

5 June 2024

**DEMIRE**

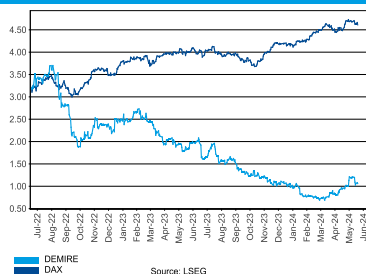
Germany

**Real Estate**

Reuters: DMRE.DE Bloomberg: DMRE GY

**Reduce**

Closing price as of 04-Jun-24	EUR 1.06
<b>Target price</b>	<b>EUR 1.25</b>
High/Low (12M)	EUR 2.08/0.69
Market cap.	EUR mn 112
Enterprise value	EUR mn 658
Free float	7.2%
Avg. daily turnover	EUR mn 0.01

**Price relative to Index**

Performance (%)	1M	3M	6M
Absolute	11.0	38.6	1.9
rel. DAX	8.8	34.7	-10.3
rel. STOXX Europe 600	8.7	34.6	-9.1
rel. SXXP Real Estate	7.3	28.0	-6.2

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**Agreement with a group of bondholders – Apollo makes commitments****Our conclusion**

- Last night, DEMIRE announced an agreement with a group of bondholders regarding the restructuring of the 2019/2024 bonds. The bond has a nominal outstanding amount of EUR 499mn, a coupon of 1.875% and is due on 15 October 2024. DEMIRE already confirmed negotiations in March and postponed the release of FY23 results twice to now 27 June 2024 due to ongoing negotiations.
  - Today's ad hoc is at least positive news due to the agreement with a group representing the majority of bondholders. It is aimed to complete the transaction as soon as possible by way of a vote without a meeting. Afterwards, the company will launch a tender offer to all bondholders to repurchase bonds at a maximum price of ~76% for a total maximum volume of approx. EUR ~160mn (EUR ~209mn nominal).
  - The majority shareholder Apollo will support the tender offer and a related backstop and agreed to grant a shareholder loan to DEMIRE in an amount of up to EUR 100mn (min.: EUR 68mn). In addition, Apollo supports the company to take measures that allow to free up financial resources in order to finance the transactions. This may include a transfer of properties to an entity controlled by Apollo.
  - Overall, reaching an agreement with the majority of bondholders and to get confirmed the commitments by the majority shareholder is positive news, albeit the execution of the plan will probably take further time. It comes not as a surprise that the partly redemption and extension of the financing will come at some costs. As discussed in our recent Company Update, disposals and higher relative financing costs will lead to a decline in operating earnings in the years 2024E to 2027E. As this is fundamentally not an attractive case, we keep our Reduce rating for now.
- Facts & Analysis**
- DEMIRE will release its **FY23 report** as well as the 1Q24 results on 27 June 2024. The released preliminary results are already included in our estimates for FY23.
  - The company announced a **Lock-Up agreement** with a group of bondholders representing more than 50% by value of bonds outstanding as well as commitments by its majority shareholder (funds managed by Apollo Global Management Inc. This will support the company to further focus on its asset disposal program and deleveraging path over the next years.
  - Some key elements of the refinancing:** The senior unsecured notes due in October 2024 (nominal outstanding: EUR 499mn) will be extended until December 2027. The re-initiated bond will have a 5% cash coupon plus an additional 1% starting on 1 January 2027 and additional fees if certain deleverage targets are not met. There will be an updated set of covenants aligned with the business plan/ asset disposal program ensuring a stable platform. DEMIRE will now approach further bondholders for an accession to the Lock-Up agreement.
  - The company provided a **market update presentation** including the detailed agreement and a business plan with most relevant KPIs on its **homepage**. We will review our estimates based on this after the release of the financial report on 27 June. According to the provided medium to long-term outlook, FFO is expected to reach EUR 25mn, EUR 18mn, EUR 14mn in the years 2024E-2026E, which compares to our estimates of EUR 26mn, EUR 22mn and EUR 14mn.

**Key financials**

EUR mn	2023E	2024E	2025E	2026E	CAGR (%)
Net income	-166.2	-25.2	13.8	20.2	-
FFOps (EUR)	0.35	0.25	0.21	0.13	-28.1
NAVps (EUR)	3.10	2.86	2.97	3.16	0.6

**Valuation ratios**

%	2023E	2024E	2025E	2026E
NAV prem./discount	-41.4	-62.9	-64.3	-66.5
FFO yield	19.3	23.6	19.8	12.3
Dividend yield	0.0	0.0	0.0	0.0

Source: Company data, Baader Helvea Equity Research

## DEMIRE

## Key data

FY 31 Dec.	2021	2022	2023E	2024E	2025E	2026E
<b>Share data</b>						
EPS adjusted (EUR)	0.25	0.24	0.06	0.19	0.13	0.05
Indirect investment result (EUR)	0.30	-0.86	-1.63	-0.43	0.00	0.14
EPS reported (EUR)	0.55	-0.62	-1.57	-0.24	0.13	0.19
<b>FFOps (EUR)</b>	<b>0.38</b>	<b>0.39</b>	<b>0.35</b>	<b>0.25</b>	<b>0.21</b>	<b>0.13</b>
Dividend (EUR)	0.31	0.00	0.00	0.00	0.00	0.00
Book value (EUR)	5.09	4.18	2.82	2.58	2.71	2.90
<b>NAV adj. (EUR)</b>	<b>5.57</b>	<b>4.57</b>	<b>3.10</b>	<b>2.86</b>	<b>2.97</b>	<b>3.16</b>
Number of shares (outstanding; mn)	105.5	105.5	105.5	105.5	105.5	105.5
Share price (avg./current; EUR)	4.35	3.53	1.82	1.06	1.06	1.06
Market cap. (avg./current; EUR mn)	468.6	380.7	196.0	111.8	111.8	111.8
Enterprise value (EUR mn)	1,219.5	1,152.3	866.4	658.1	572.6	558.5
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>17.4</b>	<b>14.7</b>	<b>30.3</b>	<b>5.6</b>	<b>8.2</b>	<b>21.2</b>
<b>FFO yield (%)</b>	<b>8.7</b>	<b>11.0</b>	<b>19.3</b>	<b>23.6</b>	<b>19.8</b>	<b>12.3</b>
Dividend yield (%)	7.1	0.0	0.0	0.0	0.0	0.0
Implied yield (EBITDA/EV) (%)	4.6	2.4	0.9	5.0	6.3	6.3
<b>P/NAV (x)</b>	<b>0.78</b>	<b>0.77</b>	<b>0.59</b>	<b>0.37</b>	<b>0.36</b>	<b>0.34</b>
P/BV (x)	0.85	0.84	0.64	0.41	0.39	0.37
ROCE/WACC (x)	0.97	0.32	0.05	1.00	0.84	0.86
(EV/CE)/(ROCE/WACC) (x)	0.77	2.34	13.08	0.64	0.72	0.68
<b>Key company data</b>						
Rental income growth (%)	-5.9	-1.5	-3.2	-13.1	-6.5	-8.1
EBITDA growth (%)	1.1	-51.5	-71.3	316.3	10.4	-2.4
<b>FFO growth (%)</b>	<b>1.7</b>	<b>4.9</b>	<b>-12.1</b>	<b>-28.8</b>	<b>-15.7</b>	<b>-35.3</b>
FFO per share growth (%)	2.7	2.6	-10.3	-28.6	-16.0	-38.1
DPS growth (%)	-50.0	-100.0	-	-	-	-
EBITDA margin adj. (%)	68.7	33.9	10.0	48.1	56.8	60.3
ROE recurring (%)	4.6	5.3	2.0	6.4	4.3	1.5
Net gearing (%)	126.8	158.5	201.1	176.7	142.2	129.4
<b>Net loan-to-value (%)</b>	<b>50.9</b>	<b>55.4</b>	<b>59.7</b>	<b>56.5</b>	<b>52.0</b>	<b>50.1</b>
Equity ratio (%)	34.7	31.7	25.1	24.9	26.6	27.9
Interest cover (x)	3.6	40.2	-4.1	2.9	2.0	1.4
<b>Income statement (EUR mn)</b>						
Total revenues	187.6	94.6	145.3	221.7	191.9	120.4
Gross rental income	82.3	81.1	78.5	68.2	63.8	58.7
Net rental income	67.2	62.3	59.5	51.5	48.8	44.9
EBITDA	56.6	27.5	7.9	32.8	36.2	35.4
EBIT	101.9	-72.9	-187.8	-5.1	40.8	52.8
EBT	80.8	-73.3	-182.4	-21.2	18.7	25.5
EBT adjusted	32.0	25.6	-5.6	16.6	14.2	8.1
Net profit after minorities	58.5	-65.7	-166.2	-25.2	13.8	20.2
<b>Funds from operations (FFO)</b>	<b>39.8</b>	<b>41.8</b>	<b>36.7</b>	<b>26.1</b>	<b>22.1</b>	<b>14.3</b>
<b>Balance sheet (EUR mn)</b>						
Investment property	1,433	1,231	947	919	873	880
Non-current assets	1,544	1,326	1,027	991	944	950
Cash and equivalents	140	57	120	194	249	263
Current assets	162	211	301	249	272	286
<b>Total assets</b>	<b>1,706</b>	<b>1,537</b>	<b>1,327</b>	<b>1,240</b>	<b>1,216</b>	<b>1,236</b>
Equity	592	487	333	309	324	345
Interest bearing debt	891	829	790	740	710	710
<b>Total equity and liabilities</b>	<b>1,706</b>	<b>1,537</b>	<b>1,327</b>	<b>1,240</b>	<b>1,216</b>	<b>1,236</b>
Net debt	751	772	670	546	461	447
<b>Cash flow (EUR mn)</b>						
Cash flow from operating activities	48.8	32.7	22.5	17.6	12.3	7.6
Cash flow from investing activities	-0.2	-26.3	65.4	109.9	80.0	11.0
Free cash flow	48.5	6.5	87.9	127.6	92.3	18.6
Dividend paid	-67.7	-35.4	0.0	0.0	0.0	0.0
Cash flow from financing activities	-10.4	-86.9	-25.1	-53.8	-36.8	-4.5
Changes in cash position	38.1	-80.5	62.8	73.8	55.4	14.1

Source: Company data, Baader Helvea Equity Research

## DEMIRE

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
DEMIRE	23-May-24	Reduce	EUR	1.25	1.20 22-May-24	Andre Remke, CFA

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