

Buy (old: Buy)

12.11.2024

EUR 1.50 (old: EUR 1.50)

Refinancing finalized – Full focus on operations

Yesterday, DMRE announced that the company had successfully the terms and maturity of its corporate bond in a procedure under the German Bond Act. This comes after in the beginning of September, bondholders representing more than 90% of the aggregate outstanding principal amount of the bond agreed to the amendment and extension of the bond. The technical implementation has now taken place and the bond under the new conditions is already tradeable again on the Luxembourg Stock Exchange.

As agreed upon, DMRE repaid € 49.9m (10% of outstanding amount) at par on 22nd October. Further, the company repaid € 4.6m below par as part of a tender offer process. In addition to this, € 190.8 were also repurchased below par (76.25%) and cancelled following the communicated backstop agreement. On top of this, management aims to repurchase a further amount of € 1.3m on the basis of the backstop agreement soon.

With this, DMRE already redeemed € 245.3m, reducing the outstanding volume to € 254m. In the process, the company made use of a shareholder loan by Apollo to the tune of € 92.9m. Mind you, the maturity of the bond was extended to 2027 at an increased interest rate of 5%. Yet, management is incentivized to reduce the volume further going forward, given penalty fees of 3% if the bond is not reduced by another € 50m until YE '25 as well as 2% if it has not been reduced by € 50m until YE '26. Moreover, a PIK interest of 3% will kick in starting FY '27. On this basis, we expect DMRE to dispose further assets in order to shore up liquidity. Management is confident to close 3 deals until YE '24 und dispose overall € 50m until FY '25e.

Besides this, the company received positive news regarding the rating of its bond, which Moody's upgraded to Caa2 while changing the outlook to stable.

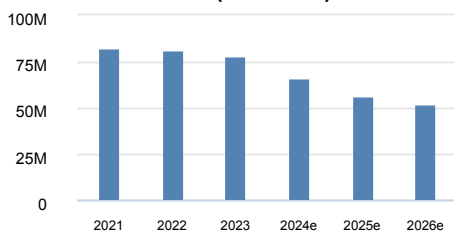
The stock remains undervalued given the significant and, in our view, unjustified NAV discount of 73%. Hence, we reiterate **BUY with an unchanged PT of € 1.50** based on NAV.

+++ For further information on the company's strategy following the refinancing, there will be a round-table discussion with CFO Tim Brückner on Wednesday at 11:00 a.m. ([LINK](#)) +++

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	47.2%	52.8%	43.5%	33.7%	22.3%	17.4%
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	38.7%	0.0%	0.0%	0.0%	4.5%	0.0%
P/NTA premium/discount	-85.6%	-82.5%	-75.5%	-69.8%	-69.9%	-69.9%
P/FFO	2.1	1.9	2.3	3.0	4.5	5.8
Loan-to-value (LTV)	50.8%	55.4%	59.6%	52.9%	48.2%	50.9%
Implied yield	6.6%	9.2%	10.0%	12.2%	12.1%	12.2%

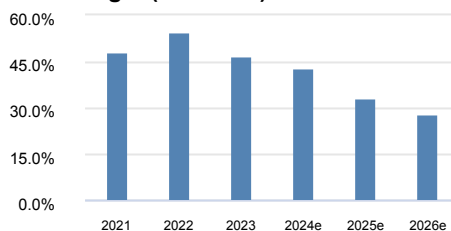
Source: Company data, NuWays, Close price as of 04.11.2024

Net rental income (2021-26e)



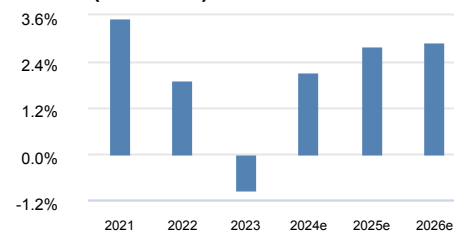
Source: NuWays Research

FFO margin (2021-26e)



Source: NuWays Research

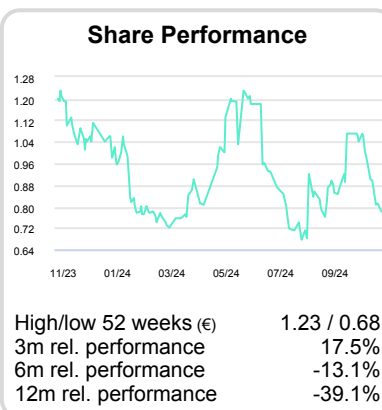
ROCE (2021-26e)



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.



Market data

Share price (in €)	0.78
Market cap (in € m)	86.2
Number of shares (in m pcs)	107.8
Enterprise value (in € m)	541.0
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

	2024e	2025e	2026e
Net rents	0%	0%	0%
FFO	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

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

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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.

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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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