

Hold (old: Hold)

28.03.2024

EUR 1.20 (old: EUR 1.20)

Mgmt confirms negotiations regarding bond restructuring

Topic: DEMIRE released an ad-hoc, stating that the company has entered negotiations with a group of bondholders (Ad hoc Group), which is said to hold "well over 50%" of the outstanding nominal amount, regarding the restructuring of its unsecured corporate bond. Mind you, the corporate bond is due on 15 October 2024 and has an outstanding nominal amount of € 499m (€ 600m at issue date). The company also gave indications as to which points a possible restructuring agreement could contain. **In detail:**

(1) Extension of the term until 31 December 2027 at an increased coupon as well as additional compensation payments. While the company did not specify on possible conditions, we estimate total annual costs of 6.5% to be in line with the market, which would result in additional financial expenses of c. € 23m given the current nominal amount.

(2) Mandatory repayments of the bond from the net sales proceeds of future asset disposals. Considering a net-secured LTV of 12.5%, assets held for sale to the tune of € 160m (as of 9M excl. LogPark), a 20% BV discount and the net cash inflow from the LogPark sale (eNuW: € 65-70m) this figure could amount to c. € 180m in 2024 alone.

(3) Obligation to waive dividends or other distributions to shareholders during the extended term of the bond.

(4) Additional collateralization of the bond in favor of the bondholders, likely via the company's portfolio of unencumbered assets.

In addition, the company stated that **one member of the Ad hoc Group intends to dispose a position to the tune of c. 20%** of the outstanding nominal amount or c. € 100m. The company further stated that it considers submitting a bid to acquire the corresponding position. Considering this to be a highly distressed situation for the seller, DEMIRE would possibly be able to acquire the position below market levels (64% as of yesterday's close).

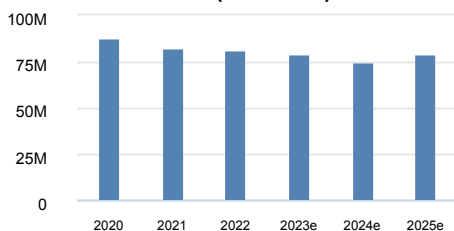
Yet, as all the above is still subject to approval of the Ad hoc Group as well as an external economic feasibility analysis, we keep our forecast model unchanged for the time being.

Given the prevailing uncertainty regarding the investment case, we reiterate **HOLD with a € 1.20 PT.**

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	51.4%	51.4%	53.9%	46.0%	52.9%	56.6%
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	4.0
Dividend yield	84.4%	42.2%	0.0%	0.0%	0.0%	11.3%
P/NTA premium/discount	-87.3%	-87.7%	-85.3%	-81.9%	-81.0%	-81.6%
P/FFO	1.9	1.9	1.9	2.2	1.9	1.8
Loan-to-value (LTV)	51.5%	50.8%	55.4%	53.2%	46.2%	45.2%
Implied yield	7.1%	6.6%	9.2%	10.9%	13.6%	14.5%

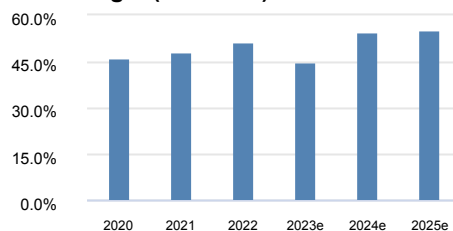
Source: Company data, NuWays, Close price as of 22.03.2024

Net rental income (2020-25e)



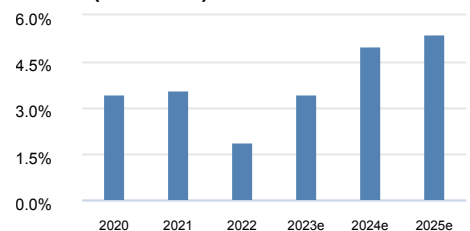
Source: NuWays Research

FFO margin (2020-25e)



Source: NuWays Research

ROCE (2020-25e)



Source: NuWays Research

Share Performance



High/low 52 weeks (€)	2.24 / 0.72
3m rel. performance	-33.3%
6m rel. performance	-56.6%
12m rel. performance	-75.2%

Market data

Share price (in €)	0.76
Market cap (in € m)	79.2
Number of shares (in m pcs)	107.8
Enterprise value (in € m)	552.6
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	0%	0%	0%
FFO	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

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: € 78-80m
- FFO: € 35-37m

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%	10.4%
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	4.0

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	n.a.	EUR 2.04

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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 adjust-

ment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

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8. Miscellaneous

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

Date of publication creation: 28/03/2024 07:42 AM

Date of publication dissemination: 28/03/2024 07:42 AM

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