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**DEMIRE Deutsche Mittelstand Real Estate AG**

**Conference Call – Results FY 2019**

*18 March 2020*



# Disclaimer

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# Agenda

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**Executive Summary**

**Portfolio Highlights**

**Financial Highlights**

**Outlook**

# Executive Summary

## ..How to REALize Potential!



(1) Closed in March 2020

(2) Four further assets signed in 2019 and closed beginning of 2020

(3) After taxes, before minorities

# Agenda

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**Executive Summary**

**Portfolio Highlights**

**Financial Highlights**

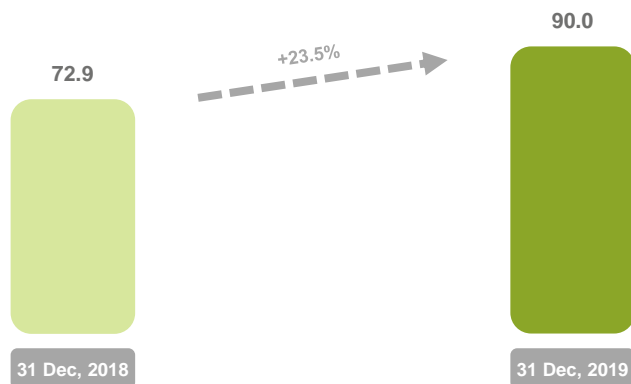
**Outlook**

# Leasing Performance FY 2019

## Rental Income boosted by Acquisitions and strong Letting Performance

### Strong Growth of Annualized Rent

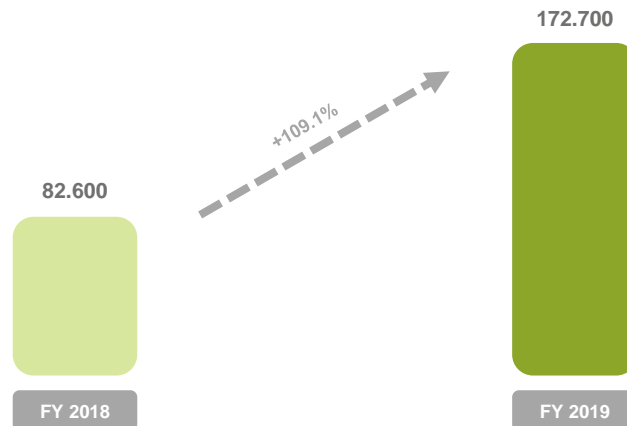
Annualized contractual Rent<sup>(1)</sup> (€ m)



- » **Substantial increase of annualized contractual rent** primarily based on the acquisitions of two portfolios and one asset in Neuss, slightly mitigated by the disposals of non-strategic assets
- » Strong letting performance further contributed to rental growth

### Letting Result more than doubled

New Lettings and Prolongations (sqm)



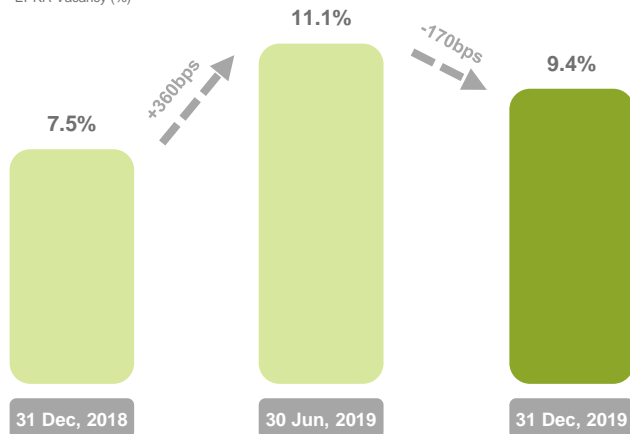
- » **Leased space** from new rental contracts and prolongations **increased by almost 110%**
- » Letting activities in FY 2019 secure **almost € 11.0m rental income** over the next years

## EPRA-Vacancy & WALT

EPRA-Vacancy and WALT significantly improved in the second Half of 2019

### EPRA-Vacancy down from Peak at end of H1 2019

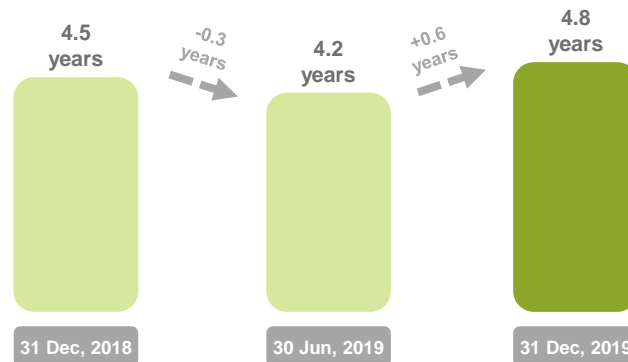
EPRA-Vacancy (%)



- » After closing of the office portfolio with a value-add component in April 2020, EPRA-Vacancy temporarily increased to over 11%
- » Integration of the Retail portfolio and strong letting performance in the second half of 2019 leads to a **170bps decrease of EPRA-Vacancy to 9.4%**

### Natural WALT Reduction stopped

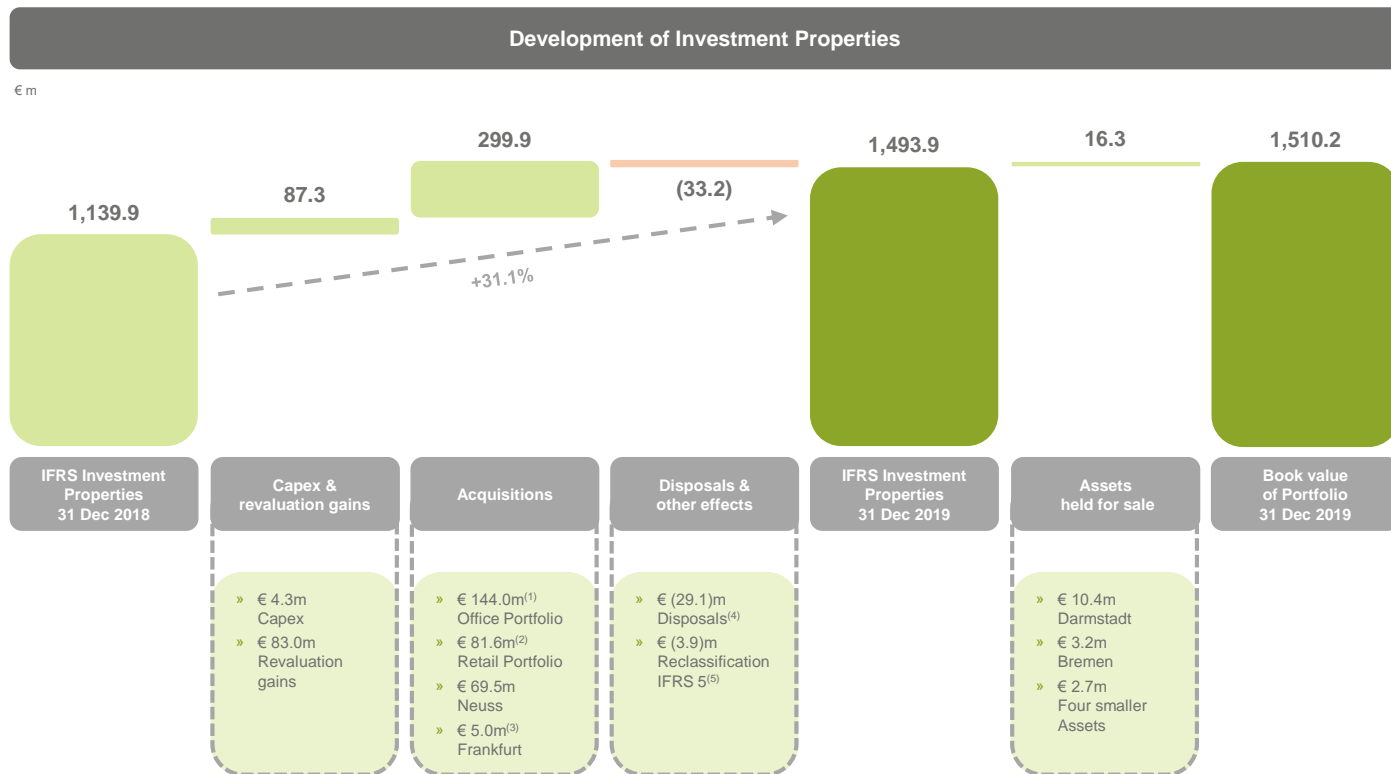
WALT (years)



- » Portfolio additions in the second half of 2019 and good letting result **improve WALT to 4.8 years**
- » **WALT** of new and prolonged lease contracts signed in 2019 accruing to **over 5 years**

## Portfolio Growth

### Significant Expansion of Portfolio Value due to Acquisitions and Revaluation Gains



(1) € 21.8m down payment for acquisitions included in IFRS Investment properties 31 Dec 18

(2) Incl. capitalization of leaseholds amounting to € 17.6m (Celle and Offenburg)

(3) Down payment, remaining purchase price settled in March 2020

(4) Stahnsdorf (€ 17.3m), Berlin (€ 8.8m), Wahlstedt (€ 1.2m), Rendsburg (€ 1.9m)

(5) Assets held for sale

## REALize Potential Case Study

**Bad Vilbel:** Vacancy decreased from almost 70% to c. 22% within one Year



Konrad Adenauer Allee 1-11, Bad Vilbel

### REALize Potential Measures

- » Transformation from a single tenant property to a multi tenant asset
- » Establishing a tenant related asset- and property management approach
- » Optimization of the stacking plan
- » Marketing initiatives

### Achievements since Acquisition

	Closing Date <sup>(1)</sup>	Today <sup>(3)</sup>	Change
Purchase Price / Market Value	€ 31.0m	€ 44.2m	+43%
Vacancy	69.0%	22.0%	-47.0 p.p.
GRI <sup>(2)</sup>	€ 1.1m	€ 2.9m	+164%
WALT	4.6 years	7.5 years	+2.9 years

(1) 1 May 2019

(2) Annualized

(3) As of 31 December 2019, pro-forma new lettings

# REALize Potential Case Study

**Essen:** Attracting institutional Tenants resulting in GRI Growth of c. 24%



Theodor-Althoff-Straße 39-47, Essen

## REALize Potential Measures

- » Strategic asset management to attract institutional tenants with long-term lease agreements
- » Well connected within the market to avoid additional consultant / broker fees
- » Good relationships with tenants to create early contract extensions

## Achievements since Acquisition

	Closing Date <sup>(1)</sup>	Today <sup>(3)</sup>	Change
Purchase Price / Market Value	€ 81.5m	€ 97.6m	+20%
Vacancy	12.8%	10.4%	-2.4 p.p.
GRI <sup>(2)</sup>	€ 4.5m	€ 5.6m	+24%
WALT	3.1 years	4.5 years	+1.4 years

(1) 1 May 2019

(2) Annualized

(3) As of 31 December 2019, pro-forma new lettings

# Agenda

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**Executive Summary**

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**Outlook**

# Shortened Profit & Loss Statement FY 2019

Higher Rental Income, lower administrative Costs, higher Interest Expenses<sup>(1)</sup>, improved FFO I<sup>(2)</sup>

	FY 2019 (in € m)	FY 2018 (in € m)	Change (%)
Rental income	81.8	73.7	+11.0%
<b>Income from the rental of real estate</b> <sup>1</sup>	<b>65.5</b>	<b>58.5</b>	<b>+12.0%</b>
Profit/loss from the sale of real estate/-companies <sup>2</sup>	16.8	0.1	+ >100%
Profit/loss from fair value adjustments in investment properties	83.0	93.1	(10.8%)
Other operating income, expenses <sup>(3)</sup> and other effects	2.8	(3.9)	+ >100%
General and administrative expenses <sup>(3)</sup> <sup>3</sup>	(13.0)	(20.6)	(37.0%)
<b>Earning before interest and taxes (EBIT)</b>	<b>155.2</b>	<b>127.1</b>	<b>+22.1%</b>
Financial result <sup>(3)</sup> excl. minorities <sup>4</sup>	(49.6)	(25.9)	+91.1%
<b>Earnings before taxes (EBT) excl. minorities</b>	<b>105.6</b>	<b>101.1</b>	<b>+4.5%</b>
Profit/loss from the sale of real estate/-companies	(16.8)	(0.1)	(>100%)
Profit/loss from fair value adjustments in investment properties	(83.0)	(93.1)	+10.8%
Other adjustments <sup>5</sup>	29.2	15.9	+83.9%
Income taxes	(0.5)	(0.5)	(13.1%)
<b>Funds from operations I<sup>(2)</sup></b>	<b>34.5</b>	<b>23.4</b>	<b>+47.7%</b>

- <sup>1</sup> Higher income from the rental of real estate, driven by acquisitions in 2019 and improved income from utilities
- <sup>2</sup> Sale of four<sup>(4)</sup> non-strategic assets at a significant premium to market value
- <sup>3</sup> G&A expenses improved, driven mainly by lower advisory and consultancy fees
- <sup>4</sup> C. € 27.8m expenses related to the bond refinancing and repayment of the promissory note (early repayment fees and amortization of effective interest)
- <sup>5</sup> C. € 31.7m early repayment fees and amortization of effective interest, partly offset by negative adjustments for income items

» FFO I<sup>(2)</sup> up by c. 47.7% to € 34.5m, hitting the upper end of the guidance

(1) Lower financial expenses than last year after adjustments for costs of bond refinancing

(2) After taxes, before minorities

(3) Previous years figures have been adjusted due to amendments in the classification

(4) Four further assets signed in 2019 and closed beginning of 2020

# Shortened Balance Sheet 31 December 2019

## Balance Sheet Extension mainly based on Acquisitions

	31 Dec, 2019 (in € m)	31 Dec, 2018 (in € m)	Change (%)
<b>ASSETS</b>			
Investment properties <span>1</span>	1,493.9	1,139.9	+31.1%
Other assets and properties held for sale <span>2</span>	81.4	48.4	+68.2%
Cash and cash equivalents	102.1	190.4	(46.4%)
<b>TOTAL ASSETS</b>	<b>1,677.4</b>	<b>1,378.7</b>	<b>+21.7%</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Total equity</b>	<b>660.8</b>	<b>582.3</b>	<b>+13.5%</b>
Financial debt <span>3</span>	807.0	636.6	+26.8%
Other liabilities and minority interest	209.7	159.8	+31.2%
<b>Total liabilities</b>	<b>1,016.6</b>	<b>796.4</b>	<b>+27.6%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,677.4</b>	<b>1,378.7</b>	<b>+21.7%</b>

- 1 Increase in investment properties mainly driven by acquisitions in 2019 and revaluation gains, partly offset by disposals of non-strategic assets
- 2 Primarily related to purchase price claim for the sale of the asset in Berlin
- 3 Bond refinancing leads to increased debt volume, given higher nominal amount

### EPRA-NAV per Share (diluted / undiluted)



» EPRA-NAV per share (diluted) up by 82 Cents to € 6.32 from end of 2018

# Refinancing of outstanding Bond 17/22

## Successful Placement of € 600m Senior Notes @ 1.875% Coupon

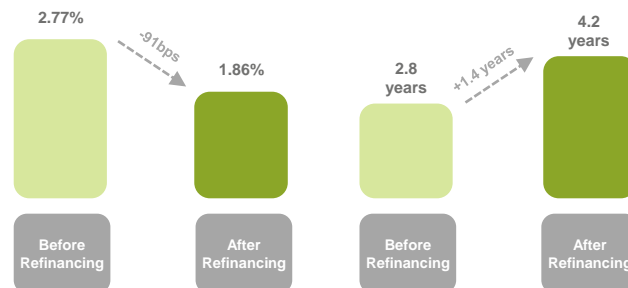
### Transaction Summary

- » In October 2019, DEMIRE successfully placed an **unsecured, rated bond of € 600m with a coupon of 1.875% and a maturity of five years**
- » Rating of the bond by S&P and Moody's **BB+/Ba2** while company rating remains unchanged
- » Net proceeds have been used to call the outstanding bond 17/22 and **pay back the amount of c. € 370m**
- » Remaining balance of c. € 230m has been used to **refund the outstanding promissory notes due 2022** (c. € 150m) and, together with already existing cash, for acquisitions of two assets (c. € 115m<sup>(1)</sup>)

### Key Benefits of the Refinancing

Significant decrease in average nominal financing costs

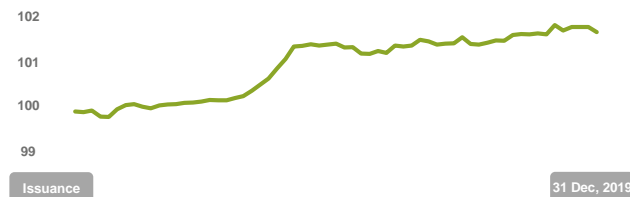
Prolongation of the average duration of liabilities



### Bond Covenants: comfortable Headroom

	Breach at...	Actual (31 Dec, 2019)
Maintenance Interest Coverage Ratio	< 1.75x <sup>(2)</sup>	2.82x ✓
Net LTV <sup>(3)</sup>	> 60%	44.9% ✓
Net Secured LTV <sup>(4)</sup>	> 40%	7.3% ✓

### Bond trading over Par in 2019<sup>(5)</sup>



(1) C. € 75m paid in 2019, remaining amount settled in March 2020

(2) Last twelve months, until 31 March 2021, then step up to 2.00x

(3) Net debt / Total assets (excl. cash & goodwill)

(4) Net secured debt / Total assets (excl. cash & goodwill)

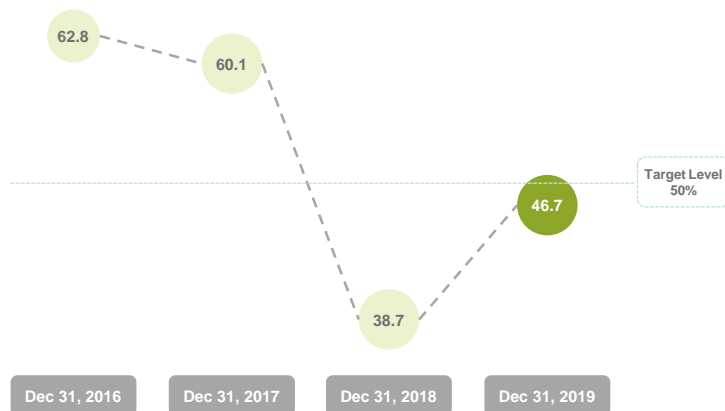
(5) Source: FactSet

## Key financial KPI's

### Refinancing Activities increase Net LTV and decrease average Cost of Debt

#### Leverage approaching Target of 50%

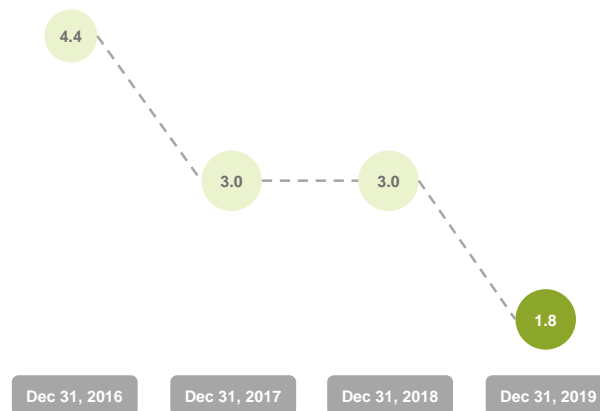
Net LTV (in %)



- » After substantial deleveraging in 2018, **Net LTV about 3.3% below target level of 50%**
- » After closing of the acquisition of the Hotel in Frankfurt, Net LTV expected to slightly increase

#### Substantially lower average Cost of Debt

Average Cost of Debt (in %)<sup>(1)</sup>



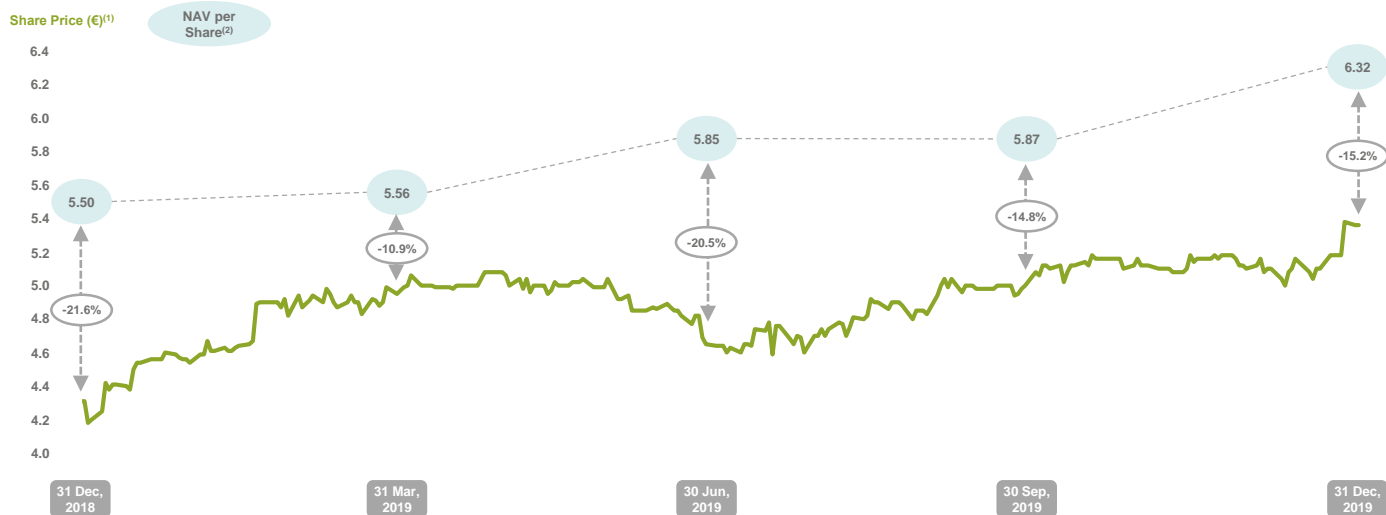
- » **Significantly lower average cost of debt due to two factors:**
  - » € 97m secured loan issued in June 2019
  - » Repayment of DEMIRE's bond 17/22 and the Schulscheindarlehen with proceeds of the new bond 19/24 issued in October 2019

(1) Based on nominal interest rate

## DEMIRE's Share

### Comparison of Share Price and NAV per Share indicate Undervaluation

Average NAV Discount c. 15% since end of 2018



- » Despite strong share price performance in 2019 (+24.4%), NAV gap only moderately smaller y-o-y
- » NAV discount still 15.2% at end of 2019, indicating further growth potential

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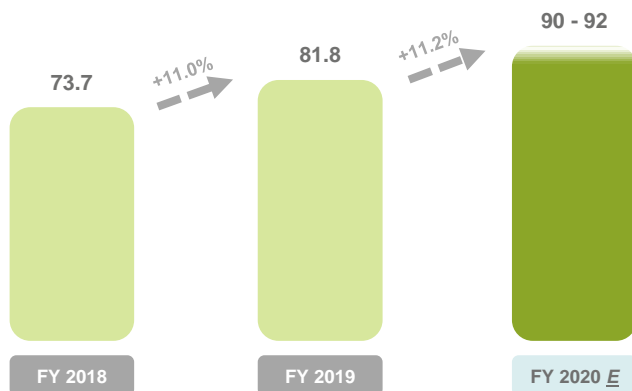
**Outlook**

## Guidance 2020

### Rental Income & Funds from Operations I<sup>(1)</sup>: Growth over past Years to be continued

#### Rental Income Guidance 2020

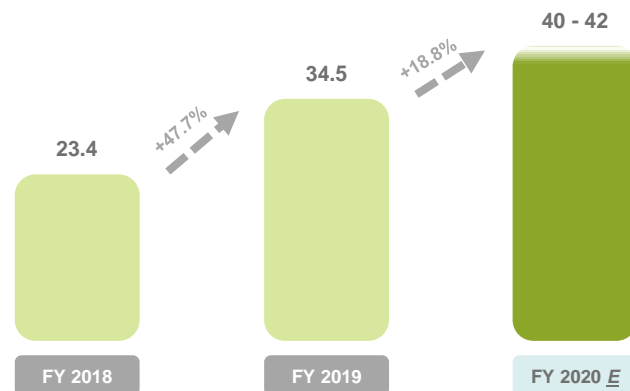
€ m



- » **Guidance for rental income 2020 at € 90-92m**, representing another c. 11% uplift y-o-y
- » **€ 8-10m increase compared to FY 2019** mainly based on full year effect of acquisitions 2019 and strong letting result, slightly mitigated by selective disposals

#### Funds from Operations I<sup>(1)</sup> Guidance 2020

€ m



- » **Guidance for FFO I<sup>(1)</sup> 2020 at € 40-42m**, almost 19% improvement compared to FY 2019
- » Besides growth of rental income, other accretive factors are **lower expected interest expenses due to the bond refinancing and lower administrative costs**

(1) After taxes, before minorities

# Contact Details & Financial Calendar 2020

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## Financial Calendar 2020

**18 March 2020**

Annual Report 2019

**20 May 2020**

Interim Results Q1 2020

**25 June 2020**

Annual General Meeting 2020

**19 August 2020**

Half Year Results 2020

**17 November 2020**

Interim Results Q3 2020

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

**Symbol / Ticker**

DMRE

**Share Price (XETRA)**

€ 5.36

**Market Segment**

Prime Standard

**ISIN**

DE000A0XFSF0

**Market Capitalisation**

€ 577.7m

**Free Float<sup>(2)</sup>**

11.43%

**Shares outstanding**

107,777,324

<sup>(1)</sup> As of 31 December 2019

<sup>(2)</sup> Holdings < 3%



# Appendix I

## Additional Financial Information

# Profit & Loss Statement FY 2019

## Acquisitions boost Rental Income

	FY 2019 (in € m)	FY 2018 (in € m)
Rental Income	81.8	73.7
Income from utility and service charges	19.6	15.1
Other operating expenses to generate rental income	(35.9)	(30.3)
<b>Income from the rental of real estate</b> <sup>1</sup>	<b>65.5</b>	<b>58.5</b>
Profit/loss from the sale of real estate/-companies <sup>2</sup>	16.8	0.1
Profit/loss from fair value adjustments in investment properties	83.0	93.1
Other operating income and other effects	3.7	0.6
General and administrative expenses <sup>(1)</sup> <sup>3</sup>	(13.0)	(20.6)
Other operating expenses <sup>(1)</sup>	(0.9)	(4.5)
<b>Earning before interest and taxes (EBIT)</b>	<b>155.2</b>	<b>127.1</b>
Financial income <sup>(1)</sup>	1.3	0.5
Financial expenses <sup>4</sup>	(50.9)	(26.4)
Minorities	(7.7)	(12.4)
<b>Earnings before taxes (EBT)</b>	<b>97.9</b>	<b>88.8</b>
Current income taxes <sup>5</sup>	(4.7)	(0.5)
Deferred taxes	(13.5)	(19.2)
<b>Net profit/loss for the period</b>	<b>79.7</b>	<b>69.1</b>
Of which attributable to:		
Non controlling shareholder	4.2	7.5
Parent company shareholder	75.5	61.6

- 1** Higher income from the rental of real estate, driven by acquisitions in 2019 and improved income from utilities
- 2** Sale of four<sup>(2)</sup> non-strategic assets at a significant premium to market value
- 3** G&A expenses improved, driven mainly by lower advisory and consultancy fees
- 4** C. € 27.8m expenses related to the bond refinancing and repayment of the promissory note (early repayment fees and amortization of effective interest)
- 5** Related to the sale of assets (eliminated in FFO calculation)
  - » FFO (after taxes, before minorities) in FY 2019 up 47.7% to € 34.5m (FY 2018: € 23.4m)

(1) Previous years figures have been adjusted due to amendments in the classification

(2) Four further assets signed in 2019 and closed beginning of 2020

# Balance Sheet 31 December 2019

## Acquisitions in 2019 lead to increased Investment Property Value

	31 Dec, 2019 (in € m)	31 Dec, 2018 (in € m)
<b>ASSETS</b>		
Investment properties 1	1,493.9	1,139.9
Properties held for sale 2	16.3	12.3
Other assets 3	65.1	36.1
Cash and cash equivalents	102.1	190.4
<b>TOTAL ASSETS</b>	<b>1,677.4</b>	<b>1,378.7</b>
<b>EQUITY &amp; LIABILITIES</b>		
Subscribed capital	107.8	107.8
Reserves	505.6	430.1
<b>Equity attributable to parent company shareholders</b>	<b>613.4</b>	<b>537.9</b>
Non-controlling interests	47.4	44.4
<b>Total equity</b>	<b>660.8</b>	<b>582.3</b>
Minority interest	78.7	73.1
Non-current financial debt 4	737.8	606.4
Current financial debt 5	69.1	30.2
Other liabilities	131.0	86.7
<b>Total liabilities</b>	<b>1,016.6</b>	<b>796.4</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,677.4</b>	<b>1,378.7</b>

- 1 Increase in investment properties mainly driven by acquisitions in 2019 and revaluation gains, partly offset by disposals of non-strategic assets
- 2 Reclassification of three smaller assets
- 3 Primarily related to purchase price claim for the sale of the asset in Berlin
- 4 Bond refinancing leads to increased debt volume, given higher nominal amount
- 5 Increase due to reclassification of three loans from non-current to current financial debt

» EPRA-NAV per share (diluted) up by 82 Cents to € 6.32 from end of 2018

## Financing Structure

Senior Notes represent over 70% of gross financial Debt

Financing Structure (31 December 2019)		
Tranche	IFRS Amount (€ m)	Margin / Coupon <sup>(1)</sup>
Senior unsecured notes	590.0	1.875%
Bank loans	116.9	1.150% - 3.250%
Fair Value REIT-AG debt	97.6	2.2174% <sup>(2)</sup>
Other <sup>(3)</sup>	19.7	
<b>Gross financial debt</b>	<b>824.2</b>	
<b>Cash &amp; cash equivalents</b>	<b>102.1</b>	
<b>Net financial debt excl. ground rents</b>	<b>704.9</b>	
<b>Net LTV</b>	<b>46.7%</b>	

(1) Based on nominal interest rate  
 (2) Average across all Fair Value REIT-AG debt  
 (3) Mainly ground rents

# Funds From Operations I Reconciliation

FY 2019



(1) Includes income from utility and service charges of € 19.6m and op. expenses to generate rental income of € (35.9)m

(2) Includes impairment of receivables of € (0.6)m, other op. income of € 4.3m and other op. expenses of € (0.9)m

18 March 2020

(3) Other adjustments relate to effective interest rate payments of € 3.9m, prepayment fee of the bond and the Schuldscheindarlehen amounting to € 27.8m and other effects of € (2.5)m

# Appendix II

Additional Portfolio Information

# Overview of the Real Estate Portfolio

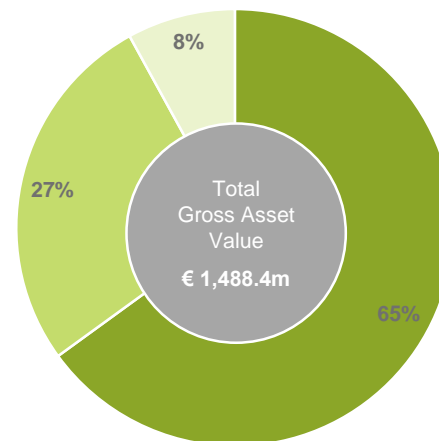
## Split by Region and Asset Class

Property Locations<sup>(1)</sup>

	# of Properties	GAV (€ m)	EPRA-Vacancy (%)	Total rental space (k sqm)
Baden-Wuerttemberg	5	163.1	5.2	99.1
Bavaria	9	157.0	12.6	119.9
Brandenburg	3	33.5	26.0	34.2
Bremen	10	47.5	24.4	34.6
Hamburg	1	9.7	0.0	4.0
Hesse	7	180.0	19.7	97.6
Mecklenburg-Western Pom.	6	123.0	3.1	58.0
Lower Saxony	6	51.5	0.9	52.9
North Rhine-Westphalia	17	413.7	6.2	234.1
Rhineland Palatinate	4	20.5	7.7	29.9
Saxony	11	181.8	9.0	265.8 <sup>(2)</sup>
Saxony-Anhalt	3	36.9	4.1	25.3
Schleswig-Holstein	7	68.3	1.6	57.8
Thuringia	1	1.9	54.7	5.6
<b>Germany</b>	<b>90</b>	<b>1,488.4</b>	<b>9.4</b>	<b>1,118.8</b>

Portfolio Split by Asset Class<sup>(1)</sup>

GAV (€ m)



■ Office ■ Retail ■ Logistics & Others

(1) As of 31 December 2019  
(2) Including other external spaces of 31,743 sqm

# Overview of the Real Estate Portfolio

## Top 20 Assets

### Property Locations<sup>(1)</sup>

	Asset Class	GAV (€ m)	Share (%)	EPRA-Vacancy (%)	Total rental space (k sqm)	GAV/sqm (€ k)	GRI p.a. (€ m) <sup>(2)</sup>	WALT (Years)
Essen	Office	97.6	6.6	11.5	45.5	2.1	5.3	4.0
Bonn	Office	91.6	6.2	0.0	38.3	2.4	5.7	5.2
Ulm	Office	83.2	5.6	1.7	47.6	1.7	4.3	4.9
Neuss	Retail	74.2	5.0	0.0	55.8	1.3	5.4	3.0
Rostock	Retail	72.8	4.9	0.7	19.3	3.8	4.5	3.3
Leipzig (LogPark)	Logistic	71.2	4.8	11.8	178.9 <sup>(3)</sup>	0.4	4.5	3.2
Kassel	Retail	63.3	4.3	4.2	21.5	2.9	3.6	6.7
Bad Vilbel	Office	44.2	3.0	54.0	27.3	1.6	1.4	4.3
Freiburg	Office	39.9	2.7	12.4	23.6	1.7	2.0	8.8
Leipzig (Gutenberg-Galerie)	Office	37.6	2.5	6.4	23.4	1.6	1.8	3.1
<b>Top 10 Properties</b>		<b>675.6</b>	<b>45.4</b>	<b>10.1</b>	<b>481.1</b>	<b>1.4</b>	<b>38.5</b>	<b>4.4</b>
Regensburg	Office	37.1	2.5	0.0	29.2	1.3	2.6	1.2
Düsseldorf	Office	35.4	2.4	21.9	24.3	1.5	2.0	3.2
Aschheim	Office	31.2	2.1	5.7	12.0	2.6	1.4	3.2
Eschborn	Office	30.2	2.0	0.0	18.9	1.6	2.1	5.0
Eisenhüttenstadt	Retail	27.5	1.8	28.2	29.2	0.9	2.2	5.8
Unterschleißheim	Office	24.8	1.7	38.8	15.7	1.6	1.0	3.7
Lutherstadt-Wittenberg	Retail	23.8	1.6	6.5	14.7	1.6	1.7	4.5
Köln	Office	23.1	1.6	0.4	5.2	4.5	1.2	5.4
Zittau	Retail	21.6	1.5	4.3	17.4	1.2	1.3	9.5
Flensburg	Office	21.6	1.5	0.0	23.8	0.9	1.7	1.2
<b>Top 20 Properties</b>		<b>951.9</b>	<b>64.0</b>	<b>11.0</b>	<b>671.5</b>	<b>1.4</b>	<b>55.6</b>	<b>4.3</b>
<b>Other Properties</b>		<b>536.5</b>	<b>36.0</b>	<b>7.5</b>	<b>447.3</b>	<b>1.2</b>	<b>34.4</b>	<b>5.5</b>
<b>Total Properties</b>		<b>1,488.4</b>	<b>100.0</b>	<b>9.4</b>	<b>1,118.8</b>	<b>1.3</b>	<b>90.0</b>	<b>4.8</b>

(1) As of 31 December 2019

(2) Annualized contractual rent excl. service charges

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