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**DEMIRE Deutsche Mittelstand Real Estate AG**

**Conference Call – Results H1 2019**

*14 August 2019*



## Disclaimer

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This document includes 'forward-looking statements'. Forward-looking statements are all statements which do not describe facts of the past but contain the words "believe", "estimate", "expect", "anticipate", "assume", "plan", "intend", "could", and words of similar meaning. These forward-looking statements are subject to inherent risks and uncertainties since they relate to future events and are based on current assumptions and estimates of the Company, which might not occur at all or occur not as assumed. They therefore do not constitute a guarantee for the occurrence of future results or performances of the Company. The actual financial position and the actual results of the Company as well as the overall economic development and the regulatory environment may differ materially from the expectations which are assumed explicitly or implicitly in the forward-looking statements and do not comply to them. Therefore, investors are warned to base their investment decisions with respect to the Company on the forward-looking statements mentioned in this document.

# Agenda

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**Highlights H1 2019**

**Portfolio Update**

**Financials**

**Outlook**

# Strategy Update

## REALize Potential

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### Strategic Goals

Acquisitions



Portfolio growth through  
the ongoing purchase of real estate in ABBA locations

Asset-Management



Realising real estate potential  
through active and value-oriented real estate management

Financing



Realising enhancement potential in our financing structure

Processes



Realising optimisation of processes and structures

# Highlights H1 2019

## Recent Acquisitions and strong operational Performance lead to Guidance Increase

### FFO & EPRA-NAV

- » **FFO I** (after taxes, before minorities) **significantly increased to € 15.9m** (H1 2018: € 11.4m)
- » **EPRA-NAV per share up to € 5.85** (diluted, +6.3% vs. 31 December 2018)

### PORTFOLIO

- » **€ 0.3bn growth to overall € 1.4bn** during the current year based on two acquisitions with nine assets
- » **Strong letting performance** with letting activities of c. **126,900 sqm** in H1 2019
- » **Increased rental income of € 38.2m** (H1 2018: € 36.6m) mainly due to recently acquired office portfolio
- » **WALT** across portfolio at **4.8 years**, including the recently acquired Karstadt portfolio
- » External portfolio valuation leads to **revaluation gains of c. € 29.1m**
- » **EPRA-Vacancy at 10.3%** incl. Karstadt portfolio
- » **Profit from rental up 13.9%** to **€ 32.0m** due to meaningful operational improvements

### FINANCING

- » **Net-LTV** after refinancing activities at comfortable **44.3%** (31 December 2018: 38.7%) leaves further headroom
- » **Average cost of debt** lowered to **2.78% p.a.<sup>(1)</sup>**

### GUIDANCE

- » **2019 Guidance raised** as a result of a strong first half of the year:
  - » **Rental income € 80.5-82.5m** on current portfolio incl. recently acquired Karstadt portfolio
  - » **FFO I** (after taxes, before minorities) **€ 30.0-32.0m**, primarily related to recent acquisitions, operational improvements and lower financing costs

# Agenda

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**Highlights H1 2019**

**Portfolio Update**

**Financials**

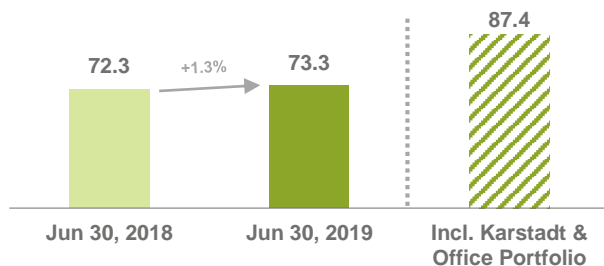
**Outlook**

# Leasing Performance H1 2019

## Recently acquired Karstadt Portfolio boosts Rental Income and improves Vacancy

### Like-for-like Rental Growth

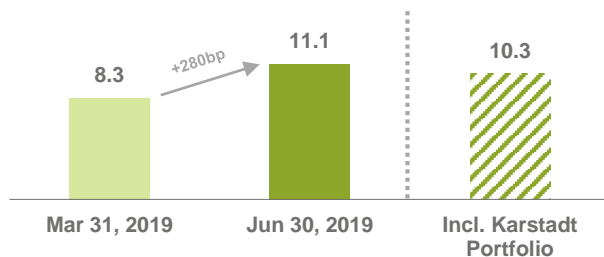
Annualised contractual Rent<sup>(1)</sup> (€ m)



- » Compared to 30 June 2018, **like-for-like rental growth** of 1.3%, primarily driven by indexations, step up rents and extended and new leases
- » After closing of the Karstadt portfolio effective 1 July 2019, annualised rental income up to € 87.4m
- » **EPRA-Vacancy rate** up by 280 bps to 11.1%, mainly due recently acquired value-add office-portfolio, with already signed rental contracts improving vacancy in the further course of the year
- » On a pro forma basis, EPRA-Vacancy lower at 10.3%

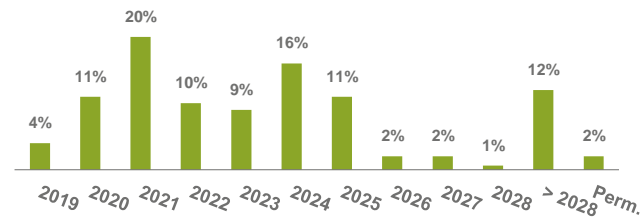
### Vacancy slightly higher

EPRA-Vacancy (in %)



### Low Level of upcoming Lease Maturities

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



(1) Excluding service charges  
 (2) Over term of leases signed, incl. Karstadt portfolio

# Portfolio Breakdown

## Acquisitions significantly improve Portfolio KPI's

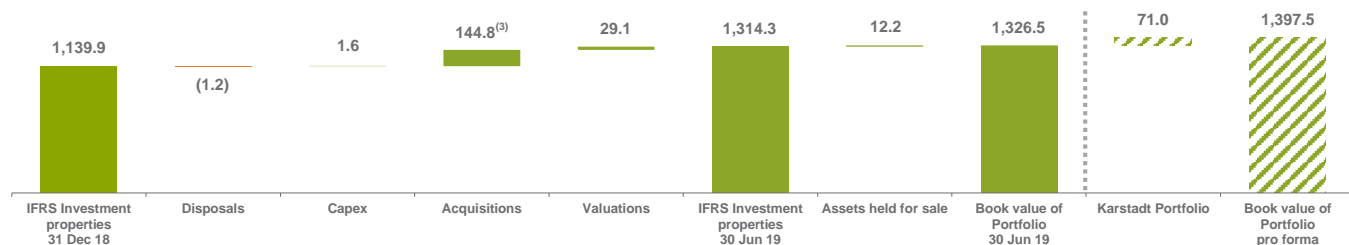
### Attractive Yield and WALT across Asset Classes<sup>(1)</sup>

	No. of properties	GAV (€ m)	GRI p.a. (€ m) <sup>(2)</sup>	GRI p.a. (€m <sup>2</sup> p.m.) <sup>(2)</sup>	GRI Yield (%)	EPRA-Vacancy (%)	WALT (Years)
Office	64	953.8	58.3	8.6	6.1	11.7	3.8
Retail	21	337.1	22.7	9.0	6.7	6.4	7.8
Logistics	1	68.6	4.4	2.3	6.4	14.4	2.2
Other	6	38.1	2.0	4.4	5.3	0.2	5.4
<b>Total (H1 2019)</b>	<b>92</b>	<b>1,397.5</b>	<b>87.4</b>	<b>7.5</b>	<b>6.3</b>	<b>10.3</b>	<b>4.8</b>
<b>Total (H1 2018)</b>	<b>87</b>	<b>1,104.7</b>	<b>72.5</b>	<b>7.1</b>	<b>6.6</b>	<b>7.8</b>	<b>4.7</b>
<i>Change</i>	<i>5 units</i>	<i>26.5%</i>	<i>20.5%</i>	<i>6.0%</i>	<i>(30 bp)</i>	<i>250 bp</i>	<i>0.1</i>

- » Compared to 31 Dec 2018, value of **investment properties** increases by 22.6% to almost € 1.4m due to acquisitions and revaluation gains
- » **Average asset value** at € 15.2m (H1 2018: € 12.7m)
- » **Assets held for sale:** one property sold in H1 2019, further divestments of non-strategical assets to follow until year end
- » Solid **GRI-Yield** of 6.3% across the portfolio

### Development of Investment Properties

€ m



(1) Pro forma, incl. Karstadt Portfolio

(2) Annualised contractual rent excl. service charges

(3) € 21.8m down payment for acquisitions already included in IFRS Investment properties 31 Dec 18



## Recent Acquisition: Karstadt-Portfolio

Five Department Stores with strong Cashflows and long WALT – Closing effective 1 July 2019

	<b>Celle</b> Bergstrasse 1 & 44-46	<b>Goslar</b> Rosentorstrasse 1	<b>Memmingen</b> Königsgraben 3	<b>Offenburg</b> Lindenplatz 3	<b>Trier</b> Simeonstrasse 46
					
Property Value	€ 20.5m	€ 13.7m	€ 11.8m	€ 17.2m	€ 7.8m
Lettable Area	17,715 sqm	9,194 sqm	12,609 sqm	13,276 sqm	18,433 sqm
EPRA-Vacancy	0.0%	0.0%	0.0%	0.0%	0.0%
GRI	€ 1.5m	€ 0.8m	€ 0.6m	€ 1.1m	€ 1.2m
WALT	13.8 years	17.0 years	13.8 years	13.8 years	13.8 years

<b>Property Value</b>	<b>Total lettable Area</b>	<b>WALT</b>	<b>GRI</b>	<b>EPRA-Vacancy</b>
<b>€ 71.0m</b>	<b>71,227 sqm</b>	<b>14.3 years</b>	<b>€ 5.3m</b>	<b>0.0%</b>

# Agenda

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**Highlights H1 2019**

**Portfolio Update**

**Financials**

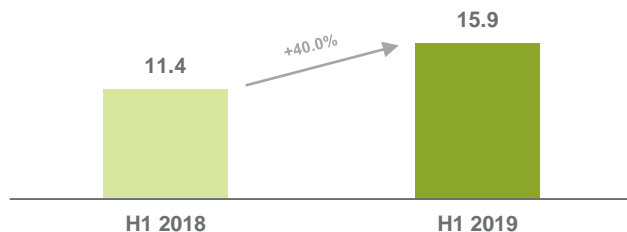
**Outlook**

## Selected P&L Positions

Strong operational Performance and recent Acquisitions strengthening P&L

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

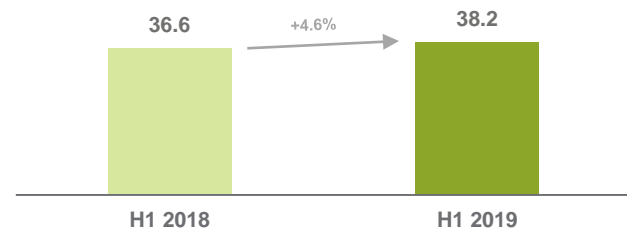
€ m



- » **FFO I** significantly improved due to operational performance, new acquisitions, lower interest expenses and improved tax burden
- » **Rental income** up to € 38.2m, mainly driven by addition of office portfolio
- » **Profit from rental** up 14% to € 32.0m due to improvement in utility costs and service charges management and new acquisitions
- » Profit for the period excl. revaluation gains turned positive

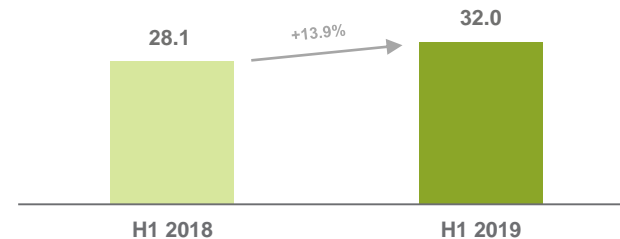
### Rental Income

€ m



### Profit from the Rental of Real Estate

€ m



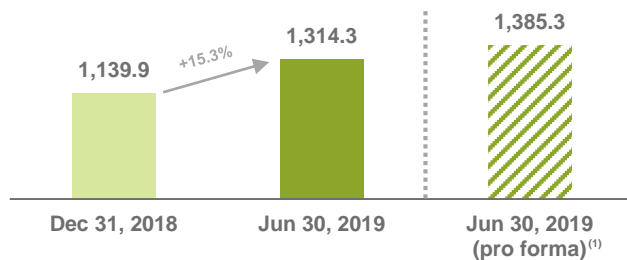
(1) After taxes, before minorities

## Selected Balance Sheet Positions

Investment Property Value up by c. 15% due to Acquisitions and Revaluation Gains

### Investment Properties

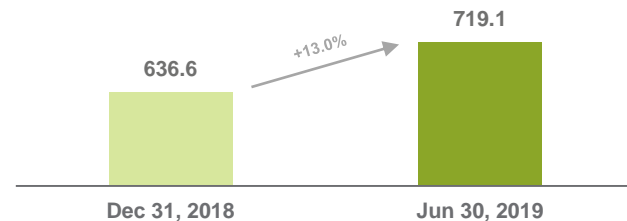
€ m



- » Increase in **investment property value** mainly due to acquisition of office portfolio in Q2 2019 with Karstadt portfolio leading to further growth
- » New secured loan increases **financial debt**
- » Driving **Net LTV to solid 44.3%**
- » **EPRA-NAV per share** (diluted) increased by 35 cent per share or 6.3% to € 5.85

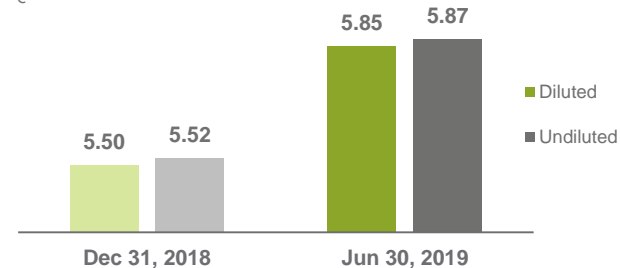
### Financial Debt

€ m



### EPRA-NAV per Share diluted/undiluted

€



(1) Incl. Karstadt portfolio

# Financial Profile

## Strong Capital Structure further improved

### Financing KPIs as of 30 June 2019

Gross debt € 719.1m

Net LTV 44.3%

Average cost of debt 2.78%<sup>(1)</sup>

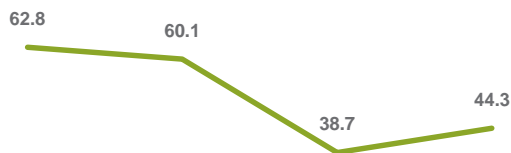
Interest rate fixed 95.2%

### Financing Structure as of 30 June 2019

Tranche	IFRS-Amount (€ m)	Margin / Coupon
Cash and Cash Equivalents	(130.8)	
Senior Unsecured Notes	361.9	2.875%
Bank Loans	118.8	1.150% - 3.250%
Promissory Notes	135.7	4.000%
Total Fair Value REIT AG-Debt	97.7	2.2174%
Other <sup>(2)</sup>	4.9	
<b>Net Financial Debt</b>	<b>588.3</b>	

### Leverage on a solid Level after new Financing

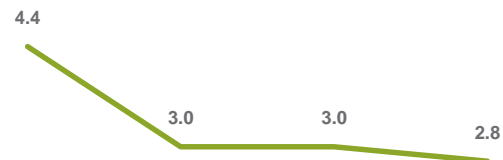
Net LTV in %



Dec 31, 2016 Dec 31, 2017 Dec 31, 2018 Jun 30, 2019

### Recently issued secured Loan decreases average Cost of Debt

Average cost of debt in %<sup>(1)</sup>



Dec 31, 2016 Dec 31, 2017 Dec 31, 2018 Jun 30, 2019

(1) Based on nominal interest  
 (2) Incl. accrued interest payable

# Agenda

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**Highlights H1 2019**

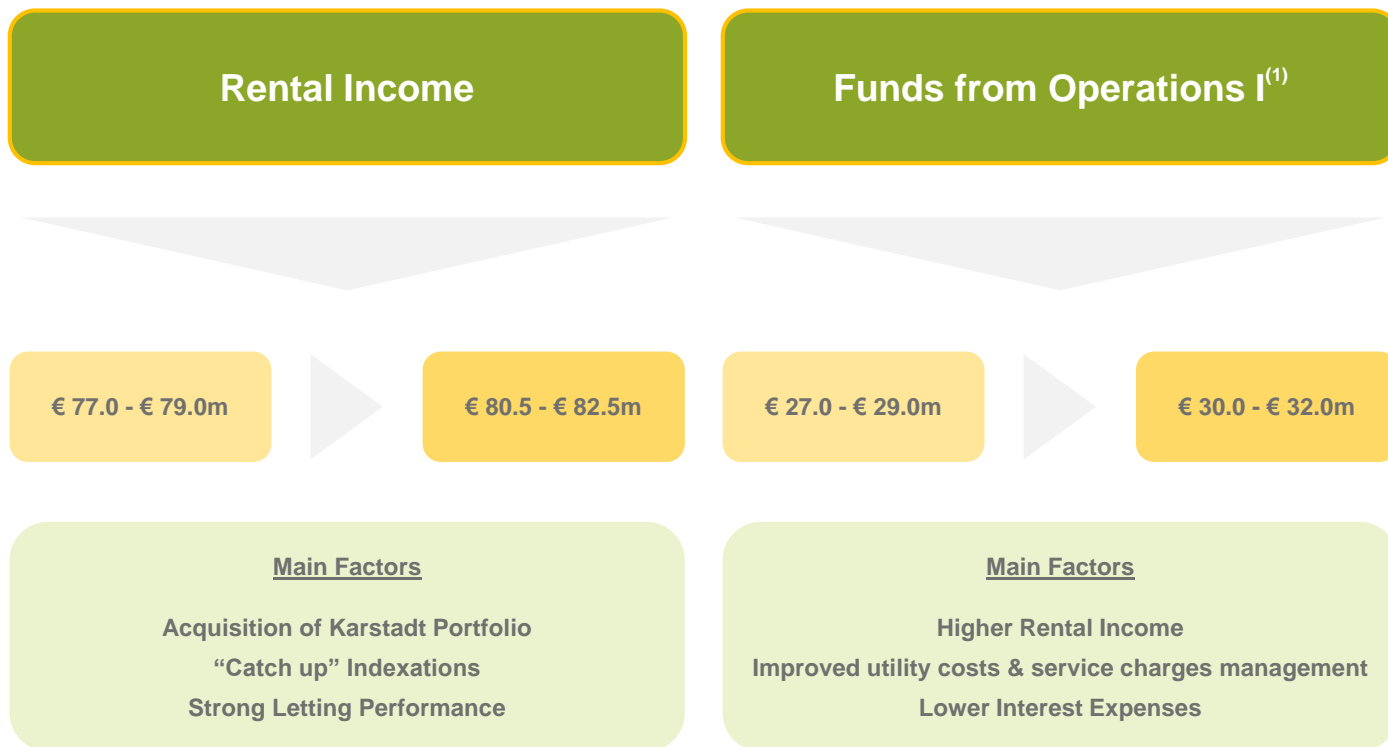
**Portfolio Update**

**Financials**

**Outlook**

## Summary & Outlook

Guidance lifted: higher Rental Income and FFO I



(1) After taxes, before minorities

# Contact Details & Financial Calendar 2019



## Michael Tegeder - Head of Investor Relations & Corporate Finance

Phone: + 49 (0) 61 03 372 49 44

Fax: + 49 (0) 61 03 372 49 11

Email: [ir@demire.ag](mailto:ir@demire.ag)

Web: [www.demire.ag/en/investor-relations](http://www.demire.ag/en/investor-relations)

## Financial Calendar 2019

03 September	SRC Forum Financials & Real Estate 2019
23 September	Berenberg & Goldman Sachs German Corporate Conference, Munich
24 September	Baader Investment Conference, Munich
14 November	Interim Results Q3 2019
26 November	Deutsches Eigenkapitalforum 2019, Frankfurt

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

Symbol / Ticker	DMRE
Share Price (XETRA)	€ 4.82
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market Capitalisation	€ 519.5m
Free Float <sup>(2)</sup>	11.43%
Shares Outstanding	107,777,324

(1) As of 13 August 2019

(2) Holdings < 3%





# Appendix I

Additional Financial Information

# P&L H1 2019

## Operational Performance improved

P&L (in € k)	H1 2019	H1 2018
Rental income	38,226	36,557
Income from utility and service charges	11,278	8,803
Other operating expenses to generate rental income	-17,519	-17,289
<b>Income from the rental of real estate</b>	<b>1 31,985</b>	<b>28,071</b>
Profit/loss from the sale of real estate companies	-135	-11
Profit/loss from fair value adjustments in investment properties	2 29,135	70,099
Other operating income and other effects	2	-8
General and administrative expenses	3 -5,797	-12,771
Other operating expenses	-281	-1,090
<b>Earnings before interest and taxes (EBIT)</b>	<b>54,908</b>	<b>84,290</b>
Financial income	475	251
Financial expenses	-11,774	-13,394
Minorities	4 -2,734	-8,788
<b>Earnings before taxes (EBT)</b>	<b>40,874</b>	<b>62,359</b>
Current income taxes	-1,028	-292
Deferred taxes	-5,691	-17,394
<b>Net profit/loss for the period</b>	<b>34,156</b>	<b>44,673</b>
Of which attributable to		
Non-controlling shareholder	2,380	5,166
Parent company shareholder	31,775	39,507

- 1 Higher income from the rental of real estate, driven by recent acquisitions and improved income from utilities
  - » Maintenance down due to higher capitalisation and operational savings
- 2 Almost 2.2% revaluation gains
- 3 G&A expenses improved, driven mainly by lower advisory and consultancy fees
- 4 Minorities at FVR Funds decreased, as the FVR assets delivered lower revaluation gains than the DEMIRE assets
  - » FFO (after tax, before minorities) in H1 2019 up 40.0% to € 15.9m (H1 2018: € 11.4m)

## Balance Sheet

### Recent Acquisition leads to increased Investment Property Value

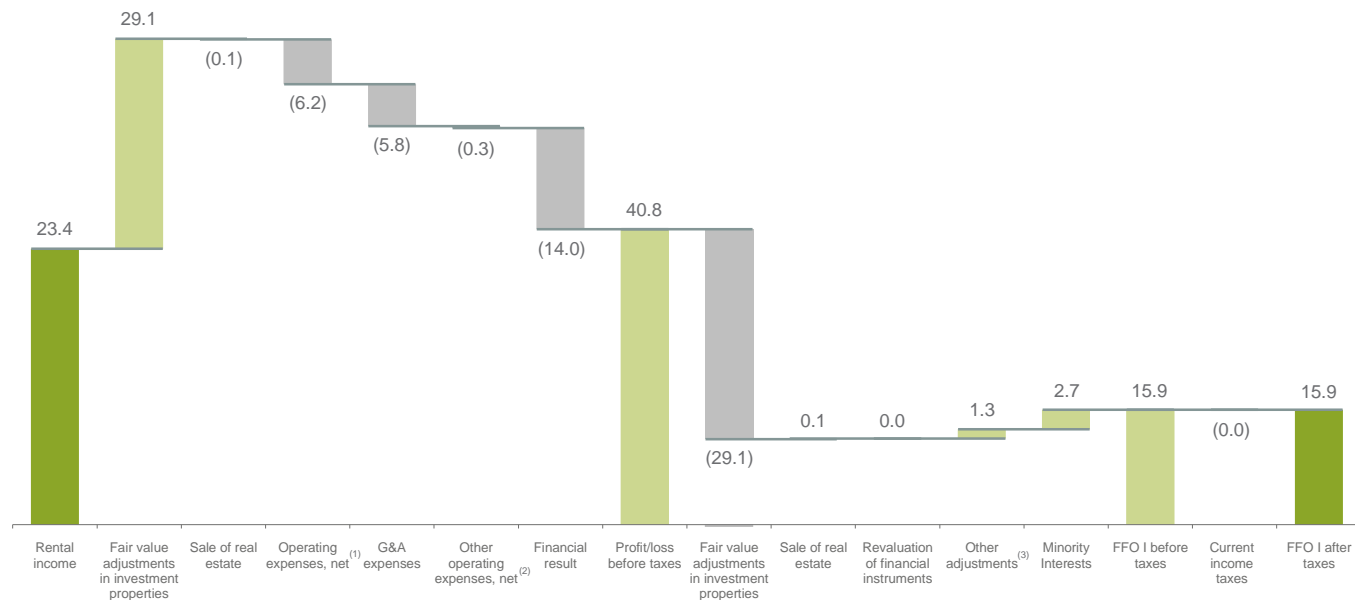
Balance Sheet (in € k)	30.06.2019	31.12.2018
<b>ASSETS</b>		
Investment properties	1 1,314,270	1,139,869
Properties held for sale	12,262	12,262
Other assets	43,997	36,119
Cash and cash equivalents	130,791	190,442
<b>Total assets</b>	<b>1,501,320</b>	<b>1,378,692</b>
<b>EQUITY AND LIABILITIES</b>		
Subscribed capital	107,777	107,777
Reserves	461,915	430,136
Equity attributable to parent company shareholder's	569,692	537,913
Non-controlling interests	46,388	44,425
<b>Total Equity</b>	<b>616,081</b>	<b>582,338</b>
Minority interest	74,057	73,085
Non-current financial debt	676,145	606,404
Current financial debt	42,915	30,168
Other liabilities	92,122	86,697
<b>Total liabilities</b>	<b>885,239</b>	<b>796,354</b>
<b>Total Equity and liabilities</b>	<b>1,501,320</b>	<b>1,378,692</b>

- 1 Increase in investment properties mainly driven by recent acquisition
  - 2 Decrease related to funding of new office buildings
  - 3 Increase primarily driven by revaluation gains
  - 4 Higher financial debt connected to debt issuance for recent acquisition
- » EPRA-NAV per Share (diluted) up by 35 Cents to € 5.85 from end of 2018

# Funds From Operations (FFO) Reconciliation – H1 2019

H1 2019

€ m



(1) Includes income from utility and service charges of € 11.3m and operating expenses to generate rental income of € (17.5)m

(2) Includes impairment of receivables of € (0.5)m, other operating income of € 0.5m and other operating expenses of € (0.3)m

(3) Other adjustments relate to effective interest rate payments of € 1.8m and one time administration costs of € (0.5)m

The background is a solid green color with several horizontal stripes of a darker shade of green. A white, irregularly shaped area is positioned on the left side, containing the text. The stripes are more densely packed in some areas and more spread out in others, creating a dynamic, layered effect.

# **Appendix II**

**Additional Portfolio Information**

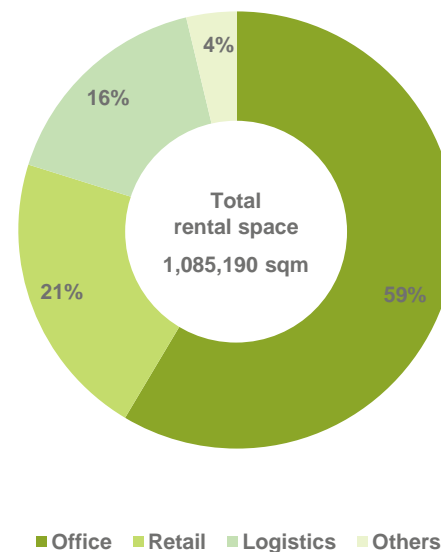
# Overview of the Real Estate Portfolio by Region

## Property Locations as of 30 June 2019 (pro forma, incl. Karstadt portfolio)

	Number of Properties	GAV (€ m)	Total rental space (sqm)	EPRA-Vacancy (%)
Baden-Wuerttemberg	5	161.0	98,449	2.1%
Bavaria	9	152.2	119,993	12.8%
Berlin	1	9.3	7,125	21.3%
Brandenburg	4	51.6	51,206	20.1%
Bremen	10	44.8	34,560	28.7%
Hamburg	1	9.4	3,989	0.0%
Hesse	7	174.2	96,416	25.3%
Mecklenburg-Western Pomerania	6	119.8	58,036	4.9%
Lower Saxony	6	50.2	48,662	0.9%
North Rhine-Westphalia	16	324.7	178,383	7.3%
Rhineland Palatinate	4	20.3	30,961	1.1%
Saxony	11	171.7	264,903	9.8%
Saxony-Anhalt	3	36.6	25,316	3.5%
Schleswig-Holstein	8	69.8	61,686	2.2%
Thuringa	1	1.8	5,505	0.0%
<b>Germany</b>	<b>92</b>	<b>1,397.5</b>	<b>1,085,190</b>	<b>10.3%</b>

## Portfolio split by asset class

sqm



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

## Overview of Top 20 Assets

### Top 20 Properties as of 30 June 2019 (pro forma, incl. Karstadt portfolio)

	City	Asset Class	GAV (€ m)	Share (%)	Total rental space ('000 sqm)	EPRA-Vacancy (%)	GAV/sqm (€)	GRI p.a. <sup>(1)</sup> (€ m)	GRI Yield (%)	WALT (Years)
1	Essen	Office	89.8	6.4%	45,464	13.5%	1,975	5.0	5.6%	3.0
2	Bonn	Office	89.1	6.4%	38,353	0.0%	2,323	5.7	6.4%	5.7
3	Ulm	Office	80.9	5.8%	47,581	1.4%	1,700	4.3	5.4%	5.4
4	Rostock	Retail	70.7	5.1%	19,306	4.1%	3,662	4.4	6.2%	3.6
5	Leipzig	Logistic	68.6	4.9%	178,283 <sup>(2)</sup>	14.4%	385	4.4	6.4%	2.2
6	Kassel	Retail	62.2	4.5%	21,508	6.3%	2,892	3.6	5.8%	7.0
7	Bad Vilbel	Office	41.8	3.0%	26,033	63.1%	1,606	1.3	3.2%	4.3
8	Freiburg	Office	41.3	3.0%	22,674	0.0%	1,821	2.8	6.7%	1.7
9	Regensburg	Office	36.8	2.6%	29,219	0.0%	1,259	2.6	7.1%	1.7
10	Düsseldorf	Office	34.8	2.5%	24,307	22.1%	1,432	2.0	5.9%	3.7
<b>Top 10 Properties</b>			<b>616.0</b>	<b>44.1%</b>	<b>452,685</b>	<b>11.9%</b>	<b>1,361</b>	<b>36.2</b>	<b>5.9%</b>	<b>4.0</b>
11	Leipzig	Office	34.7	2.5%	23,260	5.5%	1,492	1.8	5.2%	3.1
12	Aschheim	Office	29.6	2.1%	12,151	11.7%	2,436	1.3	4.5%	2.7
13	Eschborn	Office	29.4	2.1%	18,889	0.0%	1,556	2.0	6.9%	5.5
14	Eisenhüttenstadt	Retail	28.5	2.0%	29,168	29.3%	977	2.1	7.5%	6.1
15	Lutherstadt Wittenberg	Retail	23.8	1.7%	14,710	5.7%	1,618	1.7	7.0%	4.9
16	Unterschleißheim	Office	23.2	1.7%	15,663	38.7%	1,481	1.0	4.1%	3.8
17	Zittau	Retail	21.4	1.5%	17,421	4.3%	1,228	1.3	6.1%	10.0
18	Flensburg	Office	21.4	1.5%	23,800	0.0%	899	1.7	8.1%	1.7
19	Cologne	Office	21.3	1.5%	5,184	0.4%	4,109	1.2	5.7%	5.6
20	Celle	Retail	20.5	1.5%	17,715	0.0%	1,157	1.5	7.3%	14.1
<b>Top 20 Properties</b>			<b>869.8</b>	<b>62.2%</b>	<b>630,6</b>	<b>11.8%</b>	<b>1,379</b>	<b>51.9</b>	<b>6.0%</b>	<b>4.5</b>
<b>Other Properties</b>			<b>527.7</b>	<b>37.8%</b>	<b>454,5</b>	<b>9.8%</b>	<b>1,161</b>	<b>35.5</b>	<b>6.7%</b>	<b>5.2</b>
<b>Total Properties</b>			<b>1,397.5</b>	<b>100.0%</b>	<b>1,085.2</b>	<b>10.3%</b>	<b>1,288</b>	<b>87.4</b>	<b>6.3%</b>	<b>4.8</b>

(1) Annualised contractual rent excl. service charges

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