

Hold (old: Hold)

10.02.2023

EUR 2.50 (old: EUR 2.80)

Cross read indicates valuation pressure; chg. est. & PT

DEMIRE will release its FY 2022 report on March 16th, which should feature a continuously stable **operating performance** despite a turbulent year in the real estate sector. In fact, **FFO is seen to come in at the upper end of the guided range of € 38.5-40.5m** (eNuW: € 39.8m), while **rental income could even slightly exceed the guidance of € 78-80m** (eNuW: 80.3m).

However, recent events have revealed a certain **valuation risk**, which could weigh on the company's profitability, as the majority of DEMIRE's portfolio is typically re-evaluated in Q4. (1) Yesterday, Hamborner REIT released preliminary full year figures, showing a 2% like-for-like decrease of the portfolio value. Note that Hamborner follows a similar approach as DEMIRE, as they also invest into commercial real estate in secondary locations. (2) At the end of last year, DEMIRE disposed the LogPark, a logistics property in Leipzig, for € 121m, marking a 14.5% discount to the properties' book value (closing in H1 2023e). While the extent of the discount should not be seen as a proxy for future disposals, as DEMIRE was keen to close the deal in a timely manner to improve liquidity, it still shows that above book value disposals are a thing of the past.

That said, DEMIRE intends to dispose further assets going forward in order to shore up liquidity and reduce the refinancing wall in 2024e, where the company's corporate bond (€ 550m) as well as € 169m in bank debt will mature. With total disposals of € 250m (eNuW) in 2023, DEMIRE should be able to significantly reduce its LTV towards the end of the year, thus improving its negotiation power when it comes to refinancing measures in 2024e.

In defiance of the refinancing pressure and the downsizing of the portfolio, DEMIRE's operating performance should remain stable thanks to a high share of indexed rental contracts (c. 70%) as well as a strong letting performance (195k sqm letting result at 9M 2022).

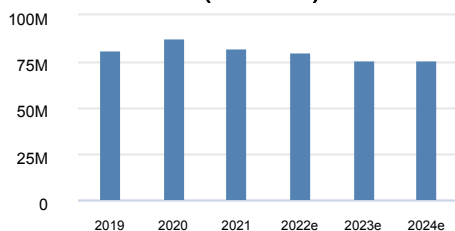
Overall, valuation looks fair, even though shares are trading on a 55% discount compared to the company's EPRA NAV, as we currently do not see any catalyst which would support a re-rating.

Reiterate **HOLD with a new PT of € 2.50 (old: € 2.80)** based on NAV and DDM.

Y/E 31.12 (EUR)	2019	2020	2021	2022e	2023e	2024e
Net rental income	81.8	87.5	82.3	80.3	76.5	76.6
Rental income growth	5.8%	6.5%	-3.9%	-22.8%	-15.6%	25.1%
FFO	34.5	40.4	39.8	39.8	40.9	40.3
Net profit	79.7	9.2	61.6	5.4	0.0	11.2
EPS	0.70	0.08	0.55	0.05	0.01	0.10
FFO yield	6.0%	14.5%	14.5%	14.5%	14.9%	3.8%
FFO margin	42.2%	46.1%	48.4%	49.6%	53.4%	52.6%
NTA per share	6.3	5.8	6.0	5.6	5.6	5.8
Dividend yield	10.1%	23.8%	11.9%	10.2%	10.4%	10.3%
P/NTA premium/discount	-59.0%	-55.2%	-56.4%	-53.7%	-53.9%	-55.5%
P/FFO	16.7	6.9	6.9	6.9	6.7	26.1
Loan-to-value (LTV)	46.9%	51.5%	50.8%	52.0%	43.7%	44.5%
Implied yield	6.3%	7.1%	6.6%	7.6%	9.3%	10.2%

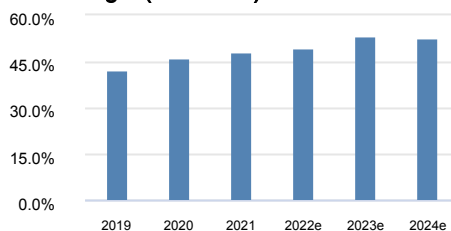
Source: Company data, NuWays, Close price as of 09.02.2023

Net rental income (2019-24e)



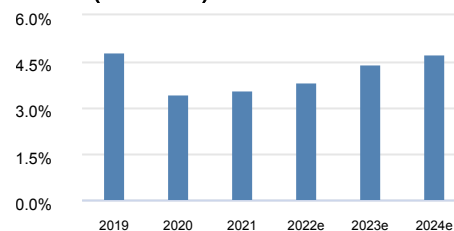
Source: NuWays Research

FFO margin (2019-24e)



Source: NuWays Research

ROCE (2019-24e)



Source: NuWays Research

Company description

DEMIRE is a German real estate company specializing in promising commercial real estate located in larger cities and their adjacent metropolitan areas. Properties are predominantly used as offices, but hotel, retails and logistics properties complement Demire's offering.

Share Performance



High/low 52 weeks (€)	4.74 / 1.88
3m rel. performance	15.6%
6m rel. performance	-26.5%
12m rel. performance	-28.0%

Market data

Share price (in €)	2.67
Market cap (in € m)	280.2
Number of shares (in m pcs)	107.8
Enterprise value (in € m)	820.0
Ø trading volume (6 months)	7,522

Identifier

Bloomberg	DMRE GR
Reuters	DMRE
WKN	A0XFSF
ISIN	DE000A0XFSF0

Key shareholders

Apollo	58.6%
Wecken Group	32.1%
Treasury Shares	2.1%
Free Float	7.2%

Estimates changes

	2022e	2023e	2024e
Net rents	0%	0%	0%
FFO	-0%	0%	0%
EPS	-86%	0%	0%

Comment on changes

- We now factor in a negative valuation result for 2022, leading to the decline in EPS.

Guidance

- Rental Income: €78-80m
- FFO: € 38.5-40.5m

Financials

Profit and loss (EUR m)	2019	2020	2021	2022e	2023e	2024e
Net rental income	81.8	87.5	82.3	80.3	76.5	76.6
Direct property expenses	35.9	38.6	35.4	44.1	45.9	38.3
Net operating income	45.9	48.9	47.0	36.2	30.6	38.3
Earnings from property disposals	16.8	-1.0	1.4	1.1	1.0	1.0
Earnings from project developments	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earnings from other property activities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other operating income	24.0	22.8	22.5	28.6	35.2	31.4
Total revenues	122.6	109.3	106.2	110.0	112.7	109.0
Revaluation result from investment properties (net)	83.0	-22.1	48.8	-28.6	-41.9	-22.9
Total income	205.6	87.1	155.0	81.4	70.8	86.1
Administrative expenses	6.5	6.8	4.7	2.6	-3.7	2.9
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	0.9	1.4	2.0	1.6	3.0	3.0
Total operating expenses	13.9	14.7	13.2	10.8	5.9	12.4
EBITDA	155.8	33.8	106.4	26.5	19.1	35.4
EBITDA excl revaluation result (net)	72.8	55.9	57.6	55.1	60.9	58.3
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	155.8	33.8	106.4	26.5	19.1	35.4
EBITA excl revaluation result (net)	72.8	55.9	57.6	55.1	60.9	58.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.6	6.2	3.5	0.5	1.0	1.0
EBIT (incl revaluation net)	155.2	27.7	103.0	26.0	18.1	34.4
EBIT (excl revaluation net)	72.1	49.8	54.2	54.6	59.9	57.3
Interest income	1.3	1.3	3.2	6.2	7.0	7.0
Interest expenses	50.9	19.1	18.3	18.8	18.1	22.6
Depreciation of financial investment	n.a.	0.0	0.0	0.0	0.0	0.0
Investment income	-7.7	-3.4	-7.0	-4.7	-4.8	-4.8
Financial result	-57.3	-21.2	-22.1	-17.2	-15.9	-20.4
Earnings before taxes	97.9	6.5	80.8	8.8	2.2	14.0
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	4.7	0.7	6.7	1.0	2.4	2.4
Net income from continuing operations (incl reval. result)	79.7	9.2	61.6	5.4	0.0	11.2
Net income from continuing operations (excl reval. result)	-3.3	31.3	12.8	34.0	41.9	34.1
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative effect of accounting changes (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (incl revaluation result net)	79.7	9.2	61.6	5.4	0.0	11.2
Net income (excl revaluation result net)	-3.3	31.3	12.8	34.0	41.9	34.1
Minority interest	4.2	0.7	3.1	-0.1	-0.8	0.3
Net income (net of minority interest, incl reval. result)	75.5	8.5	58.5	5.5	0.8	10.9
Net income (net of minority interest, excl reval. result)	-7.5	30.6	9.7	34.1	42.7	33.8
Funds from operations (FFO)	34.5	40.4	39.8	39.8	40.9	40.3

Profit and loss (common size)	2019	2020	2021	2022e	2023e	2024e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	43.9%	44.1%	42.9%	54.9%	60.0%	50.0%
Net operating income	56.1%	55.9%	57.1%	45.1%	40.0%	50.0%
Earnings from property disposals	20.5%	neg.	1.8%	1.3%	1.3%	1.3%
Earnings from projects developments	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earnings from other property activities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other operating income	29.3%	26.1%	27.3%	35.6%	46.0%	41.0%
Total revenues	149.8%	124.9%	129.1%	137.0%	147.4%	142.4%
Revaluation result from investment properties (net)	101.5%	neg.	59.2%	neg.	neg.	neg.
Total income	251.3%	99.6%	188.3%	101.3%	92.6%	112.5%
Administrative expenses	7.9%	7.8%	5.7%	3.3%	neg.	3.7%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	29.3%	26.1%	27.3%	35.6%	46.0%	41.0%
Total operating expenses	17.0%	16.8%	16.1%	13.5%	7.7%	16.2%
EBITDA	190.5%	38.6%	129.3%	33.0%	24.9%	46.3%
EBITDA excl revaluation result (net)	89.0%	63.9%	70.0%	68.6%	79.7%	76.1%
Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	190.5%	38.6%	129.3%	33.0%	24.9%	46.3%
EBITA excl revaluation (net)	89.0%	63.9%	70.0%	68.6%	79.7%	76.1%

Profit and loss (common size)	2019	2020	2021	2022e	2023e	2024e
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.8%	7.0%	4.2%	0.6%	1.3%	1.3%
EBIT (incl revaluation net)	189.7%	31.6%	125.1%	32.4%	23.6%	45.0%
EBIT (excl revaluation net)	88.2%	56.9%	65.8%	68.0%	78.4%	74.8%
Interest income	1.6%	1.5%	3.8%	7.8%	9.2%	9.1%
Interest expenses	62.2%	21.8%	22.3%	23.4%	23.7%	29.5%
Depreciation of financial investment	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	neg.	neg.	neg.	neg.	neg.	neg.
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Earnings before taxes (incl revaluation result)	119.6%	7.4%	98.2%	11.0%	2.8%	18.4%
Earnings before taxes (excl revaluation result)	18.1%	32.7%	38.9%	46.6%	57.6%	48.2%
Taxes	22.1%	neg.	23.4%	4.3%	2.8%	3.7%
Net income from continuing operations (incl reval. result)	97.5%	10.5%	74.8%	6.7%	0.1%	14.7%
Net income from continuing operations (excl reval. result)	neg.	35.8%	15.6%	42.3%	54.8%	44.5%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Extraordinary items (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cumulative effect of accounting changes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income (incl revaluation result net)	97.5%	10.5%	74.8%	6.7%	0.1%	14.7%
Net income (excl revaluation result net)	neg.	35.8%	15.6%	42.3%	54.8%	44.5%
Minority interest	5.2%	0.8%	3.8%	neg.	neg.	0.4%
Net income (net of minority interest, incl reval. result)	92.3%	9.7%	71.1%	6.8%	1.1%	14.2%
Net income (net of minority interest, excl reval. result)	neg.	35.8%	15.6%	42.3%	54.8%	44.5%
Funds from operations (FFO)	42.2%	46.1%	48.4%	49.6%	53.4%	52.6%

Source: Company data, NuWays

Balance sheet (EUR m)	2019	2020	2021	2022e	2023e	2024e
Intangible assets	6.9	6.9	6.8	6.8	6.8	6.8
Investment properties	1,493.9	1,426.3	1,433.1	1,395.6	1,142.7	1,056.3
Property, plant and equipment	0.4	0.3	0.2	0.2	0.2	0.2
Financial assets	0.0	8.2	91.8	92.7	93.6	94.6
Other non-current assets	19.4	9.5	11.9	11.9	11.9	11.9
Deferred taxes	13.5	-3.4	12.6	2.4	-0.3	0.5
FIXED ASSETS	1,520.7	1,451.1	1,543.8	1,507.2	1,255.3	1,169.8
Properties held for sale	16.3	31.0	0.0	0.0	0.0	0.0
Accounts receivable	6.3	7.3	8.7	8.8	8.4	8.4
Other current assets	32.0	34.2	13.5	15.0	15.0	15.0
Liquid assets	102.1	101.6	139.6	82.0	249.9	198.8
CURRENT ASSETS	156.7	174.2	161.8	105.8	273.3	222.2
TOTAL ASSETS	1,677.4	1,625.3	1,705.6	1,613.1	1,528.5	1,392.0
Subscribed capital	107.8	105.8	105.5	105.5	105.5	105.5
Surplus capital	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	430.1	443.7	385.0	404.0	391.0	365.4
Net profit/loss	75.5	8.5	58.5	5.5	0.8	10.9
SHAREHOLDER'S EQUITY	613.4	558.0	549.0	515.0	497.4	481.8
MINORITY INTEREST	47.4	40.1	43.3	43.3	43.3	43.3
PROVISIONS AND ACCRUED LIABILITIES	7.2	7.1	12.7	12.7	12.7	12.7
short-term liabilities to banks	69.1	12.4	16.1	66.4	171.1	60.0
Bonds (long-term)	590.0	592.0	594.0	550.0	550.0	100.0
long-term liabilities to banks	147.8	225.3	280.4	215.2	44.2	484.2
other interest-bearing liabilities	19.2	18.7	24.5	24.5	24.5	24.5
Interest-bearing liabilities	826.2	848.4	915.0	856.1	789.7	668.6
Accounts payable	10.0	10.7	10.6	11.0	10.5	10.5
Current liabilities	107.8	99.7	100.9	101.3	100.8	100.8
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	75.5	72.1	84.7	84.7	84.7	84.7
LIABILITIES	1,009.5	1,020.2	1,100.6	1,042.1	975.2	854.1
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,677.4	1,625.3	1,705.6	1,613.1	1,528.5	1,392.0

Balance sheet (common size)	2019	2020	2021	2022e	2023e	2024e
Intangible assets	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
Investment properties	89.1%	87.8%	84.0%	86.5%	74.8%	75.9%
Property, plant and equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial assets	0.0%	0.5%	5.4%	5.7%	6.1%	6.8%
Other non-current assets	1.2%	0.6%	0.7%	0.7%	0.8%	0.9%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	90.7%	89.3%	90.5%	93.4%	82.1%	84.0%
Properties held for sale	1.0%	1.9%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%
Other current assets	1.9%	2.1%	0.8%	0.9%	1.0%	1.1%
Liquid assets	6.1%	6.3%	8.2%	5.1%	16.3%	14.3%
CURRENT ASSETS	9.3%	10.7%	9.5%	6.6%	17.9%	16.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	6.4%	6.5%	6.2%	6.5%	6.9%	7.6%
Surplus capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional paid-in capital	25.6%	27.3%	22.6%	25.0%	25.6%	26.3%
Net profit/loss	4.5%	0.5%	3.4%	0.3%	0.1%	0.8%
SHAREHOLDERS EQUITY	36.6%	34.3%	32.2%	31.9%	32.5%	34.6%
MINORITY INTEREST	2.8%	2.5%	2.5%	2.7%	2.8%	3.1%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	4.1%	0.8%	0.9%	4.1%	11.2%	4.3%
Bonds (long-term)	35.2%	36.4%	34.8%	34.1%	36.0%	7.2%
long-term liabilities to banks	8.8%	13.9%	16.4%	13.3%	2.9%	34.8%
other interest-bearing liability	1.1%	1.2%	1.4%	1.5%	1.6%	1.8%
Interest-bearing liabilities	49.3%	52.2%	53.6%	53.1%	51.7%	48.0%
Accounts payable	0.6%	0.7%	0.6%	0.7%	0.7%	0.8%
Current liabilities	6.4%	6.1%	5.9%	6.3%	6.6%	7.2%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	4.5%	4.4%	5.0%	5.3%	5.5%	6.1%
LIABILITIES	60.2%	62.8%	64.5%	64.6%	63.8%	61.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2019	2020	2021	2022e	2023e	2024e
Net profit	97.9	6.5	80.8	8.8	2.2	14.0
Other recurrent / non-recurrent items	-41.7	45.3	-20.9	31.0	46.6	23.1
Increase/decrease in working capital	-8.2	-15.7	5.3	0.3	-0.1	0.0
Cash flow from operating activities	48.0	36.0	65.2	40.1	48.6	37.1
CAPEX	0.0	0.0	0.0	0.0	0.0	0.0
Payment for acquisitions	-213.3	-65.4	-24.7	-34.4	-39.0	-36.4
Financial investments	-71.3	-0.1	-78.6	0.0	0.0	0.0
Income from asset disposals	31.4	100.5	103.1	50.0	250.0	100.0
Cash flow from investing activities	-253.2	35.0	-0.2	15.6	211.0	63.6
Increase/decrease in debt position	164.0	20.1	58.8	-66.3	-66.4	-121.1
Dividends paid	-2.2	-60.1	-67.7	-32.7	-8.0	-8.2
Purchase of own shares	0.0	-9.0	-1.2	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Others	-44.9	-22.5	-16.9	-14.3	-17.4	-22.6
Cash flow from financing activities	116.9	-71.5	-27.0	-113.3	-91.8	-151.8
Cash flow from operating activities	48.0	36.0	65.2	40.1	48.6	37.1
Cash flow after maintenance capex	97.9	6.5	80.8	8.8	2.2	14.0
Cash flow before financing	366.2	262.1	339.4	157.2	345.5	181.7
Increase/decrease in liquid assets	485.2	268.6	382.4	76.6	261.7	38.1

Key ratios (EUR m)	2019	2020	2021	2022e	2023e	2024e
Return on Equity						
Net profit / Y/E equity	-1.2%	5.5%	1.8%	6.6%	8.6%	7.0%
Recurring net profit / Y/E equity	5.6%	7.2%	7.3%	7.7%	8.2%	8.4%
Net profit / avg. equity	-1.2%	5.5%	1.8%	6.6%	8.6%	7.0%
Recurring net profit / avg. equity	5.6%	7.2%	7.3%	7.7%	8.2%	8.4%
Security						
Net debt	724.0	746.8	775.4	774.1	539.8	469.8
Debt / equity	134.7%	152.1%	166.7%	166.2%	158.8%	138.8%
Net gearing	118.0%	133.8%	141.2%	150.3%	108.5%	97.5%
Interest cover	1.4	2.6	3.0	2.9	3.3	2.5
EBIDTA / interest paid	3.1	1.8	5.8	1.4	1.1	1.6
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	0.6	0.6	1.2	1.4	1.4	1.4
Loan-to-value (LTV)	46.9%	51.5%	50.8%	52.0%	43.7%	44.5%
Return on Net Asset Value	5.0%	6.5%	6.3%	n.a.	n.a.	n.a.
Liquidity						
Current ratio	0.6	0.9	0.7	0.4	0.7	0.8
Acid test ratio	0.6	0.9	0.7	0.4	0.7	0.8
Valuation metrics						
FFO	34.5	40.4	39.8	39.8	40.9	40.3
FFO per share	0.32	0.38	0.38	0.38	0.39	0.38
NTA per share	6.3	5.8	6.0	5.6	5.6	5.8

Source: Company data, NuWays

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Company	Disclosures
DEMIRE AG	2

Historical target price and rating changes for DEMIRE AG

Company	Date	Analyst	Rating	Target Price	Close
DEMIRE AG	02.12.2022	Sennewald, Philipp	Hold	EUR 2.80	EUR 2.38

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:

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