

An aerial photograph showing a large retail park with several large commercial buildings, including a prominent one with a red roof and orange awnings. The park is surrounded by a residential area with many houses and is adjacent to large agricultural fields. A semi-transparent dark blue box is overlaid on the bottom half of the image, containing white text.

Deutsche Konsum REIT-AG (DKR)

Leading listed basic retail investor in Germany
Eigenkapitalforum Frankfurt

26-November-2018

Who is Deutsche Konsum REIT?

Strategy

Property portfolio

Financial structure

Preliminary figures FY 2017/2018

Shares

Outlook

Who is Deutsche Konsum REIT?



Who is Deutsche Konsum REIT?

Listed basic retail investor in Germany

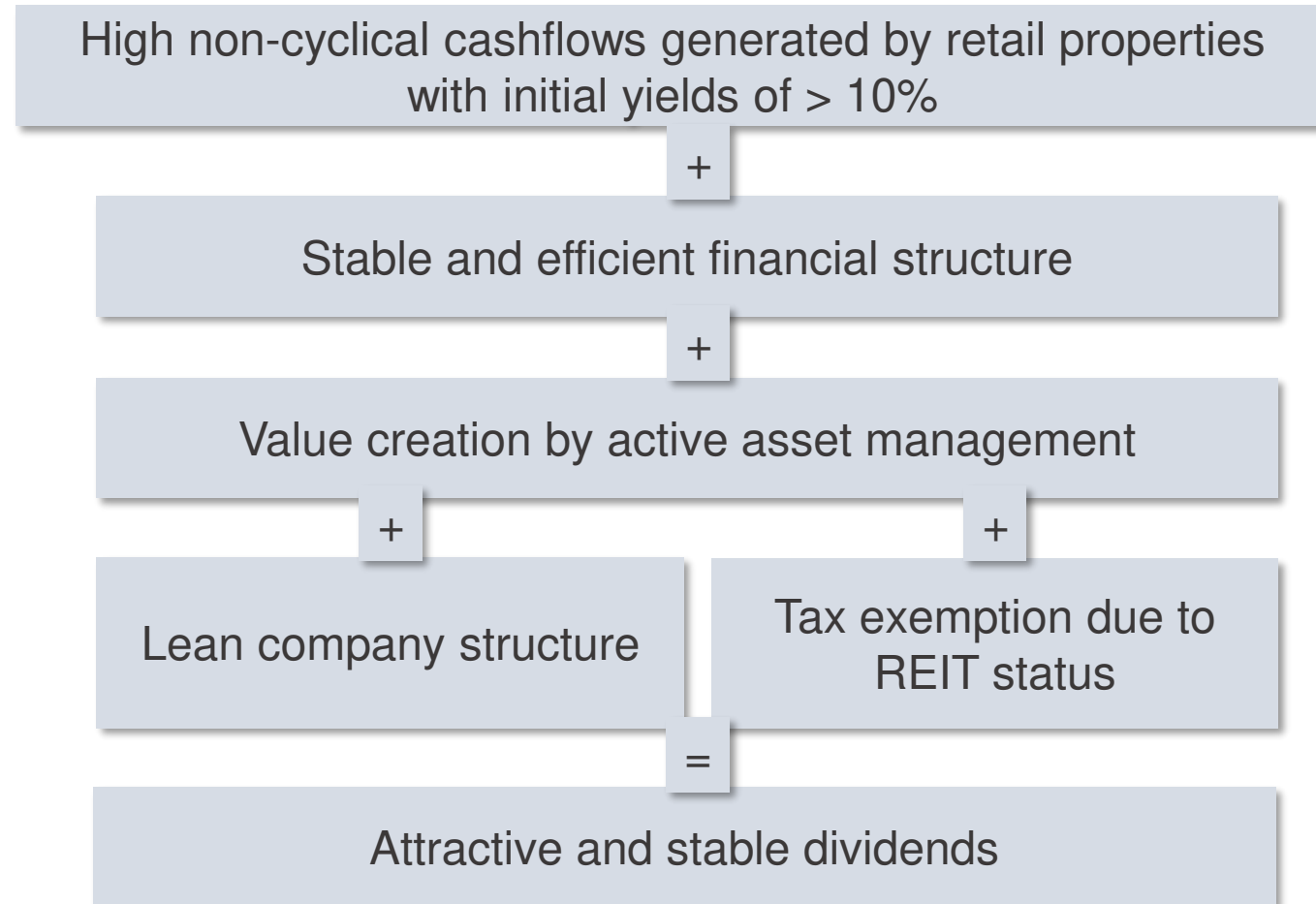
- **Operational start in 2014 – since then strong growth**
- **Focus on basic retail properties with goods of daily needs supply**
- **Holds 103 retail properties with a balance value of > 450 mEUR**
- **40m EUR annualised rents**
- **Initial yields of > 11.5 %**
- **Prime Standard listed company with market cap of 300 mEUR**

Strategy



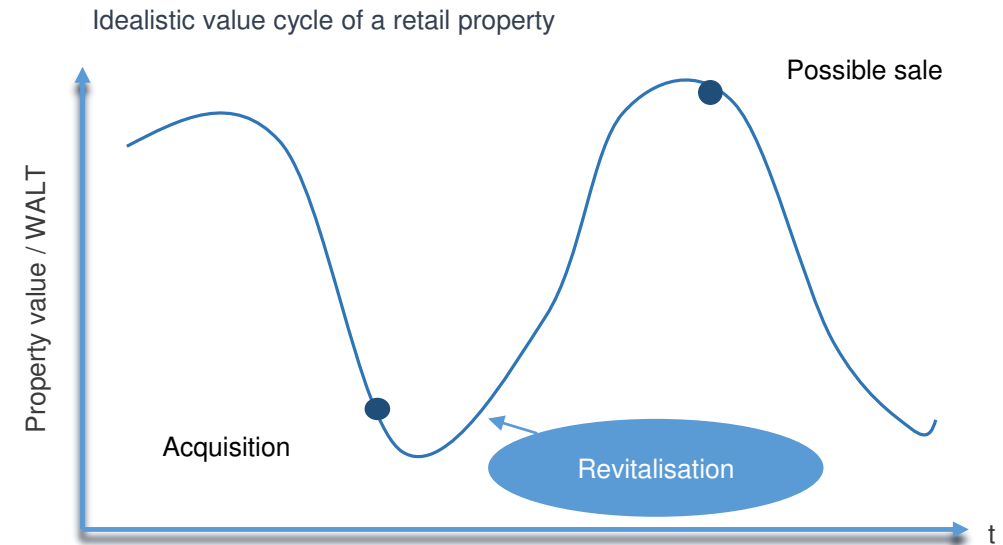
Strategy

High real estate cashflows combined with tax exemption



Investment criteria:

1. Retail properties in established and stable micro locations and catchment area in regional and mid-sized cities in Germany
2. Retail tenants with goods of daily needs supply like grocery etc
3. At least two non-cyclical anchor tenants
4. Strong cashflow from the beginning based on high initial yields
5. Properties with value add potential
6. Investment volume in a niche between 1 and EUR 25 mn

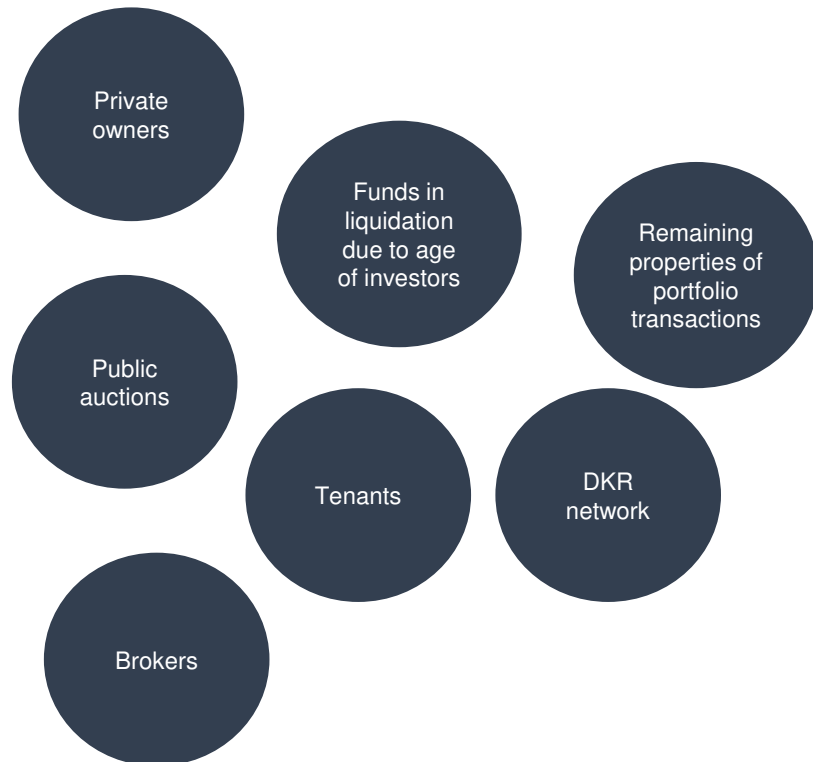


- Acquisition in a downturn phase
- Awareness to accept high vacancy and short WALTs to get these high initial yields
- Vacancy reduction and prolongation of rental contracts are inherent value add potential
- Opportunistic property sales after successful revitalisation

Strategy

Sourcing process for retail properties

Typical set of sellers



Analysing process at DKR

- CIO investment team analyses a yearly property volume of up to 3bn EUR
- Rigorous compliance with DKR investment criteria
- Stepwise acquisition of single assets preferred
- High efforts to filter out adequate properties compared to portfolio transactions

DKR portfolio



Objekte

103



Mietfläche

580.000 m²



Portfoliowert

EUR 460 Mio.



Annualisierte
Portfoliomiete

EUR 39,5 Mio.



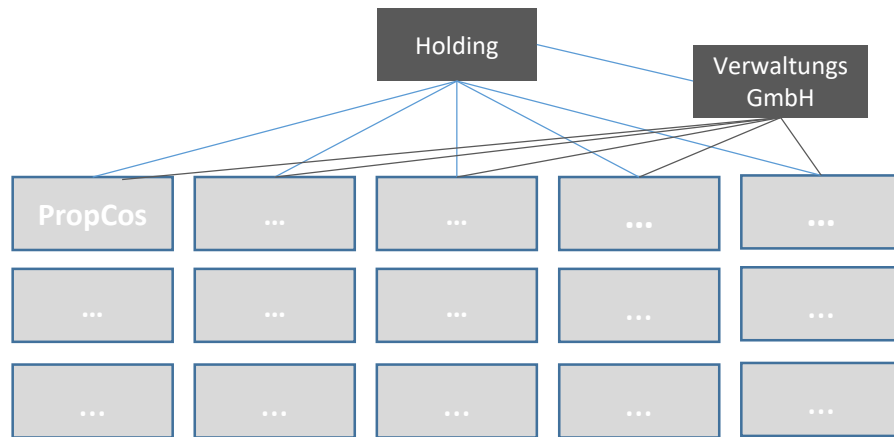
Anfangsrendite

> 10%

Strategy

Very lean admin structure of the REIT

Typical REIT-Blocker structure



- Many legal entities with high admin efforts
- High attention to legal and tax topics what needs personnel capacities
- Structural inefficiencies
- Tax authorities aim to aggravate REIT-Blocker structures

vs.

REIT

REIT-AG

- One single legal entity
- Low personnel and admin costs
- Low consulting fees due to no tax topics
- efficient

DKR cost ratio: ~ 6%

Strategy

Transforming non-institutional properties into an institutional asset class



Owner A



Owner B



Owner C



Owner D



Owner E



Owner F

- Ownership of German basic retail properties highly fragmented among many private owners or mid-size private funds
- Niche of properties with values between 1 and 25 mEUR which is too small for institutional owners but too big for private investors
- Often lack of professional asset management
- Ownership of one single retail asset is risky because of weak position towards highly professional retail tenants
- Weak position of the owner in terms of bank financing

Single retail properties are not investable for institutional investors



One owner: Deutsche Konsum REIT-AG

- Bundling numerous single properties to a highly profitable basic retail portfolio
- High risk of one single property eliminated by portfolio diversification
- Professional asset management of the properties
- Professional bargaining position towards professional tenants
- High scalability and synergies
- Significantly better funding conditions as a whole
- High fungibility of shares enables a wide investor universe to invest in this asset class
- Tax-exemption due to REIT status

DKR as a Prime Standard listed vehicle transforms single properties into an institutionally investable asset quality

Property portfolio



Property map

103 properties with 580,000 sqm lettable space and 460 mEUR GAV

>> DKR's top assets > 10 mEUR asset fair value as at 30.09.2018:

	City	Lettable space (sqm)	Acquisition by DKR	Annual rent (mEUR)	Fair value (mEUR)	Valuation gain since acquisition (%)
1	Erfurt	16,920	2015	2.2	31.0	+44
2	Leipzig	22,400	2015	1.6	26.5	+77
3	Elsterwerda	34,435	2018	1.8	25.3	+10
4	Ludwigslust	14,386	2015	1.6	24.0	+85
5	Werdau	39,390	2018	2.3	21.4	+11
6	Greifswald	9,410	2016	1.5	19.1	+36
7	Oer-Erkenschwick	9,555	2017	1.3	16.7	+24
8	Pritzwalk	15,157	2016	1.4	16.6	+23
9	Bitterfeld	19,682	2015	1.1	13.7	+47
10	Verden	7,128	2017	1.0	13.6	+33
11	Plauen	24,115	2017	1.4	12.3	+16
12	Weißwasser	13,228	2018	1.0	12.0	+10
13	Meißen	24,475	2017	1.3	11.4	+33
		245,653		19.3	243.6	



Ludwigslust „Lindencenter“



Greifswald „Domcenter“



Oer-Erkenschwick



Meißen



Erfurt



Elsterwerda „Elster Center“

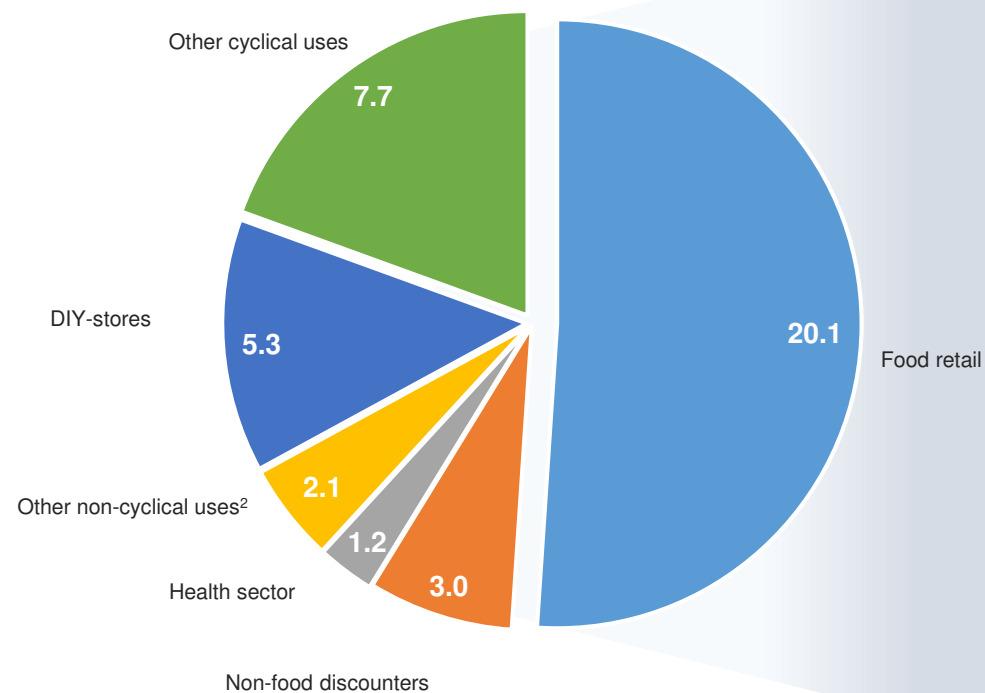


- Portfolio as at 30.09.2018 (90 properties)
- Transfer of ownership occurred after 30.09.2018 (7 properties)
- Acquired notarised assets (7 properties)





























Tenant mix

High quality tenants and 68% non-cyclical rents

>> Rent contribution by sector (mEUR)¹:



>> Annualised rent contribution by major tenants¹:

Tenant group	Brands	Rents (mEUR)	WALT in years
Edeka Group	  	6.2	4.0
Schwarz Group	 	5.6	5.8
Metro Group	 	2.5	9.6
Bartels-Langness Group		1.0	9.1
Rewe Group	  	3.2	7.0
Norma		0.5	2.4
ALDI		0.6	4.4
Others	  	0.5	4.1
Total food retail		20.1	6.0
Rewe Group	 	2.3	4.1
Tengelmann Group		1.7	5.6
Others		1.3	5.0
Total DIY stores		5.3	5.0
Tengelmann Group	 	1.0	5.0
Others	     	2.0	4.1
Total non-food discounters		3.0	4.1

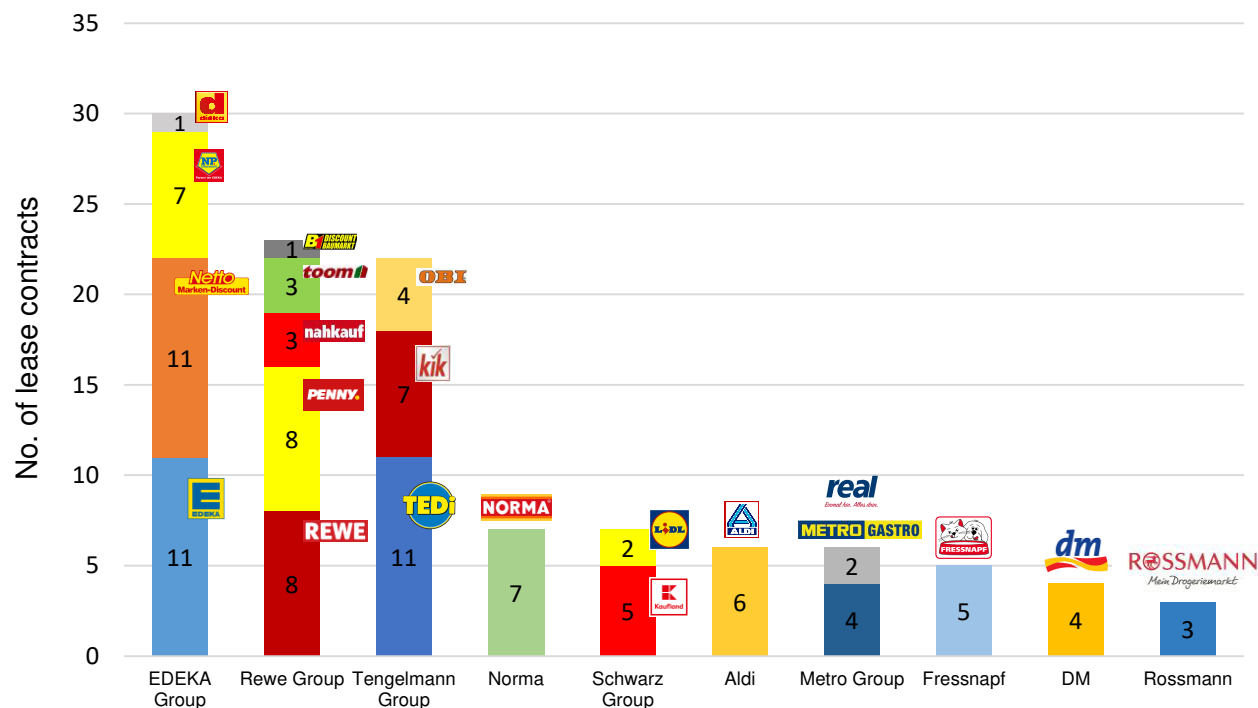
¹ Annualised rent contribution of the pro forma portfolio (103 properties) as at 14 November 2018

² Involves e.g. drug stores, bakeries, banks and apartments

Leases

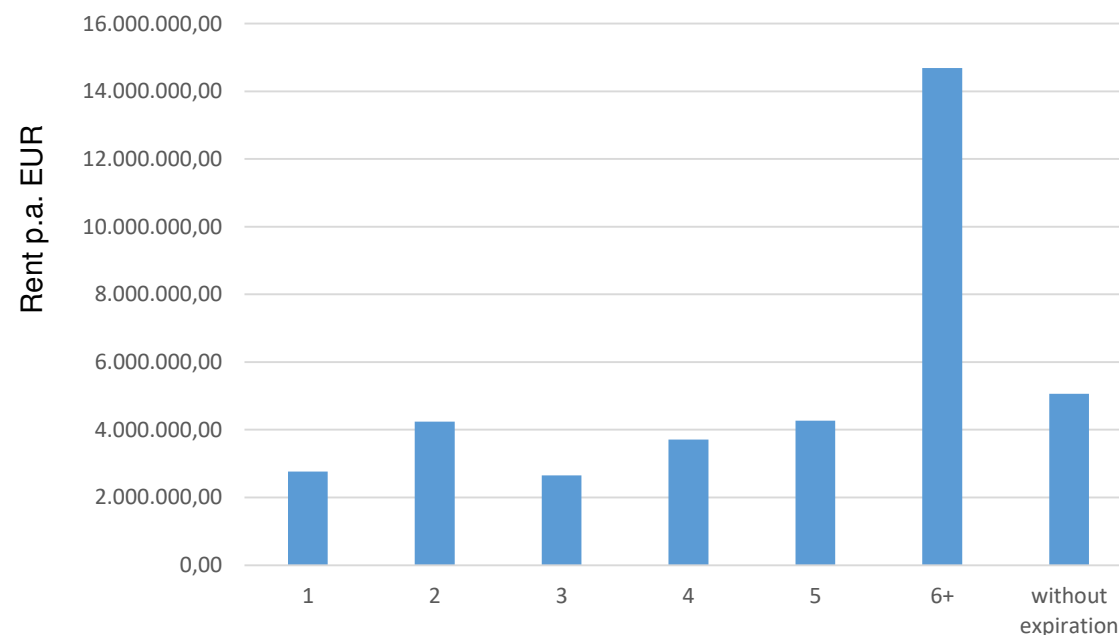
DKR as a reliable partner for long-lasting tenancies

>> Multiple leases with the same tenants¹:



> Multiple leases with the same tenant strengthens DKRs position towards the tenants

>> Annualised rents allocated to years of lease contract maturities of the portfolio¹:

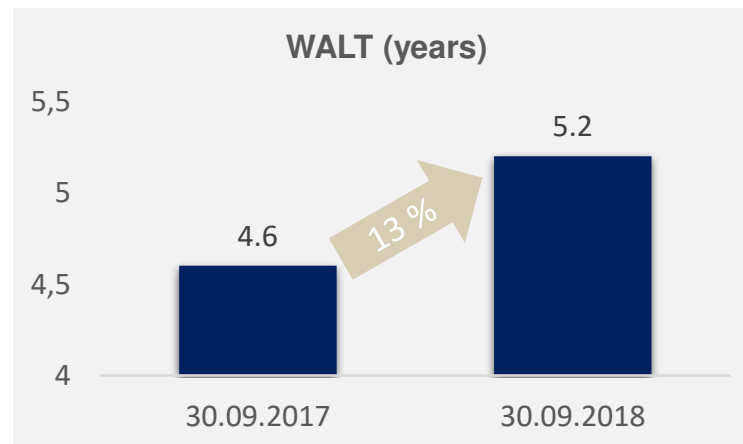
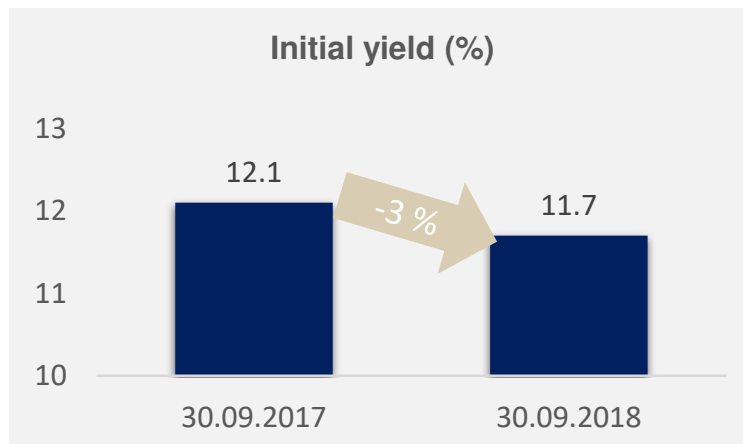
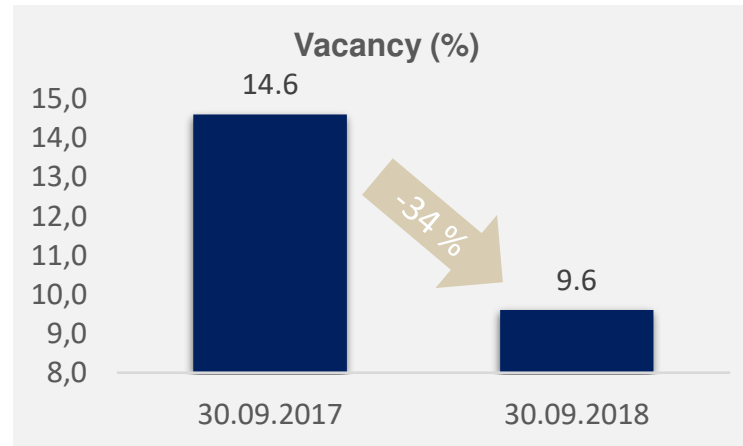
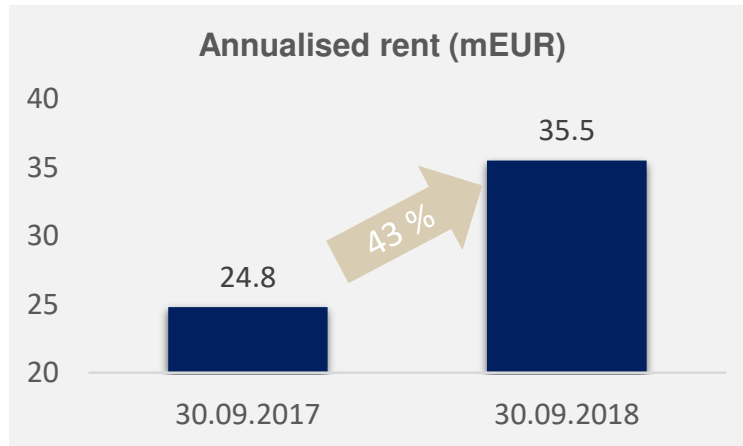


> WALT as at 30 September 2018: 5.2 years

¹ Based on the portfolio as at 30 September 2018

Property portfolio

Key portfolio figures as at 30 September 2018



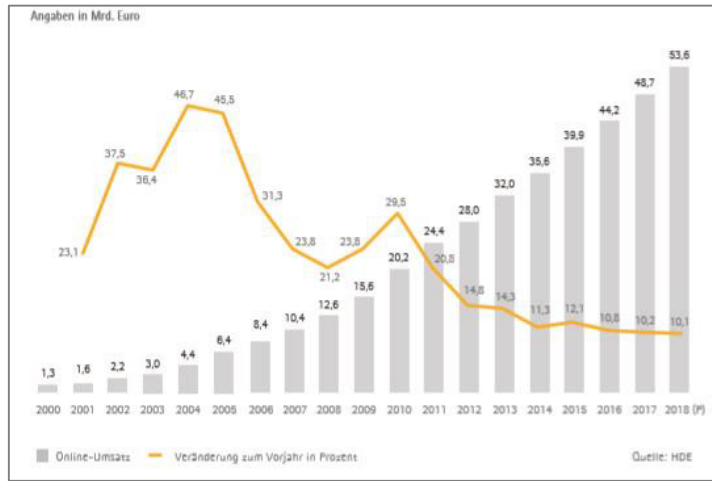
>> Portfolio snapshot

- Key figures based on 90 properties accounted as at 30.09.2018
- Portfolio GAV of about 418 mEUR
- Vacancy level dropped due to the latest addition of assets with high occupancy as well as vacancy reduction in Greifswald
- WALT increased because of the prolongation of the real,- lease contract in Erfurt by 15 years as well as new leases at several centers and the acquisition of assets with longer leases

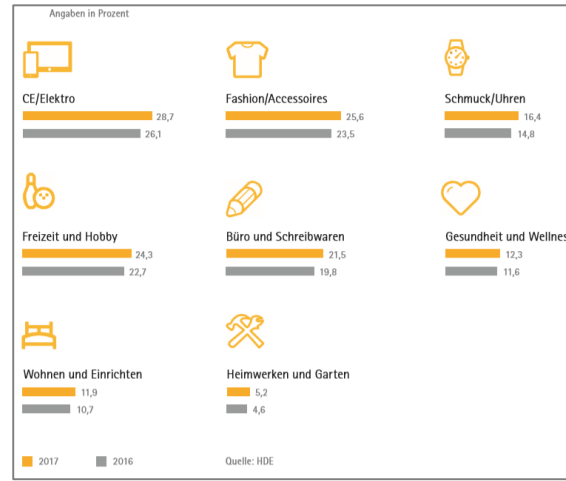
Portfolio

Basic retail threatened less by E-Commerce (1)

>> Market research according to 13. Retail Real Estate Report Germany 2018/2019 by bulwiengesa / Hahn¹:



ill. 1



ill. 2



ill. 3

10. Top 5 im Lebensmitteleinzelhandel in Deutschland 2017

	Umsatz in Mrd. Euro	Umsatzentwicklung ggü. 2016 in Prozent
EDEKA	57,16	4,4
Schwarz Gruppe	38,61	4,5
REWE Group	34,84	3,2
ALDI	29,55	4,2
METRO Group inkl. C&C	13,62	-2,6

Quelle: bulwiengesa, Tradedimensions

ill. 4

Results of the statistical data:

- E-Commerce grows steadily in the general retail sector but especially in the non-food sector (see ill. 1 & 2)
- Food sector and other goods of daily needs (basic retail) are hardly impacted by E-Commerce which has a market share of < 2 % (see ill. 3)
- German station grocery chains continue a very robust growth despite E-Commerce (see ill. 4)

>> DKR's basic retail strategy maintains to be robust against the threat of E-Commerce in other retail sectors

¹ https://www.bulwiengesa.de/sites/default/files/hahn_retail_real_estate_report_2018_2019.pdf

>> Biggest grocery delivery services compared to DKR property portfolio

Focused on big cities with > 500k inhabitants:

- Biggest deliverers offer services mainly in metropolitan areas
- Pick up services as a comfortable combination of online ordering and pick up in the stores are offered in many stationery retails, especially in smaller and mid-sized cities
- E-commerce still has a proportion of < 1% of gross sales in the grocery business
- Questionable whether food deliveries will succeed in terms of cost efficiency, profitability and environmental aspects nationwide



 Areas with high density of online food deliveries

>> Low overlapping of delivery service areas and DKRs property locations underpins the sustainability of the DKR portfolio

Revitalisation

Value add by extensive property redevelopments

>> Current major revitalisation projects:



Location	Domcenter Greifswald
Space (sqm)	9,410
Vacancy at start	~ 37%
Project description	Fresh appearance by new facade, new space utilisation, new tenants and expansion of existing tenants
Investment volume	5 mEUR
Expected finalisation	Completed



Location	Kirschbergcenter Hohenmölsen
Space (sqm)	7,797
Vacancy at start	~ 38%
Project description	Fresh appearance by new facade, new space utilisation, new tenants and expansion of existing tenants
Investment volume	3 mEUR
Expected finalisation	Summer 2019



Location	Kolumbuspassage Rostock
Space (sqm)	4,492
Vacancy at start	~ 12%
Project description	New concept and new grocery anchor tenant which improves the tenant mix
Investment volume	~ 1 mEUR
Expected finalisation	Autumn 2019



Location	Lindencenter Stralsund
Space (sqm)	5,775
Vacancy at start	~ 27%
Project description	New space utilisation and improvement of tenant mix
Investment volume	~ 1 mEUR
Expected finalisation	Autumn 2019

Financial structure



Financial structure

Solid and efficient debt structure

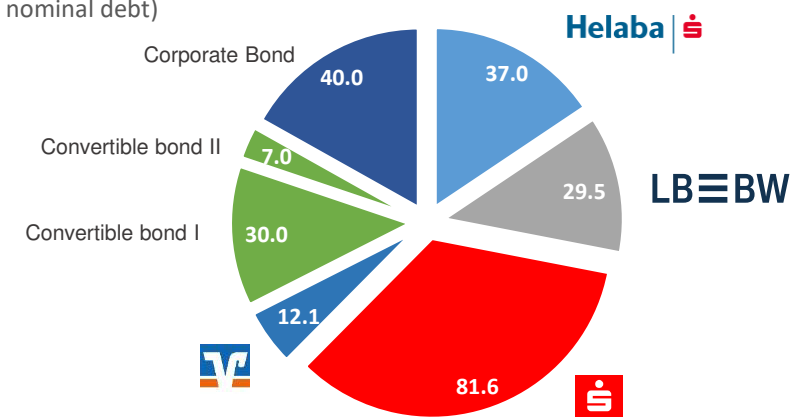
>> Financial KPIs:

	30.09.2018	30.09.2017	%
Total financial debt (loans / bonds / convertible bonds), mEUR	231.5	118.9	+95
Average nominal interest of loans, % p.a.	1.98	2.38	-17
Average nominal debt, % p.a.	1.87	2.99	-38
(Net-) LTV (%) ¹	51.2	42.6	+20
Average loan maturity (years)	5.5	4.9	+12
ICR (EBITDA excl. valuation / interest results)	3.9x	3.1x	+26
Rating Secured senior debt (Scope), 31 May 2018	„BBB“ (Investment grade)	n/a	-

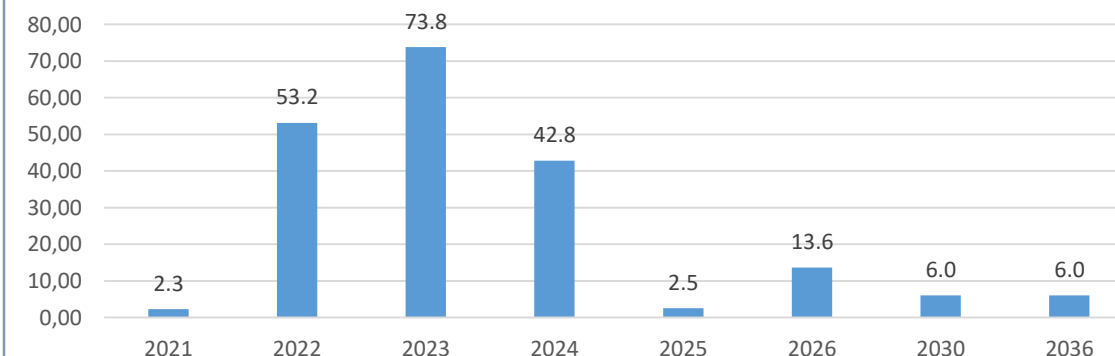
- Short-term debt has been refinanced
- Refinancing measures have reduced the avg. debt interest by 38%
- Avg. interest rate of debt 1.87% per annum

¹ Includes all financial liabilities as well as advanced payments for purchased investment properties

Debt allocation (mEUR initial nominal debt)



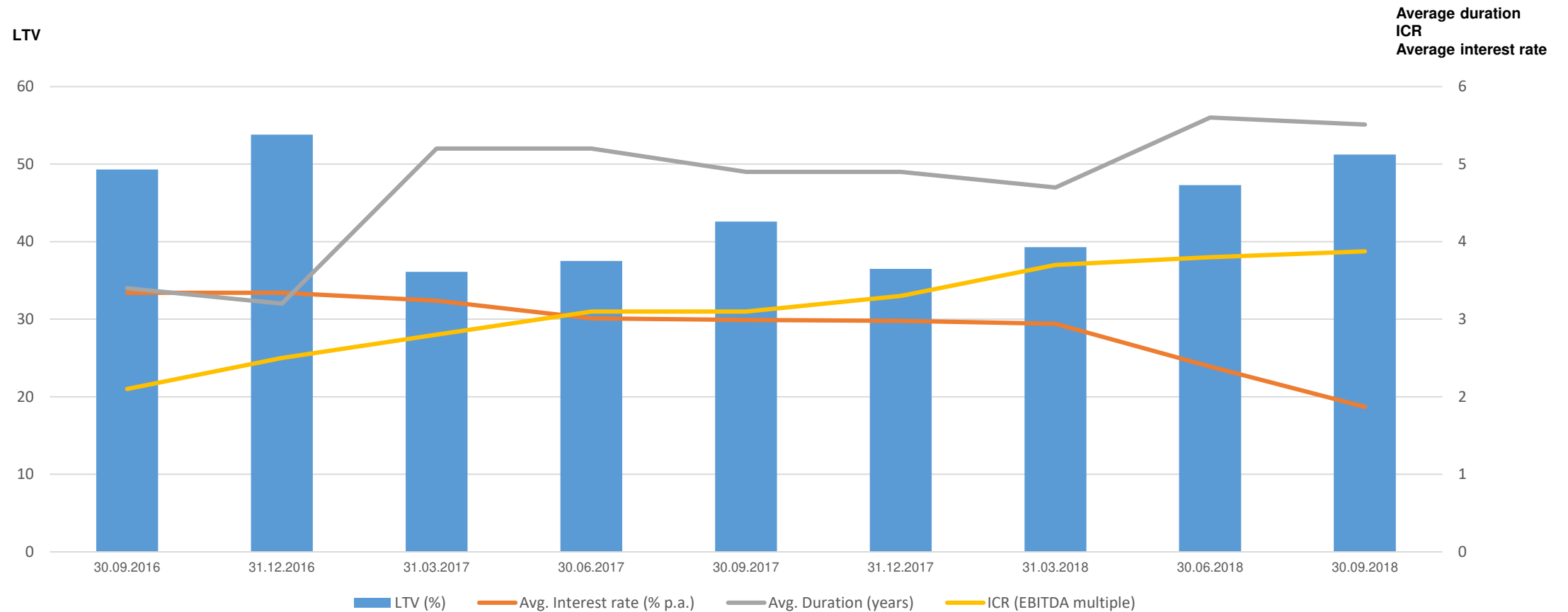
Loan allocation according to maturity of fixed interest rates (mEUR initial nominal debt)



Financial structure

Debt metrics have significantly improved

>> Development of debt metrics over the last 24 months:



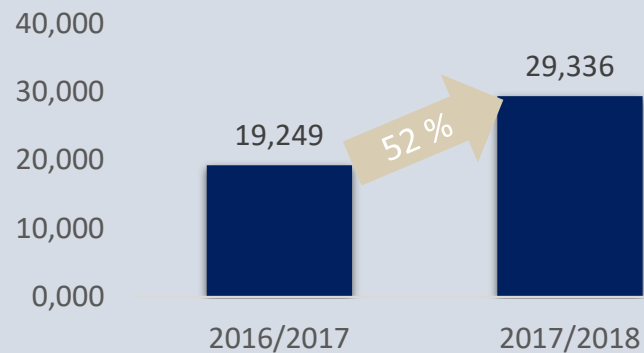
Preliminary results FY 2017/2018



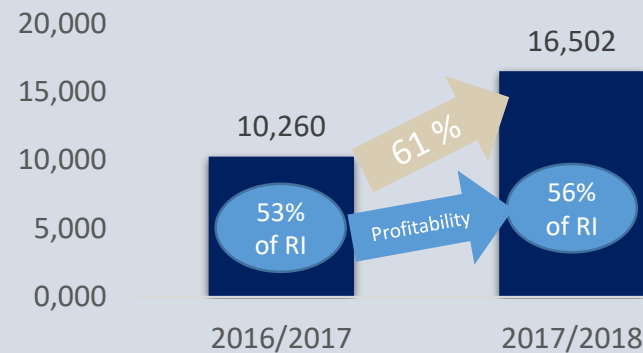
Financial key figures

Continuous and solid growth of financial figures in 12M 2017/2018

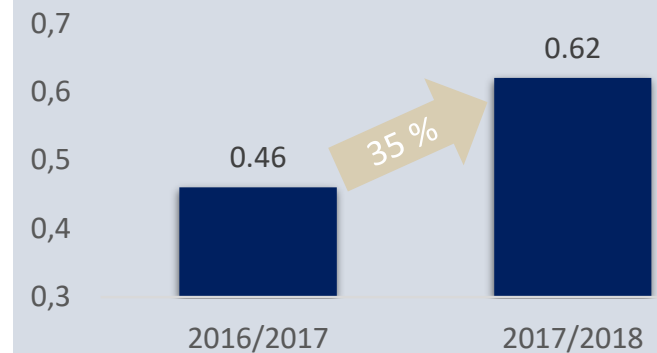
Rental income (kEUR)



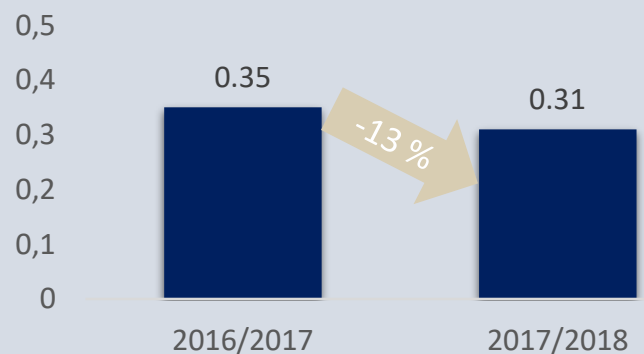
FFO (kEUR)



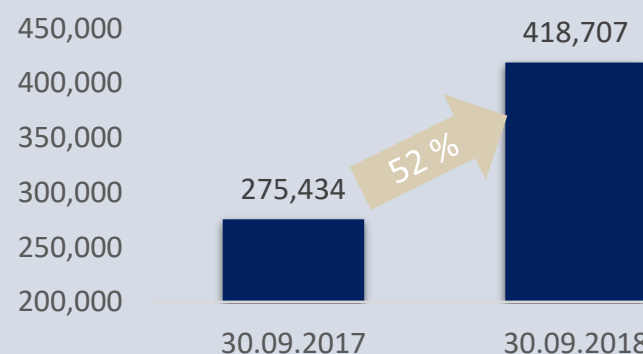
FFO per share (EUR)



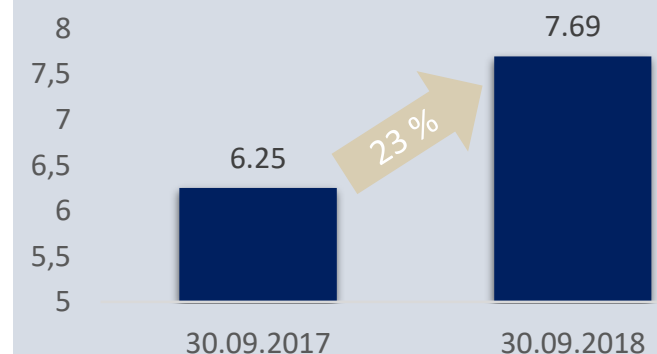
aFFO per share (EUR)



Investment properties (kEUR)



EPRA NAV per share (EUR)



Shares

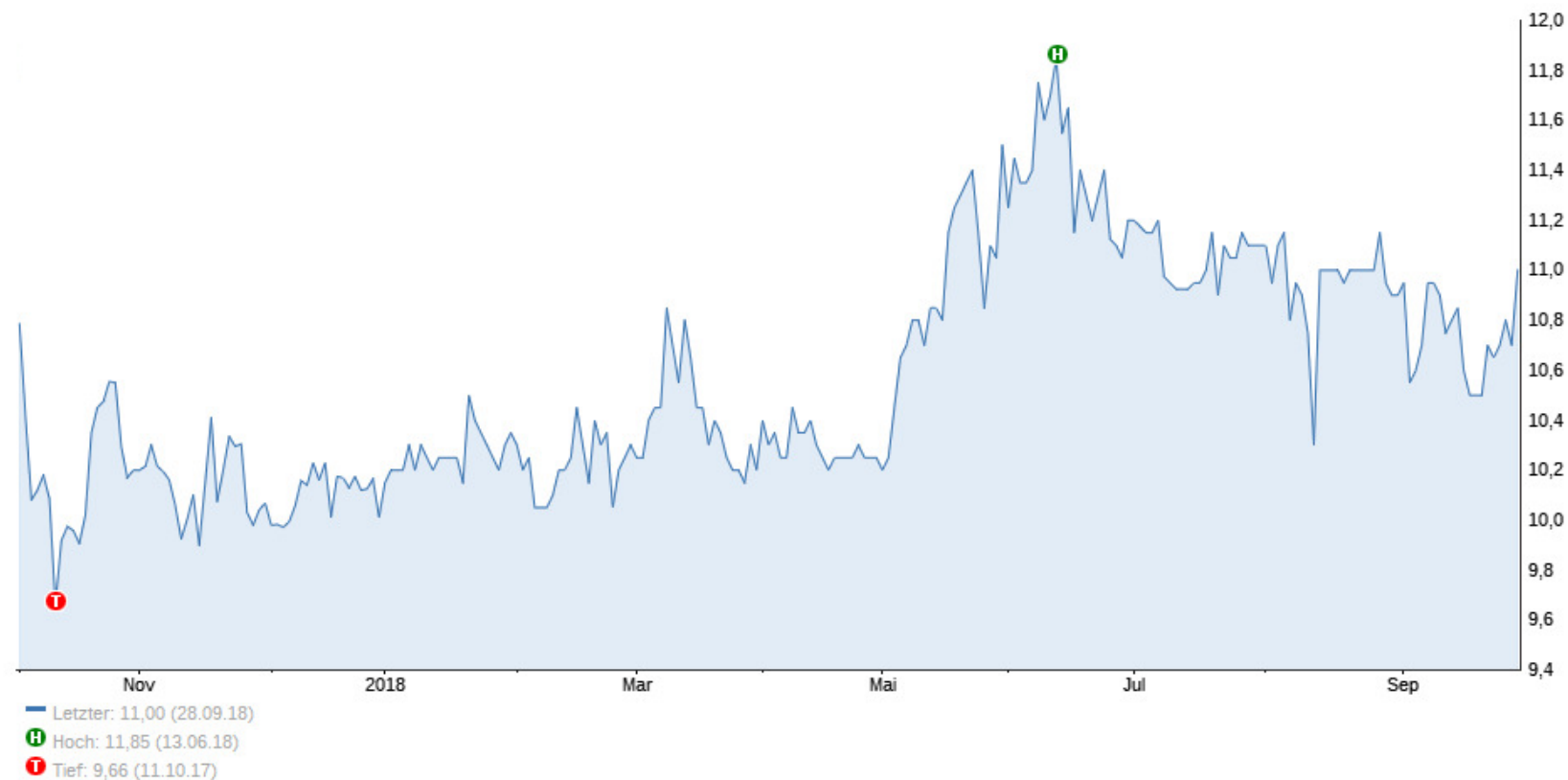


DKR Shares

Share price reflects the steady and accretive growth of DKR

>> DKR share:

	30.09.2018
ISIN	DE000A14KRD3
WKN	A14KRD3
Symbol	DKG
Number of shares	27,236,313
Nominal capital (kEUR)	27,236
Share class	Bearer shares
Stock exchanges	XETRA, Frankfurt, Berlin
Segment	Prime Standard
Indizes	Prime all share, CDAX, DIMAX, RX REIT
52w high/low (EUR)	11.85 / 9.66
Market Cap (mEUR)	~ 300



>> Analyst coverage:

Publication date	Bank	Analyst	Recommendation	Price target
2 July 2018	 ODDO BHF	Thomas Effler	„Buy“	EUR 12.80
15 November 2018	 BERENBERG <small>PRIVATBANKIERS SEIT 1590</small>	Kai Klose	„Buy“	EUR 13.00
15 November 2018	 Bankhaus Lampe	Dr. Georg Kanders	„Buy“	EUR 12.50

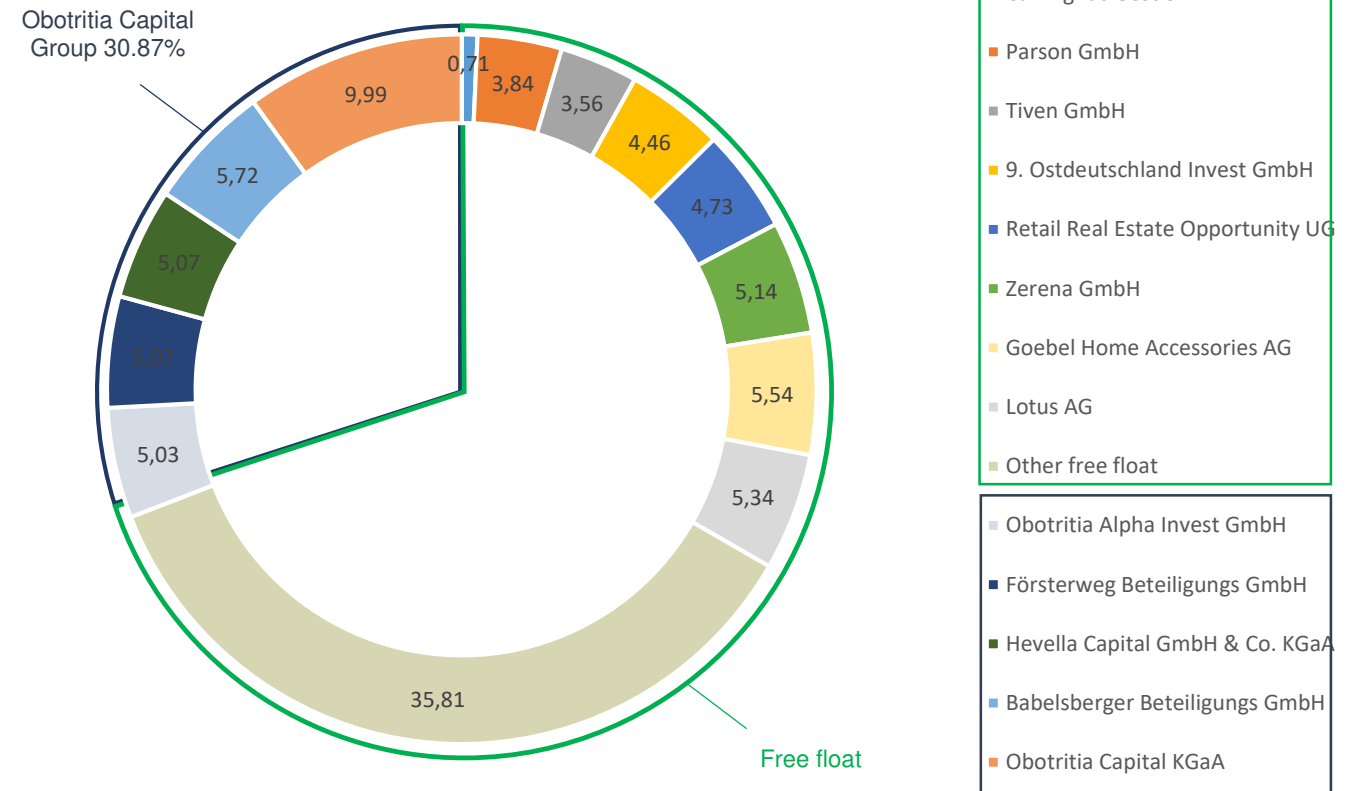
DKR Shares

Stable shareholder structure

>> DKR share developments in FY 2017/2018:

- Successful 10% share capital increase closed on 8 Dec 2017
- Issuance of 2,476,028 new shares at a share price of 10 EUR
- Increased free float
- DKR aims to step into SDAX and EPRA indices

>> Current shareholder structure (30.09.2018):



Outlook

Outlook and guidance

Outlook to Fiscal Year 2018/2019

>> FFO-Guidance for FY 2018/2019:

- DKR expects FFO between 26.0 mEUR and 29.0 mEUR
- FFO run rate of 33.0 mEUR by the end of FY 2018/2019

FFO yield ~ 10%

>> Dividend outlook for FY 2018/2019:

- Based on current projections we expect a dividend of 0.40 EUR per share

Other

>> Calculation of financial figures:

Financial KPI	Calculation
Average debt interest rate	Weighed average interest rates of financial instruments divided by nominal financial debt
EPRA NAV per share	Total equity modified according to EPRA guidelines divided by number of shares
FFO	Funds From Operations – Recurring and oneoff adjusted fund from the operation of the property portfolio
GAV	Gross Asset Value – Value of investment properties in the balance sheet
Initial yield	Annualised rental income divided by purchase price
Net-LTV	Net Loan-to-value - debt (financial liabilities minus cash) divided by GAV
Valuation multiple	Gross asset value divided by rental income
WALT	Weighed average lease terms of the portfolio remaining

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Unless otherwise specified all information is for the financial year ended 30 September 2018.