METZLER Capital Markets

DEFAMA Deutsche Fachmarkt AG (DEF GY) | Real Estate

July 28, 2020

Stable rents in uncertain times

DEFAMA acquires and manages retail parks, mainly in small and medium-sized cities of Eastern and Northern Germany. In our view, strengths of its property portfolio are a low vacancy rate of 3.5% and a high share of non-cyclical tenants, which account for approx. 3/4 of the rental income. The combination of both strengths results in steady rental cash flows, even during the peak of the Covid-19 crisis (>90% rent collection in April and May). DEFAMA scaled up its property portfolio at a fast pace (48.3% sales CAGR 2016-2019) in recent years, and we forecast a continuation of portfolio expansion. Based on our estimates, we expect this portfolio expansion to translate into double-digit percentage sales and FFO growth and target a sales CAGR of 18.2% for FY 20e to FY 22e.

- The company targets to acquire new retail parks for max. 10x annual rental income, supporting double-digit rental yields.
- We believe double-digit rental yields, low operating costs, and a lean corporate structure should allow DEFAMA to generate a sustained FFO Margin of >40% in FY 20e to FY 22e.
- DEFAMA´s anchor tenants are food retailers with limited competition from online retailers, resulting in comparatively stable customer traffic and rents at DEFAMA´s grocery-anchored properties.
- Valuation: Our PT of EUR 20.5 is based on the average (50/50) of our DCF and peer group valuation.

Fundamentals (in EUR m)	2017	2018	2019	2020e	2021e	2022e
Sales	6	9	11	14	18	19
EBITDA	4	6	7	9	11	12
EPS adj. (EUR)	0.38	0.46	0.51	0.59	0.74	0.81
FFO	2.6	3.6	4.6	5.8	7.5	8.1
DPS (EUR)	0.34	0.40	0.45	0.50	0.55	0.60
Operating Cash Flow (EUR)	3	3	4	5	6	7
Dividend paid (EUR)	1	1	2	2	2	3
Capital expenditures (EUR)	22	31	16	20	15	15

Ratios	2017	2018	2019	2020e	2021e	2022e
EV/EBITDA	20.2	19.6	19.4	18.3	16.0	15.3
PCFR	10.9	8.7	10.5	9.9	7.8	7.2
P/E adj.	27.8	25.9	32.5	29.0	22.9	21.0
Dividend yield (%)	3.2	3.3	2.7	2.9	3.2	3.5
EBIT margin (%)	45.8	39.5	40.1	40.5	40.6	41.1
Gearing (%)	356.5	396.8	281.7	288.8	328.5	325.0
ROE (%)	12.4	12.3	10.2	9.8	11.1	11.2
PBV	3.4	2.7	2.8	2.6	2.4	2.2

Sources: Refinitiv, Metzler Research

Buy initiation of coverage

Price* EUR 17.50

Price target EUR 20.50

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	75
Enterprise Value (EUR m)	158
Free Float (%)	65.0

Performance (in %)	1m	3m	12m
Share	0.6	12.9	11.6
Rel. to Prime All Share	-5.0	-4.7	9.8

Sources: Refinitiv, Metzler Research

Sponsored Research

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Content

Key Data

Company profile

CEO: Matthias Schrade | CFO: - | Berlin, Germany

DEFAMA, headquartered in Berlin, is a large German real estate company that specializes in the acquisition and management of retail parks. Acquisition targets are retail parks in small and medium-sized German cities, preferably in Northern and Eastern Germany. The property portfolio currently comprises 39 properties.

Major shareholders

Matthias Schrade (29%), Geminus GmbH (4%), Other management (2%)

Key figures

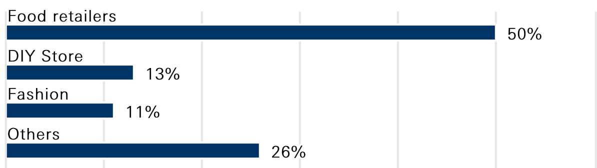
P&L (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Sales	**6**	**69.5**	**9**	**55.9**	**11**	**23.3**	**14**	**21.3**	**18**	**28.7**	**19**	**8.6**
EBITDA	**4**	**64.8**	**6**	**42.3**	**7**	**27.3**	**9**	**22.6**	**11**	**28.1**	**12**	**9.3**
EBITDA margin (%)	66.7	-2.8	60.9	-8.7	62.9	3.2	63.5	1.0	63.2	-0.5	63.6	0.6
EBIT	**3**	**60.1**	**4**	**34.5**	**4**	**25.3**	**6**	**22.5**	**7**	**29.0**	**8**	**9.9**
EBIT margin (%)	45.8	-5.6	39.5	-13.8	40.1	1.6	40.5	0.9	40.6	0.2	41.1	1.2
Financial result	**-1**	**-60.3**	**-1**	**-49.0**	**-2**	**-28.7**	**-2**	**-18.7**	**-3**	**-33.0**	**-3**	**-11.4**
EBT	**2**	**60.0**	**2**	**27.1**	**3**	**23.3**	**3**	**24.8**	**4**	**26.7**	**5**	**9.0**
Taxes	-0	-88.2	-1	-34.3	-1	-28.7	-1	-22.0	-1	-26.7	-1	-9.0
Tax rate (%)	-23.2	n.a.	-24.5	n.a.	-25.6	n.a.	-25.0	n.a.	-25.0	n.a.	-25.0	n.a.
Net income	1	53.1	2	25.0	2	21.5	3	25.8	3	26.7	4	9.0
Minority interests	0	n.a.	0	n.m.	0	-48.8	0	0.0	0	0.0	0	0.0
Net Income after minorities	**1**	**52.9**	**2**	**23.4**	**2**	**22.5**	**3**	**25.9**	**3**	**26.8**	**4**	**9.0**
Number of shares outstanding (m)	4	21.4	4	2.1	4	11.9	4	9.1	4	0.0	4	0.0
EPS adj. (EUR)	**0.38**	**26.1**	**0.46**	**20.7**	**0.51**	**9.5**	**0.59**	**15.4**	**0.74**	**26.8**	**0.81**	**9.0**
DPS (EUR)	**0.34**	**70.0**	**0.40**	**17.6**	**0.45**	**12.5**	**0.50**	**11.1**	**0.55**	**10.0**	**0.60**	**9.1**
Dividend yield (%)	3.2	n.a.	3.3	n.a.	2.7	n.a.	2.9	n.a.	3.2	n.a.	3.5	n.a.

Cash Flow (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Operating Cash Flow	**3**	**67.2**	**3**	**24.1**	**4**	**11.1**	**5**	**31.6**	**6**	**26.0**	**7**	**11.1**
Increase in working capital	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Capital expenditures	22	22.6	31	42.1	16	-48.4	20	24.3	15	-25.0	15	0.0
Dividend paid	1	218.8	1	70.0	2	29.4	2	41.7	2	10.0	3	9.1
Free cash flow (post dividend)	**-20**	**-20.8**	**-29**	**-45.6**	**-14**	**52.2**	**-17**	**-24.3**	**-11**	**35.3**	**-11**	**4.3**

Balance sheet (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Assets	**55**	**66.6**	**86**	**54.8**	**104**	**21.6**	**125**	**20.2**	**149**	**19.1**	**164**	**9.7**
Goodwill	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**
Shareholders' equity	**11**	**7.0**	**16**	**43.9**	**25**	**50.7**	**29**	**16.7**	**31**	**8.0**	**34**	**8.7**
Net Debt incl. Provisions	**41**	**109.5**	**65**	**60.2**	**70**	**7.0**	**83**	**19.6**	**102**	**22.8**	**110**	**7.5**
Gearing (%)	356.5	n.a.	396.8	n.a.	281.7	n.a.	288.8	n.a.	328.5	n.a.	325.0	n.a.
Net debt/EBITDA	10.4	n.a.	11.7	n.a.	9.9	n.a.	9.6	n.a.	9.2	n.a.	9.1	n.a.

Structure

Tenant strucutre 2019



Sources: Refinitiv, Metzler Research

Executive Summary

Relevant player in a market niche with promising growth ambitions

Focus on a retail property market niche

DEFAMA has become what we would call a relevant player in a niche of the German retail property market. Its property portfolio consists of retail parks, mainly located in small and medium-sized cities of Northern and Eastern Germany. New acquisition objects within this fragmented market niche (purchase price per property usually between EUR 1m to EUR 5m) are too large for private buyers, but at the same time, too small for institutional investors. This allows DEFAMA to purchase at low market prices (~9x annual rental income in the past) and thus achieve double-digit rental yields. The property portfolio comprises 39 properties with an occupancy rate of 96.5%, which combined currently generate an annualised rental income of approx. EUR 14m. Double-digit rental yields, a lean corporate structure with approx. 20 employees, and low operating costs should allow DEFAMA to generate a sustained FFO margin of >40% from our perspective.

Growth momentum should be driven by property portfolio expansion

The company has the long-term target to become one of the largest owners of retail parks in Germany and pursues a "Buy and Hold" approach for its property portfolio. We believe retail park acquisitions should mainly drive sales and FFO growth in the coming years as DEFAMA intends to purchase new retail parks for EUR 15m to EUR 20m each year. Based on our calculations, we estimate new retail parks could add EUR 1.3m to revenues in FY 20e, followed by EUR 1.5m in FY 21e and FY 22e. The calculated revenue contributions should result in double-digit percentage sales and FFO growth, and we target a 18.2% sales CAGR 2020e-2022e.

Limited Covid-19 impacts on business activities

Unlike other peers in the retail property sector, DEFAMA achieved stable rent collection even during the peak of the Covid-19 crisis (rent collection of >90% in April and May). In June, the company already had a rent collection of nearly 100% again. Per end of May, the deferred volume of rents amounts to EUR 220k (~1.6% of FY 20e rental income), mainly from non-food retailers with good credit ratings.

Anchor tenants have non-cyclical business models and face limited online competition

Anchor tenants of DEFAMA´s retail parks are leading German food retailers, which account for approx. 50% of the rental income. Their non-cyclical business models should lower the risk of tenant losses and secure stable income generation for DEFAMA, in our opinion. Moreover, food retailers profit from a low online penetration in their sector, as just 2.5% of domestic retail food sales in FY 19 were generated online. This is significantly lower compared to other non-food sectors such as fashion (30%) or Electronics (33.8%), which should be beneficial for the customer traffic at grocery-anchored retail parks. According to DEFAMA, 3/4 of its tenants have non-cyclical business models and 80% of tenants are large retailers with good credit ratings.

Risks to our investment case

In our opinion, higher interest rates represent the most significant risk for DEFAMA´s investment case, affecting cash flow generation and profitability margins negatively. Besides, there is a general risk of individual tenant insolvencies or losses at such a large property portfolio, which could potentially result in lower income generation in single years. A concern for investors could be DEFAMA´s comparatively low HGB equity ratio of approx. 23% (approx. 40%-45% under IFRS accounting, according to DEFAMA). From a long-term perspective, we also see adverse demographic developments at some of DEFAMA´s secondary locations as a potential threat. A lower population and thus purchase power could negatively impact tenant sales and lower the attractiveness of individual properties.

DEFAMA - SWOT Analysis

Strengths

- **CEO commitment** to the company (stake of 29%) and **experienced management team**.
- DEFAMA´s anchor tenants are **non-cyclical food retailers** (c. 50% rent share).
- High occupancy rate of **96.5%** as of 31 March 2020.
- **Shareholder-friendly** dividend policy.
- Business model with an **FFO margin of >40%.**
- **Lean corporate structure** with approx. 20 employees.
- **Access to the capital market** to fund growth.
- Double-digit revenue and FFO growth expected in the coming years (**18.2% sales CAGR 2020e-2022e**).
- Relatively **high free float** (65%).
- **Large network** to banks (currently 27 financing partners), competitors, and real estate agents.
- **„Buy and Hold"** approach for the property portfolio.

Weaknesses

- **Low market capitalization** and thus **low liquidity in the stock**.
- Comparatively **low equity ratio of approx. 23% (40-45%** under IFRS accounting, according to DEFAMA).
- Revenue and FFO growth mainly rely on **property portfolio expansion**. We see limited potentials for meaningful rent increases.
- **Dilution** possible through further capital increases.
- **Substantial financing** is required to finance growth. FCF generation in the coming years should be **rather low**.
- Effects of potential margin catalysts yet **unclear**.
- Low **market entry barriers** for other real estate companies.
- **No diversification** of debt financing (solely annuity loans).

Opportunities

- Currently **positive financing conditions** for real estate companies.
- **Limited number of competitors** in DEFAMA´s market niche, according to our knowledge.
- Property portfolio with **high hidden reserves**.
- Growing investor interest for retail parks could **increase the market value** of DEFAMA´s property portfolio.
- Low purchase prices and a fragmented market niche allow DEFAMA to achieve **initial double-digit rental yields**.
- Redevelopment of the retail park in Radeberg could result in a high **single-digit million profit** for DEFAMA.
- DEFAMA is the only listed **retail park pure play** for investors.
- Germany is an **attractive market** for retailers (low unemployment, high wages), which should be positive for retail property owners.

Threats

- Rising online competition is **still a threat** to tenants, which are not selling food or basic consumer goods.
- Risk of **rising financing conditions** in the future. This could **burden DEFAMA´s current profitability** meaningfully.
- Tenants losses are **always possible in the future** and food retailers have **strong negotiation power**.
- From a long-term perspective, we see **demographics risks** in some of DEFAMA´s secondary locations (lower population and purchasing power).
- The attractiveness of retail parks could **attract the interest of more investors**. This could lead to further **yield compression** in the retail park segment.
- **Clouding of the market environment** due to the COVID-19 crisis.

Source: Metzler Research

Investment Case

The only listed retail park pure play

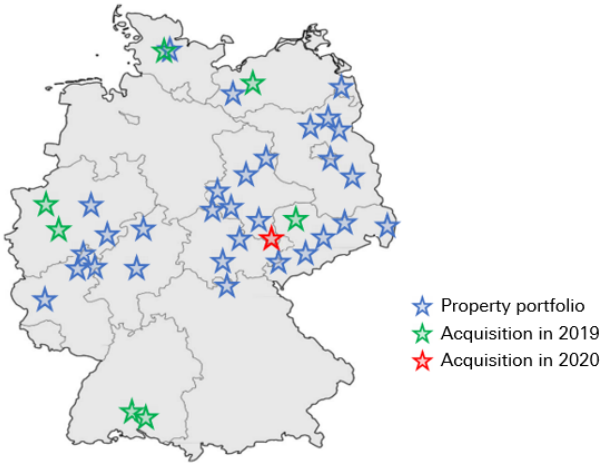
Non-cyclical food retailers as anchor tenants

DEFAMA´s tenant structure is characterized by a high share of non-cyclical food retailers (50%), followed by DIY stores (13%) and fashion retailers (11%). The five largest rent contracts account for less than 20% of the rental income. DEFAMA´s grocery-anchored properties are usually located at secondary locations with just a few other retail agglomerations. Thus, tenants should face limited local competition, which is beneficial for customer traffic and tenant loyalty, in our opinion.

An occupancy rate of 96.5%

The property portfolio currently comprises 39 retail parks (approx. 175.000sqm lettable space), which combined generate an annualised rental income of approx. EUR 14m. As of 31 March 2020, occupancy stands at 96.5% with a WALT of 4.3 years.

DEFAMA´s retail park portfolio at a glance



Sources: DEFAMA, Metzler Research

Further growth envisaged

DEFAMA has long-term ambitions

The company's long-term target is to become one of the largest owners of retail parks in Germany. Moreover, it set its focus on sustainable growth of the property value and a double-digit return on equity. In our view, further important characteristics of DEFAMA ´s corporate strategy are in particular:

- DEFAMA finances at least 80% of the purchase price for a property via debt from local banks. Acquisition and financing always take place in object subsidiaries, where the company provides equity as a holding company. This reduces the financing risk for DEFAMA significantly. Commonly, DEFAMA uses annuity loans with fixed interest rates of ten years to finance new acquisitions.
- A broadly diversified financing structure is important for the company. Thus, no bank accounts for more than 12% of total debt.

- Purchase prices per property were largely between EUR 1m to EUR 5m in the past. Comparatively low interest on the buyer side for such smaller objects offers DEFAMA the opportunity to acquire retail parks at reasonable prices. It generally pays 9x-10x annual rental income when purchasing a new retail park. At the same time, comparable properties in primary locations such as Berlin or Hamburg would cost at least 15x annual rental income, according to historic transactions. DEFAMA intends to achieve an initial rental yield of 10% when purchasing a new retail park.
- Potential acquisition objects need to have at least one anchor tenant with a lease term of more than five years and should have less than ten tenants in total. Additional acquisition criteria are: low vacancy rates, limited modernization needs, and an annual rental income of at least EUR 100.000.
- The company targets yield enhancement through active management and redevelopment measures.

A typical retail park of DEFAMA

Sources: DEFAMA, Metzler Research

Limited Covid-19 impacts on business activities

DEFAMA collected >90% of its April and May rents

According to DEFAMA, Covid-19 impacts on its business activities are comparatively low. It collected >90% of April and May rents and has no defaulted tenant yet. All stores which had to be closed because of administrative orders have been allowed to reopen again.

The company maintained its FY 20e guidance and dividend proposal of EUR 0.45c, of which EUR 0.20c has already been paid in advance this June. Precautionary, DEFAMA has applied in March for a temporary suspension of its loan repayments for six months, which should improve the liquidity situation during the current crisis.

Retail park portfolio with good qualities in our view

Below, we outline the portfolio composition of DEFAMA´s retail park portfolio as of 31 March 2020 (recent purchase in Anklam excluded):

- Number of retail parks: 38.
- Rental space in sqm: 167.139sqm.
- Occupancy rate: 96.5%.
- Average remaining lease term: 4.3 years
- Average rent per sqm: EUR 6.08.
- Market value of DEFAMA´s portfolio: EUR 151.3m.
- Correspondent to a valuation of EUR 905 per sqm.

Retail park portfolio details

Retail park	Lettable space (in sqm)	Vacancy rate (in %)	Annual rental income (in EUR tsd)	Acquisition year	Acquisition price (in EUR m)	Acquisition multiple	Determined Value (in EUR m)
Albstadt	1526	0%	161.4	2019	EUR 1.9m	11.7x	EUR 2.2m
Apolda	2817	6%	258.2	2014	EUR 2.3m	8.5x	EUR 3.2m
Bleicherode	4044	12%	374.4	2015	EUR 2.6m	7.1x	EUR 4.2m
Brand-Erbisdorf	2394	0%	237.0	2015	EUR 2.0m	8.1x	EUR 2.6m
Büdelsdorf	5407	22%	376.6	2016	EUR 3.1m	7.2x	EUR 4.8m
Dinslaken	10163	0%	754.3	2019	EUR 7.6m	10.1x	EUR 9.4m
Eberswalde	2248	3%	234.1	2018	EUR 2.5m	11.9x	EUR 2.9m
Florstadt	1640	3%	98.5	2017	EUR 0.8m	8.3x	EUR 1.2m
Gebhardshain	1776	9%	165.4	2017	EUR 1.7m	10.1x	EUR 2.1m
Genthin	2498	0%	190.3	2016	EUR 1.4m	8.1x	EUR 2.2m
Görlitz	3917	0%	325.2	2015	EUR 2.6m	8.6x	EUR 3.7m
Hamm	3255	6%	350.5	2018	EUR 3.1m	9.4x	EUR 4.3m
Harzgerode	4701	6%	260.1	2017	EUR 2.2m	9.0x	EUR 3.2m
Höhn	3719	4%	407.6	2017	EUR 3.0m	7.6x	EUR 4.6m
Königsee	2394	20%	170.5	2015	EUR 1.7m	8.2x	EUR 2.4m
Löwenberg	3098	15%	180.7	2016	EUR 1.4m	7.0x	EUR 2.0m
Lübbenau	11949	7%	900.6	2018	EUR 8.0m	8.9x	EUR 10.2m
Merseburg	1567	3%	163.1	2016	EUR 1.0m	7.2x	EUR 1.6m
Mylau	2249	6%	155.2	2018	EUR 1.5m	8.8x	EUR 1.9m
Pasewalk	13327	0%	726.2	2016	EUR 6.0m	8.7x	EUR 8.9m
Puderbach	2217	22%	159.3	2017	EUR 2.0m	9.8x	EUR 2.2m
Radeberg	14834	0%	1308.8	2016	EUR 5.5m	7.1x	EUR 9.9m
Remscheid	1917	0%	287.4	2019	EUR 3m	10.3x	EUR 3.5m
Rendsburg	3921	5%	456.6	2019	EUR 4.5m	9.9x	EUR 5.7m
Sangerhausen	2524	3%	157.5	2017	EUR 1.5m	11.9x	EUR 1.8m
Schmallenberg	6743	8%	650.2	2018	EUR 7.0m	11.3x	EUR 8.5m
Schneeberg	2478	0%	274.2	2015	EUR 2.2m	8.2x	EUR 3.3m
Sigmaringen	2100	0%	114.0	2019	EUR 1.3m	11.4x	EUR 1.4m
Sonnefeld	1434	0%	142.4	2018	EUR 1.4m	9.6x	EUR 1.8m
Staßfurt	3180	0%	283.7	2018	EUR 2.6m	9.4x	EUR 3.1m
Sternberg	1234	0%	134.5	2019	EUR 1.0m	8.3x	EUR 1.3m
Templin	4543	0%	287.8	2018	EUR 2.0m	8.0x	EUR 2.8m
Traben-Trarbach	2738	1%	205.4	2016	EUR 1.7m	8.3x	EUR 2.6m
Waldeck	2379	0%	203.2	2017	EUR 1.9m	9.3x	EUR 2.4m
Wildau	1472	0%	196.0	2017	EUR 1.8m	9.0x	EUR 2.4m
Wittenburg	4768	0%	462.6	2016	EUR 3.6m	8.4x	EUR 5.3m
Wurzen	3423	4%	162.0	2019	EUR 1.5m	9.4x	EUR 1.8m
Zeitz	20129	0%	1286.0	2020	EUR 9.0m	7.0x	EUR 13.6m

Sources: DEFAMA, Metzler Research

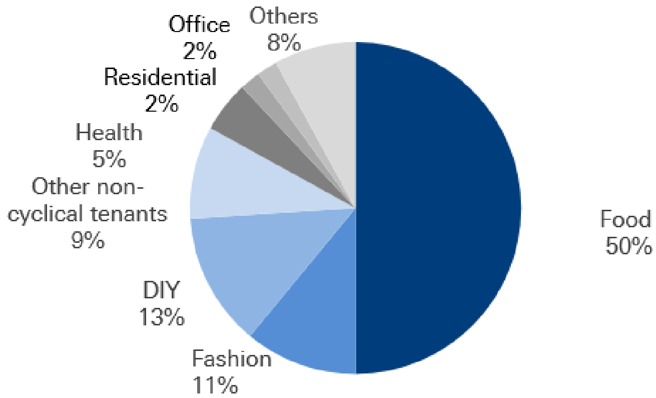
The only listed retail park pure play

DEFAMA is the only listed retail park pure play on the German stock market. In our view, a strength of the property portfolio is an occupancy rate of 96.5%, which is above-average compared to peers within the retail property sector. Moreover, a WALT of 4.3 years should provide certain visibility regarding rental income generation and extension of rental contracts.

Diversified tenant structure with non-cyclical food retailers as anchor tenants

DEFAMA has a diversified tenant structure in our view with a focus on the leading domestic food retailers, which account for approx. 50% of the rental income. Other important sectors within the tenant structure are DIY stores (c. 13%) and fashion retailers (c. 11%). According to DEFAMA, the five largest rental contracts combined stand for less than 20% of the total rental income. Thus, the company has comparatively low rental contract concentration risks from our perspective.

Rental income by industry
in %



Sources: DEFAMA, Metzler Research

No exposure to retailers with uncertain prospects

The company has a low share of tenants from the gastronomy sector, and a limited fashion retailer exposure (mainly Deichmann, Kik, and Takko) of 11%. It is also important to mention that DEFAMA has no rent agreements with large non-food retailers such as Galeria Karstadt Kaufhof, CECONOMY, C&A, Peek & Cloppenburg or H&M. Although they rent large spaces in retail properties, they are simultaneously facing headwind from increasing online competition. We see it as an advantage of DEFAMA that it has no exposure to such retailers, contrary to other players on the retail property market.

Instead, the company has mid to high single-digit numbers of rent contracts with major domestic food retailers. In total, 80% of all tenants are large retailers with good credit ratings, according to the company. An overview of DEFAMA 10 largest tenants is provided below.

DEFAMA´s largest tenants as of June 2020

Largest Tenants	Brands	Contracts	Share
Kaufland/Lidl		5	13.1%
Rewe/Penny		8	11.5%
Edeka Group		8	10.9%
Toom/B1		4	9.4%
Tengelmann Group		16	5.7%
Norma		7	4.4%
Aldi Nord		4	3.9%
Dän. Bettenlager		5	2.8%
Takko		5	2.3%
Deichmann		5	1.7%

Sources: DEFAMA, Metzler Research

DEFAMA´s largest tenant group faces limited online competition

Rising online competition should be the most substantial threat for traditional non-food retailers

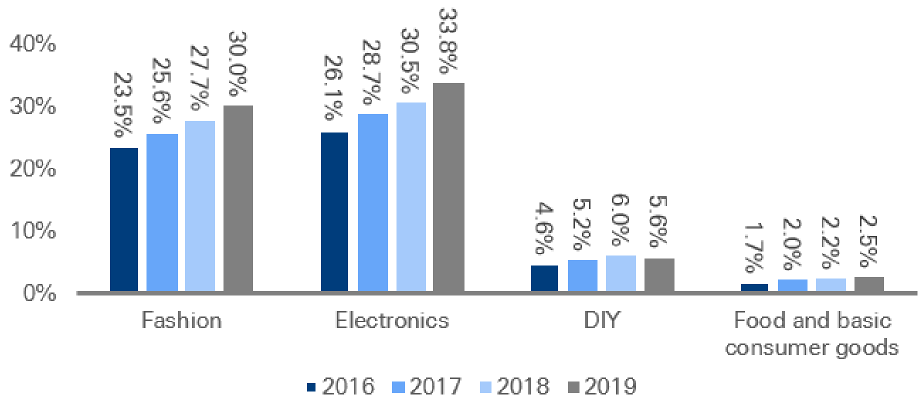
We assess rising online competition as the most substantial threat to the business model of many offline retailers. This development particularly hits non-food retailers such as fashion retailers or large department stores, important retail property tenants. The Covid-19 crisis further added to this negative development in our view.

However, food retailers, DEFAMA´s anchor tenants, were largely unaffected from this development

However, DEFAMA´s largest tenant group, food retailers, were mostly unaffected from this trend in recent years (see below). In FY 19, online sales in this segment accounted for just 2.5% of total sales, a slight increase of 30 bps compared to FY 18. A similar low online penetration rate can be determined at DIY stores, DEFAMA´s second-largest tenant group, where just 5.6% of FY 19 sales were generated online.

According to the market research institute GFK, there is one main reason for the low online penetration within the food sector: Online food retailers target city residents predominantly. However, as larger cities usually have a high density of food retail stores, it is not worthwhile for this target group to purchase online, neither in terms of time nor money.

Online share of the annual segment turnover
in %



Sources: HDE, Metzler Research

Business model resiliency of food retailers to e-commerce competitors crucial for DEFAMA´s investment case

We see the business model resiliency of DEFAMA´s most important tenant group to e-commerce competitors as crucial for the investment case of the company. It should lower the risk of future tenant insolvencies and rent losses for DEFAMA meaningfully, which was also visible during the peak of the current crisis (rent collection >90%). Moreover, it allows higher long-term visibility regarding rental income generation in our view as food retailers are more inclined to enter into long-term rental agreements. Thus, DEFAMA´s focus solely on retail parks as an income stream should likely provide the company stable income generation in the coming years.

We don´t expect a trend reversal in the coming years

From a long-term perspective, we don't expect a general trend reversal towards higher e-commerce sales in the retail food industry due to the following reasons:

- In rural areas, delivery costs for food retailers are likely too high, and the addressable amount of customers too low. Thus, it should be relatively unattractive for food retailers to set up an online business in DEFAMA´s secondary locations.
- Food products are usually low-margin standard products. Therefore, we believe an E-Food business would generate low profitability margins. Additionally, it requires high investments to scale up such a business. Due to these reasons, the food retailers Kaufland, Alnatura, and Basics have already withdrawn from this market.
- The largest domestic online shops in this space are already in the hands of big offline retailers. According to market data of Retailytics, the three largest online shops in FY 19 are from Edeka, DM, and Rewe. These offline retailers see their online services rather as a possibility to strengthen their local market position.

Retail park acquisitions should be main driver of future revenue and FFO growth

Rapid property portfolio expansion in recent years (48.3% sales CAGR 2016-2019)

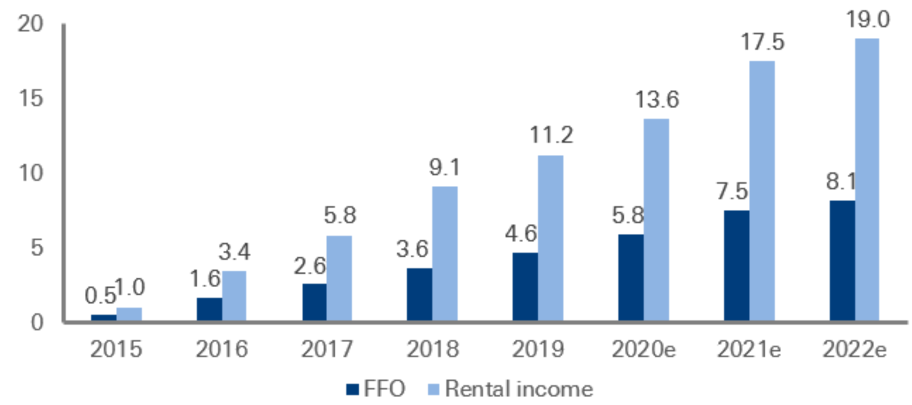
Defama´s revenue growth in recent years was mainly driven by the expansion of its property portfolio. Between FY 15 to FY 19, the company managed to expand the number of retail parks in its property portfolio from 7 to 37 (~7 new retail parks yearly). From FY 16 to FY 19, rental income increased from EUR 3.4m to EUR 11.2m, corresponding to an 48.3% sales CAGR 2016-2019.

The company intends to acquire new retail parks for EUR 15m to EUR 20m yearly

For the coming years, we expect a continuation of this portfolio expansion strategy, which should provide the basis for double-digit percentage sales and FFO growth. DEFAMA intends to acquire new retail parks for EUR 15m to EUR 20m each year to maintain growth momentum in the foreseeable future.

Development of DEFAMA´s Rental Income and FFO

in EUR m



Sources: DEFAMA, Metzler Research

We expect a transaction volume of EUR 20m in FY 20e, followed by EUR 15m in FY 21e and FY 22e

Based on this transaction volume target, we forecast DEFAMA to acquire new retail parks for approx. EUR 20m in FY 20e, followed by EUR 15m in FY 21e and FY 22e. At the beginning of this year, the company already acquired a retail park in Zeitz near Leipzig for EUR 9m. Additionally, it purchased a second property in Anklam and a PV system for EUR 8m last week. The announcement of further acquisitions in H2 20e is likely as DEFAMA still intends to achieve an annualised FFO of EUR 7m (EUR 6.7m as of now) at the end of FY 20e. According to our calculations, it is not possible with the existing property portfolio to reach this FFO target, and it would require additional property acquisitions.

In recent years, DEFAMA has mostly exceeded its transaction volume target

Our estimates regarding the transaction volume for FY 21e and FY 22e are at the low end of DEFAMA´s acquisition guidance. This should be conservative as DEFAMA has mostly exceeded its target range in recent years. A higher annual transaction volume could, therefore, unleash further growth potential and accelerate portfolio expansion. However, we think it is necessary to apply a certain discount on the transaction volume estimates due to the uncertainty of whether DEFAMA will find suitable acquisition objects each year.

We forecast a 18.2% sales CAGR 2020e-2022e

Under a purchase price assumption of ~10x annual rental income, new properties could contribute approx. EUR 2m p.a in FY 20e (EUR 1.3m in FY 20e on a pro rata basis) to DEFAMA´s revenues and EUR 1.5m p.a. in FY 21e as well as FY 22e. We derive a 18.2% sales CAGR for FY 20e to FY 22e, and revenues are expected to increase from EUR 13.6m in FY 20e to EUR 19.0m in FY 22e. Our revenue projections should also affect FFO growth. Between FY 20e to FY 22e, we calculate DEFAMA´s FFO to increase by approx. 39% from EUR 5.8m to EUR 8.1m (17.9% FFO CAGR 2020e-2022e).

Redevelopment measures in Radeberg could result in a high extraordinary profit for DEFAMA

Annual rental income would increase from EUR 0.77m to EUR 1.31m after completion of redevelopment measures

DEFAMA expects to achieve an extraordinary high single-digit million profit in FY 20e or FY 21e with its retail park in Radeberg. The company currently carries out a redevelopment of this retail park (purchase price c. EUR 5.5m in FY 16), which should be completed in November. CAPEX for the project amount to approx. EUR 9m. DEFAMA already signed long-term rent contracts with all future tenants (occupancy rate of 100% after completion). The company forecasts redevelopment measures will increase the long-term annual rental income of the property from EUR 0.77m to EUR 1.31m.

We expect an extraordinary profit of EUR 6m to EUR 7m if DEFAMA sell the property

However, it is still unclear whether the company will sell the property as a forward deal to investors or significantly increase its existing financing. DEFAMA states the refurbished retail park could be sold for a purchase price of approx. 17x-18x annual rental income (equivalent to EUR 22.3m-EUR 23.6m). We estimate DEFAMA would achieve an extraordinary profit of EUR 6m to 7m in case of such a transaction. This scenario would have a noticeable positive impact on DEFAMA´s earnings in FY 20 or FY 21e (extraordinary profit of approx. 2.3x-2.7x FY 20e net income). In contrast, an increase of the existing financing will provide the company with a substantial amount of liquidity for purchasing new retail parks.

Radeberg Center before and after refurbishment

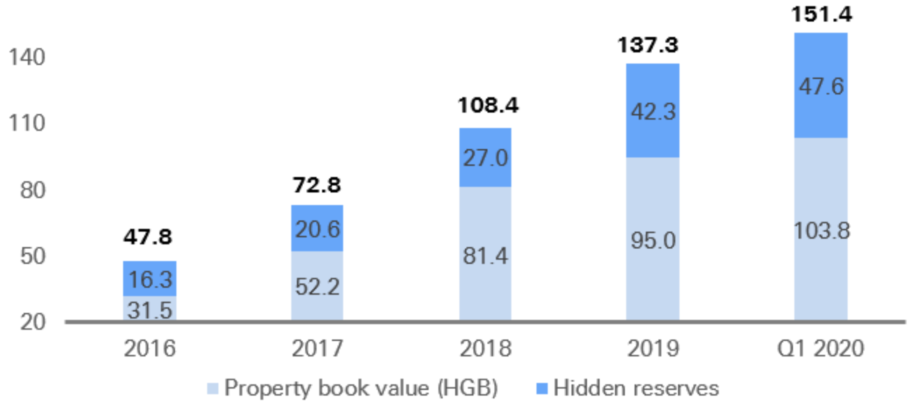
Sources: DEFAMA, Metzler Research

We calculate a higher market value for DEFAMA´s property portfolio

HGB accounting does not reflect hidden reserves

Unlike peers with IFRS accounting, DEFAMA uses German HGB accounting. This accounting method does not reflect hidden reserves of the existing portfolio as market price increases are not considered in the property valuation. According to an independent external assessment provided by the company, DEFAMA´s current property portfolio has a market value of EUR 151.4m as of March 31, 2020. This would imply a valuation multiple of approx. 11.5x annual rental income, according to our estimates. However, the property book value in DEFAMA´s latest balance sheet disclosure stands at just EUR 103.8m. Thus, the latest determined market value of DEFAMA´s property portfolio is approx. 45.8% higher than its book value.

Property portfolio with high hidden reserves
in EUR m



Sources: DEFAMA, Metzler Research

Management and supervisory board

CEO Matthias Schrade

Matthias Schrade is the CEO of DEFAMA and founded the company in 2014 as he saw the opportunity to invest in an untapped market niche of the retail property market. Prior to this position, he was a board member at FCR Immobilien AG, a now listed German real estate company. Mr. Schrade founded GSC Research 20 years ago and has long-standing expertise as a financial analyst. At DEFAMA, his responsibilities include: Property selections, purchase negotiations, financing, main tenants, and PR/IR.

COO Swen Rehwald

Swen Rehwald is the managing director of IMMA Immobilien Management GmbH, a subsidiary of DEFAMA responsible for administration and maintenance of the properties. He has many years of experience as an asset manager and project developer. Besides his position at IMMA Immobilien Management Gmbh, Mr. Rehwald´s field of activities at DEFAMA include: smaller tenants, accounting/controlling, human resources, and IT.

CDO Matthias Stich

Matthias Stich is the CDO of DEFAMA. Before this position, he worked more than 20 years for the BBE/IPH group. He is specialized in valuation and redevelopment of retail properties. Mr. Stich is responsible for property redevelopments within the existing portfolio of DEFAMA. Additionally, his field of activities also includes renovation measures and renegotiations of rental contracts with anchor tenants.

DEFAMA´s supervisory board consists of three members:

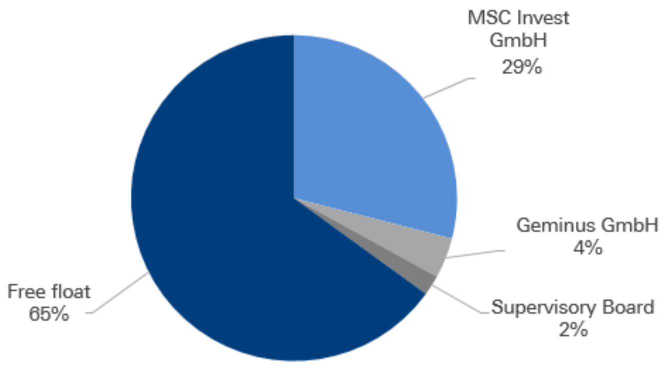
- Peter Schropp - Managing director of various real estate companies at Primepulse
- Ulrich Rücker - Managing director of Rücker Immobilien GmbH with decades of experience in the real estate sector
- Henrik von Lukowicz - Senior Investor Relations Manager at Befesa S.A.

Shareholder structure

CEO Matthias Schrade is DEFAMA´s major shareholder with a stake of 29%

The share capital of DEFAMA is divided into 4,420,000 bearer shares. A major shareholder with a stake of currently 29% is CEO Matthias Schrade through his holding company MSC Invest GmbH. The free float amounts to 65%.

DEFAMA´s shareholder structure as of July 2020
in %



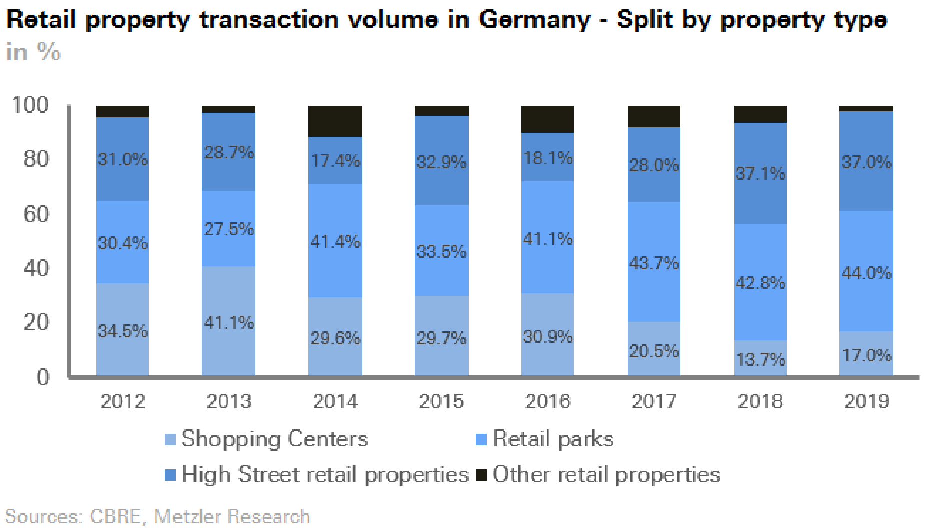
Sources: DEFAMA, Metzler Research

Market development

The German retail property market - An Overview

Retail properties represent the third largest asset class on the German real estate market

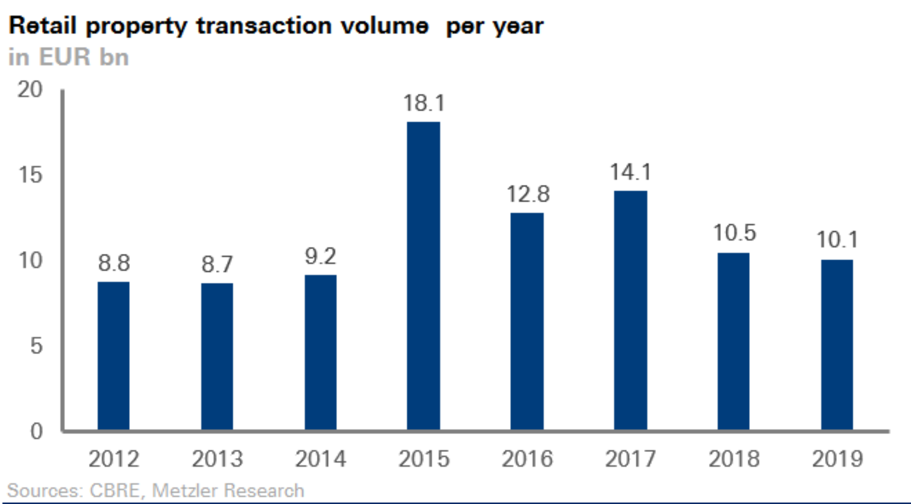
Retail properties represent the third-largest asset class on the German real estate market in terms of annual transaction volume (FY 19: EUR 10.1bn), according to the real estate service firm CBRE. Asset classes with a higher yearly transaction volume are only office and residential properties. Besides retail parks, the asset class retail properties also contain shopping centers and High Street retail properties. Retail parks accounted for the largest share of last year's transaction volume (44%), followed by High Street retail properties (37%), shopping centers (17%), and other retail properties (2%).



Volatile transaction volume in recent years

Retail property transaction volume in FY 19: EUR 10.1bn

Last year, the domestic retail property transaction volume decreased slightly by -3.8% yoy from EUR 10.5b in FY 18 to EUR 10.1bn in FY 19. This is meaningfully below the record transaction volume of EUR 18.1bn achieved in FY 15. Generally, the annual transaction volume is characterized by high volatility. It depends mainly on the number of large property deals (e.g. sale of Galeria Kaufhof to HBC in FY 15) each year.



Retail properties offer chances and challenges for investors

Increasing online competition represents the most significant challenge for retail properties

According to the German real estate Association ZIA, adverse trends for the retail property market are in particular:

- Competition from online retailers becomes more and more a challenge for retail properties. This development threatens especially non-food retailers.
- Few high-quality shopping centers offered to investors. The situation of shopping centers outside of prime locations is usually challenging, and they often have high refurbishment needs.
- Retail properties offer little potential for rent increases in the current market environment.

Despite these challenges, the ZIA states retail properties still offer opportunities for investors:

- Rental yields of retail properties are higher compared to other real estate asset classes.
- Despite the growing online competition, 90% of retail turnover is still generated offline. After years of fast online shopping expansion, e-commerce growth rates could normalize to lower levels.
- From a macroeconomic perspective, German retail properties are also interesting due to low unemployment, high per capita consumer spending, and the continuous rise in wages.

The Covid-19 crisis could lead to muted investor interest in our view

We identify lower consumer spending, higher unemployment, and the risk of new lockdown measures as main risks

We expect the Covid-19 crisis should weigh on this year's retail property transaction volume. Lower consumer spending, higher unemployment, and the risk of returning lockdown measures could have adverse effects on the market environment in our view. Especially shopping centers and High Street retail properties are at risk of being negatively affected by these developments. They have a comparatively high share of cyclical tenants (e.g. fashion retailers) with modest business outlooks during the crisis.

Investor interest for retail parks could be more resilient during the crisis

However, we also believe that the investor interest for retail parks during the crisis could remain stronger in comparison to other retail property types. The turnover of retail park anchor tenants (e.g. food retailers, drug stores, DIY stores) should have remained stable during the crisis. Moreover, they are less affected by online retail competition as already illustrated. Thus, we currently see substantial lower rent loss risks and a more stable income in this segment, which should be advantageous at the moment from a buyer´s perspective.

Market shift towards rising interest for retail parks in recent years

Investors increasingly prefer retail parks over shopping centers

According to CBRE, there has been a noticeable shift of investor interest from shopping centers towards retail parks in recent years on the retail property market. This can be attributed to the increasing risks and disadvantages of shopping centers:

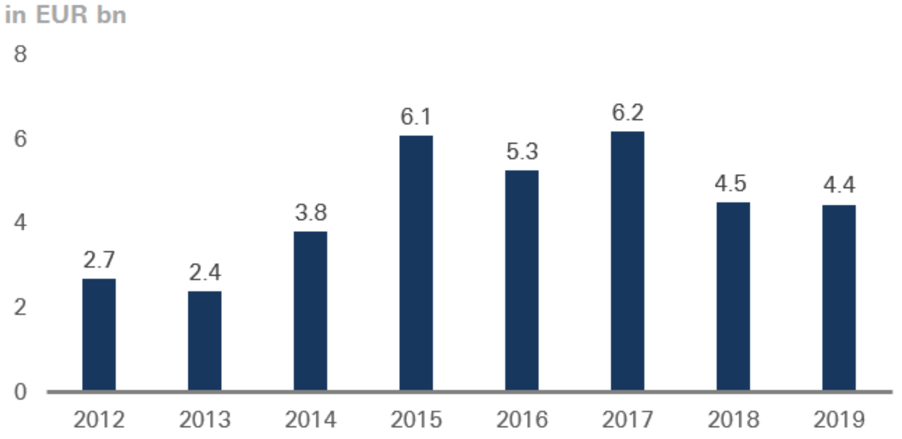
- It is becoming more difficult to find new tenants for large vacant spaces within shopping centers.

- High acquisition prices for shopping centers can only be paid by a few institutional investors.
- Consumers continuously shift their spending on traditional non-food items such as fashion or electronics to online retailers.

In contrast, retail parks, especially those with a focus on food and basic consumer goods, offer investors advantages:

- Most food and basic consumer goods retailers have stable sales and are willing to enter into long-term rental contracts. They are less affected from competition from online retailers.
- Lower transaction prices for single retail parks or retail park portfolios, usually below EUR 50m, are interesting for a larger number of investors.
- The property management of retail parks is less complex compared to shopping centers.

Retail park transaction volume in Germany per year

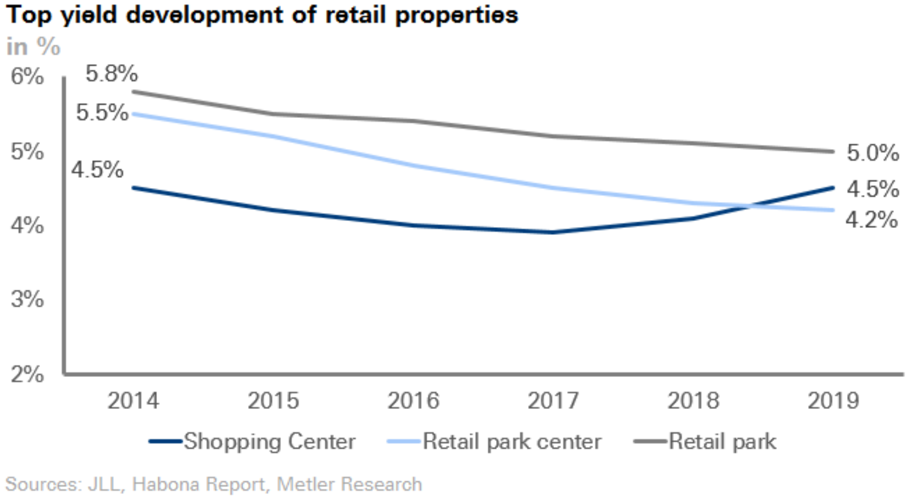


Sources: CBRE, Metzler Research

Top yield compression at retail parks

Divergent top yield development within the retail property market

The rising investor interest for retail parks can be illustrated by the divergent top yield development within the retail property market. Top yields for retail parks and larger retail park centers have fallen continuously in recent years, a sign for higher investor interest. In contrast, top yields for shopping centers showed an upward trend in recent years, a sign for muted buyer demand. In FY 19, shopping center top yields of 4.5% were for the first time even higher than retail park center top yields. Recent data are not available. However, we believe that the current crisis should have led to a widening of the yield gap, as the market environment for shopping centers has deteriorated further.



Within the retail park segment, investors again differentiate between retail parks and larger retail park centers. In FY 19, top yields for retail park centers (4.2%) were 80bps lower compared to retail parks (5.0%). We believe this can be attributed to their higher number of tenants and their more diversified tenant structure.

Rental yields of secondary locations should be meaningfully higher compared to top yields in primary locations

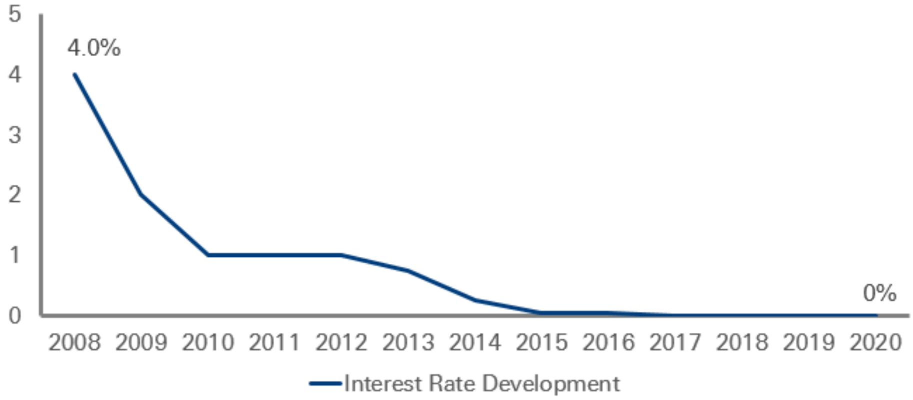
Market data regarding retail park rental yields of secondary locations in DEFAMA´s main regional markets, Northern and Eastern Germany, are not available. However, we know DEFAMA acquired new retail parks for ~8x-11x annual rental income in the past, which would imply a rental yield of 9.0% to 12.5%. We believe this rental yield corridor is transferable to comparable properties within DEFAMA´s regional markets. Thus, rental yields for retail parks in secondary locations of northern and eastern Germany are significantly higher compared to yields in primary locations.

Low interest rates could drive rebound of retail property market after the crisis

Favourable ECB monetary policy for financing conditions of institutional real estate investors

Due to the current ECB monetary policy interest rates are at a record low. Therefore, current buyers of retail parks profit from favourable financing conditions. They could also represent one of the main drivers for a retail property demand rebound after the pandemic. Currently, there are no signs for a deviation from the European monetary policy course in the short term.

ECB Key Interest Rate development
in %



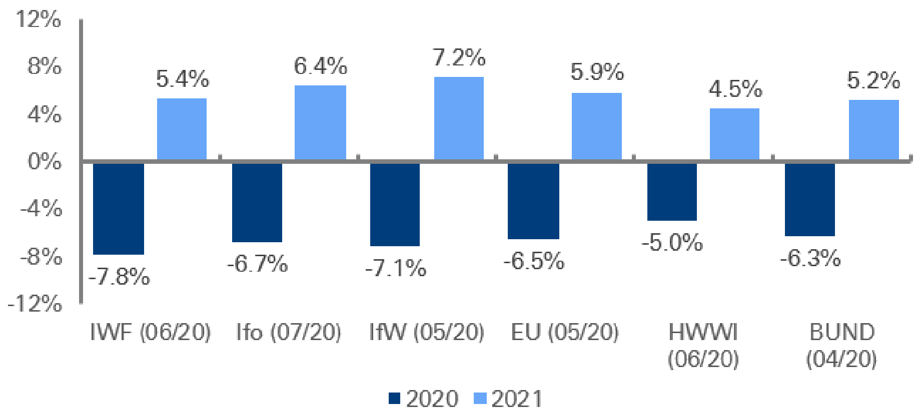
Sources: ECB, Metzler Research

Domestic GDP and consumer spending should return gradually to pre-crisis levels

GDP growth projections of leading economic and political institutions for FY 21e: 4.5% yoy to 7.2% yoy

The Covid-19 crisis resulted in a significant downturn of the domestic economic activity in a short time frame, increasing the risk of tenant insolvencies and lower customer traffics at retail properties. Retail parks are also not excluded from this negative development. According to most of the leading economic research institutions, the German GDP in FY 20e is expected to decline by at least -5.0% yoy. In FY 21e, however, growth is forecasted to return, and the GDP should increase by 4.5% yoy to 7.2% yoy again. The main drivers of this economic recovery in the coming year should be catch-up effects, a gradual return to pre-crisis business activity levels, and the recently announced stimulus package.

German GDP growth forecasts for the years 2020 and 2021
in %



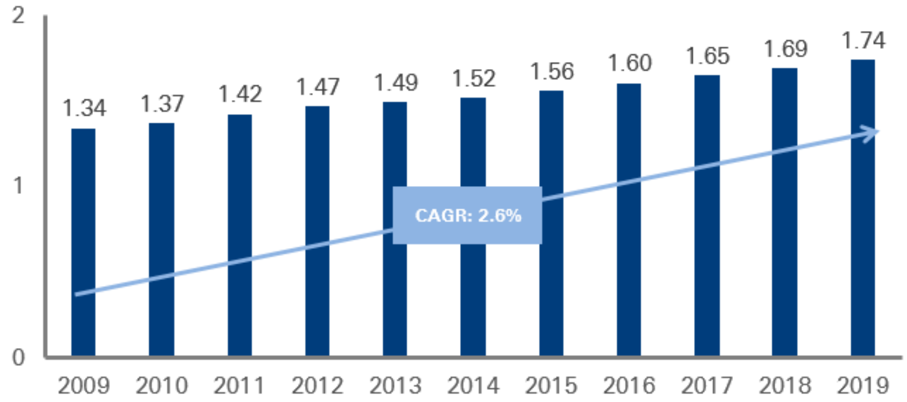
Sources: BDA, Metzler Research

Domestic consumer spending on a steady growth path after the financial crisis

Domestic consumer spending has been on a multi-year growth trajectory (2.6% CAGR 2009-2019) before the pandemic. With consumer spending of EUR 1.74tn in FY 19, Germany represents the largest European consumer market. Domestic consumer spending per capita in Germany (EUR 20.420 in FY 18) is 30% higher compared to the average within the European Union, according to the national statistical bureau DESTATIS. German consumers spend most of their available income on the following topics:

- 34% on housing.
- 14% on transport.
- 13% on food and 5% on fashion.

Development of domestic consumer spending
in EUR tn

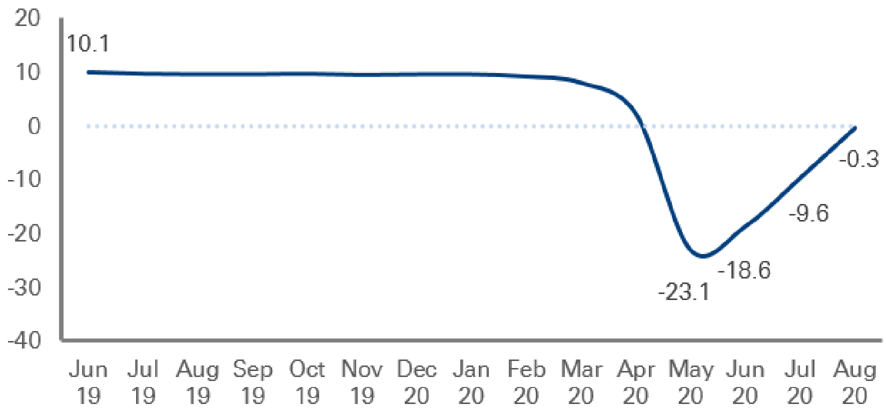


Sources: Statista, Metzler Research

Consumer confidence is already improving again

Consumer spending collapsed in recent months due to the Covid-19 crisis, which can be illustrated by the GfK consumer confidence index (see below). With -23.1 points in May, the index reached its lowest value ever measured. Since the easing of lockdown measures and the containment of the pandemic, consumer confidence is gradually improving again. This should set the ground for a gradual recovery of consumer spending.

GfK consumer confidence index is recovering from its April low point
in points



Sources: GfK, Metzler Research

We still expect negative Covid-19 effects on consumer spending in the short run

We think the Covid-19 crisis should continue to have negative consequences on consumer spending in the short run. In general, customer traffic and turnover of many offline retailers are expected to be lower compared to pre-crisis levels. Additionally, the reluctance on the consumer side increases the risk of rent and tenant defaults in our view.

However, as already mentioned, we believe these adverse effects should be less noticeable at retail parks in comparison to other retail properties such as shopping centers. Available data on latest rent collections confirm our view: while DEFAMA collected >90% of its April and May rents, DEQ (Sell/ PT EUR 11.2), an owner of shopping centers across Germany, collected only 33% respectively 38% of its rents.

However, we also expect a gradual return of consumer spending to pre-crisis levels

Despite short-term headwind from the Covid-19 crisis, we estimate consumer spending could gradually return to pre-crisis levels. This is based on our assumption that the economic recovery will become visible in the coming quarters, and the pandemic is contained. Leading national economic institutions such as the ifw share our view. It expects a consumer spending decline of -9% yoy in FY 20e and a consumer spending increase of 10% in FY 21e.

Financials

Acquisitions should mainly drive sales and FFO growth in the coming years

Revenues in FY 20e should increase by 21.3% yoy to EUR 13.6m

According to our estimates, DEFAMA should continue its multi-year sales growth trajectory in FY 20e (M´e: 21.3% yoy), mainly driven by additional property acquisitions. With the purchase of a retail park in Zeitz (transaction volume: EUR 9m) near Leipzig, the company already added one large new property to its portfolio earlier this year. The change of ownership took place in April, and the new retail park is expected to add EUR 1.3m p.a. (EUR 0.9m in FY 20e on a pro rata basis) to the rental income. A second new property and a PV system were purchased in Anklam by the company last week, which should contribute EUR 0.8m p.a. to the revenues (EUR 0.3m in FY 20e on a pro rata basis). We estimate the company could announce further retail park acquisitions (1 to 3 in total) in FY 20e. Their future revenue contribution could be approx. EUR 0.3m p.a. (EUR 0.1m in FY 20e on a pro rata basis), according to our estimates. Besides property acquisitions, DEFAMA´s FY 20e revenues and FFO should also benefit to a smaller extent from several rent increases and the re-rent of vacant spaces. In summary, we forecast an FFO of EUR 5.8m and revenues of EUR 13.6m in FY 20e.

We estimate no significant Covid-19 impacts on DEFAMA´s rental income

Rent losses in Radeberg due to redevelopment measures should weigh on this year's rental income growth with approx. EUR 500.000 (approx. 3.7% of FY 20e rental income) as a one-time effect. Also, we think FY 20e revenues and FFO should be virtually unaffected by the current Covid-19 crisis as already mentioned before.

FY 20e FFO margin should be above 40% again

Regarding margin development, we expect that DEFAMA should be able again to generate an FFO margin of >40% in FY 20e (M´e: 42.9%), in-line with FFO margins of previous years. This comparatively high margin level is in our view the result of the lean company structure and the scalable business model with low operating costs.

To complement our estimates, we outline DEFAMA´s guidance for FY 20e below, which has been confirmed by the company during the peak of the corona crisis:

- Net income should come in at EUR 2.5m (FY 19: EUR 2.1m) this year, equivalent to an EPS of EUR 0.56 (FY 19: 0.51).
- The company forecasts an FFO of at least EUR 5.7m (FY 19: 4.6m), which would represent an FFO growth of ~26.5% yoy. The annualized FFO should amount to at least EUR 7m.
- This year's sales and FFO growth are expected to result in a further dividend increase.
- After refurbishment completion, a sale or a significant increase of the existing financing are the options for the retail park in Radeberg.

Financial Summary

in EUR m	FY 18	FY 19	Guidance FY 20e	FY 20e	FY 21e	FY 22e
Revenues	**9.1**	**11.2**	**n/a**	**13.6**	**17.5**	**19.0**
Growth yoy (in%)	55.9%	23.3%	n/a	21.3%	28.7%	8.6%
EBITDA	**5.5**	**7.0**	**n/a**	**8.6**	**11.1**	**12.1**
Margin (in%)	60.9%	62.9%	n/a	63.5%	63.2%	63.6%
EBIT	**3.6**	**4.5**	**n/a**	**5.5**	**7.1**	**7.8**
Margin (in%)	39.5%	40.1%	n/a	40.5%	40.6%	41.1%
Net Profit	**1.7**	**2.1**	**2.5**	**2.6**	**3.3**	**3.6**
Margin (in%)	18.7%	18.4%	n/a	19.1%	18.8%	18.9%
FFO	**3.6**	**4.6**	**5.7**	**5.8**	**7.5**	**8.1**
Margin (in%)	40.1%	41.2%	n/a	42.9%	42.6%	42.7%
EPS	**0.46**	**0.51**	**0.56**	**0.59**	**0.74**	**0.81**
FFOPS	**1.01**	**1.14**	**1.30**	**1.30**	**1.69**	**1.84**

Sources: DEFAMA, Metzler Research

We project a 18.2% sales CAGR 2020e-2022e

DEFAMA has not provided a guidance for the coming years so far. As a rough guideline, the company intends to acquire new retail parks for EUR 15m to EUR 20m annually. In recent years, the company mostly exceeded its acquisition guidance. In our opinion, the transaction volume target represents the most useful indicator for estimating revenue and FFO growth over the next years.

Under the assumption that DEFAMA acquires new retail parks for ~10x rental income on average in the near future, acquisitions could result in additional annual revenues of EUR 1.5m to EUR 2.0m each year. We forecast a 18.2% sales CAGR 2020e-2022e for DEFAMA based on our estimates for certain key figures (vacancy rate, rental income, and transaction volume), which we present on the following pages in detail.

Vacancy rate development

Vacancy rate at low single-digit percentage points in recent years

The company has consistently kept its vacancy rate at low single-digit percentage points in recent years and thus achieved almost full occupancy. Consequently, it does not need to set its primary focus on further vacancy rate reduction of its portfolio. In most cases, new tenants for vacant rental space have been found quickly in the past. As of 31 March 2020, the vacancy rate of DEFAMA´s property portfolio stands at just 3.5%, which is below-average compared to peers.

The Covid-19 crisis should not materially affect the vacancy rate

We do not believe the Covid-19 crisis should lead to a sustained increase of the vacancy rate in the short run. The majority of tenants have good credit ratings, and non-cyclical tenants account for approx. 3/4 of the rental income. As of 30 June, the company had no defaulted tenant due to the Covid-19 crisis.

We think the vacancy rate should remain low in the coming years

The table below presents our vacancy rate estimates for DEFAMA´s whole property portfolio in the coming years. In our planning, which considers normal tenant fluctuation, we expect the vacancy rate to remain at approx. 4%, which is in-line with previous years. We think this is reasonable due to DEFAMA´s good quality and diversification of tenants. Long-term rent contracts, usually renewed by tenants in the past, should provide further visibility for the company (Q1 20 WALT: 4.3 years). Besides, we think DEFAMA´s focus on small and medium-sized cities has another important advantage. These cities provide just limited options for tenants to relocate their businesses as they usually have only a small amount of local retail agglomerations. This should reduce the risk of tenant losses meaningfully for DEFAMA.

We also do not believe retail park acquisitions could meaningfully increase the vacancy rate as DEFAMA has strict purchase criteria and an in-depth screening process before an acquisition takes place. For example, every potential acquisition object needs to have at least two anchor tenants and a high occupancy rate. For example, the highest vacancy of a retail park acquired in FY 19 was 5%. Such precautionary measures at the acquisition process should help to keep the vacancy rate at low single-digit percentage points in the foreseeable future.

Estimated property vacancy rates

Retail park	2018	2019	2020e	2021e	2022e
Albstadt	-	0%	0%	0%	0%
Apolda	6%	6%	6%	6%	6%
Bleicherode	9%	12%	12%	12%	12%
Brand-Erbisdorf	0%	0%	0%	0%	0%
Büdelsdorf	3%	22%	22%	10%	10%
Dinslaken	-	0%	0%	0%	0%
Eberswalde	13%	3%	3%	3%	3%
Florstadt	3%	3%	3%	3%	3%
Gebhardshain	0%	9%	9%	9%	9%
Genthin	0%	0%	0%	0%	0%
Görlitz	0%	0%	0%	0%	0%
Hamm	3%	6%	6%	6%	6%
Harzgerode	9%	6%	6%	6%	6%
Höhn	4%	4%	4%	4%	4%
Königsee	0%	20%	20%	20%	20%
Löwenberg	15%	15%	15%	15%	15%
Lübbenau	7%	7%	7%	7%	7%
Merseburg	3%	3%	3%	3%	3%
Mylau	3%	6%	6%	6%	6%
Pasewalk	0%	0%	0%	0%	0%
Puderbach	13%	22%	22%	22%	22%
Radeberg	4%	0%	0%	0%	0%
Remscheid	-	0%	0%	0%	0%
Rendsburg	-	5%	5%	5%	5%
Sangerhausen	5%	3%	3%	3%	3%
Schmallenberg	14%	8%	8%	8%	8%
Schneeberg	0%	0%	0%	0%	0%
Sigmaringen	-	0%	0%	0%	0%
Sonnefeld	0%	0%	0%	0%	0%
Staßfurt	5%	0%	0%	0%	0%
Sternberg	-	0%	0%	0%	0%
Templin	0%	0%	0%	0%	0%
Traben-Trarbach	1%	1%	1%	1%	1%
Waldeck	0%	0%	0%	0%	0%
Wildau	0%	0%	0%	0%	0%
Wittenburg	0%	0%	0%	0%	0%
Wurzen	-	4%	4%	4%	4%
Zeitz	-	-	0%	0%	0%
Total	**4%**	**4%**	**4%**	**4%**	**4%**

Sources: DEFAMA, Metzler Research

Rental income development

In recent years, DEFAMA increased its rental income mainly by acquiring new retail parks. Between FY 15 to FY 19, the company managed to increase its property portfolio from 7 retail parks to 37 retail parks (currently DEFAMA owns 39 properties). From FY 16 to FY 19, its rental income increased from EUR 3.4m to EUR 11.2m, corresponding to a 48.3% sales CAGR 2016-2019. Rent increases, in contrast, only contributed to a smaller extent to this development. This should have the following reasons in our view:

- Rental contracts normally have long terms and additional prolongation options for the tenants with fixed payment amounts.
- Rent increases are often associated with modification or renovation measures for landlords.
- Large food retailers have strong negotiation powers.

The company should set its focus on portfolio expansion in the coming years

As the existing property portfolio only offers limited potential for rent increases, DEFAMA should instead set its focus on portfolio expansion to accelerate its income generation in the coming years. Based on our assumptions for the annual transaction volume, we derive a 18.2% sales CAGR 2020e-2022e. In FY 20e, sales growth should be driven by the new retail park in Zeitz and the expected acquisitions of other properties, as already mentioned. In summary, we forecast a total transaction volume of approx. EUR 20m in FY 20e. This represents the upper end of DEFAMA´s own guidance for the annual transaction volume.

With regard to FY 21e and FY 22e, we choose a conservative approach and forecast a transaction volume of just EUR 15m for each year. Based on an average purchase price of 10x annual rental income for every property, this would translate into an increase of rental income by EUR 1.5m each year. Against the company´s historic growth path, this appears conservative and take potential scarcity of suitable acquisition targets into account.

Rental income estimates
in EUR m

Retail park	2020e	2021e	2022e
Albstadt	0.16	0.16	0.16
Apolda	0.26	0.26	0.26
Bleicherode	0.38	0.39	0.39
Brand-Erbisdorf	0.24	0.24	0.24
Büdelsdorf	0.39	0.43	0.43
Dinslaken	0.75	0.75	0.75
Eberswalde	0.24	0.25	0.25
Florstadt	0.10	0.10	0.10
Gebhardshain	0.17	0.17	0.17
Genthin	0.19	0.19	0.19
Görlitz	0.33	0.33	0.33
Hamm	0.50	0.50	0.50
Harzgerode	0.26	0.26	0.26
Höhn	0.41	0.41	0.41
Königsee	0.17	0.17	0.17
Löwenberg	0.18	0.18	0.18
Lübbenau	0.96	0.96	0.96
Merseburg	0.16	0.16	0.16
Mylau	0.16	0.16	0.16
Pasewalk	0.73	0.73	0.73
Puderbach	0.16	0.16	0.16
Radeberg	0.20	1.31	1.31
Remscheid	0.29	0.29	0.29
Rendsburg	0.46	0.46	0.46
Sangerhausen	0.19	0.19	0.19
Schmallenberg	0.65	0.65	0.65
Schneeberg	0.27	0.27	0.27
Sigmaringen	0.11	0.11	0.11
Sonnefeld	0.14	0.14	0.14
Staßfurt	0.28	0.28	0.28
Sternberg	0.13	0.13	0.13
Templin	0.29	0.29	0.29
Traben-Trarbach	0.21	0.21	0.21
Waldeck	0.21	0.22	0.22
Wildau	0.20	0.20	0.20
Wittenburg	0.46	0.46	0.46
Wurzen	0.16	0.16	0.16
Zeitz	0.90	1.30	1.30
Portfolio	**12.0**	**13.6**	**13.6**
Ancillary costs (10%)	**1.2**	**1.4**	**1.4**
Acquisitions	1*	1.5	1.5
Total incl. Acquisitions	13.6	17.5	19.0

*thereof EUR 0.4m in FY 20e
Sources: DEFAMA, Metzler Research

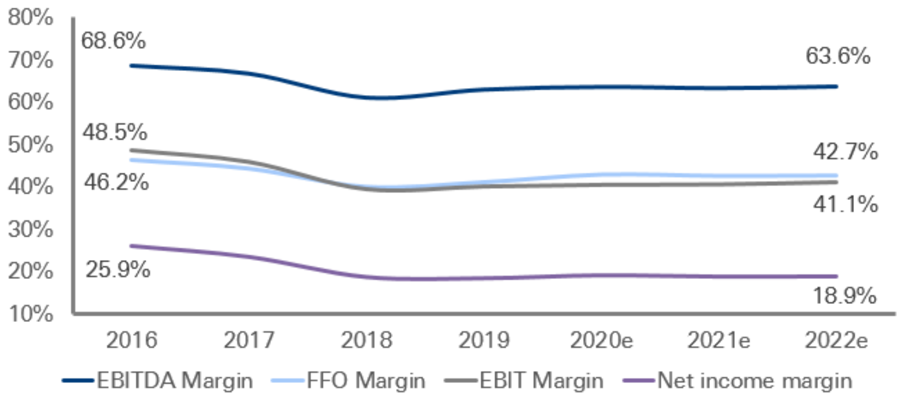
Profitability margins should remain at current levels in the coming years

FFO margin of >40% in recent years

The company pursues a long-term "Buy and Hold" strategy for its property portfolio and has a lean corporate structure with approx. 20 employees. Operating costs of DEFAMA ´s property management business model are comparatively low and the company achieves initial double-digit rental yields due to low acquisition prices. This allows DEFAMA´s cost-conscious management to generate a substantial FFO margin of >40% in the past, which is in our view highly profitable and provides meaningful cash flows. We believe DEFAMA will continue its adopted strategy in the foreseeable future and thus maintain the current FFO margin level in the coming years. Potential catalysts for further margin improvement, whose positive impacts we can not assess yet, are according to DEFAMA:

- The company will introduce an administration software. This could lead to a higher efficiency.
- Costs for growth should remain stable, while the property portfolio is expected to increase.

DEFAMA´s profitability margins in comparison
in %



Sources: DEFAMA, Metzler Research

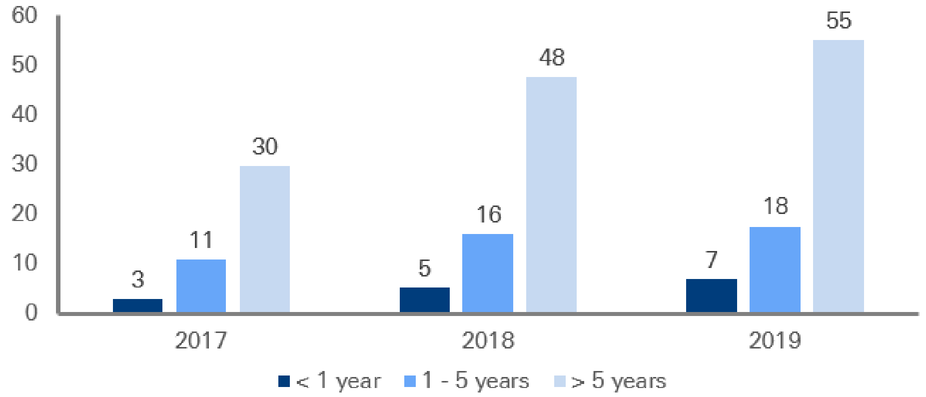
Financing overview

DEFAMA uses solely annuity loans to finance external growth

DEFAMA had outstanding bank loans with a volume of EUR 93.4m, according to latest data from May 2020. Their average debt interest rate was 2.27% and they had an average fixed interest period of 7.5 years. Unlike other competitors, DEFAMA solely uses annuity loans to finance new retail park acquisitions, normally with a fixed interest period of 10 years. At least 80% of an acquisition price is financed by local banks, which reduces the use of equity. To avoid potential financing risks, the company attaches importance to high independence from specific financing partners. Therefore, there is a broad range of currently 27 financing partners and no bank accounts for more than 12% of DEFAMA´s debt volume.

According to our estimates, liabilities are expected to increase in the coming years to finance portfolio growth. DEFAMA should also maintain its current debt to equity approach of financing at least 80% of the acquisition price via debt. This would allow the company to use less equity and to reach its target of a double-digit return on equity. We assess the risks arising from potential interest rate changes as limited due to long fixed interest periods. In addition, there are no signs of a deviation from the current monetary policy. With growing visibility and larger firm size, DEFAMA may also be able to refinance existing debt at lower levels. This could provide further room for additional FFO growth.

Debt maturity profile
in EUR m

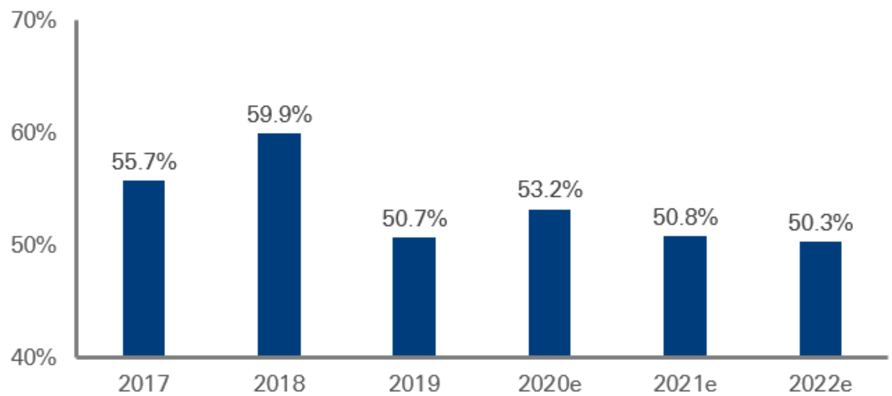


Sources: DEFAMA, Metzler Research

LTV estimates fairly convincing

For FY 20e, we calculate an LTV of 53.2%. This figure is based on our calculation scheme (=Net Debt/Market value of properties). From our perspective, an LTV of 50% to 60% is acceptable and represents a reasonable mixture of employing financial leverage risk while improving cash flow for shareholders due to low costs of debt. For the coming years, we forecast an LTV of slightly above 50%. However, the LTV could increase meaningfully in a scenario of deteriorating real estate prices.

LTV has been relatively stable in recent years (our calculations)
in %



Sources: DEFAMA, Metzler Research

Balance sheet quality still adequate

As of 31 March 2020, the equity ratio of DEAMA amounted to 22.8%, slightly below the equity ratio of 23.7% at the end of FY 19. According to DEFAMA, its equity ratio would be at 40%-45%, assuming IFRS accounting, which would be in-line with peers. Although the company has conducted four capital increases since FY 16, capital was primarily used to finance growth rather than to strengthen the equity ratio. In our opinion, an equity ratio of >20% under HGB accounting should still be sufficient for DEFAMA´s comparatively non-cyclical and predictable rental business model. For the coming years, we expect no meaningful changes of DEFAMA´s capital structure.

FY 19 Net Debt/EBITDA ratio of 9.9x

In recent years, DEFAMA´s Net Debt/EBITDA ratio has been in the range of 8x to 12x, according to our calculations. Last year's Net Debt/EBITDA ratio stands at 9.9x. Generally, we think a net debt/EBITDA ratio of 8x to 10x is acceptable for DEFAMA´s business model. It would need a harsh scenario to forecast any meaningful debt difficulties in the foreseeable future. Similar to the equity ratio, we do not expect any major changes of the Net Debt/EBITDA ratio in the coming years.

Equity Ratio and Net Debt/EBITDA Ratio

	FY 16	FY 17	FY 18	FY 19	FY 20e	FY 21e	FY 22e
Equity ratio in %	32.0%	20.5%	19.1%	23.7%	23.0%	20.9%	20.7%
Net Debt/EBITDA	8.2x	10.4x	11.7x	9.9x	9.6x	9.2x	9.1x

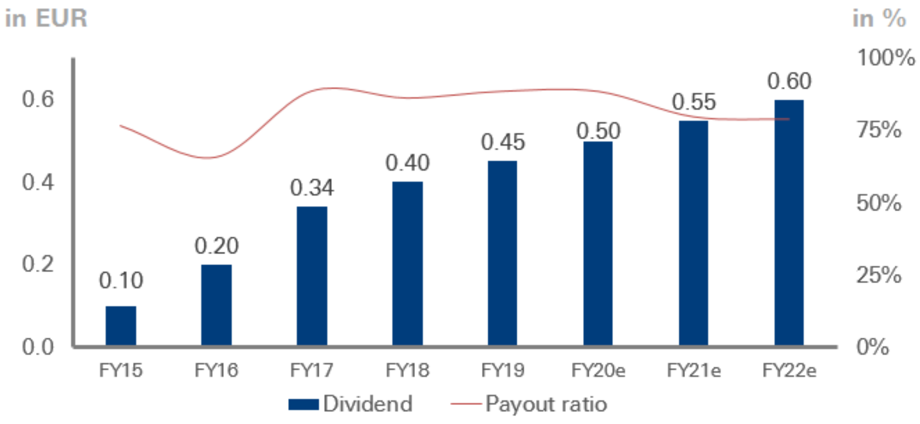
Sources: DEFAMA, Metzler Research

FFO increase should allow a steady growth trajectory of dividend payments

DEFAMA intends an FFO payout ratio of 40% to 50%

From FY 15 to FY 19, DEFAMA increased its annual dividend with a 45.6% CAGR from EUR 0.10c to EUR 0.45c, without a dividend cut during this time frame. DEFAMA intends to distribute approx. 80% of the net income, respectively 40% to 50% of its FFO to shareholders. This payout ratio is sustainable in our view and provides liquidity for new investments. Last year, DEFAMA paid out 39.5% of its FFO to shareholders. Our anticipated FFO growth should allow a steady growth trajectory of dividend payments in the coming years. Based on our estimates, dividend payments are expected to grow with a 9.5% CAGR 2020e-2022e from EUR 0.50c to EUR 0.60c. Next year's dividend yield would stand at 3.2% based on the current share price. DEFAMA´s dividend track record and the estimated dividend increases are attractive for long-term oriented investors in our view.

Dividend and payout ratio rel. to EPS



Sources: DEFAMA, Metzler Research

Valuation

We derive a PT of EUR 20.5 from DCF and Peer Group Valuation

We use absolute and relative valuation methods to calculate the fair value for DEFAMA. In terms of absolute valuation, we use a discounted cash flow (DCF) model. The relative valuation comprises a comparison between DEFAMA and other peers with meaningful retail property exposures. Based on the average upside potential of both valuation approaches (50/50), we derive a PT of EUR 20.5.

Our share price target is derived from the mean of the two valuation models

Valuation method	Upside Potential
Peer group analysis	19%
DCF model	20%
Average	**19%**

Sources: Metzler Research

DCF Valuation

<u>Our DCF model calculates a fair value of EUR 21 per share.</u>

As a first step, we value DEFAMA using our DCF model. The EUR 21 price target implies a 20% upside from the current share price.

The following assumptions are the basis of our DCF model

- We use a terminal growth of 1.5%.
- We assume a terminal EBIT margin of 37.5%, slightly lower to our anticipated margin level for the forecast period 2023e-2026e.
- Our WACC of 3.8% is based on the following input factors: risk-free rate of 1.0%, market risk premium of 7.0%, and a Beta of 0.9.
- The Beta reflects the low volatility of the share price and the stable rental income prospects of DEFAMA´s business model.

Details of our DCF model

	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	TV Year
Year	0	1	2	3	4	5	6	7	
Discounting period	0.01	1.01	2.01	3.01	4.01	5.01	6.01	7.01	8.01
Sales	13.6	17.5	19.0	19.8	20.6	21.4	22.2	23.1	23.5
Sales growth (%)	18.2	28.7	8.6	4.0	4.0	4.0	4.0	4.0	1.5
Operating margin (%)	40.5	40.6	41.1	40.5	40.5	40.5	40.5	40.5	37.5
EBIT	5.5	7.1	7.8	8.0	8.3	8.7	9.0	9.4	8.8
Taxes	0.9	1.1	1.2	2.0	2.1	2.2	2.3	2.3	2.2
Tax rate (%)	25.6	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Depreciation	3.1	4.0	4.3	4.3	4.5	4.7	4.9	5.1	4.2
Amortisation (ppa etc.)									
Operating cash flow	**7.8**	**10.0**	**10.9**	**10.3**	**10.8**	**11.2**	**11.6**	**12.1**	**10.8**
Capex	20.0	15.0	15.0	7.9	8.2	8.5	8.9	9.2	5.9
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	**-12.2**	**-5.0**	**-4.1**	**2.4**	**2.5**	**2.6**	**2.8**	**2.9**	**4.9**
Discounted free cash flow	-12.2	-4.9	-3.8	2.2	2.2	2.2	2.2	2.2	

Sum of DCF	-10
TV	164
Net Debt	70
Fair' Equity value	85
Number of shares	4.1
Fair' value per share	**21.0**

Current share price	**17.5**
Upside	20%

				WACC	
Sales growth (%), years 3-7	4.0	Capex/sales (%), TV year	25.0	Cost of debt (%)	2.6
Sales growth (%), TV year	1.5	Depreciation/Capex (%)	55	Cost of equity (%)	7.3
Operating margin (%), years 3-7	40.5	Beta	0.9	Equity	24.7
Operating margin (%), TV year	37.5	LT debt interest rate (%)	3.5	Financial Debt	75.3
Tax rate (%), years 3-7	25	Risk Free Rate (%)	1.0	Total capital	100.0
Capex/Sales (%), years 3-7	40.0	Market Risk Premium (%)	7.0	**WACC (%)**	**3.8**

Source: Metzler Research

Our DCF model is very sensitive to the used variables, especially with regards to the terminal growth rate and long-term EBIT margin.

Sensitivity analysis

Sensitivity of DCF value per share to a +/- 5% change in key assumptions		beta	DCF value	Market risk premium	DCF value	TV sales growth	DCF value	TV Ebit margin	DCF value
	-5%	0.86	22.5	6.65%	22.7	1.43%	19.7	35.6%	18.2
base case		0.90	21.0	7.00%	21.0	1.50%	21.0	37.5%	21.0
	+5%	0.95	19.2	7.35%	19.4	1.58%	22.5	39.4%	23.7

Source: Metzler Research

Peer Group valuation implies 19% upside

We also provide a peer group analysis in addition to our DCF valuation, where we compare DEFAMA to peers with relevant retail property exposures on the basis of a P/FFO 2021e multiple. This peer group comprises the companies Hamborner Reit, Deutsche Konsum Reit, TLG Immobilien, and VIB Vermögen.

	Bloomberg	Share price 27.07.2020	Metzler Recommendation/ Price Target	P/FFO 2021e
Hamborner Reit	HAB GY	8.3		12.0
Deutsche Konsum Reit	DKG GY	16.0		14.2
TLG Immobilien	TLG GY	16.2		9.6
VIB Vermögen	VIH1 GY	26.6		12.9
Average				**12.2**
DEFAMA	DEF GY	17.5	BUY EUR 20.5	10.3
Upside				**19%**

Sources: DEFAMA, Metzler Research, Bloomberg

Balance sheet

(in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Assets	55	66.6	86	54.8	104	21.6	125	20.2	149	19.1	164	9.7
Fixed assets	**53**	**66.1**	**82**	**56.2**	**96**	**16.9**	**115**	**20.0**	**137**	**18.8**	**148**	**8.1**
Intangible fixed assets	0	-20.7	0	-26.1	0	530.0	0	-100.0	0	n.a.	0	n.a.
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Other intangible assets	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Tangible assets	52	65.8	81	55.9	95	16.6	114	20.1	135	18.7	146	8.1
Technical plant and equipment	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Financial assets	0	139.6	1	122.4	1	52.4	1	8.9	1	30.0	1	7.7
Participations	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Other financial assets	0	139.6	1	122.4	1	52.4	1	8.9	1	30.0	1	7.7
Current assets	**3**	**71.9**	**3**	**21.9**	**7**	**124.2**	**9**	**25.4**	**12**	**25.8**	**15**	**29.1**
Fixed assets for sale	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Receivables and other assets	0	90.7	1	128.1	0	-14.0	0	14.3	0	0.0	1	20.0
Trade receivables	0	90.7	1	128.1	0	-14.0	0	14.3	0	0.0	1	20.0
Other accounts receivable	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Deferred taxes	0	247.0	0	129.5	1	121.6	1	4.3	1	0.0	1	0.0
Cash and cash items	2	70.4	3	12.4	7	149.2	9	26.1	11	27.3	14	29.5
Shareholders' equity and liabilities	55	66.7	86	54.8	104	21.6	125	20.3	149	19.1	164	9.7
Shareholders' equity	**11**	**7.0**	**16**	**43.9**	**25**	**50.7**	**29**	**16.7**	**31**	**8.0**	**34**	**8.7**
Subscribed capital	4	0.0	4	10.0	4	13.3	4	0.0	4	0.0	4	0.0
Reserves	8	9.2	12	56.3	20	64.3	24	20.8	26	9.6	29	10.3
Provisions	1	163.6	1	36.8	0	-42.3	0	9.0	1	60.0	1	-25.0
Financial debt	**43**	**106.8**	**68**	**57.4**	**77**	**12.9**	**92**	**20.2**	**113**	**23.3**	**124**	**9.7**
Medium- and long-term financial debt	40	105.6	64	56.9	72	13.9	88	21.7	109	24.1	120	10.1
Short-term financial debt	3	127.5	4	65.6	4	-1.8	4	-4.4	4	5.0	4	0.0
Accounts payable, trade	0	150.3	0	58.1	1	70.1	0	-1.1	0	0.0	0	0.0
Other liabilities	0	-97.2	0	461.8	2	589.3	3	95.2	3	0.0	4	33.3
Deferred taxes liabilities	0	88.9	0	102.8	1	88.1	1	4.0	1	0.0	1	0.0
Balance sheet total	55	66.6	86	54.8	104	21.6	125	20.2	149	19.1	164	9.7
Balance sheet structure												
Net Debt incl. Provisions	41	109.5	65	60.2	70	7.0	83	19.6	102	22.8	110	7.5
Net cash (neg. = net debt) to balance sheet total (%)	73.2	25.7	75.8	3.5	66.7	-12.0	66.3	-0.5	68.4	3.1	67.0	-2.0
Gearing (%)	356.5	n.a.	396.8	n.a.	281.7	n.a.	288.8	n.a.	328.5	n.a.	325.0	n.a.
BVPS (EUR)	3.18	-12.6	4.42	38.8	6.00	35.7	6.43	7.2	6.95	8.1	7.56	8.8

Sources: Refinitiv, Metzler Research

Profit & loss account

(in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Sales	6	69.5	9	55.9	11	23.3	14	21.3	18	28.7	19	8.6
Total output	6	69.5	9	55.9	11	23.3	14	21.3	18	28.7	19	8.6
Other operating income	0	14.1	0	-35.3	0	-13.2	0	60.3	0	93.0	0	17.6
Operating expenses	**3**	**74.7**	**6**	**70.0**	**7**	**21.6**	**8**	**21.0**	**11**	**29.3**	**11**	**7.9**
Cost of materials	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Personnel expenses	0	129.8	1	53.1	1	44.2	1	22.0	2	31.4	2	10.9
Depreciation and amortization	1	76.1	2	59.6	3	30.9	3	22.8	4	26.4	4	8.1
Other operating expenses	2	62.3	3	83.0	3	9.7	4	19.2	5	31.0	5	6.7
EBIT	**3**	**60.1**	**4**	**34.5**	**4**	**25.3**	**6**	**22.5**	**7**	**29.0**	**8**	**9.9**
Financial result	**-1**	**-60.3**	**-1**	**-49.0**	**-2**	**-28.7**	**-2**	**-18.7**	**-3**	**-33.0**	**-3**	**-11.4**
Income from investments	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Interest income (net)	-1	-60.3	-1	-49.0	-2	-28.7	-2	-18.7	-3	-33.0	-3	-11.4
Other financial result	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Result of ordinary activities	2	60.0	2	27.1	3	23.3	3	24.8	4	26.7	5	9.0
EBT	**2**	**60.0**	**2**	**27.1**	**3**	**23.3**	**3**	**24.8**	**4**	**26.7**	**5**	**9.0**
Taxes	-0	-88.2	-1	-34.3	-1	-28.7	-1	-22.0	-1	-26.7	-1	-9.0
Tax rate (%)	-23.2	-17.6	-24.5	-5.6	-25.6	-4.4	-25.0	2.2	-25.0	0.0	-25.0	0.0
Net income	**1**	**53.1**	**2**	**25.0**	**2**	**21.5**	**3**	**25.8**	**3**	**26.7**	**4**	**9.0**
Minority interests	0	n.a.	0	n.m.	0	-48.8	0	0.0	0	0.0	0	0.0
Minority rate (%)	0.1	n.a.	1.4	848.1	0.6	-57.9	0.5	-20.5	0.4	-21.0	0.3	-8.3
Net Income after minorities	**1**	**52.9**	**2**	**23.4**	**2**	**22.5**	**3**	**25.9**	**3**	**26.8**	**4**	**9.0**
Adjustment calculation												
Net Income after minorities	1	52.9	2	23.4	2	22.5	3	25.9	3	26.8	4	9.0
Adjustments of net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Adj. net income after minorities	**1**	**53.1**	**2**	**23.2**	**2**	**22.5**	**3**	**25.9**	**3**	**26.8**	**4**	**9.0**
EPS adj.	**0.38**	**26.1**	**0.46**	**20.7**	**0.51**	**9.5**	**0.59**	**15.4**	**0.74**	**26.8**	**0.81**	**9.0**
DPS	0.34	70.0	0.40	17.6	0.45	12.5	0.50	11.1	0.55	10.0	0.60	9.1
Pay-out ratio (%)	88.6	n.a.	86.3	n.a.	88.7	n.a.	85.4	n.a.	74.1	n.a.	74.1	n.a.

Sources: Refinitiv, Metzler Research

Cash flow/ratios/valuation

	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
Cash Flow/ Net Debt (in EUR m)												
Gross Cash Flow	**3**	**62.4**	**5**	**43.3**	**6**	**27.3**	**8**	**20.2**	**10**	**25.7**	**11**	**9.6**
Increase in working capital	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**
Capital expenditures	**22**	**n.a.**	**31**	**n.a.**	**16**	**n.a.**	**20**	**n.a.**	**15**	**n.a.**	**15**	**n.a.**
Free cash flow (Metzler definition)	**-19**	**-18.1**	**-28**	**-44.7**	**-12**	**55.8**	**-15**	**-22.0**	**-9**	**42.0**	**-8**	**8.0**
Free cash flow yield (%)	-50.8	n.a.	-64.0	n.a.	-18.4	n.a.	-20.0	n.a.	-11.6	n.a.	-10.6	n.a.
Dividend paid	1	218.8	1	70.0	2	29.4	2	41.7	2	10.0	3	9.1
Free cash flow (post dividend)	**-20**	**-20.8**	**-29**	**-45.6**	**-14**	**52.2**	**-17**	**-24.3**	**-11**	**35.3**	**-11**	**4.3**
Net Debt incl. Provisions	**41**	**109.5**	**65**	**60.2**	**70**	**7.0**	**83**	**19.6**	**102**	**22.8**	**110**	**7.5**
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	356.5	n.a.	396.8	n.a.	281.7	n.a.	288.8	n.a.	328.5	n.a.	325.0	n.a.
Net debt/EBITDA	10.4	n.a.	11.7	n.a.	9.9	n.a.	9.6	n.a.	9.2	n.a.	9.1	n.a.
Ratios (in %)												
Balance sheet structure												
Equity/total assets	20.5	n.a.	19.1	n.a.	23.7	n.a.	23.0	n.a.	20.8	n.a.	20.6	n.a.
Equity to fixed assets	21.5	n.a.	19.5	n.a.	25.3	n.a.	24.7	n.a.	22.5	n.a.	22.6	n.a.
Long-term capital to total assets	93.6	n.a.	93.1	n.a.	93.0	n.a.	93.2	n.a.	93.9	n.a.	93.9	n.a.
Long-term capital to fixed assets and inventories	98.8	n.a.	97.4	n.a.	101.1	n.a.	101.5	n.a.	102.6	n.a.	104.2	n.a.
Liabilities to equity (leverage)	380.3	n.a.	417.1	n.a.	318.3	n.a.	331.4	n.a.	375.7	n.a.	381.2	n.a.
Profitability/efficiency												
EBIT margin	45.8	n.a.	39.5	n.a.	40.1	n.a.	40.5	n.a.	40.6	n.a.	41.1	n.a.
EBITDA margin	66.7	n.a.	60.9	n.a.	62.9	n.a.	63.5	n.a.	63.2	n.a.	63.6	n.a.
Cash flow margin	59.7	n.a.	54.8	n.a.	56.6	n.a.	56.0	n.a.	54.7	n.a.	55.3	n.a.
ROE (after Tax/Min.)	12.4	n.a.	12.3	n.a.	10.2	n.a.	9.8	n.a.	11.1	n.a.	11.2	n.a.
Valuation												
PER adj.	27.8	n.a.	25.9	n.a.	32.5	n.a.	29.0	n.a.	22.9	n.a.	21.0	n.a.
PBV	3.4	n.a.	2.7	n.a.	2.8	n.a.	2.6	n.a.	2.4	n.a.	2.2	n.a.
EV/EBITDA	20.2	n.a.	19.6	n.a.	19.4	n.a.	18.3	n.a.	16.0	n.a.	15.3	n.a.
EV/EBIT	29.4	n.a.	30.2	n.a.	30.3	n.a.	28.7	n.a.	25.0	n.a.	23.7	n.a.
Dividend yield (%)	3.2	n.a.	3.3	n.a.	2.7	n.a.	2.9	n.a.	3.2	n.a.	3.5	n.a.

Sources: Refinitiv, Metzler Research

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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
Issuer/Financial Instrument (ISIN): Deutsche Euroshop (DE0007480204)					
25.06.2020	Sell	Sell	12.56 EUR	11.20 EUR	Schmitt, Jochen
08.06.2020	Hold	Sell	15.68 EUR	12.80 EUR	Schmitt, Jochen
20.04.2020	Hold	Hold	12.76 EUR	12.50 EUR	Schmitt, Jochen
13.03.2020	Buy	Hold	17.08 EUR	19.00 EUR	Schmitt, Jochen
17.01.2020	Buy	Buy	25.00 EUR	32.00 EUR	Schmitt, Jochen
14.10.2019	Buy	Buy	26.40 EUR	35.50 EUR	Schmitt, Jochen
09.09.2019	Buy	Buy	23.84 EUR	35.50 EUR	Schmitt, Jochen

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein: ABO Wind AG: Hamburg Stock Exchange

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17 . Metzler and/or a company affiliated with Metzler had reached an agreement on the compilation of the investment analysis with the analysed company. Prior to publication of the financial analysis, the provider gives the issuer a one-off opportunity to comment (comparison of facts in accordance with the DVFA Code) within the regulatory framework to avoid quality defects.

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