIT AG-Debt	111.1	2.1572%
Other <sup>(3)</sup>	1.6	
Net Financial Debt	445.4	

#### Strong Track Record in Leverage Reduction



#### Successfully reduced Cost of Debt



Dec 31, 2016 Dec 31, 2017 Dec 31, 2018 Mar 31, 2019

(3) Incl. accrued interest payable

<sup>(2)</sup> Calculated as share of unencumbered assets divided by total real estate assets

# **Appendix II**

# **Additional Portfolio Information**

# Overview of the Real Estate Portfolio by Region

#### Property Locations as of 31 March 2019

	Number of Properties	GAV (€ m)	Total rental space (sqm)	thereof office (sqm)	thereof retail (sqm)	thereof logistics (sqm)	thereof others (sqm)	EPRA- Vacancy (%)
Baden-Wuerttemberg	4	142.8	85,148	85,148	0,000	0,000	0,000	1.8%
Bavaria	7	109.8	95,232	95,232	0,000	0,000	0,000	13.3%
Berlin	1	8.8	7,129	0,000	7,129	0,000	0,000	19.0%
Brandenburg	4	51.5	51,207	22,038	29,169	0,000	0,000	20.1%
Bremen	10	44.1	34,560	34,560	0,000	0,000	0,000	25.0%
Hamburg	1	9.3	3,989	0,000	3,989	0,000	0,000	0.0%
Hesse	6	132.1	70,343	43,297	21,508	0,000	5,538	7.7%
Mecklenburg- Western Pomerania	6	119.1	58,042	38,736	19,306	0,000	0,000	5.3%
Lower Saxony	4	15.7	21,753	5,288	16,466	0,000	0,000	2.7%
North Rhine-Westphalia	14	211.9	127,735	96,579	10,576	0,000	20,580	5.1%
Rhineland Palatinate	3	12.1	12,528	12,528	0,000	0,000	0,000	3.4%
Saxony	11	165.3	264,945	51,402	20,845	178,283 <sup>(1)</sup>	14,116	10.5%
Saxony-Anhalt	3	36.4	25,316	0,000	25,316	0,000	0,000	3.0%
Schleswig-Holstein	9	70.7	63,032	63,032	0,000	0,000	0,000	2.2%
Thuringa	1	1.8	5,505	0,000	5,505	0,000	0,000	0.0%
Germany	84	1,131.3	926,465	547,841	159,808	178,283	40,534	8.3%

# Overview of Top 20 Assets

#### Top 20 Properties as of 31 March 2019

	City	Asset Class	Cluster	GAV (€ m)	Share (%)	Total rental space ('000 sqm)	EPRA- Vacancy (%)	GAV/sqm (€)	GRI p.a. <sup>(1)</sup> (€ m)	GRI Yield (%)	WALT (Years)
1	Bonn	Office	Core+	89.7	7.9%	38,353	-	2,339	5.7	6.4%	5.9
2	Ulm	Office	Core+	80.3	7.1%	47,527	1.7%	1,690	4.3	5.4%	5.6
3	Rostock	Retail	Core+	70.6	6.2%	19,306	3.0%	3,657	4.4	6.2%	3.7
4	Leipzig	Logistic	Value-Add	65.6	5.8%	178,283 <sup>(2)</sup>	16.0%	368	4.2	6.5%	1.4
5	Kassel	Retail	Core+	61.1	5.4%	21,508	4.3%	2,841	3.5	5.7%	7.3
6	Freiburg	Office	Redevelopment	41.3	3.7%	22,674	-	1,821	2.8	6.7%	1.9
7	Regensburg	Office	Value-Add	36.7	3.2%	29,219	-	1,256	2.6	7.1%	1.9
8	Düsseldorf	Office	Value-Add	34.4	3.0%	24,307	23.0%	1,415	2.0	5.8%	4.0
9	Leipzig	Office	Value-Add	32.7	2.9%	23,260	5.3%	1,406	1.8	5.5%	3.3
10	Eschborn	Office	Core+	31.0	2.7%	18,889	-	1,641	2.0	6.5%	5.8
	Top 10 Properties			543.4	48.0%	423,326	5.4%	1,284	33.5	6.2%	4.2
11	Eisenhüttenstadt	Retail	Value-Add	28.5	2.5%	29,169	29.8%	977	2.1	7.4%	6.3
12	Lutherstadt Wittenberg	Retail	Core+	23.7	2.1%	14,710	4.9%	1,611	1.7	7.1%	5.0
13	Unterschleißheim	Office	Value-Add	23.3	2.1%	15,663	38.9%	1,488	0.9	4.1%	3.1
14	Flensburg	Office	Value-Add	21.4	1.9%	23,800	-	899	1.7	8.1%	1.9
15	Zittau	Retail	Core+	21.3	1.9%	17,421	4.3%	1,223	1.3	6.3%	10.5
16	Köln	Office	Core+	17.6	1.6%	9,108	-	1,932	1.0	5.6%	0.8
17	Quickborn	Office	Core+	17.3	1.5%	10,570	0.5%	1,637	1.2	7.1%	3.1
28	Stahnsdorf	Office	Value-Add	17.3	1.5%	17,110	-	1,011	2.0	11.3%	1.9
19	Neumünster	Office	Value-Add	16.9	1.5%	11,808	1.5%	1,431	1.1	6.3%	6.7
20	Langen	Office	Value-Add	16.5	1.5%	13,681	31.5%	1,206	1.0	6.1%	2.9
	Top 20 Properties			747.2	66.0%	586.4	8.2%	1,274	47.5	6.4%	4.3
	Other Properties			383.7	34.0%	340.1	8.5%	1,127	25.8	6.7%	4.3
	Total Properties			1,131.3	100.0%	926.5	8.3%	1,220	73.3	6.5%	4.3

(2) Including other external spaces of 31,743 sqm