

Hold (old: Hold)

24.11.2023

EUR 1.20 (old: EUR 1.20)

Another guidance adjustment following lack of disposals; chg.

As already anticipated in our recent earnings review, **DEMIRE yesterday updated its FY guidance for a second time this year** as management now expects a lower number of property disposals than what was planned at the beginning of the year. As this consequently results in a larger asset base, rental income as well as FFO are now expected to come in higher.

Management now guides for **rental income of € 78-80m** (vs € 74.5-76.5m before; eNuW old: € 77.9m) and **FFO of € 35-37m** (vs € 33-35m before; eNuW old: € 34m). After the company already adjusted its outlook in July following the withdrawal of the LogPark buyer, this has been the second guidance update this year. Initially, management targeted a rental income range of € 71-73m and FFO of € 30-32m. According to our estimates, this would have required disposals to the tune of > € 300m throughout the year vs € 69m as of Q3.

The lower sales volume is seen to be mainly attributable to the de facto standstill on the real estate transaction market, as buyers do have little to none acting pressure due to the lack of competition. Still, management remains confident that the disposal of the LogPark will still be signed this year, although a closing and thus the related cash inflow (eNuW: € 110m gross; book value of € 121m) will likely not take place before mid Q1.

While the delayed disposals are causing higher rental income and thus cash flows on the one hand, it also means that significant cash inflows, which would have been vital to at least partly release some of the refinancing pressure, are not available.

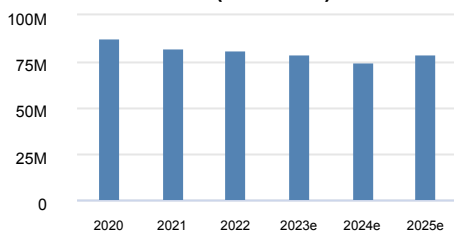
That said and despite the recent rating downgrade by Moody's, we remain confident that the company will announce a solution on the refinancing issue in the course of H1'24, as the dialogue with the holders of the corporate bond (€ 499m due in 10/24) intensified in recent weeks. In our view, a prolongation at either an increased coupon or at a higher nominal value appears as the most likely option. To further shore up liquidity, we expect at least parts of the € 266m worth of LOIs to materialize in the first quarters of 2024e.

As visibility remains low regarding the outcome of the refinancing process, we reiterate our **HOLD** recommendation with an unchanged **PT of € 1.20** based on NAV and DDM.

Y/E 31.12 (EUR)	2020	2021	2022	2023e	2024e	2025e
Net rental income	87.5	82.3	81.1	79.4	74.9	79.3
Rental income growth	6.5%	-3.9%	-27.1%	2.7%	6.5%	5.8%
FFO	40.4	39.8	41.8	35.7	41.0	43.9
Net profit	9.2	61.6	-71.5	-76.5	-19.4	35.3
EPS	0.08	0.55	-0.62	-0.68	-0.17	0.32
FFO yield	34.4%	34.3%	36.0%	30.7%	3.9%	37.8%
FFO margin	46.1%	48.4%	51.5%	44.9%	54.7%	55.4%
NTA per share	5.8	6.0	5.0	4.1	3.9	0.0
Dividend yield	56.4%	28.2%	0.0%	0.0%	0.0%	7.6%
P/NTA premium/discount	-81.0%	-81.5%	-77.9%	-73.0%	-71.6%	3381.5%
P/FFO	2.9	2.9	2.8	3.3	25.6	2.6
Loan-to-value (LTV)	51.5%	50.8%	55.4%	53.2%	46.2%	45.2%
Implied yield	7.1%	6.6%	8.8%	10.4%	12.7%	13.6%

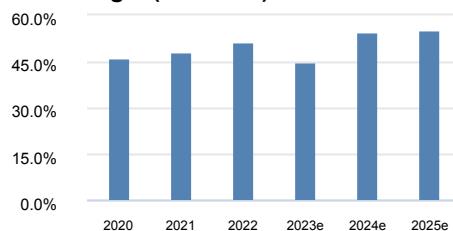
Source: Company data, NuWays, Close price as of 23.11.2023

Net rental income (2020-25e)



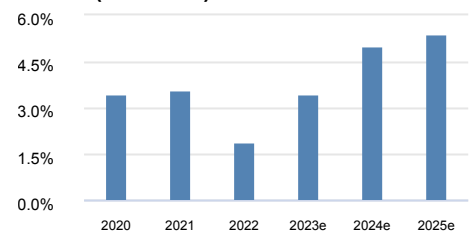
Source: NuWays Research

FFO margin (2020-25e)



Source: NuWays Research

ROCE (2020-25e)



Source: NuWays Research

Share Performance



High/low 52 weeks (€)	2.73 / 1.10
3m rel. performance	-26.3%
6m rel. performance	-36.6%
12m rel. performance	-56.7%

Market data

Share price (in €)	1.10
Market cap (in € m)	118.6
Number of shares (in m pcs)	107.8
Enterprise value (in € m)	764.6
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

	2023e	2024e	2025e
Net rents	2%	0%	0%
FFO	5%	0%	0%
EPS	5%	0%	0%

Comment on changes

- Changes reflect yesterdays guidance update.

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.

Guidance

- Rental Income: € 74.5-76.5m
- FFO: € 33-35m

Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net rental income	87.5	82.3	81.1	79.4	74.9	79.3
Direct property expenses	38.6	35.4	46.8	44.2	37.5	39.6
Net operating income	48.9	47.0	34.2	35.2	37.5	39.6
Earnings from property disposals	-1.0	1.4	-8.2	-12.7	1.0	0.0
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	22.8	22.5	28.9	27.1	30.8	32.5
Total revenues	109.3	106.2	101.8	93.8	106.7	111.8
Revaluation result from investment properties (net)	-22.1	48.8	-98.9	-135.0	-51.4	0.0
Total income	87.1	155.0	2.9	-41.1	55.3	111.8
Administrative expenses	6.8	4.7	4.1	-3.3	3.3	2.9
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	1.4	2.0	16.8	2.8	3.0	3.0
Total operating expenses	14.7	13.2	27.5	6.1	12.8	12.5
EBITDA	33.8	106.4	-71.4	-91.5	5.0	59.7
EBITDA excl revaluation result (net)	55.9	57.6	27.5	43.5	56.4	59.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	33.8	106.4	-71.4	-91.5	5.0	59.7
EBITA excl revaluation result (net)	55.9	57.6	27.5	43.5	56.4	59.7
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	6.2	3.5	1.5	1.6	1.0	1.0
EBIT (incl revaluation net)	27.7	103.0	-72.9	-93.1	4.0	58.7
EBIT (excl revaluation net)	49.8	54.2	26.0	41.9	55.4	58.7
Interest income	1.3	3.2	18.4	21.7	7.0	7.0
Interest expenses	19.1	18.3	19.3	17.4	28.8	20.4
Depreciation of financial investment	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	-3.4	-7.0	0.5	-0.9	-4.8	-4.8
Financial result	-21.2	-22.1	-0.4	3.4	-26.6	-18.2
Earnings before taxes	6.5	80.8	-73.3	-89.7	-22.6	40.5
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	0.7	6.7	6.8	5.3	-2.2	3.6
Net income from continuing operations (incl reval. result)	9.2	61.6	-71.5	-76.5	-19.4	35.3
Net income from continuing operations (excl reval. result)	31.3	12.8	27.4	58.5	31.9	35.3
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)	9.2	61.6	-71.5	-76.5	-19.4	35.3
Net income (excl revaluation result net)	31.3	12.8	27.4	58.5	31.9	35.3
Minority interest	0.7	3.1	-5.8	-4.8	-1.3	1.6
Net income (net of minority interest, incl reval. result)	8.5	58.5	-65.7	-71.7	-18.1	33.6
Net income (net of minority interest, excl reval. result)	30.6	9.7	33.1	63.3	33.2	33.6
Funds from operations (FFO)	40.4	39.8	41.8	35.7	41.0	43.9

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	44.1%	42.9%	57.8%	55.7%	50.0%	50.0%
Net operating income	55.9%	57.1%	42.2%	44.3%	50.0%	50.0%
Earnings from property disposals	neg.	1.8%	neg.	neg.	1.3%	0.0%
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	26.1%	27.3%	35.6%	34.2%	41.1%	41.0%
Total revenues	124.9%	129.1%	125.5%	118.2%	142.4%	141.0%
Revaluation result from investment properties (net)	neg.	59.2%	neg.	neg.	neg.	0.0%
Total income	99.6%	188.3%	3.6%	neg.	73.8%	141.0%
Administrative expenses	7.8%	5.7%	5.1%	neg.	4.4%	3.7%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	26.1%	27.3%	35.6%	34.2%	41.1%	41.0%
Total operating expenses	16.8%	16.1%	33.9%	7.7%	17.1%	15.7%
EBITDA	38.6%	129.3%	neg.	neg.	6.7%	75.3%
EBITDA excl revaluation result (net)	63.9%	70.0%	33.9%	54.8%	75.3%	75.3%
Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	38.6%	129.3%	neg.	neg.	6.7%	75.3%
EBITA excl revaluation (net)	63.9%	70.0%	33.9%	54.8%	75.3%	75.3%

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
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	7.0%	4.2%	1.9%	2.0%	1.3%	1.3%
EBIT (incl revaluation net)	31.6%	125.1%	neg.	neg.	5.4%	74.0%
EBIT (excl revaluation net)	56.9%	65.8%	32.0%	52.8%	74.0%	74.0%
Interest income	1.5%	3.8%	22.7%	27.3%	9.3%	8.8%
Interest expenses	21.8%	22.3%	23.8%	22.0%	38.4%	25.7%
Depreciation of financial investment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	neg.	neg.	0.6%	neg.	neg.	neg.
Financial result	neg.	neg.	neg.	4.2%	neg.	neg.
Earnings before taxes (incl revaluation result)	7.4%	98.2%	neg.	neg.	neg.	51.1%
Earnings before taxes (excl revaluation result)	32.7%	38.9%	31.5%	57.0%	38.5%	51.1%
Taxes	neg.	23.4%	neg.	neg.	neg.	6.6%
Net income from continuing operations (incl reval. result)	10.5%	74.8%	neg.	neg.	neg.	44.5%
Net income from continuing operations (excl reval. result)	35.8%	15.6%	33.8%	73.6%	42.6%	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)	10.5%	74.8%	neg.	neg.	neg.	44.5%
Net income (excl revaluation result net)	35.8%	15.6%	33.8%	73.6%	42.6%	44.5%
Minority interest	0.8%	3.8%	neg.	neg.	neg.	2.1%
Net income (net of minority interest, incl reval. result)	9.7%	71.1%	neg.	neg.	neg.	42.4%
Net income (net of minority interest, excl reval. result)	35.8%	15.6%	33.8%	73.6%	42.6%	44.5%
Funds from operations (FFO)	46.1%	48.4%	51.5%	44.9%	54.7%	55.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	6.9	6.8	0.0	0.0	0.0	0.0
Investment properties	1,426.3	1,433.1	1,231.1	1,027.5	886.4	945.2
Property, plant and equipment	0.3	0.2	0.2	0.2	0.2	0.2
Financial assets	8.2	91.8	87.9	87.9	87.9	87.9
Other non-current assets	9.5	11.9	6.7	6.7	6.7	6.7
Deferred taxes	-3.4	12.6	-8.6	-18.5	-1.0	1.6
FIXED ASSETS	1,451.1	1,543.8	1,325.8	1,122.3	981.2	1,040.0
Properties held for sale	31.0	0.0	121.0	100.0	50.0	0.0
Accounts receivable	7.3	8.7	13.8	10.9	9.2	8.7
Other current assets	34.2	13.5	12.2	12.2	12.2	12.2
Liquid assets	101.6	139.6	57.4	142.6	220.3	196.4
CURRENT ASSETS	174.2	161.8	211.0	265.8	291.8	217.3
TOTAL ASSETS	1,625.3	1,705.6	1,536.9	1,388.0	1,272.9	1,257.3
Subscribed capital	105.8	105.5	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	443.7	385.0	410.5	336.2	262.5	223.7
Net profit/loss	8.5	58.5	-65.7	-71.7	-18.1	33.6
SHAREHOLDER'S EQUITY	558.0	549.0	450.2	370.1	349.9	362.8
MINORITY INTEREST	40.1	43.3	36.5	38.3	40.2	42.2
PROVISIONS AND ACCRUED LIABILITIES	7.1	12.7	16.1	16.1	16.1	16.1
short-term liabilities to banks	12.4	16.1	15.6	96.1	60.0	30.0
Bonds (long-term)	592.0	594.0	546.4	499.0	0.0	0.0
long-term liabilities to banks	225.3	280.4	267.0	169.2	609.2	609.2
other interest-bearing liabilities	18.7	24.5	26.6	24.5	24.5	24.5
Interest-bearing liabilities	848.4	915.0	855.7	788.7	693.6	663.6
Accounts payable	10.7	10.6	16.6	13.0	11.3	10.9
Current liabilities	99.7	100.9	102.3	98.8	97.0	96.6
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	72.1	84.7	76.0	76.0	76.0	76.0
LIABILITIES	1,020.2	1,100.6	1,034.0	963.5	866.7	836.3
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,625.3	1,705.6	1,536.9	1,388.0	1,272.9	1,257.3

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%
Investment properties	87.8%	84.0%	80.1%	74.0%	69.6%	75.2%
Property, plant and equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial assets	0.5%	5.4%	5.7%	6.3%	6.9%	7.0%
Other non-current assets	0.6%	0.7%	0.4%	0.5%	0.5%	0.5%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	89.3%	90.5%	86.3%	80.9%	77.1%	82.7%
Properties held for sale	1.9%	0.0%	7.9%	7.2%	3.9%	0.0%
Accounts receivable	0.5%	0.5%	0.9%	0.8%	0.7%	0.7%
Other current assets	2.1%	0.8%	0.8%	0.9%	1.0%	1.0%
Liquid assets	6.3%	8.2%	3.7%	10.3%	17.3%	15.6%
CURRENT ASSETS	10.7%	9.5%	13.7%	19.1%	22.9%	17.3%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	6.5%	6.2%	6.9%	7.6%	8.3%	8.4%
Surplus capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional paid-in capital	27.3%	22.6%	26.7%	24.2%	20.6%	17.8%
Net profit/loss	0.5%	3.4%	-4.3%	-5.2%	-1.4%	2.7%
SHAREHOLDERS EQUITY	34.3%	32.2%	29.3%	26.7%	27.5%	28.9%
MINORITY INTEREST	2.5%	2.5%	2.4%	2.8%	3.2%	3.4%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	0.8%	0.9%	1.0%	6.9%	4.7%	2.4%
Bonds (long-term)	36.4%	34.8%	35.6%	36.0%	0.0%	0.0%
long-term liabilities to banks	13.9%	16.4%	17.4%	12.2%	47.9%	48.4%
other interest-bearing liability	1.2%	1.4%	1.7%	1.8%	1.9%	1.9%
Interest-bearing liabilities	52.2%	53.6%	55.7%	56.8%	54.5%	52.8%
Accounts payable	0.7%	0.6%	1.1%	0.9%	0.9%	0.9%
Current liabilities	6.1%	5.9%	6.7%	7.1%	7.6%	7.7%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	4.4%	5.0%	4.9%	5.5%	6.0%	6.0%
LIABILITIES	62.8%	64.5%	67.3%	69.4%	68.1%	66.5%
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)	2020	2021	2022	2023e	2024e	2025e
Net profit	6.5	80.8	-73.3	-89.7	-22.6	40.5
Other recurrent / non-recurrent items	45.3	-20.9	119.7	165.7	45.4	-4.5
Increase/decrease in working capital	-15.7	5.3	1.6	-0.6	-0.1	0.1
Cash flow from operating activities	36.0	65.2	48.0	75.4	22.7	36.1
CAPEX	0.0	0.0	0.0	0.0	0.0	0.0
Payment for acquisitions	-65.4	-24.7	-32.4	0.0	0.0	-50.0
Financial investments	-0.1	-78.6	1.5	-5.0	0.0	0.0
Income from asset disposals	100.5	103.1	4.5	75.0	150.0	0.0
Cash flow from investing activities	35.0	-0.2	-26.3	70.0	150.0	-50.0
Increase/decrease in debt position	20.1	58.8	-51.2	-60.2	-95.1	-10.0
Dividends paid	-60.1	-67.7	-35.4	0.0	0.0	0.0
Purchase of own shares	-9.0	-1.2	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Others	-22.5	-16.9	-17.3	0.0	0.0	0.0
Cash flow from financing activities	-71.5	-27.0	-103.9	-60.2	-95.1	-10.0
Cash flow from operating activities	36.0	65.2	48.0	75.4	22.7	36.1
Cash flow after maintenance capex	6.5	80.8	-73.3	-89.7	-22.6	40.5
Cash flow before financing	262.1	339.4	118.8	155.4	172.7	86.1
Increase/decrease in liquid assets	268.6	382.4	50.3	95.2	77.6	76.1

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
Return on Equity						
Net profit / Y/E equity	5.5%	1.8%	7.4%	17.1%	9.5%	9.3%
Recurring net profit / Y/E equity	7.2%	7.3%	9.3%	9.6%	11.7%	12.1%
Net profit / avg. equity	5.5%	1.8%	7.4%	17.1%	9.5%	9.3%
Recurring net profit / avg. equity	7.2%	7.3%	9.3%	9.6%	11.7%	12.1%
Security						
Net debt	746.8	775.4	798.2	646.1	473.3	467.2
Debt / equity	152.1%	166.7%	190.1%	213.1%	198.2%	182.9%
Net gearing	133.8%	141.2%	177.3%	174.6%	135.3%	128.8%
Interest cover	2.6	3.0	1.3	2.4	1.9	2.9
EBIDTA / interest paid	1.8	5.8	-3.7	-5.2	0.2	2.9
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	0.6	1.2	n.a.	n.a.	n.a.	5.0
Loan-to-value (LTV)	51.5%	50.8%	55.4%	53.2%	46.2%	45.2%
Return on Net Asset Value	6.5%	6.3%	7.9%	8.3%	10.0%	1316.5%
Liquidity						
Current ratio	0.9	0.7	1.0	0.9	1.1	1.0
Acid test ratio	0.9	0.7	1.0	0.9	1.1	1.0
Valuation metrics						
FFO	40.4	39.8	41.8	35.7	41.0	43.9
FFO per share	0.38	0.38	0.40	0.34	0.39	0.42
NTA per share	5.8	6.0	5.0	4.1	3.9	0.0

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	09.11.2023	Sennewald, Philipp	Hold	EUR 1.20	EUR 1.19
	09.08.2023	Sennewald, Philipp	Hold	EUR 1.80	EUR 1.67
	04.07.2023	Sennewald, Philipp	Hold	EUR 2.00	EUR 1.92
	21.04.2023	Sennewald, Philipp	Buy	EUR 2.50	EUR 2.04
	09.02.2023	Sennewald, Philipp	Hold	EUR 2.50	EUR 2.60
	02.12.2022	Sennewald, Philipp	Hold	EUR 2.80	EUR 2.38

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment

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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: www.nuways-ag.com

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