

DEFAMA Deutsche Fachmarkt AG (DEF GY) | Real Estate

May 27, 2022

A good start into FY 22e

We keep our Buy rating with an unchanged PT of EUR 31.50 after DEFAMA reported sound Q1 sales and FFO figures. Q1 sales were up by 14.3% yoy to EUR EUR 4.6m (M'e: EUR 4.4m) and the FFO increased by 15.4% yoy to EUR 1.95m (M'e: EUR 1.90m). The FFOPS amounted to EUR 0.44 in Q1 22 (Q1 21: EUR 0.38). The company reaffirmed the FY 22e guidance (FFO of EUR 8.5m/net income of EUR 3.5m), which is our in view a confident sign in light of the recent disappointing newsflow at numerous German real estate peers. Further rental income growth can be expected in the coming months as three recently acquired properties (Bergkamen, Nordsteimke and Rondorf) will start to contribute to DEFAMA's sales beginning with Q2 and 89% of the company's rental income is CPI-linked. Thus, the company is well positioned in the short term to make progress on its growth path in the near future. As DEFAMA also maintained its target to achieve an annualized FFO of EUR 10m until the end of FY 22e (currently: EUR 9.1m), we see a high likelihood that the company will announce further property acquisitions throughout the remaining fiscal year. In summary, we deem the Q1 results should confirm that DEFAMA remains on track to achieve its FY 22e targets, supporting our positive stance on the investment case. The shares are currently trading at an estimated FFO yield 23e of 8.3%, which we think looks attractive against the background of promising mid-term portfolio growth targets and a high share of inflation hedged rent contracts in the defensive property portfolio.

- **Valuation:** Our estimates and thus PT remain unchanged.

Fundamentals (in EUR m) ¹	2019	2020	2021	2022e	2023e	2024e
Sales	11	15	17	20	23	26
EBITDA	7	9	13	13	15	17
EPS adj. (EUR)	0.51	0.57	1.14	0.78	0.90	1.02
FFO	4.6	5.9	7.1	8.6	10.0	11.0
DPS (EUR)	0.45	0.48	0.51	0.54	0.58	0.61
Operating Cash Flow (EUR)	4	5	7	8	10	11
Dividend paid (EUR)	2	2	2	2	2	3
Capital expenditures (EUR)	16	38	28	27	22	20
Ratios ¹	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	19.4	21.5	18.4	20.2	18.4	16.8
PCFR	10.5	10.9	10.3	10.6	9.1	8.0
P/E adj.	32.5	34.8	24.4	32.5	28.1	24.7
Dividend yield (%)	2.7	2.4	1.8	2.1	2.3	2.4
EBIT margin (%)	40.1	38.6	53.2	40.2	40.0	40.3
Gearing (%)	281.7	420.5	437.7	346.9	336.8	313.3
PBV	2.8	3.5	4.4	3.2	2.8	2.4

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 25.20

Price target

EUR 31.50 (unchanged)

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

Market Cap (EUR m) ¹	121
Enterprise Value (EUR m) ¹	255
Free Float (%) ¹	72.0

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-8.7	-10.0	20.0
Rel. to Prime All Share	-10.9	-7.3	30.2

Changes in estimates (in %) ¹	2022e	2023e	2024e
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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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 is 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. 40% 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.

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 31.03.2022, DEFAMA's property portfolio comprised 51 properties.

Major shareholders

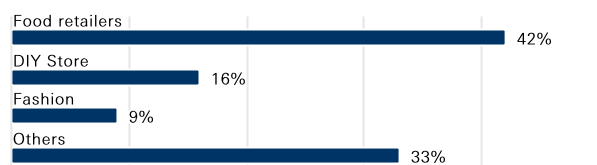
Matthias Schrade (26%), Supervisory board (2%)

Key figures

P&L (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Sales	11	23.3	15	30.1	17	17.5	20	16.7	23	16.0	26	13.4
Gross profit on sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gross margin (%)	100.0	0.0	100.0	0.0	100.0	0.0	100.0	0.0	100.0	0.0	100.0	0.0
EBITDA	7	27.3	9	27.6	13	48.5	13	-5.5	15	16.2	17	13.9
EBITDA margin (%)	62.9	3.2	61.7	-1.9	77.9	26.4	63.1	-19.0	63.2	0.2	63.5	0.5
EBIT	4	25.3	6	25.1	9	61.9	8	-11.7	9	15.4	11	14.2
EBIT margin (%)	40.1	1.6	38.6	-3.8	53.2	37.8	40.2	-24.4	40.0	-0.5	40.3	0.7
Financial result	-2	-28.7	-2	-23.9	-3	-22.0	-3	-17.8	-4	-15.2	-4	-14.9
EBT	3	23.3	3	25.8	7	86.3	5	-23.5	6	15.5	7	13.8
Taxes	-1	-28.7	-1	-38.7	-1	-49.4	-1	15.4	-1	-15.5	-2	-13.8
Tax rate (%)	-25.6	n.a.	-28.2	n.a.	-22.6	n.a.	-25.0	n.a.	-25.0	n.a.	-25.0	n.a.
Net income	2	21.5	3	21.4	5	100.8	4	-25.9	4	15.5	5	13.8
Minority interests	0	-48.8	0	-62.9	0	-85.8	0	n.m.	0	0.0	0	0.0
Net Income after minorities	2	22.5	3	21.9	5	101.1	4	-26.1	4	15.6	5	13.9
Number of shares outstanding (m)	4	11.9	4	9.1	4	0.0	5	8.6	5	0.0	5	0.0
EPS adj. (EUR)	0.51	9.5	0.57	11.7	1.14	101.1	0.78	-31.9	0.90	15.6	1.02	13.9
DPS (EUR)	0.45	12.5	0.48	6.7	0.51	6.3	0.54	5.9	0.58	7.4	0.61	5.2
Dividend yield (%)	2.7	n.a.	2.4	n.a.	1.8	n.a.	2.1	n.a.	2.3	n.a.	2.4	n.a.
Cash Flow (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Operating Cash Flow	4	11.1	5	30.6	7	49.3	8	14.8	10	15.3	11	12.2
Increase in working capital	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Capital expenditures	16	-48.4	38	135.7	28	-27.4	27	-2.0	22	-18.5	20	-9.1
Dividend paid	2	29.4	2	27.5	2	6.7	2	6.3	2	5.9	3	7.4
Free cash flow (post dividend)	-14	52.2	-35	-152.3	-22	36.3	-21	6.8	-15	29.7	-12	20.7
Balance sheet (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Assets	104	21.6	137	31.1	156	14.3	188	20.4	208	10.8	230	10.5
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	25	50.7	25	2.1	28	11.6	39	37.6	44	14.2	51	15.8
Net Debt incl. Provisions	70	7.0	106	52.4	123	16.1	134	9.1	149	10.9	160	7.8
Gearing (%)	281.7	n.a.	420.5	n.a.	437.7	n.a.	346.9	n.a.	336.8	n.a.	313.3	n.a.
Net debt/EBITDA	9.9	n.a.	11.8	n.a.	9.2	n.a.	10.6	n.a.	10.1	n.a.	9.6	n.a.

Structure

Tenant structure 2021



Sources: Bloomberg, 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 *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): DEFAMA Deutsche Fachmarkt AG (DE000A13SUL5)					
25.04.2022	Buy	Buy	27.80 EUR	31.50 EUR	Bonhage, Stephan
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

* 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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