

DEFAMA Deutsche Fachmarkt AG (DEF GY) | Real Estate

April 30, 2021

DEFAMA remains on the right path

Publication of the FY 20 annual report: there are no deviations from prelims and the outlook. An update on Q1 performance will be provided by management in May. One aspect worth mentioning: rent receivable write-downs amounted to just EUR 0.2m in FY 20, which illustrates the high defensiveness of DEFAMA's rental cashflows in our view. Looking at the present situation, we remain confident that DEFAMA has collected a majority of its rents in Q1 (M^o: 90%) despite the current lockdown measures due to its high proportion of non-cyclical tenants. The company also remains on track to achieve its annual acquisition volume target of EUR 15m-20m: last week, DEFAMA announced the acquisition of a retail park center in Gardelegen near Magdeburg (lettable space: 16.000m²) for EUR 8m. According to DEFAMA, additional properties are already in the acquisition pipeline. We therefore expect further newsflow on the acquisition side in the coming months. The growth perspectives for FY 21e remain promising in our view: management targets an FFO of EUR 7.1m for FY 21e, implying an FFO growth rate of 21% yoy. Our positive stance on the company's investment case remains unchanged and we stick to our Buy rating with a PT of EUR 23.

- **Valuation:** Our estimates and PT remain unchanged. DEFAMA trades at a P/FFO 22e multiple of 10.7x, its closest peer DKR (BUY/PT EUR 17.9) at 12.1x.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	9	11	15	17	19	20
EBITDA	6	7	9	14	12	13
EPS adj. (EUR)	0.46	0.51	0.57	1.18	0.81	0.89
FFO	3.6	4.6	5.9	7.3	8.1	8.8
DPS (EUR)	0.40	0.45	0.48	0.53	0.58	0.63
Operating Cash Flow (EUR)	3	4	5	6	7	8
Dividend paid (EUR)	1	2	2	2	2	3
Capital expenditures (EUR)	31	16	38	15	15	15
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	19.6	19.4	21.5	15.0	17.7	17.2
PCFR	8.7	10.5	10.9	7.3	7.9	7.3
P/E adj.	25.9	32.5	34.8	16.5	24.2	22.0
Dividend yield (%)	3.3	2.7	2.4	2.7	3.0	3.2
EBIT margin (%)	39.5	40.1	38.6	56.2	41.0	41.3
Gearing (%)	396.8	281.7	420.5	401.2	390.4	385.7
ROE (%)	12.3	10.2	10.2	19.5	11.7	11.6
PBV	2.7	2.8	3.5	3.0	2.7	2.4

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price*

EUR 19.50

Price target

EUR 23.00 (unchanged)

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

Market Cap (EUR m)	86
Enterprise Value (EUR m)	203
Free Float (%)	65.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	2.1	1.6	21.9
Rel. to Prime All Share	0.5	-8.7	-13.5

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2021e	2022e	2023e
Sales	0.0	0.0	n.a.
EBIT	0.0	0.0	n.a.
EPS	0.0	0.0	n.a.

Sponsored Research



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company note

The recent acquisition could become another lucky punch

Last week, DEFAMA announced its first property acquisition of this year. The company acquired a retail park center in Gardelegen near Magdeburg for EUR 8m. In terms of the lettable space (16.000m²), the new retail park center is one of the largest properties within DEFAMA's portfolio. The anchor tenant of the property is Kaufland. Other relevant tenants are ACTION, Woolworth, AWG, Deichmann and Takko. Thus, the tenant structure is very comparable to other properties of the company.

However, we believe that the vacancy rate should be significantly higher than at other acquired properties as only 13 of 18 rental spaces are currently leased to tenants. M'ment noted that it is already in discussions with potential tenants for these vacant rental spaces and therefore remains optimistic to lower the vacancy rate meaningfully soon. Assuming a vacancy rate of 0%, the new property would generate annual rental cashflows of over EUR 1m, according to DEFAMA. On that basis, the acquisition price of EUR 8m would be even below the company's acquisition target multiple of 10x annual rent and could be then considered as another lucky punch by DEFAMA. Given the successful track record of the company in terms of vacancy reduction, we are optimistic that DEFAMA should be able to gradually reduce the vacancy rate of the property over the coming quarters.

A picture of the HanseCenter Gardelegen



Source: DEFAMA

company note

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 44 properties.

Major shareholders

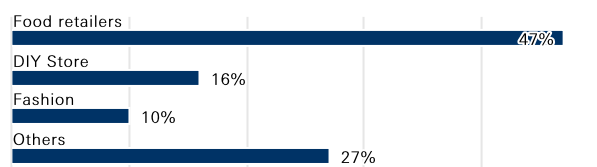
Matthias Schrade (29%), Geminus GmbH (4%), Other management (2%)

Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	9	55.9	11	23.3	15	30.1	17	17.6	19	10.8	20	7.9
EBITDA	6	42.3	7	27.3	9	27.6	14	50.3	12	-10.7	13	8.2
EBITDA margin (%)	60.9	-8.7	62.9	3.2	61.7	-1.9	78.8	27.7	63.5	-19.4	63.7	0.3
EBIT	4	34.5	4	25.3	6	25.1	10	71.2	8	-19.1	8	8.7
EBIT margin (%)	39.5	-13.8	40.1	1.6	38.6	-3.8	56.2	45.6	41.0	-27.0	41.3	0.7
Financial result	-1	-49.0	-2	-28.7	-2	-23.9	-3	-24.8	-3	-13.6	-3	-6.5
EBT	2	27.1	3	23.3	3	25.8	7	99.5	5	-31.6	5	10.0
Taxes	-1	-34.3	-1	-28.7	-1	-38.7	-2	-77.0	-1	31.6	-1	-10.0
Tax rate (%)	-24.5	n.a.	-25.6	n.a.	-28.2	n.a.	-25.0	n.a.	-25.0	n.a.	-25.0	n.a.
Net income	2	25.0	2	21.5	3	21.4	5	108.4	4	-31.6	4	10.0
Minority interests	0	n.m.	0	-48.8	0	-62.9	0	169.7	0	0.0	0	0.0
Net Income after minorities	2	23.4	2	22.5	3	21.9	5	108.3	4	-31.7	4	10.1
Number of shares outstanding (m)	4	2.1	4	11.9	4	9.1	4	0.0	4	0.0	4	0.0
EPS adj. (EUR)	0.46	20.7	0.51	9.5	0.57	11.7	1.18	108.3	0.81	-31.7	0.89	10.1
DPS (EUR)	0.40	17.6	0.45	12.5	0.48	6.7	0.53	10.4	0.58	9.4	0.63	8.6
Dividend yield (%)	3.3	n.a.	2.7	n.a.	2.4	n.a.	2.7	n.a.	3.0	n.a.	3.2	n.a.
Cash Flow (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Operating Cash Flow	3	24.1	4	11.1	5	30.6	6	27.0	7	14.3	8	18.1
Increase in working capital	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Capital expenditures	31	42.1	16	-48.4	38	135.7	15	-60.4	15	0.0	15	0.0
Dividend paid	1	70.0	2	29.4	2	27.5	2	6.7	2	10.4	3	9.4
Free cash flow (post dividend)	-29	-45.6	-14	52.2	-35	-152.3	-11	69.0	-10	6.3	-9	10.6
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	86	54.8	104	21.6	137	31.1	155	13.6	174	12.2	190	8.8
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	16	43.9	25	50.7	25	2.1	29	15.5	33	12.4	36	10.1
Net Debt incl. Provisions	65	60.2	70	7.0	106	52.4	117	10.2	128	9.3	139	8.8
Gearing (%)	396.8	n.a.	281.7	n.a.	420.5	n.a.	401.2	n.a.	390.4	n.a.	385.7	n.a.
Net debt/EBITDA	11.7	n.a.	9.9	n.a.	11.8	n.a.	8.6	n.a.	10.6	n.a.	10.6	n.a.

Structure

Tenant structure 2020



Sources: Refinitiv, Metzler Research

company note

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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 *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): DEFAMA Deutsche Fachmarkt AG (DE000A13SUL5)					
01.03.2021	Buy	Buy	19.40 EUR	23.00 EUR	Bonhage, Stephan
22.02.2021	Buy	Buy	19.10 EUR	22.20 EUR	Bonhage, Stephan
30.10.2020	Buy	Buy	18.50 EUR	22.20 EUR	Bonhage, Stephan
11.09.2020	Buy	Buy	19.00 EUR	22.20 EUR	Bonhage, Stephan
07.08.2020	Buy	Buy	17.90 EUR	20.50 EUR	Bonhage, Stephan
30.07.2020	Buy	Buy	17.40 EUR	20.50 EUR	Bonhage, Stephan
28.07.2020	n.a.	Buy	17.50 EUR	20.50 EUR	Bonhage, Stephan
Issuer/Financial Instrument (ISIN): Deutsche Konsum REIT-AG (DE000A14KRD3)					
19.03.2021	n.a.	Buy	15.55 EUR	17.90 EUR	Bonhage, Stephan

* 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

*** All authors are financial analysts

DEFAMA Deutsche Fachmarkt AG

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