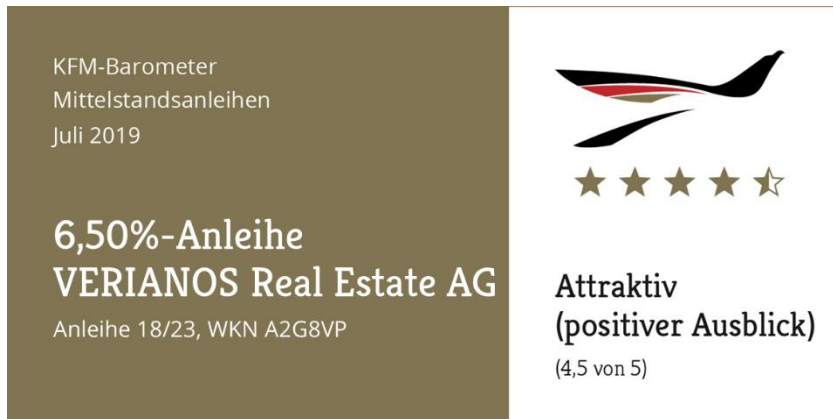


KFM-Mittelstandsanleihen-Barometer

KFM-Mittelstandsanleihen-Barometer - The "6.50% VERIANOS Real Estate AG Bond" (Update)

6.50%-VERIANOS Real Estate AG bond still rated as "attractive (positive outlook)" (4.5 of 5 possible stars)

Düsseldorf, 17 July 2019



In its current KFM SME Bond Barometer on the 6.50% VERIANOS Bond (WKN A2G8VP), KFM Deutsche Mittelstand AG concludes that it continues to rate the bond as "attractive (positive outlook)" (4.5 out of 5 possible stars).

VERIANOS Real Estate AG, founded in 2011 and headquartered in Cologne with offices in Frankfurt/Main, Luxembourg, Madrid, Milan and Valencia, is a listed real estate investment and consulting company. The object of the company is the purchase, sale, and construction of residential and commercial properties in Germany and abroad for its own account as well as their management, letting, and modernisation. A particular strength lies in the combination of analysis, structuring, and implementation expertise in complex real estate

projects, e.g. in the direction of quarter upgrading when sufficient stock is reached within a quarter. VERIANOS has broad, long-term access to the real estate market and has a high level of competence in real estate asset management. In the coming years, however, the expansion of the consulting segment will be driven forward. The company sees a great need for professional and individual transaction support for third parties and family offices in the area of so-called real estate M&A activities. VERIANOS also acts in this configuration as a co-investor or arranger of club deals, where appropriate. The clientele was further expanded internationally. The company is to be converted into the legal form of a European Company (SE) in order to maintain an international management structure for the increased operational requirements as a fully regulated "AIF Manager" with a Board of Directors.

Unchanged high equity ratio and good credit ratings

For the year 2018, the company achieved a consolidated result of EUR 1.74 million (previous year: EUR 1.9 million) after taking into account costs for strategic further development and is thus above the forecast. The earnings situation was characterized by other operating income of EUR 3.0 million, which was lower than in the previous year due to income claims assigned in the previous year, and a lower financial result of EUR 1.0 million. On the other hand, deferred tax assets of EUR 4.7 million on tax loss carryforwards were higher than in the previous year. Also due to this non-cash income, cash flow from operating activities in 2018 amounted to EUR -2.6 million compared with EUR 3.7 million in the previous year. Due to the increased balance sheet total, the equity ratio decreased from 64.5% to 55.5% as of December 31, 2018; VERIANOS Real Estate AG is thus still comfortably equipped. The Group's asset and financial position appears to be in good order. It should also be noted that VERIANOS prepares its financial statements on the basis of the German Commercial Code (HGB) and that hidden reserves are not visible.

Four properties were sold in the 2018 financial year; some of the benefits and liabilities were transferred in 2019. Since last year, the Company has focused on the Spanish real estate market, which in the Company's opinion still has sufficient price potential after years of decline. Here, the portfolio of residential properties in Valencia is being further expanded. A current capital increase has increased the volume of the Valencia Fund to at least EUR 75 million. According to data from private websites surveyed in Spain, annual real estate prices rose by around six percent in June 2019. In particular, properties in major cities such as Madrid or in tourism regions such as the Balearic Islands recorded up to double-digit price increases. Following approval by the BaFin, the Rheinland Fund, which is also characterized by residential property, is about to be closed for the first time with a target volume of at least 50 million euros. For the year 2019, the company also has its sights set on the Italian market and is examining individual properties in Milan. A conclusion is not expected before the end of 2019. A "European fund" with a target volume of up to EUR 200 million is currently in the conception phase. A first property was acquired in Germany for this purpose, a second is located in Spain. Nevertheless, the company is acting rather cautiously in Germany, as the management believes that property prices in Germany are no longer at an attractive purchase level. As a result, it is currently tending to be more on the selling side than on the buying side. In general, the Company intends to invest more strongly in funds in the future. For 2019, the company is planning earnings after tax (EAT) of around EUR 2.0 million.

With BaFin's approval as a so-called "large capital management company (KVG)" pursuant to § 22 KAGB, the company can now offer structured real estate products of any size. The approval of the company's own "Mezzanine Debt Fund I" by the Luxembourg Financial Supervisory Authority (CSSF) with a target volume of EUR 100 million and an expected closing before the end of 2019 have also created the conditions for the sale of this "Debt Fund". Some insurance companies have already expressed interest as investors. The start of the investment phase is planned for the beginning of 2020.

6.50%-VERIANOS Real Estate AG Bond with Early Repayment Options and Security Concept for Bondholders

The VERIANOS Real Estate AG corporate bond issued in May 2018 has a term of five years (until April 30, 2023) and an interest coupon of 6.50% p.a. (annual interest date on 01.05.). As part of the issue, up to EUR 6 million with a denomination of EUR 100,000 will be placed. The proceeds from the issue will be used for new real estate projects. The bondholders are secured by collateral and a control of the use of funds. An independent trustee monitors the provision of collateral and the use of funds.

The issuer is entitled to cancel the bonds in whole or in part by giving at least 30 days' notice at their nominal value plus accrued interest until the redemption date and an early repayment penalty. In relation to the respective nominal amount to be repaid (subtracting amounts already repaid),

the early repayment penalty is 1.00% before 1 May 2020, 0.50% before 1 May 2022 and 0.25% before 1 May 2023. The Bonds are listed on the Open Market of the Frankfurt Stock Exchange.

Conclusion: Attractive valuation with positive outlook

With its admission as a "large chapter management company", the Issuer has taken a significant step towards sustainable growth. VERIANOS is well on its way with the new focus on fund-based investing and the distribution of these funds internationally and the focus on advisory services for third-party transactions. Due to VERIANOS Real Estate AG's above-average credit ratings and the collateralisation of the bond in connection with the yield of 5.74% p.a., VERIANOS Real Estate AG is well on its way to achieving its goal of achieving a return on its investment. (on a price basis of 102.50% on July 16, 2019), we continue to rate the 6.50% VERIANOS Real Estate bond as "attractive (positive outlook)" (4.5 of 5 possible stars).

About KFM Deutsche Mittelstand AG

KFM Deutsche Mittelstand AG is an expert for SME bonds and initiator of the German SME Bond FONDS (WKN A1W5T2). The fund offers private and institutional investors an attractive return combined with a broad diversification of investments. The fund's investment strategy is based on the results of the KFM-Scoring analysis process developed by KFM Deutsche Mittelstand AG. The Deutsche Mittelstandsanleihen FONDS distributes its income annually to its investors. Since the fund was launched, the annual distribution yield has exceeded 4% p.a. in relation to the respective unit price at the beginning of the year. In the current year, investors will also benefit from the performance of the fund and the associated planned dividend yield in the same amount as in previous years. The fund is rated 5 out of 5 stars by Morningstar. KFM Deutsche Mittelstand AG was awarded the Grand Prize of Medium-sized Companies 2016 for the analysis method KFM-Scoring and the above-average development of the German Mittelstandsanleihen FONDS. According to GBC Research, the German SME Bond FONDS is one of the hidden champions. From a total of 9,000 mutual funds audited by the GBC, the Deutsche Mittelstandsanleihen FONDS occupies one of the 9 top places.

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