

DEFAMA Deutsche Fachmarkt AG (DEF GY) | Real Estate

May 19, 2021

A solid quarterly performance

We confirm our Buy rating with an unchanged PT of EUR 23. DEFAMA's Q1 figures were in line with our estimates and confirm its growth case: Q1 revenues increased by 29.6% yoy to EUR 4.1m (M'e: EUR 4.2m) and the FFO grew by 29.4% yoy to EUR 1.7m (M'e: EUR 1.7m). The FFOPS in Q1 21 amounted to EUR 0.38 (Q1 20: 0.30). The rent collection rate in Q1 came in at 92% despite the recent lockdown measures, which shows the defensiveness of DEFAMA's rental cashflows from our perspective. M'ment reaffirmed the FY 21e guidance, thus we think negative Covid-19 effects on DEFAMA's FY 21e rental income should remain well manageable similar to last year. Purchase negotiations for new properties are at an advanced stage, we therefore expect further positive acquisition newsflow in the coming months after the company already announced the acquisition of a larger retail park center for EUR 8m several weeks ago. Hence, we are confident that DEFAMA should be able to achieve its annual acquisition volume target of EUR 15m-20m and an annualized FFO of EUR 8m at the end of FY 21e. In total, the company is on a good path to achieve our FY 21e estimates and we have an unchanged positive stance on the investment case after the in our view solid Q1 performance.

- **Valuation:** Our estimates and PT are unchanged. DEFAMA trades at a P/FFO 22e multiple of 10.9x, its peers at 13.0x on average.

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	15.2	17.9	17.4
PCFR	8.7	10.5	10.9	7.5	8.1	7.5
P/E adj.	25.9	32.5	34.8	16.9	24.8	22.5
Dividend yield (%)	3.3	2.7	2.4	2.7	2.9	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	3.1	2.7	2.5

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price*

EUR 20.00

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)	88
Enterprise Value (EUR m)	205
Free Float (%)	65.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	5.8	4.7	19.8
Rel. to Prime All Share	6.3	-2.5	-13.4

Sources: Refinitiv, Metzler Research

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

Sponsored Research



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Our investment case in a nutshell

- **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 mainly retail parks, usually 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.
- **Growth momentum driven by property acquisitions:** 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 properties for EUR 15m to EUR 20m each year.
- **Anchor tenants with non-cyclical business models:** 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.

Peer group valuation

	Bloomberg	Share Price 19.05.2021	Metzler recommendation/ Price target	P/FFO 2022e
Hamborner Reit	HABA GY	9.1		14.3
Deutsche Konsum Reit	DKG GY	15.3	BUY / EUR 17.9	11.8
Average				13.0
DEFAMA	DEF GY	20.0	BUY / EUR 23	10.9
Upside				19%

Sources: DEFAMA, Metzler Research, Bloomberg

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

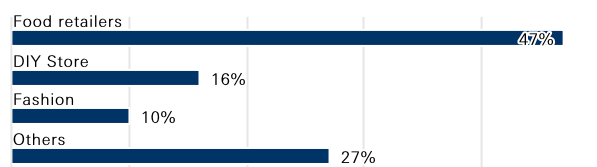
Matthias Schrade (29%), Geminus GmbH (4%), Other management (2%)

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.	2.9	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)					
30.04.2021	Buy	Buy	19.50 EUR	23.00 EUR	Bonhage, Stephan
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)					
17.05.2021	Buy	Buy	15.20 EUR	17.90 EUR	Bonhage, Stephan
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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