

16 March 2023

DEMIRE

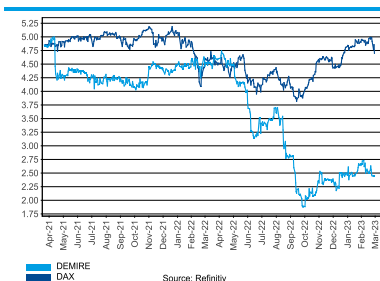
Germany

Real Estate

Reuters: DMRE.DE Bloomberg: DMRE GY

Reduce

| | |
|----------------------------------|-----------------|
| Closing price as of 15-Mar-23 | EUR 2.45 |
| Target price | EUR 2.65 |
| High/Low (12M) | EUR 4.74/1.88 |
| Market cap. | EUR mn 259 |
| Enterprise value | EUR mn 817 |
| Free float | 7.2% |
| Avg. daily turnover | EUR mn 0.01 |

Price relative to Index

| Performance (%) | 1M | 3M | 6M |
|-----------------------|------|------|-------|
| Absolute | -7.9 | 4.3 | -12.5 |
| rel. DAX | -2.9 | -1.1 | -26.2 |
| rel. STOXX Europe 600 | -1.9 | 2.7 | -17.7 |
| rel. SXXP Real Estate | 2.1 | 9.3 | -4.9 |

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FY22 FFO above guidance (+5% yoy) but cautious guidance for FY23 due to further disposals – No DPS proposal – Refinancing and LTV in focus**Our conclusion**

- DEMIRE delivered sound FY22 operating results with both rental income and FFO above the given guidance ranges. GRI declined by 1% due to disposals but FFO increased by 5% yoy ahead of our already high estimate.
- The leasing performance was again strong in 2022 and I-I contractual rents grew by 10.2% yoy. This somewhat compensated the yield shift in the portfolio valuation (gross yield from 5.5% to 6.4%). Overall this resulted in a negative valuation result of EUR 100mn (in-line with our assumptions) and a decline in NTAs by 18% to EUR 4.57.
- The guidance for FY23 is lower than estimated by us and even more than expected by consensus. DEMIRE guide rental income of EUR 71-73mn (-11% yoy) and FFO of EUR 30-32mn (-25%) which compare to our EUR 76mn and EUR 35mn respectively. In our view, the guidance includes a higher effect from anticipated disposals.
- The focus of the company remains on further disposals to create a sufficient liquidity cushion for refinancing purposes. The net LTV increased to 54% at YE22 but is already at 49.5% on a pro-forma basis after announced disposals. There is no DPS proposal for FY22 after three years of high payouts. We have still a Reduce rating.

Facts & Analysis

- A conference call is scheduled for 10:00 am CET today.

FY22 results at a glance

| EUR mn | 2022 Reported | 2021 Reported | yoy (%) | 2022E Baader | Dev. (%) | FY Guidance |
|---------------------------------|------------------|------------------|----------------|-----------------|-----------------|------------------|
| Gross rental income | 81.1 | 82.3 | -1 | 80.6 | 1 | 78-80 |
| Net rental income | 62.3 | 67.2 | -7 | 64.5 | -3 | |
| Valuation result | -98.9 | 48.8 | -303 | -100.3 | -1 | |
| EBIT | -72.9 | 101.9 | -172 | -45.4 | 61 | |
| EBT | -73.3 | 80.8 | -191 | -42.7 | 72 | |
| Net profit | -71.5 | 61.6 | -216 | -37.0 | 93 | |
| FFO before minorities | 41.8 | 39.8 | 5 | 41.0 | 2 | 38.5-40.5 |
| FFO after minorities | 33.4 | 35.0 | -5 | 36.5 | -9 | |
| EPS rep. (EUR) | -0.62 | 0.55 | -212 | -0.33 | 89 | |
| FFOps dil. (before min.), (EUR) | 0.40 | 0.38 | 7 | 0.39 | 3 | |
| DPS (EUR) | 0.00 | 0.31 | -100 | 0.00 | 0 | |
| | Dec-22 | Dec-21 | ytd (%) | 2022E | Dev. (%) | |
| Adj. diluted NAVps (EUR) | 4.57 | 5.57 | -18 | 4.83 | -5 | |
| NAVps diluted (EUR) | 4.97 | 5.94 | -16 | 5.27 | -6 | |
| Net LTV (bonds) (%) | 54.0 | 49.7 | 4.3pp | 52.6 | 1.4pp | |

Guidance versus our and consensus' view

| | 2021 Rep. | 2022E Guidance | Baader | Cons. | 2023E Guidance | Baader | Cons. |
|----------------------------|--------------|-------------------|-------------|-------------|-------------------|-------------|-------------|
| Gross rental income | EUR mn 82.3 | 78-80 | 80.6 | 80.0 | 71-73 | 75.9 | 75.9 |
| Change yoy | % -6 | -3 to -5 | -2 | -3 | ~-11 | -6 | -5 |
| Estimates vs. guidance | % | | 2 | 1 | | | |
| Our estimates vs. cons. | % | | 1 | | | 0 | |
| FFO (before min.) | EUR mn 39.8 | 38.5-40.5 | 41.0 | 39.9 | 30-32 | 35.2 | 39.0 |
| Change yoy | % 2 | -3 to +2 | 3 | 0 | ~-26 | -14 | -2 |
| Estimates vs. guidance | % | | 4 | 1 | | | |
| Our estimates vs. cons. | % | | 3 | | | -10 | |
| FFOps (before min.) | EUR 0.38 | | 0.39 | 0.34 | | 0.33 | 0.35 |
| Change yoy | % 3 | | 3 | -9 | | -14 | 2 |
| Our estimates vs. cons. | % | | 14 | | | -4 | |
| DPS | EUR 0.31 | | 0.00 | 0.09 | | 0.00 | 0.11 |
| Change yoy | % -50 | | -100 | -72 | | n.a. | 23 |

Source: Company data, Refinitiv, Baader Helvea Equity Research

DEMIRE

Key data

| FY 31 Dec. | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Share data | | | | | | |
| EPS adjusted (EUR) | -0.03 | 0.30 | 0.20 | 0.51 | 0.28 | 0.22 |
| Indirect investment result (EUR) | 0.73 | -0.22 | 0.35 | -0.84 | -0.29 | 0.00 |
| EPS reported (EUR) | 0.70 | 0.08 | 0.55 | -0.33 | -0.01 | 0.22 |
| FFOps (EUR) | 0.32 | 0.37 | 0.38 | 0.39 | 0.33 | 0.30 |
| Dividend (EUR) | 0.54 | 0.62 | 0.31 | 0.00 | 0.00 | 0.10 |
| Book value (EUR) | 5.69 | 5.18 | 5.09 | 4.47 | 4.46 | 4.68 |
| NAV adj. (EUR) | 5.99 | 5.56 | 5.57 | 4.83 | 4.75 | 4.94 |
| Number of shares (outstanding; mn) | 107.8 | 105.8 | 105.5 | 105.5 | 105.5 | 105.5 |
| Share price (avg./current; EUR) | 4.90 | 4.58 | 4.35 | 3.53 | 2.45 | 2.45 |
| Market cap. (avg./current; EUR mn) | 528.3 | 493.3 | 468.6 | 380.7 | 258.5 | 258.5 |
| Enterprise value (EUR mn) | 1,233.2 | 1,221.3 | 1,219.5 | 1,144.3 | 816.6 | 708.6 |
| Valuation | | | | | | |
| P/E adj. (x) | - | 15.3 | 21.8 | 6.9 | 8.8 | 11.1 |
| FFO yield (%) | 6.5 | 8.1 | 8.7 | 11.0 | 13.5 | 12.2 |
| Dividend yield (%) | 11.0 | 13.5 | 7.1 | 0.0 | 0.0 | 4.1 |
| Implied yield (EBITDA/EV) (%) | 5.9 | 4.6 | 4.6 | 4.8 | 5.8 | 6.7 |
| P/NAV (x) | 0.82 | 0.82 | 0.78 | 0.73 | 0.52 | 0.50 |
| P/BV (x) | 0.86 | 0.88 | 0.85 | 0.79 | 0.55 | 0.52 |
| ROCE/WACC (x) | 1.50 | 1.01 | 0.97 | 0.75 | -0.43 | 0.68 |
| (EV/CE)/(ROCE/WACC) (x) | 0.51 | 0.77 | 0.77 | 0.98 | -1.47 | 0.86 |
| Key company data | | | | | | |
| Rental income growth (%) | 11.0 | 7.0 | -5.9 | -2.1 | -5.9 | -9.6 |
| EBITDA growth (%) | 102.8 | -23.1 | 1.1 | -2.1 | -14.7 | 0.5 |
| FFO growth (%) | 47.7 | 13.5 | 1.7 | 3.0 | -14.3 | -9.3 |
| FFO per share growth (%) | 0.0 | 15.6 | 2.7 | 2.6 | -15.4 | -9.1 |
| DPS growth (%) | - | 14.8 | -50.0 | -100.0 | - | - |
| EBITDA margin adj. (%) | 89.0 | 63.9 | 68.7 | 68.7 | 62.3 | 69.2 |
| ROE recurring (%) | -0.5 | 5.3 | 3.5 | 10.3 | 5.8 | 4.3 |
| Net gearing (%) | 106.7 | 121.7 | 126.8 | 146.1 | 107.4 | 82.9 |
| Net loan-to-value (%) | 47.9 | 51.2 | 50.9 | 54.4 | 47.3 | 41.6 |
| Equity ratio (%) | 39.4 | 36.8 | 34.7 | 33.0 | 34.2 | 41.5 |
| Interest cover (x) | 3.1 | 5.7 | 3.6 | 3.7 | 3.1 | 3.0 |
| Income statement (EUR mn) | | | | | | |
| Total revenues | 132.3 | 177.9 | 187.6 | 87.6 | 274.4 | 172.1 |
| Gross rental income | 81.8 | 87.5 | 82.3 | 80.6 | 75.9 | 68.6 |
| Net rental income | 65.5 | 70.2 | 67.2 | 64.5 | 61.6 | 56.5 |
| EBITDA | 72.8 | 55.9 | 56.6 | 55.4 | 47.2 | 47.5 |
| EBIT | 155.2 | 27.7 | 101.9 | -45.4 | 20.0 | 47.5 |
| EBT | 97.9 | 6.5 | 80.8 | -42.7 | 1.5 | 29.9 |
| EBT adjusted | 14.8 | 28.6 | 32.0 | 57.6 | 28.7 | 29.9 |
| Net profit after minorities | 75.5 | 8.5 | 58.5 | -34.5 | -0.7 | 22.9 |
| Funds from operations (FFO) | 34.5 | 39.2 | 39.8 | 41.0 | 35.2 | 31.9 |
| Balance sheet (EUR mn) | | | | | | |
| Investment property | 1,494 | 1,426 | 1,433 | 1,359 | 1,142 | 1,052 |
| Non-current assets | 1,521 | 1,451 | 1,544 | 1,472 | 1,255 | 1,165 |
| Cash and equivalents | 102 | 102 | 140 | 78 | 238 | 116 |
| Current assets | 157 | 174 | 162 | 110 | 266 | 143 |
| Total assets | 1,677 | 1,625 | 1,706 | 1,582 | 1,520 | 1,308 |
| Equity | 661 | 598 | 592 | 523 | 519 | 543 |
| Interest bearing debt | 807 | 830 | 891 | 841 | 796 | 566 |
| Total equity and liabilities | 1,677 | 1,625 | 1,706 | 1,582 | 1,520 | 1,308 |
| Net debt | 705 | 728 | 751 | 764 | 558 | 450 |
| Cash flow (EUR mn) | | | | | | |
| Cash flow from operating activities | 8.8 | -40.7 | -21.3 | 23.8 | 23.1 | 22.5 |
| Cash flow from investing activities | -253.2 | 35.0 | -0.2 | -28.2 | 190.0 | 90.0 |
| Free cash flow | -244.4 | -5.7 | -21.5 | -4.4 | 213.1 | 112.5 |
| Dividend paid | 0.0 | -57.1 | -65.4 | -32.7 | 0.0 | 0.0 |
| Cash flow from financing activities | 156.1 | 3.2 | 59.3 | -57.7 | -52.6 | -234.5 |
| Changes in cash position | -88.3 | -2.5 | 37.7 | -62.1 | 160.5 | -122.0 |

Source: Company data, Baader Helvea Equity Research

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| Company | Date | Rating | Currency | Target price | Closing price as of | Analyst | |
|---------|-----------|--------|----------|--------------|---------------------|-----------|------------------|
| DEMIRE | 02-Mar-23 | Reduce | EUR | 2.65 | 2.53 | 01-Mar-23 | Andre Remke, CFA |

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