



Company Presentation

# DEFAMA Deutsche Fachmarkt AG

September 2023



## DEFAMA acquires

- Well-established retail parks and small shopping centres
- Chain stores with strong solvency as (anchor) tenants
- Little vacancies and/or investment needs
- Purchase price per property usually between €1m and €5m
- Mainly located in small to medium-sized towns

We pursue a buy-and-hold strategy with the aim of generating a sustainable double-digit return on equity.

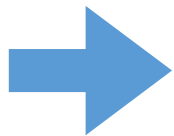


Three good reasons why we pursue this strategy:



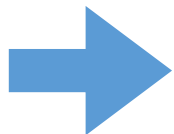
## Value creation on several levels (I)

- Acquisition of properties with initial yield of 10% p.a.
- Refinancing of > 80% of investment with app. 4-5% p.a.

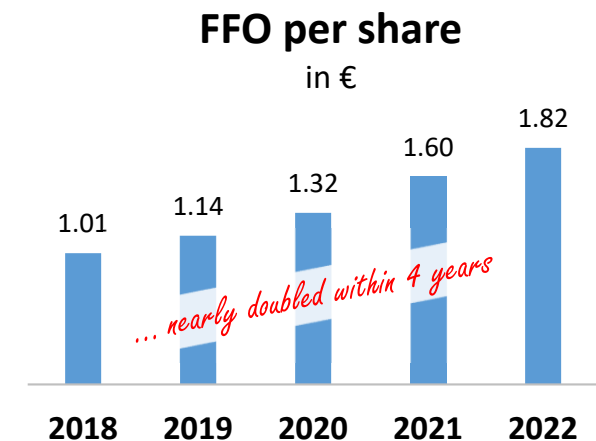


little equity needed,  
therefore high return on equity

- Strong growth due to additional acquisitions
- Realisation of earnings and saving potential

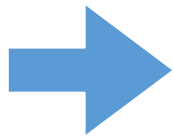


FFO per share +81%  
within four years



## Value creation on several levels (II)

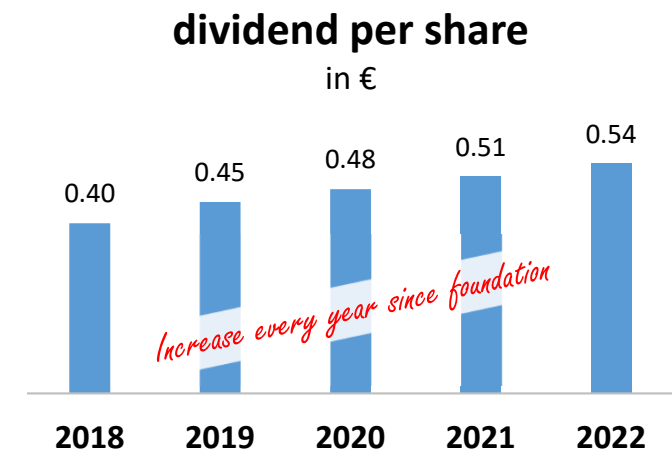
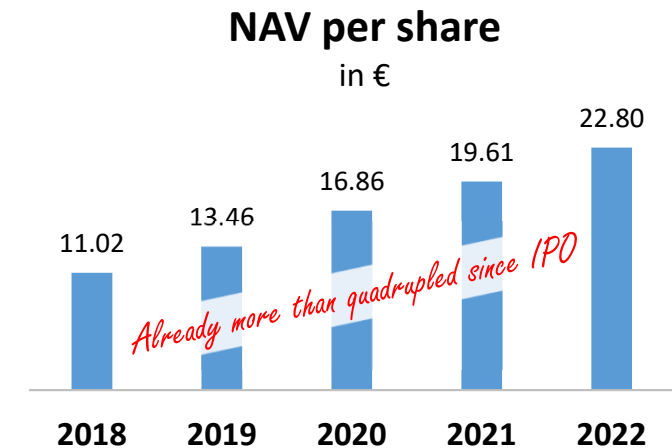
- Single purchases at favourable prices are laborious
- Professionally managed portfolios trade at much higher multiples on net rent



NAV per share +107%  
within four years

## Shareholders benefit from

- Annual dividend increase
- Strong and crisis-proof cash flow / FFO
- Continuously rising value of portfolio / NAV



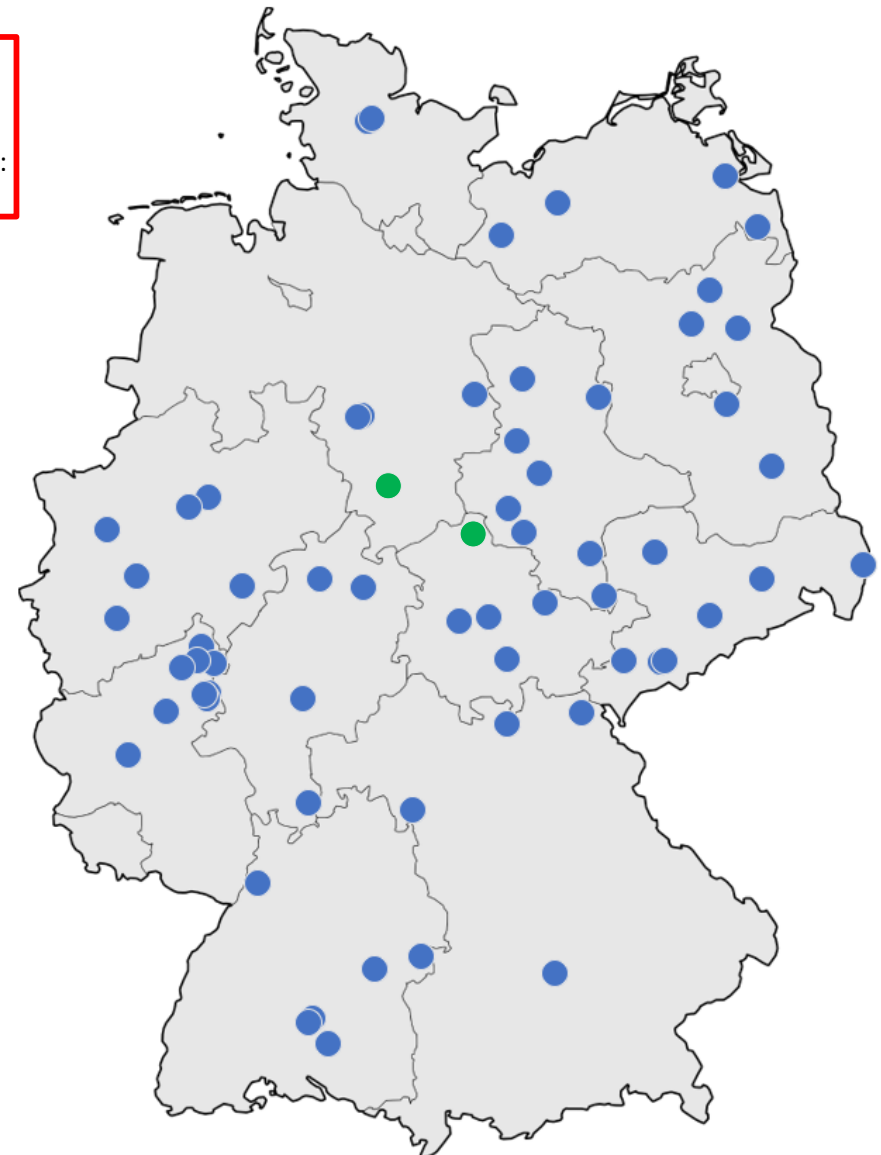




















Key Figures <i>(as of 30 June 2023)</i>	
Locations	63
Net Rent (annualised)	€21.0m
Lettable Space	256,396 sqm
Occupancy Rate	94.0%
Ø Lease Term (WALT)	4.7 years
Portfolio Value	€264m

incl. rental  
successes and  
indexations  
soon coming up:  
21.4m €

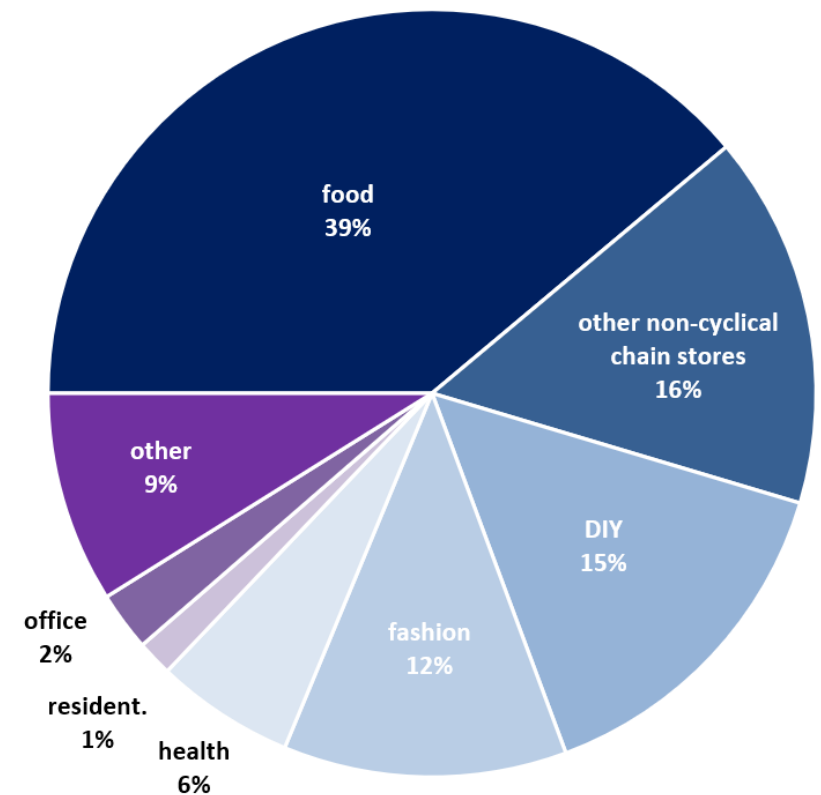
as of 31/8:  
94.7%

- 80% of total net rent is generated from chain stores with strong credit ratings
- Contracts with anchor tenants have above-average maturity
- Just one contract with > 5% of total net rent and „top 10“ contracts combined just 21%
- In 2023 two acquisitions until now (●)



Biggest Tenants		Sites	Share
Kaufland/LIDL	 	6	10.0 %
toom/B1	 	5	9.1 %
EDEKA/Netto/trinkgut	  	12	8.7 %
REWE/Penny	 	9	6.5 %
JYSK		13	5.8 %
Aldi Nord		6	3.8 %
KiK		11	3.6 %
H.H. Holding	 	12	2.8 %
NORMA		6	2.5 %
AWG		5	2.4 %
Takko		7	2.2 %
Herkules DIY store (Edeka)		1	1.9 %

Net Rent by Industry



„Top 10“ leases account for just 21% of total net rent

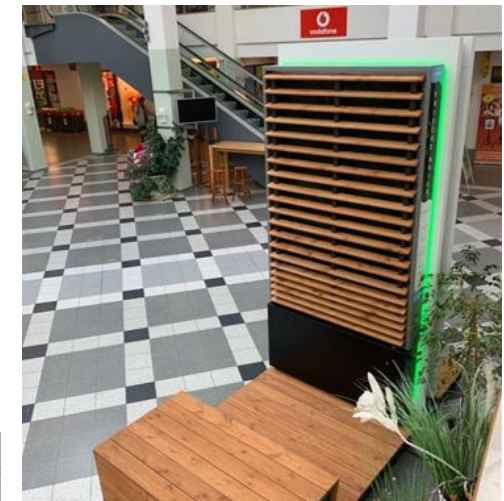
## Investments within the existing portfolio

- ☐ Refurbishment/expansion of rental spaces
- ☐ Vacancy reduction
- ☐ Optimisation of properties
  - Paketstations
  - Advertising boards
  - Parking-space management



## ESG measures

- ☐ Charging stations (currently 27 online)
- ☐ PV systems, CityBreeze
- ☐ Improvement of installations
  - Elevators, automatic doors, barrier-free toilets
  - LED lighting
  - Heating and ventilation systems etc.
  - Windows, roofs etc.





## Investments within the existing portfolio: Hamm (Westphalia)

- Refurbishment for Penny, bakery and travel agency
- Building costs of about €500k
- Start of building measures in October 2021
- Re-opening of Penny market on 28 April 2022



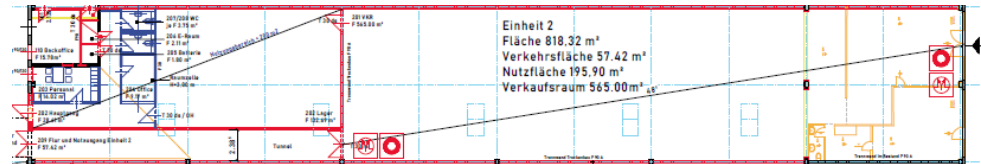
The little bit outdated local supply center ...



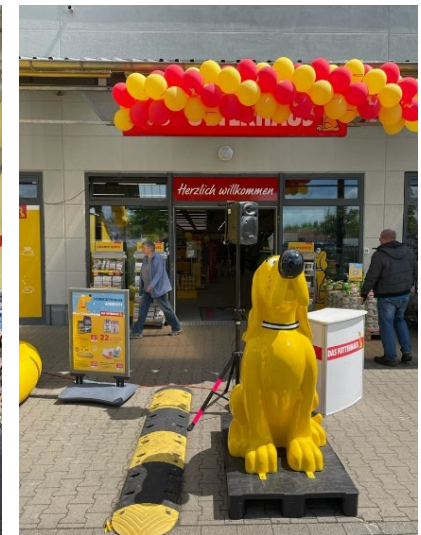
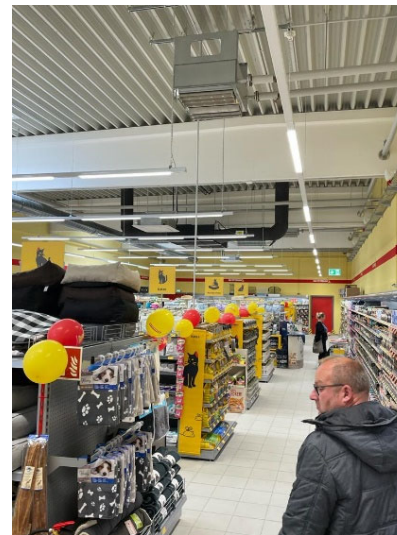
... with the new Penny entry area now has a fresh and modern appearance.

## Investments within the existing portfolio: Gardelegen

- Refurbishment for Futterhaus
- Building costs of about €350k
- Start of building measures in November 2021
- Opening on 2 June 2022



As we purchased it, the space was still a shell construction.





## Investments within the existing portfolio: Büdelsdorf

- Roof extension and creation of area for a gym
- Building costs of about €1.7m
- Start of building measures in October 2021
- Opening on 27 December 2022
- Remaining tasks and expansion of TEDi's area until May 2023



On a total area of 1.600 sqm we created ...



... a new, high-standard fitness-studio.

## Investments within the existing portfolio (*examples*)

### Gardelegen

- Refurbishment for Futterhaus
- Creation of area for tedox
- Creation of area for a gym

completed  
in process, completion est. Q4/2023  
in planning, completion est. Q4/2023

in total  
> €1m

### Hof

- Expansion of JYSK's area
- Additional building

building application, completion est. Q4/2023  
in planning, building application est. Q1/2024

in total  
app. €1m

### Lübbenau

- Creation of area for TEDI
- Building application for expansion bakery
- Refurbishment for ISS World

in process, completion est. Q4/2023  
in process, completion est. Q4/2023  
in process, completion est. Q4/2023

in total > €1m  
(incl. further  
measures)

### Rendsburg

- Refurbishment for joint practice
- Expansion of Penny's area

completed  
in planning, building application est. Q4/2023

in total  
> €1m

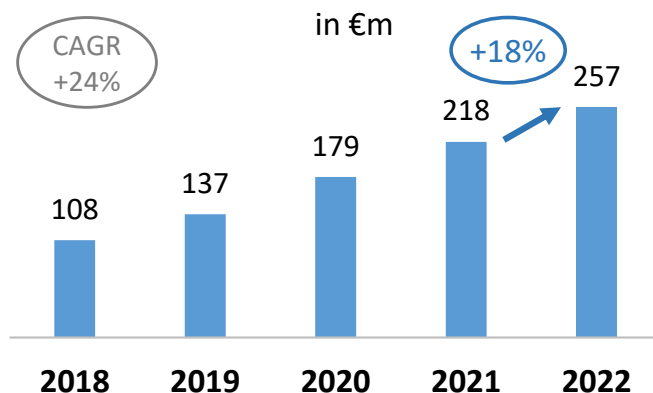




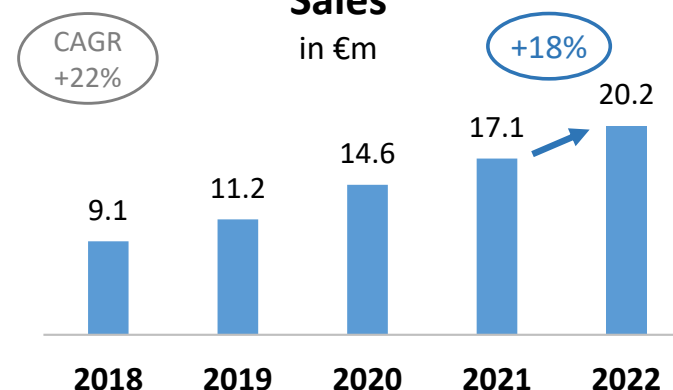
# KEY FIGURES 2022



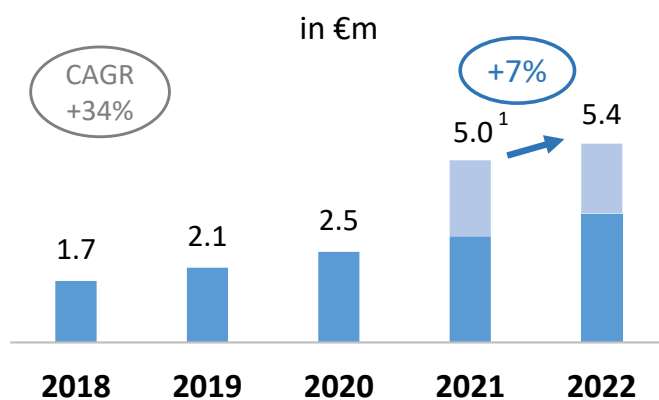
## Portfolio Value



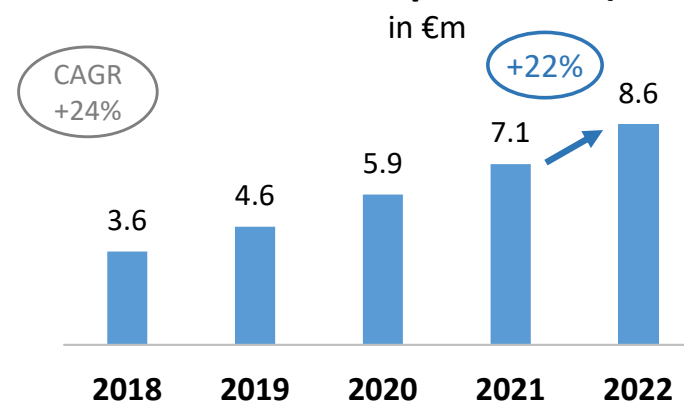
## Sales



## Net Profit

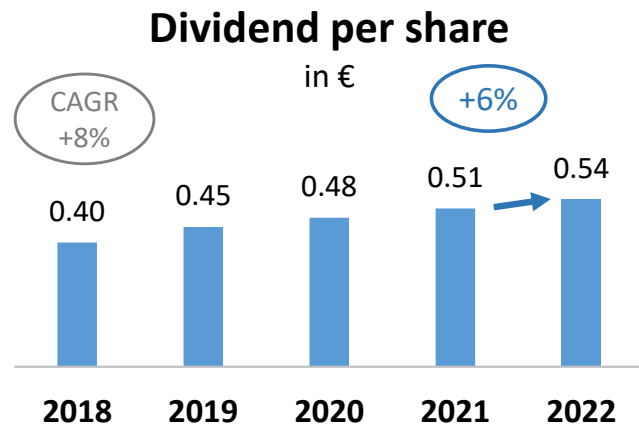
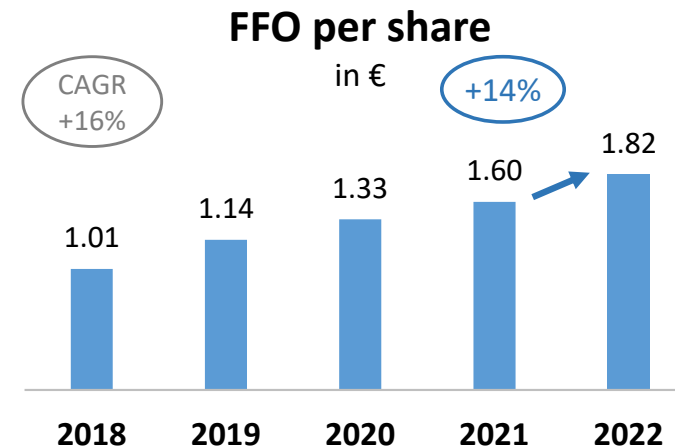
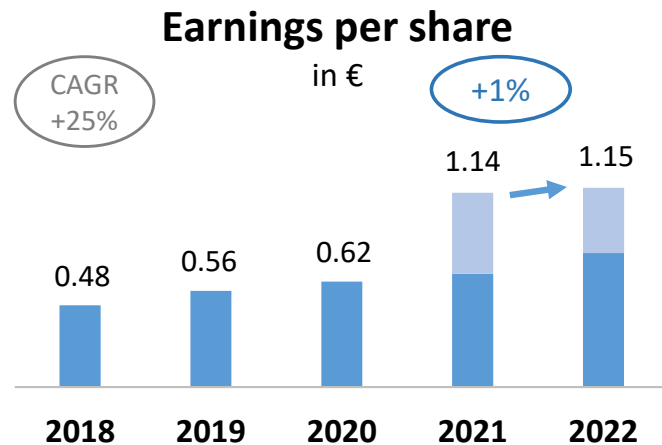


## Funds from Operations (FFO)



1) Incl. one-off effects from disposals

# KEY FIGURES 2022



## Leitgedanken für die Expansion

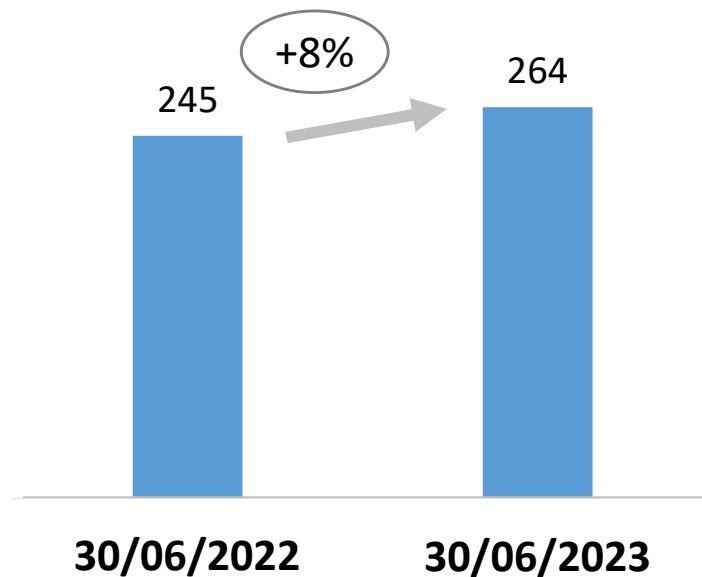
- Company growth not for its own sake, but always with a clear goal of creating shareholder value
- Primary focus on improving FFO per share
- Further FFO increase from own steam

# KEY FIGURES H1/2023



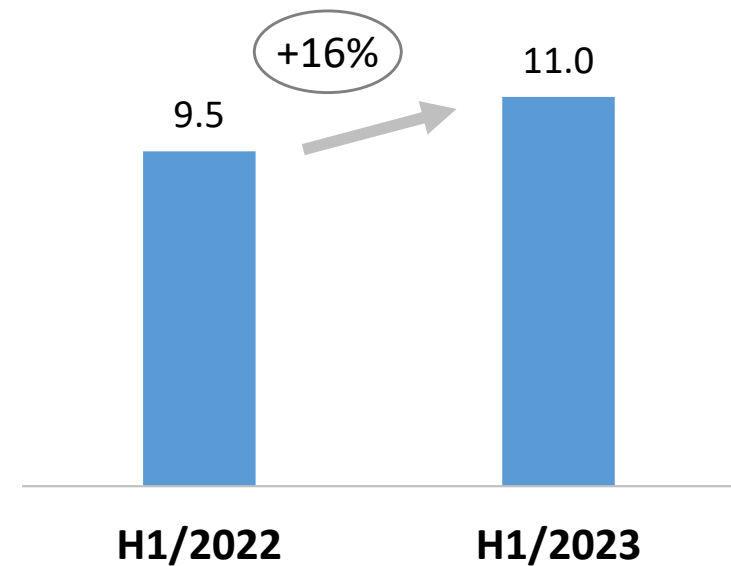
## Portfolio Value

in €m



## Sales

in €m

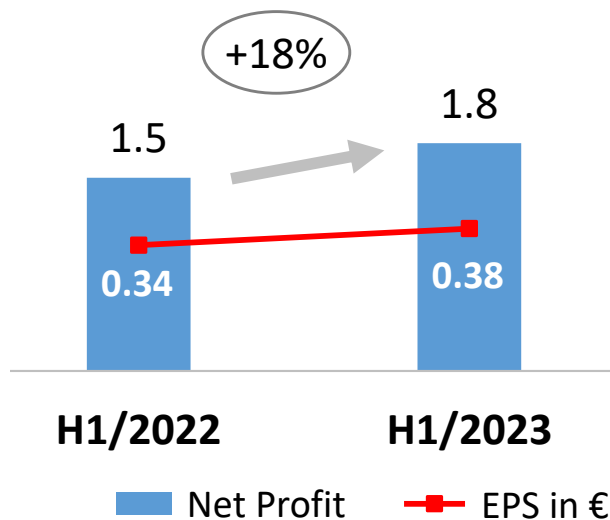


# KEY FIGURES H1/2023



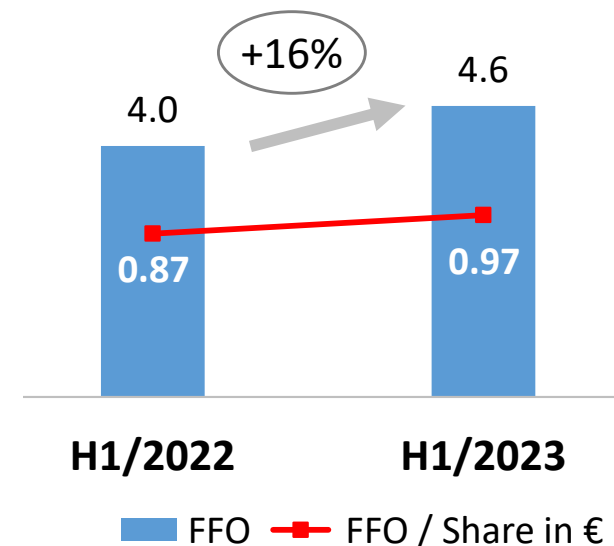
## Net Profit

in €m



## Funds from Operations (FFO)

in €m

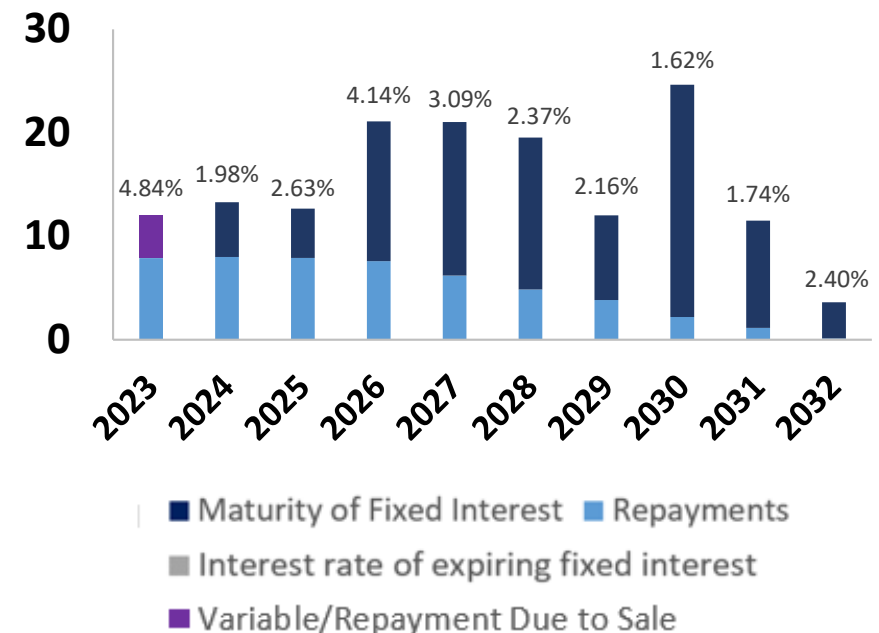




Key Figures <i>(as of 30 June 2023)</i>	
Number of financing partners	36
Bank loans	€149m
Ø Interest rate	2.45%
Ø Initial repayment	4.16%
Ø Fixed interest	5.4 years
Loan-to-value-ratio (LTV)	58%

## Maturity Profile incl. Repayments

in €m



- Financing in principle by annuity loans with interest rates secured for the long-term
- Partner usually are local / regional banks and savings banks with strong local knowledge
- Broadly diversified financing structure: no bank with > 12% share of total debt

## Sustainability

DEFAMA supports the UN Sustainable Development Goals.

Here are five SDGs where DEFAMA can make a significant impact:



- End poverty:
  - Securing affordable shopping opportunities in rural areas
  - Support local projects that help financially weaker people
- Living healthy:
  - Generous regulations and working time models for employees
  - Air filter devices, free rapid tests, flexible home office regulation
- Modern energy:
  - Cooperation with EnBW to equip our properties with fast e-chargers
  - DEFAMA leases only EVs
- Sustainable cities:
  - Important function as local supplier for food, doctor's offices etc.
  - Close collaboration with communities regarding local needs
- Immediate measures
  - „Green energy“ in all offices, properties switched to green electricity for climate protection:
  - Strict no-fly-policy, as many meetings on video calls as possible



## Market conditions (I): energy renovation is gaining ground

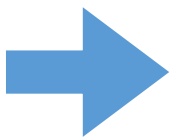
- DEFAMA's retail parks on average „just“ ~20 years old, much younger and more modern than typical portfolios of real estate comp. with many old flats
- Retail real estate properties have a relatively simple building structure
  - Few rooms, windows, radiators etc. in relation to the area
  - Less expensive to modernise in terms of energy efficiency than residential properties
- Energy renovation is taking place in connection with refurbishments anyway
  - No big one-time burden, part of ongoing renovations
  - Implementation is partly carried out by the tenants themselves
- Examples for measures taken
  - Büdelsdorf: Installation of ventilation system with heat recovery for gym and Tedi, renewal of the windows at the gym
  - Gardelegen: Installation of heat pump for Futterhaus
  - Lübbenau: Installation of shading to reduce cooling load and switching to energy-saving LED lighting for ISS
  - Radeberg: Installation of refrigeration system with heat recovery for EDEKA, Installation of heat pumps for ALDI, DM, health food store
  - Wittenburg: Roof renovation with stronger insulation to reduce heating and cooling load



Wärmepumpe für Futterhaus Gardelegen

## **Market conditions (II): rising interest rates and accelerating inflation**

- 91% of our net rents are inflation-protected by indexation clauses
- Inflation leads to positive effects for the FFO by increase of rents
- No refinancing risk thanks to average interest rate fixing of 5.4 years
- Neither bonds nor promissory notes outstanding
- Aquisitions still attractive because of large margin between initial yield and interest rates
- Little impact by rising building costs, shortage of material etc.
- Accounting under German GAAP; therefore no P&L impacts, covenant risks etc. in case of lower NAV

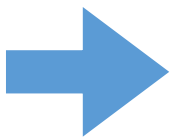


**DEFAMA will rather benefit  
from the current trends**



## **Market conditions (III): increasing pipeline of attractive acquisition targets**

- Transactions market has almost dried up due to a lack of prospective buyers at former multiples
- More and more potential sellers accept purchase prices of or under 10x net rent
- DEFAMA is in exclusive negotiations for retail parks with net rents in the high six-figure range
- One or more significant transactions are likely in the near future
- Great interest of existing bank partners and new banks in financing our purchases
- Low purchase multiples make it easier for DEFAMA to achieve a high financing rate
- Effects thereof overcompensate increase of interest rates, therefore higher FFO yield on equity



**DEFAMA will utilise opportunities  
offered by market changes**

## Transaction/Purchase

Retail park in Thuringia

- ☐ Year of construction: 1980 / 1993
- ☐ Plot size: 15.689 sqm
- ☐ Lettable space: 6.766 sqm
- ☐ Occupancy rate: 97%
- ☐ Annual net rent: app. €500k
- ☐ Purchase price: €4.8m
- ☐ Tenants are ACTION, Carglass, Hammer, JYSK, a pet store, a gym and others
- ☐ A LIDL market is located next door

acquired on 23 May 2023



## Transaction/Purchase

Local supplier in Lower Saxonia

- ☐ Year of construction: 2013
- ☐ Plot size: 5.376 sqm
- ☐ Lettable space: 1.130 sqm
- ☐ Occupancy rate: 100%
- ☐ Annual net rent: €130k
- ☐ Purchase price: €1.26m
- ☐ Aquisition at 9.7x net rent
- ☐ General tenant is Netto Marken-Discount
- ☐ Well positioned local supplier in the periphery of Einbeck

acquired on 27 May 2023



## Guidance for 2023

## 2022

■ Net Profit (German GAAP):	€4.0m (plus disposals)	€5.5m, thereof ~€2m from disposals
■ Funds From Operations (FFO):	€9.8m €2.04 per share	€8.6m €1.83 per share
■ Annualised FFO:	€11m	€10m
■ Dividend:	> €0.54 per share	€0.54 per share



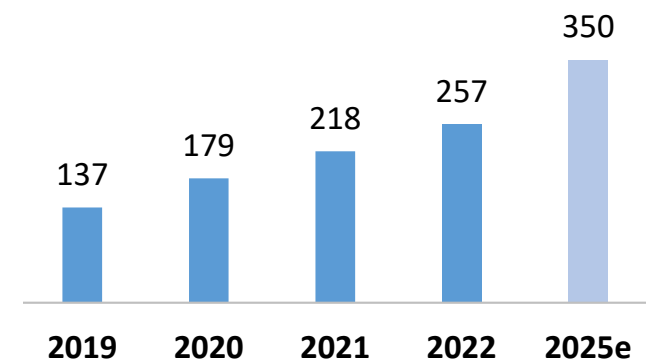
## Mid-term guidance „DEFAMA 2025“

*published 24 October 2022*

- Portfolio value reaches €350
- Annualised net rents of €28m
- FFO of €13m resp. > €2.70 per share

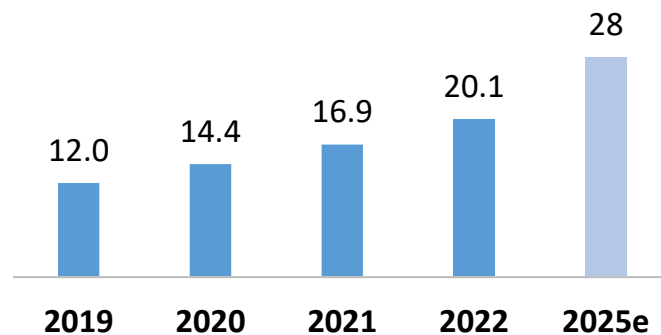
### Portfolio Value

in €m



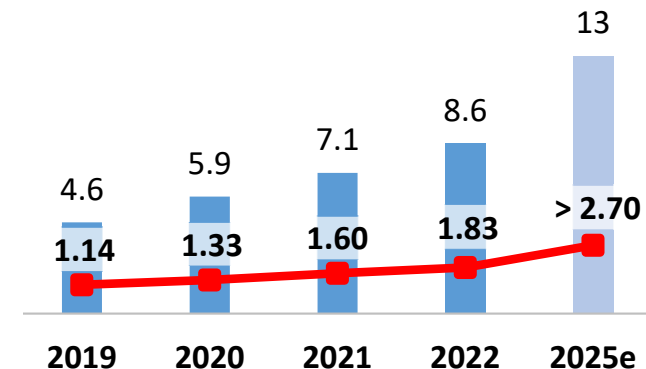
### Net Rents (annualised)

in €m



### Funds from Operations (FFO)

in €m / in € per share



## DEFAMA on track for further growth

- 2022 aquisition volume in €29m above typical yearly
- Annualised FFO („run rate“) currently €10.5m resp. 2.18 € per share
- Increased staff capacity for real estate transactions
- Potentially higher annual aquisition volume in the future
- Review occasional sales, e.g. after signing of long-term leases

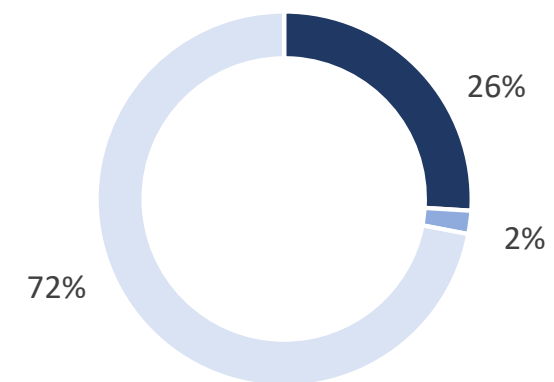
**Our success strategy stays unchanged:  
„We buy to keep“**



## Share price development since IPO



## Shareholder structure <sup>2</sup>



WKN / ISIN	A13SUL / DE000A13SUL5
Stock exchange	Munich (m:access), Frankfurt, Xetra
Number of shares	4,800,000 ordinary shares
Current share price <sup>1</sup>	€21.70
Market capitalisation	€104.2m

- MSC Invest GmbH / M. Schrade
- Supervisory Board
- Freefloat

2) as of 31 Dec 2022. According to our knowledge, biggest investors within the freefloat are Ennismore European Smaller Companies Fund, Winkler family, Geminus GmbH, HW Capital GmbH, MACH Holding GmbH, LBBW, Lupus Alpha Micro Champions Fonds, Share Value Foundation, Spirit Asset Management and Value Opportunity Fund.

1) XETRA closing price on 14 September 2023

# WHY TO INVEST



Highly Profitable

thanks to favourable purchase prices and lean structures

Solid Financing

via object subsidiaries with local and savings banks

Down-to-Earth Team

with great experience in the real estate and retail sector

Shareholder-friendly

with high transparency and yearly dividend increase

Strong Growth

by focusing on very specific niche with few competitors

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## Transaction/Purchase

Local supply center Wolfsb.-Nordsteimke

- ☐ Year of construction: 2009
- ☐ Plot size: 13.775 sqm
- ☐ Lettable space: 6.993 sqm
- ☐ Occupancy rate: 67%
- ☐ Annual net rent (target): €600k
- ☐ Purchase price not disclosed on request of the vendor who lives in neighborhood
- ☐ Key tenants are ALDI, Rossmann, Fressnapf, KiK and ABC Schuhe
- ☐ The Real market next door has recently been purchased by EDEKA
- ☐ As part of the residential building plans of the city of Wolfsburg in close proximity to the plot there are 3,000 additional housing units to be created (project „Sonnenkamp“)
- ☐ The transaction has been closed by 1 April 2022





## Transaction/Purchase

Five retail parks in Rhineland-Palatinate

- ☐ Years of construction: 1994 to 2004
- ☐ Plot size: 40.050 sqm
- ☐ Lettable space: 16.661 sqm
- ☐ Occupancy rate: 97%
- ☐ Annual net rent: €1.3m
- ☐ Purchase price: €15m
- ☐ Locations in strong retail agglomerations in Hachenburg, Heiligenroth and Lahnstein
- ☐ 80% of net rents come from well-known chain stores like DM, Getränke Hoffmann, JYSK, KiK, Matratzen Concord, TEDI and a TOTAL gas station
- ☐ The transaction has been closed by 31 December 2022

acquired on 14 April 2022



## Transaction/Purchase

Two local supply centers in Thuringia

- ☐ Years of construction: 1991 / 2010
- ☐ Plot size: 13.363 sqm
- ☐ Lettable space: 3.955 sqm
- ☐ Occupancy rate: 100%
- ☐ Annual net rent: €300k
- ☐ Purchase price: €2.95m
- ☐ Main tenants are Netto (Apfelstädt) and tegut (Waltershausen)
- ☐ Well-positioned local supply centers in small towns near Gotha
- ☐ The transactions have been closed in August/September 2022

acquired on 29 June 2022





## Transaction/Purchase

Specialist store portfolio BaWue/Bavaria

- ☐ Years of construction: 1982 to 2001
- ☐ Plot size: 19.795 sqm
- ☐ Lettable space: 6.559 sqm
- ☐ Occupancy rate: 100%
- ☐ Annual net rent: €430k
- ☐ Purchase price: €5.25m
- ☐ General tenant: AWG Mode
- ☐ Locations in Albstadt, Bad Ditzgenbach, Graben-Neudorf and Pfaffenhofen
- ☐ All specialist stores are located in strong retail agglomerations with other well-known chain stores like Kaufland, LIDL, ALDI, DM, Müller drugstore, Deichmann, Takko or KiK
- ☐ Long-term rental contracts all including indexation clauses
- ☐ The transaction has been closed in November 2022

acquired on 24 August 2022



# APPENDIX: HIGHLIGHTS 2022



## Transaction/Sales

### Löwenberg and Sonnefeld

- ☐ Main tenants: ALDI (Löwenberg)  
NORMA (Sonnefeld)
- ☐ Plot Size: 19.209 m<sup>2</sup>
- ☐ Lettable Space: 4.411 m<sup>2</sup>
- ☐ Occupancy Rate: 100%
- ☐ Annual Net Rent: €400k
- ☐ Sum of selling prices: €6.8m
- ☐ Recent market value: €5.9m
- ☐ Sale to about 17 times net rent after refurbishment of both properties
- ☐ Disposals lead to cash inflow of more than €2.5m after taxes
- ☐ One-time effect of €2.3m before taxes

Sold on 27 July 2022



Sold on 22 December 2022



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