

Buy (old: Buy)

08.11.2024

EUR 1.50 (old: EUR 1.50)

Rental income decreased due to smaller property portfolio, chg.

Q3 rental income declined 20% yoy to € 15.2m (eNuW: € 16.0m), caused by the lower asset base following larger disposals as well as the deconsolidation of the Limes portfolio in July (eNuW: € 8.4m annual rental income). Despite a strong letting performance in the first nine months (+121% yoy) we also saw a decreasing like-for-like contractual rental income (-3.2%), which was mainly case by the increased vacancy rate of 14.7% (vs 13.1% at YE '23) following the insolvency of Mein Real in Querfurt. This was only partly offset by indexation effects concerning existing rental agreements. Yet, we also already saw a sequential improvement in the vacancy rate of 0.8pp in Q3. We regard the **strong letting performance as a sign of operational strength** as we observe a continuous weakness of the letting markets.

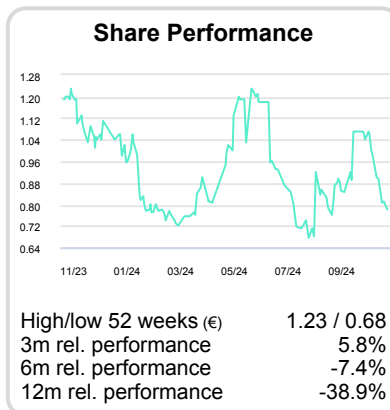
On this basis, we also saw a **12% yoy FFO decrease to € 7.5m** (eNuW: € 7.3m), driven by negative operating leverage which was only slightly offset by an improved rental margin. Yet, an improved FFO margin of 50% shows that DMRE is able to display strong operating performances despite the significantly lowered asset base.

Against this backdrop, **management confirmed the FY guidance** targeting sales of € 64-66m (eNuWnew: € 66.1m) as well as a yoy decline in FFO (eNuWnew: € 28.4m vs € 36.7m in FY '23).

Limes update. Following the insolvency of the Limes subsidiaries, management reiterated during the CC that it expects the assets to remain stable in value (eNuW: € 140m with 57% LTV). Hence, there could be **upside to our estimates** as we conservatively included a total loss for the company in our model.

Disposal engine running. Following two larger disposals in Ulm and Leipzig, management confirmed in the CC that it expects 3 additional smaller deals to be closed until YE '24e as well as several assets do be disposed in FY '25e. Although it is hard to get a grip on the exact volume, management was confident to dispose assets with a volume of up to € 50m until YE '25e, which is however below our current estimate of € 99m (GAV).

The stock remains undervalued given the significant and, in our view, unjustified NAV discount of 73%. Hence, we reiterate **BUY with an unchanged PT of € 1.50** based on NAV.



Market data

Share price (in €)	0.78
Market cap (in € m)	134.7
Number of shares (in m pcs)	107.8
Enterprise value (in € m)	589.5
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

	2024e	2025e	2026e
Net rents	-2%	0%	0%
FFO	8%	-0%	-0%
EPS	8%	-0%	-0%

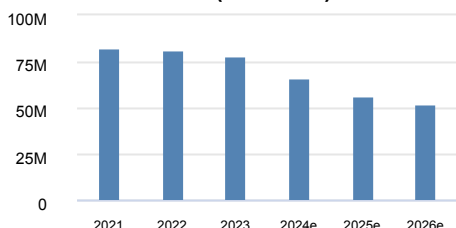
Comment on changes

- Changes reflect slightly lower contractual rent than expected but better than expected FFO after 9M.

Y/E 31.12 (EUR)	2021	2022	2023	2024e	2025e	2026e
Net rental income	82.3	81.1	78.5	66.1	56.0	52.3
Rental income growth	-3.9%	-27.1%	6.6%	-22.4%	8.7%	-15.2%
FFO	39.8	44.6	36.7	28.4	18.8	14.7
Net profit	61.6	-71.5	-152.0	-65.8	-0.9	2.7
EPS	0.55	-0.62	-1.39	-0.59	-0.01	0.03
FFO yield	30.2%	33.8%	27.9%	21.6%	14.2%	11.1%
FFO margin	48.4%	55.0%	46.8%	43.0%	33.5%	28.1%
NTA per share	5.6	4.6	3.3	2.7	2.7	2.7
Dividend yield	24.8%	0.0%	0.0%	0.0%	2.8%	0.0%
P/NTA premium/discount	-77.6%	-72.7%	-61.7%	-52.9%	-53.0%	-53.0%
P/FFO	3.3	3.0	3.6	4.6	7.0	9.0
Loan-to-value (LTV)	50.8%	55.4%	59.6%	52.9%	48.2%	50.9%
Implied yield	6.6%	8.7%	9.4%	11.2%	10.9%	10.9%

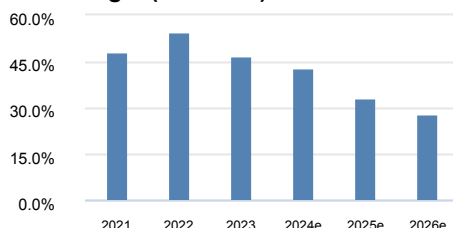
Source: Company data, NuWays, Close price as of 04.11.2024

Net rental income (2021-26e)



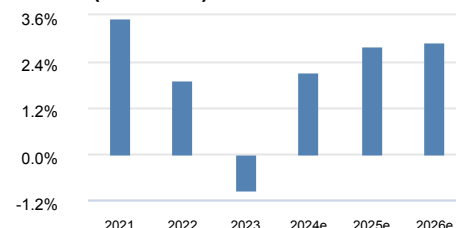
Source: NuWays Research

FFO margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



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.

Guidance

- Rental Income: € 64-66m
- FFO: significantly lower than FY '23

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net rental income	82.3	81.1	78.5	66.1	56.0	52.3
Direct property expenses	35.4	46.8	42.0	37.8	25.2	26.1
Net operating income	47.0	34.2	36.5	28.4	30.8	26.1
Earnings from property disposals	1.4	-8.2	-14.3	-9.2	-9.9	-4.7
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	22.5	28.9	24.0	18.1	13.1	11.2
Total revenues	106.2	101.8	88.2	75.0	59.3	58.7
Revaluation result from investment properties (net)	48.8	-98.9	-176.8	-106.1	0.0	0.0
Total income	155.0	2.9	-88.6	-31.1	59.3	58.7
Administrative expenses	4.7	4.1	5.1	4.8	1.8	1.3
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	2.0	16.8	26.8	6.8	1.7	1.6
Total operating expenses	13.2	27.5	38.5	18.1	10.1	9.4
EBITDA	106.4	-71.4	-169.0	-87.0	24.0	23.2
EBITDA excl revaluation result (net)	57.6	27.5	7.8	19.1	24.0	23.2
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	106.4	-71.4	-169.0	-87.0	24.0	23.2
EBITA excl revaluation result (net)	57.6	27.5	7.8	19.1	24.0	23.2
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	3.5	1.5	18.9	1.6	1.0	1.0
EBIT (incl revaluation net)	103.0	-72.9	-187.9	-88.7	23.0	22.2
EBIT (excl revaluation net)	54.2	26.0	-11.1	17.4	23.0	22.2
Interest income	3.2	18.4	22.5	43.6	1.2	2.5
Interest expenses	18.3	19.3	17.1	17.5	20.3	16.7
Depreciation of financial investment	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	-7.0	0.5	5.1	-4.4	-4.8	-4.8
Financial result	-22.1	-0.4	10.5	21.6	-23.9	-19.0
Earnings before taxes	80.8	-73.3	-177.5	-67.1	-0.9	3.1
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	6.7	6.8	12.6	3.6	0.0	0.5
Net income from continuing operations (incl reval. result)	61.6	-71.5	-152.0	-65.8	-0.9	2.7
Net income from continuing operations (excl reval. result)	12.8	27.4	24.8	40.3	-0.9	2.7
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)	61.6	-71.5	-152.0	-65.8	-0.9	2.7
Net income (excl revaluation result net)	12.8	27.4	24.8	40.3	-0.9	2.7
Minority interest	3.1	-5.8	-4.8	-3.3	-0.0	0.0
Net income (net of minority interest, incl reval. result)	58.5	-65.7	-147.2	-62.6	-0.8	2.6
Net income (net of minority interest, excl reval. result)	9.7	33.1	29.6	43.6	-0.8	2.6
Funds from operations (FFO)	39.8	44.6	36.7	28.4	18.8	14.7

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	42.9%	57.8%	53.5%	57.1%	45.0%	50.0%
Net operating income	57.1%	42.2%	46.5%	42.9%	55.0%	50.0%
Earnings from property disposals	1.8%	neg.	neg.	neg.	neg.	neg.
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	27.3%	35.6%	30.6%	27.3%	23.4%	21.4%
Total revenues	129.1%	125.5%	112.4%	113.4%	105.8%	112.4%
Revaluation result from investment properties (net)	59.2%	neg.	neg.	neg.	0.0%	0.0%
Total income	188.3%	3.6%	neg.	neg.	105.8%	112.4%
Administrative expenses	5.7%	5.1%	6.5%	7.3%	3.3%	2.4%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	27.3%	35.6%	30.6%	27.3%	23.4%	21.4%
Total operating expenses	16.1%	33.9%	49.0%	27.4%	18.0%	18.0%
EBITDA	129.3%	neg.	neg.	neg.	42.8%	44.4%
EBITDA excl revaluation result (net)	70.0%	33.9%	9.9%	28.8%	42.8%	44.4%
Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	129.3%	neg.	neg.	neg.	42.8%	44.4%
EBITA excl revaluation (net)	70.0%	33.9%	9.9%	28.8%	42.8%	44.4%

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
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	4.2%	1.9%	24.1%	2.5%	1.8%	1.9%
EBIT (incl revaluation net)	125.1%	neg.	neg.	neg.	41.0%	42.4%
EBIT (excl revaluation net)	65.8%	32.0%	neg.	26.3%	41.0%	42.4%
Interest income	3.8%	22.7%	28.7%	65.9%	2.2%	4.8%
Interest expenses	22.3%	23.8%	21.8%	26.5%	36.2%	32.0%
Depreciation of financial investment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	neg.	0.6%	6.5%	neg.	neg.	neg.
Financial result	neg.	neg.	13.4%	32.6%	neg.	neg.
Earnings before taxes (incl revaluation result)	98.2%	neg.	neg.	neg.	neg.	6.0%
Earnings before taxes (excl revaluation result)	38.9%	31.5%	neg.	59.0%	neg.	6.0%
Taxes	23.4%	neg.	neg.	neg.	0.0%	0.9%
Net income from continuing operations (incl reval. result)	74.8%	neg.	neg.	neg.	neg.	5.1%
Net income from continuing operations (excl reval. result)	15.6%	33.8%	31.6%	60.9%	neg.	5.1%
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	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income (incl revaluation result net)	74.8%	neg.	neg.	neg.	neg.	5.1%
Net income (excl revaluation result net)	15.6%	33.8%	31.6%	60.9%	neg.	5.1%
Minority interest	3.8%	neg.	neg.	neg.	neg.	0.1%
Net income (net of minority interest, incl reval. result)	71.1%	neg.	neg.	neg.	neg.	5.1%
Net income (net of minority interest, excl reval. result)	15.6%	33.8%	31.6%	60.9%	neg.	5.1%
Funds from operations (FFO)	48.4%	55.0%	46.8%	43.0%	33.5%	28.1%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	6.8	0.0	0.0	0.0	0.0	0.0
Investment properties	1,433.1	1,231.1	947.3	683.8	657.1	673.6
Property, plant and equipment	0.2	0.2	0.2	0.2	0.2	0.2
Financial assets	91.8	87.9	73.9	75.0	75.0	75.0
Other non-current assets	11.9	6.7	8.3	8.3	8.3	8.3
Deferred taxes	12.6	-8.6	-38.1	-4.8	0.0	0.0
FIXED ASSETS	1,543.8	1,325.8	1,029.6	767.3	740.6	757.0
Properties held for sale	0.0	121.0	149.1	100.0	50.0	0.0
Accounts receivable	8.7	13.8	14.2	11.8	10.0	9.3
Other current assets	13.5	12.2	14.7	15.0	15.0	15.0
Liquid assets	139.6	57.4	120.0	60.7	140.4	124.5
CURRENT ASSETS	161.8	211.0	298.0	187.5	215.3	148.8
TOTAL ASSETS	1,705.6	1,536.9	1,327.5	954.8	956.0	905.8
Subscribed capital	105.5	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	385.0	410.5	345.3	195.7	134.6	131.4
Net profit/loss	58.5	-65.7	-147.2	-62.6	-0.8	2.6
SHAREHOLDER'S EQUITY	549.0	450.2	303.6	238.7	239.3	239.6
MINORITY INTEREST	43.3	36.5	29.7	29.7	29.7	29.7
PROVISIONS AND ACCRUED LIABILITIES	12.7	16.1	26.9	26.9	26.9	26.9
short-term liabilities to banks	16.1	15.6	120.3	30.0	30.0	30.0
Bonds (long-term)	594.0	546.4	499.0	255.1	155.1	105.1
long-term liabilities to banks	280.4	267.0	171.7	205.9	307.9	307.9
other interest-bearing liabilities	24.5	26.6	25.9	24.5	24.5	24.5
Interest-bearing liabilities	915.0	855.7	817.0	515.5	517.5	467.5
Accounts payable	10.6	16.6	10.0	9.1	7.7	7.2
Current liabilities	100.9	102.3	112.4	109.1	107.7	107.2
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	84.7	76.0	37.9	35.0	35.0	35.0
LIABILITIES	1,100.6	1,034.0	967.4	659.5	660.1	609.6
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,705.6	1,536.9	1,327.5	954.8	956.0	905.8

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment properties	84.0%	80.1%	71.4%	71.6%	68.7%	74.4%
Property, plant and equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial assets	5.4%	5.7%	5.6%	7.9%	7.8%	8.3%
Other non-current assets	0.7%	0.4%	0.6%	0.9%	0.9%	0.9%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	90.5%	86.3%	77.6%	80.4%	77.5%	83.6%
Properties held for sale	0.0%	7.9%	11.2%	10.5%	5.2%	0.0%
Accounts receivable	0.5%	0.9%	1.1%	1.2%	1.0%	1.0%
Other current assets	0.8%	0.8%	1.1%	1.6%	1.6%	1.7%
Liquid assets	8.2%	3.7%	9.0%	6.4%	14.7%	13.7%
CURRENT ASSETS	9.5%	13.7%	22.4%	19.6%	22.5%	16.4%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	6.2%	6.9%	7.9%	11.1%	11.0%	11.6%
Surplus capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional paid-in capital	22.6%	26.7%	26.0%	20.5%	14.1%	14.5%
Net profit/loss	3.4%	-4.3%	-11.1%	-6.6%	-0.1%	0.3%
SHAREHOLDERS EQUITY	32.2%	29.3%	22.9%	25.0%	25.0%	26.5%
MINORITY INTEREST	2.5%	2.4%	2.2%	3.1%	3.1%	3.3%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	0.9%	1.0%	9.1%	3.1%	3.1%	3.3%
Bonds (long-term)	34.8%	35.6%	37.6%	26.7%	16.2%	11.6%
long-term liabilities to banks	16.4%	17.4%	12.9%	21.6%	32.2%	34.0%
other interest-bearing liability	1.4%	1.7%	2.0%	2.6%	2.6%	2.7%
Interest-bearing liabilities	53.6%	55.7%	61.5%	54.0%	54.1%	51.6%
Accounts payable	0.6%	1.1%	0.8%	0.9%	0.8%	0.8%
Current liabilities	5.9%	6.7%	8.5%	11.4%	11.3%	11.8%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	5.0%	4.9%	2.9%	3.7%	3.7%	3.9%
LIABILITIES	64.5%	67.3%	72.9%	69.1%	69.1%	67.3%
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)	2021	2022	2023	2024e	2025e	2026e
Net profit	80.8	-73.3	-177.5	-67.1	-0.9	3.1
Other recurrent / non-recurrent items	-20.9	119.7	225.1	115.3	9.9	4.7
Increase/decrease in working capital	5.3	1.6	-6.9	1.4	0.4	0.2
Cash flow from operating activities	65.2	48.0	40.7	49.7	9.4	8.0
CAPEX	0.0	0.0	12.9	33.2	20.5	16.4
Payment for acquisitions	-24.7	-32.4	0.0	0.0	0.0	0.0
Financial investments	-78.6	1.5	0.0	0.0	0.0	0.0
Income from asset disposals	103.1	4.5	78.3	143.8	88.8	42.5
Cash flow from investing activities	-0.2	-26.3	65.4	110.6	68.2	26.1
Increase/decrease in debt position	58.8	-51.2	-25.1	-219.5	2.0	-50.0
Dividends paid	-67.7	-35.4	0.0	0.0	0.0	0.0
Purchase of own shares	-1.2	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Others	-16.9	-17.3	-18.4	0.0	0.0	0.0
Cash flow from financing activities	-27.0	-103.9	-43.6	-219.5	2.0	-50.0
Cash flow from operating activities	65.2	48.0	40.7	49.7	9.4	8.0
Cash flow after maintenance capex	80.8	-73.3	-177.5	-67.1	-0.9	3.1
Cash flow before financing	339.4	118.8	106.1	160.2	77.6	34.1
Increase/decrease in liquid assets	382.4	50.3	62.5	-59.3	79.6	-15.9
Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
Return on Equity						
Net profit / Y/E equity	1.8%	7.4%	9.8%	18.2%	-0.3%	1.1%
Recurring net profit / Y/E equity	7.3%	9.9%	12.1%	11.9%	7.9%	6.1%
Net profit / avg. equity	1.8%	7.4%	9.8%	18.2%	-0.3%	1.1%
Recurring net profit / avg. equity	7.3%	9.9%	12.1%	11.9%	7.9%	6.1%
Security						
Net debt	775.4	798.2	697.0	454.8	377.1	343.0
Debt / equity	166.7%	190.1%	269.1%	215.9%	216.2%	195.1%
Net gearing	141.2%	177.3%	229.6%	190.5%	157.6%	143.2%
Interest cover	3.0	1.3	-0.6	1.0	1.1	1.3
EBIDTA / interest paid	5.8	-3.7	-9.9	-5.0	1.2	1.4
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	1.2	n.a.	n.a.	n.a.	5.0	n.a.
Loan-to-value (LTV)	50.8%	55.4%	59.6%	52.9%	48.2%	50.9%
Return on Net Asset Value	6.8%	9.2%	10.7%	10.2%	6.7%	5.2%
Liquidity						
Current ratio	0.7	1.0	1.0	0.9	1.1	0.8
Acid test ratio	0.7	1.0	1.0	0.9	1.1	0.8
Valuation metrics						
FFO	39.8	44.6	36.7	28.4	18.8	14.7
FFO per share	0.38	0.42	0.35	0.27	0.18	0.14
NTA per share	5.6	4.6	3.3	2.7	2.7	2.7

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	11.10.2024	Sennewald, Philipp	Buy	EUR 1.50	EUR 1.04
	09.11.2023	Sennewald, Philipp	Hold	EUR 1.20	EUR 1.19

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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-

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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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Contacts

NuWays AG

Mittelweg 16-17
20148 Hamburg
Germany

+49 170 119 8648
info@nuways-ag.com
www.nuways-ag.com



Christian Sandherr

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



Frederik Jarchow

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



Philipp Sennewald

Analyst

philipp.sennewald@nuways-ag.com



Henry Wendisch

Analyst

henry.wendisch@nuways-ag.com



Mark Schüssler

Analyst

mark-hendrik.schuessler@nuways-ag.com



Konstantin Völk

Analyst

konstantin.voelk@nuways-ag.com

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