

DEFAMA Deutsche Fachmarkt AG (DEF GY) | Real Estate

April 25, 2022

Large portfolio acquisition after capital increase

Last Friday, the company announced its first large portfolio acquisition after the recent successful capital increase with a gross proceed of EUR 10.3m. DEFAMA will acquire in total five properties located in the federal state of Rhineland-Platine for an acquisition volume of EUR 15m, which together generate annual rents of EUR 1.3m. DEFAMA's large acquisition underpins in our view the company's ambition to accelerate portfolio growth, which we believe could result in an upgrade of the conservative FY 25e targets (FFO of EUR 11m/annualized rents of EUR 24m) in the foreseeable future. Including the latest acquisition, we estimate that DEFAMA has already acquired properties for in total approx. EUR 22m in FY 22e. Hence, the company has already reached its annual acquisition volume target of EUR 15m-20m very early this year. We therefore see a high likelihood for further acquisitions in the remainder of the year and now target an acquisition volume of EUR 25m for FY 22e (prev.: EUR 20m). In total, we think DEFAMA is now in a comfortable financial position to execute on portfolio growth in the foreseeable future after the recent high inflow of liquidity. Our positive stance on the investment case remains unchanged and we continue to stick to our Buy rating. We slightly lower our PT to EUR 31.50 (32.50) due to negative dilution effects from the recent capital increase.

- **Changes in estimates:** Our FFOPS estimates for FY 22e/FY 23e decrease by -7% respectively -5%, reflecting negative shareholder dilution.
- **Valuation:** DEFAMA trades at an P/FFO 23e multiple of 13.3x, its peers at 15.1x.

Fundamentals (in EUR m) ¹	2018	2019	2020	2021e	2022e	2023e
Sales	9	11	15	17	20	23
EBITDA	6	7	9	13	13	15
EPS adj. (EUR)	0.46	0.51	0.57	1.14	0.78	0.90
FFO	3.6	4.6	5.9	7.1	8.6	10.0
DPS (EUR)	0.40	0.45	0.48	0.51	0.54	0.58
Operating Cash Flow (EUR)	3	4	5	7	8	8
Dividend paid (EUR)	1	2	2	2	2	3
Capital expenditures (EUR)	31	16	38	30	25	20
Ratios ¹	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	19.6	19.4	21.5	18.4	21.7	19.7
PCFR	8.7	10.5	10.9	10.5	11.7	10.1
P/E adj.	25.9	32.5	34.8	24.4	35.8	31.0
Dividend yield (%)	3.3	2.7	2.4	1.8	1.9	2.1
EBIT margin (%)	39.5	40.1	38.6	55.4	40.2	40.0
Gearing (%)	396.8	281.7	420.5	432.9	424.6	425.1
PBV	2.7	2.8	3.5	4.3	4.1	3.7

¹Sources: Bloomberg, Metzler Research

Buy

 **unchanged**

Price*

EUR 27.80

Price target

EUR 31.50 (32.50)

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

Market Cap (EUR m) ¹	133
Enterprise Value (EUR m) ¹	274
Free Float (%) ¹	65.0

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	0.0	1.5	43.3
Rel. to Prime All Share	1.2	8.1	53.7

Changes in estimates (in %) ¹	2021e	2022e	2023e
Sales	0.0	0.0	2.7
EBIT	0.0	0.0	3.2
EPS	0.0	-7.9	-4.7

Sponsored Research



Author: Stephan Bonhage

Financial Analyst Equities

+49 69 2104-525

stephan.bonhage@metzler.com

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Background information on the latest acquisition

The acquisition of five properties in Rhineland-Platine marks the the third acquisition of the year, after DEFAMA already bought one property in Schneeberg (Saxony) and one property near Wolfsburg (Lower-Saxony). DEFAMA will pay EUR 15m for these five properties located in the towns Hachenburg, Heiligenroth and Lahnstein. They together generate annual rents of EUR 1.3m, which leads to an acquisition multiple of 11.5x. According to DEFAMA, roughly 80% of rents can be contributed to tenants with strong credit ratings, including DM, Getränke Hoffmann, JYSK, Kik, Matratzen Concord, TEDI and Total. In our view, the companies can be considered as typical tenants for the company, apart from the service station operator Total. With the recent transaction, the company increased its annualized FFO to over EUR 9.1m respectively EUR 1.91 per share.

Negative dilution effects from the recent capital increase should be manageable

The recent capital increase with a gross proceed of EUR 10.3m sets in our view the prerequisite for a possible acceleration of the portfolio expansion. The company has now a comfortable liquidity position, allowing to invest more strongly into its existing properties or execute a higher acquisition dealflow in the near future. In that regard, we believe that DEFAMA's FY 25e targets (FFO of EUR 11m/annualized rents of EUR 24m) appears to be conservative and could be upgraded in the foreseeable future. In total, the company has issued 380,000 new shares at the recent capital increase, representing approx. 8.6% of the previous share count of ~4.4m shares. The dilution of shareholders should be therefore manageable and could in our view be gradually offset by a higher portfolio growth momentum in the coming years.

Changes in estimates

We lower our FFOPS estimates for FY 22e/FY 23e by -7% respectively -5% after incorporating the new number of outstanding shares into our estimates. For FY 22e, we now expect an annual acquisition volume of EUR 25m (prev.: EUR 20m), resulting in slightly higher rental income and FFO estimates for FY 23e than previously anticipated. In total, we continue to expect double-digit percentage rental income and FFO growth at DEFAMA in the coming years (M'e: 16.8% sales CAGR 20-23e).

Valuation

We derive our new PT of EUR 31.50 from our updated peer group valuation. Beside the closest German peers DKR (BUY/PT EUR 17.60) and VIB Vermögen, the peer group now also comprises several North American REITs, which have similar to DEFAMA a relevant exposure to grocery-anchored properties in their property portfolio.

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	Bloomberg	Share price	Metzler Recommendation/ Price target	P/FFO 2023e
Deutsche Konsum REIT	DKG GY	12.1	BUY/EUR 17.60	9.9
VIB Vermögen	VIH1 GY	35.4		14.7
Retail Opportunity Investments Corp REIT	ROIC US	19.5		17.3
Realty Income REIT	O US	73.5		17.8
Kimco Realty REIT	KIM US	25.4		15.9
Average				15.1
DEFAMA	DEF GY	27.8	BUY/EUR 31.50	13.3
Upside				13%

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. As of the 31.12.2021, DEFAMA's property portfolio comprised 50 properties.

Major shareholders

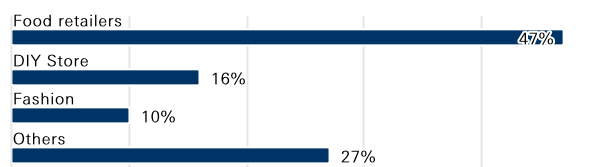
Matthias Schrade (26%), Supervisory board (2%)

Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	9	55.9	11	23.3	15	30.1	17	16.6	20	17.6	23	16.0
EBITDA	6	42.3	7	27.3	9	27.6	13	50.2	13	-6.5	15	16.2
EBITDA margin (%)	60.9	-8.7	62.9	3.2	61.7	-1.9	79.4	28.8	63.1	-20.5	63.2	0.2
EBIT	4	34.5	4	25.3	6	25.1	9	67.4	8	-14.6	9	15.4
EBIT margin (%)	39.5	-13.8	40.1	1.6	38.6	-3.8	55.4	43.6	40.2	-27.4	40.0	-0.5
Financial result	-1	-49.0	-2	-28.7	-2	-23.9	-3	-22.1	-3	-17.6	-4	-15.2
EBT	2	27.1	3	23.3	3	25.8	7	95.0	5	-26.9	6	15.5
Taxes	-1	-34.3	-1	-28.7	-1	-38.7	-2	-79.9	-1	29.7	-1	-15.5
Tax rate (%)	-24.5	n.a.	-25.6	n.a.	-28.2	n.a.	-26.0	n.a.	-25.0	n.a.	-25.0	n.a.
Net income	2	25.0	2	21.5	3	21.4	5	101.0	4	-25.9	4	15.5
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	100.9	4	-26.0	4	15.6
Number of shares outstanding (m)	4	2.1	4	11.9	4	9.1	4	0.0	5	8.6	5	0.0
EPS adj. (EUR)	0.46	20.7	0.51	9.5	0.57	11.7	1.14	100.9	0.78	-31.9	0.90	15.6
DPS (EUR)	0.40	17.6	0.45	12.5	0.48	6.7	0.51	6.3	0.54	5.9	0.58	7.4
Dividend yield (%)	3.3	n.a.	2.7	n.a.	2.4	n.a.	1.8	n.a.	1.9	n.a.	2.1	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	7	37.0	8	10.3	8	12.0
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	30	-21.7	25	-15.8	20	-20.0
Dividend paid	1	70.0	2	29.4	2	27.5	2	6.7	2	6.3	3	13.7
Free cash flow (post dividend)	-29	-45.6	-14	52.2	-35	-152.3	-25	28.4	-20	21.1	-14	28.3
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	86	54.8	104	21.6	137	31.1	160	16.8	183	14.3	201	9.8
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	13.7	36	10.0
Net Debt incl. Provisions	65	60.2	70	7.0	106	52.4	126	18.9	140	11.5	155	10.1
Gearing (%)	396.8	n.a.	281.7	n.a.	420.5	n.a.	432.9	n.a.	424.6	n.a.	425.1	n.a.
Net debt/EBITDA	11.7	n.a.	9.9	n.a.	11.8	n.a.	9.3	n.a.	11.1	n.a.	10.6	n.a.

Structure

Tenant structure 2020



Sources: Bloomberg, 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)					
01.03.2022	Buy	Buy	28.00 EUR	32.50 EUR	Bonhage, Stephan
21.02.2022	Buy	Buy	27.80 EUR	32.50 EUR	Bonhage, Stephan
03.11.2021	Buy	Buy	25.00 EUR	27.20 EUR	Bonhage, Stephan
11.10.2021	Buy	Buy	24.60 EUR	27.20 EUR	Bonhage, Stephan
29.07.2021	Buy	Buy	22.40 EUR	25.50 EUR	Bonhage, Stephan
19.05.2021	Buy	Buy	20.00 EUR	23.00 EUR	Bonhage, Stephan
30.04.2021	Buy	Buy	19.50 EUR	23.00 EUR	Bonhage, Stephan
Issuer/Financial Instrument (ISIN): Deutsche Konsum REIT-AG (DE000A14KRD3)					
15.02.2022	Buy	Buy	13.35 EUR	17.60 EUR	Bonhage, Stephan
20.12.2021	Buy	Buy	14.00 EUR	17.60 EUR	Bonhage, Stephan
09.12.2021	Buy	Buy	14.10 EUR	17.90 EUR	Bonhage, Stephan
04.10.2021	Buy	Buy	14.40 EUR	17.90 EUR	Bonhage, Stephan
13.08.2021	Buy	Buy	14.65 EUR	17.90 EUR	Bonhage, Stephan
18.06.2021	Buy	Buy	15.15 EUR	17.90 EUR	Bonhage, Stephan
17.05.2021	Buy	Buy	15.20 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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Metzler Capital Markets

B. Metzler seel. Sohn & Co. AG
Untermainanlage 1
60329 Frankfurt/Main, Germany
Phone +49 69 2104-extension
Fax +49 69 2104-679
www.metzler.com

Mario Mattera

Head of Capital Markets

Research	Pascal Spano	Head of Research	4365
Fax +49 69 283159			
	Guido Hoymann	Head of Equity Research	398
		Transport, Utilities/Renewables	
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