

DEFAMA

Retail - Property / Germany

Next strategic plan presented in December

Earnings/sales releases - 21/11/2024

The FY 24 guidance has been slightly revised downward due to adjustments in consolidation dates. However, DEFAMA remains on track to achieve its 2025 objectives. A new strategic plan will be presented in December.

Fact

- FFO increased by 7% over 9M 24 (€7.6m) compared to a 10% increase over 6M 24. The sale of Búdelsdorf in Q2 24 negatively impacted the scope. Organic data remain unavailable.
- No acquisitions were consolidated in Q3 24, but resumed in Q4 24.
- This late resumption necessitates adjusting the FFO FY 24 guidance from €10.6m to €10.3m (€9.7m in FY 23). However, the annualised FFO is expected to exceed the initial FY 24 target (€12.3m vs. €12.0m).
- The 2025 objective remains secure. A new medium-term plan will be released in the coming weeks.

Analysis

Scope and period of consolidation

The adjustment to the FY 24 guidance is minimal, primarily due to a slight delay in project delivery, affecting incremental rental income and FFO, and acquisitions being consolidated later than anticipated. This delay is linked to the time required to finalise large, profitable transactions.

DEFAMA recently acquired properties generating €0.7m in rent. The newly acquired real estate complexes in Baden-Württemberg and Rhineland-Palatinate cover 13,000 sqm (rent of €400k, or €2.5/sqm/month) and 2,000 sqm (€12.5/sqm/month), respectively, indicating medium-term potential for the first asset. Tenants include reputable companies such as Kaufland, Takko, and Deichmann.

The total net purchase price is €6.5m, reflecting a low price per sqm, with a gross yield of approximately 10.8%, at the high end of DEFAMA's typical range. This does not account for potential rent growth in Baden-Württemberg over the long term. These acquisitions offset the exit of Búdelsdorf (€550k p.a.). Recent asset arbitrage, excluding transaction fees or taxes, increases immediate income by approximately €150k for the same book value, with potential for medium-term income growth. This exemplifies the positive effect of asset rotation.

With cash from the Búdelsdorf sale, DEFAMA will consolidate several additional assets acquired, adding 13 more assets for the fiscal year. After the sale of Búdelsdorf, there could be similar deals at H1 25 (currently under negotiation), allowing cash to continue to be recycled, thus reducing any need for fresh cash. This should also be considered in the context of the relative drop in capital intensity (see €350m target mentioned below), which gradually allows us to assume with better probability that DEFAMA will not need a capital increase in the coming years, assuming market environment stability.

Annualised figures and 2025 guidance

There is slightly less leverage for topline growth (annualised rent) compared to FFO, though this is minor. This was anticipated due to rising interest rates, against

Baader Europe

Reduce Upside: 4.95%

Target Price (6 months)	€ 29.8
Share Price	€ 28.4
Market Cap. €M	136
Price Momentum	STRONG
Extremes 12 Months	20.2 ▶ 28.8
Sustainability score	2.6 /10
Credit Risk	B →
Fundamental Strength	0 /10
Bloomberg	DEF GY Equity
Reuters	DEF.DE


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PERF	1w	1m	3m	12m
DEFAMA	1.43%	2.16%	8.40%	40.9
Real Estate	0.23%	-6.11%	-0.30%	9.92
STOXX 600	-0.22%	-4.03%	-2.30%	9.69

Sector Opinion	Underweight
Strongest upside	DEMIRE
Worst potential	Nexity

[Complete Sector Analysis](#)

Last updated: 28/02/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	24.0	28.4	25.7	25.1
Dividend yield (%)	2.56	2.08	2.15	2.18
EV/EBITDA(R) (x)	18.8	18.7	17.6	16.8
Adjusted EPS (€)	0.93	1.00	1.10	1.13
Growth in EPS (%)	-20.9	8.09	10.3	2.30
Dividend (€)	0.57	0.59	0.61	0.62
Sales (€M)	23.4	27.4	29.9	31.9
EBITDA/R margin (%)	61.2	61.5	61.7	61.7
Attributable net profit (€M)	4.45	4.81	5.30	5.42
ROE (after tax) (%)	10.5	10.9	11.4	11.1
Gearing (%)	363	378	386	382

[Company Valuation](#) - [Company Financials](#)

which DEFAMA is largely protected by a well-managed balance sheet and favourable debt maturity. Interest rates in Germany remain more affordable than elsewhere in Europe, with asset prices being proportionally more attractive. For example, management's opinion (from today's 11:00am conference call) is that the interest rates with which they finance acquisitions are slightly better overall than 6 or 9 months ago. The delay in reflecting current long-term rates in DEFAMA's P&L suggests most impacts will be seen in the 2027-28 P&L, potentially slowing FFO growth compared to topline, though growth is still expected. This is not the case for some peers.

The 2025 targets appear secure: annualised rents of €28m (€26.5m currently, 6% remaining) and an annualised FFO of €13m (7.5% remaining). A few acquisitions should suffice for limited incremental capex (< €20m), aligning with DEFAMA's current balance sheet. DEFAMA's structure supports regular growth, including acquisition and asset management teams, but may not accelerate well beyond €20-30m p.a. This aligns with prudent balance sheet management and progressive growth, benefiting shareholders.

DEFAMA capitalised on favourable market conditions, likely achieving flow objectives (rents, FFO, etc.) for a portfolio valued below (AV estimate) the €350m initially planned for 2025. This indicates less capital-intensive activity, benefiting shareholders in terms of cash use and risk. Inflation has contributed via indexation, though this will slow in 2025. Once inflation has passed, it generally remains in cash flows for a long time. DEFAMA's business model focuses on regular growth, with a strong likelihood of continuation.

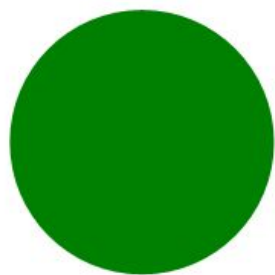
■ Impact

Our FY 24 estimates are slightly overestimated by a few hundred thousand euros, yet we remain slightly below projections for 2025. This does not necessitate a significant revision of the investment case or our figures.

DEFAMA operates in a buyer's market. The 2025 objectives and management are credible. However, given the current price and strong absolute and relative performance compared to peers and global indices, there is insufficient upside potential to justify an immediate Buy recommendation, particularly based on the NOPAT/EV ratio. This position may be reconsidered with the release of the next strategic plan in December, which must confirm DEFAMA's ability to sustain linear growth without raising additional capital in the coming years.

Our current Reduce recommendation (since 29 October) can rather be seen as neutral, with a target price 5% above the current share price. Investors who have purchased shares may hold them patiently. DEFAMA remains a well-managed small cap. At the current near-record stock price, and considering the implications for NOPAT/EV, alternative risk-reward profiles have become more competitive recently.

Sales by Geography



Germany (100.0%)

Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	€M	23.4	27.4	29.9
Change in sales	%	15.7	17.1	9.24
Change in staff costs	%	8.00	6.00	6.00
EBITDA	€M	14.3	16.8	18.5
EBITDA(R) margin	%	61.2	61.5	61.7
Depreciation	€M	-6.51	-6.72	-7.35
Underlying operating profit	€M	7.82	10.1	11.1
Operating profit (EBIT)	€M	7.82	10.1	11.1
Net financial expense	€M	-3.74	-4.40	-4.80
of which related to pensions	€M	0.00	0.00	0.00
Exceptional items & other	€M	0.50	0.00	0.00
Corporate tax	€M	-0.13	-0.92	-1.01
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	4.45	4.81	5.30
NOPAT	€M	5.86	7.59	8.33

Cashflow Statement

EBITDA	€M	14.3	16.8	18.5
Change in WCR	€M	0.00	0.00	0.00
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M		-0.92	-1.01
Exceptional items	€M	4.00	0.00	0.00
Other operating cash flows	€M			
Total operating cash flows	€M	18.3	15.9	17.5
Capital expenditure	€M	-25.0	-25.0	-20.0
Total investment flows	€M	-25.0	-25.0	-20.0
Net interest expense	€M	-3.74	-4.40	-4.80
Dividends (parent company)	€M	-2.59	-2.74	-2.83
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	6.30	9.07	2.55
Change in cash position	€M	-0.37	0.00	0.00
Free cash flow (pre div.)	€M	-10.4	-13.5	-7.35

Per Share Data

No. of shares net of treas. stock (year...	Mio	4.80	4.80	4.80
Number of diluted shares (average)	Mio	4.80	4.80	4.80
Benchmark EPS	€	0.93	1.00	1.10
Restated NAV per share	€	21.9	23.3	24.7
Net dividend per share	€	0.57	0.59	0.61

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	€ 30.6	55%	
Dividend Yield	€ 28.4	20%	
DCF	€ 28.1	10%	
PE based	n/a	10%	
P/book based	n/a	5%	
TARGET PRICE	€ 29.8	100%	

NAV/SOTP Calculation

Balance Sheet

		12/23A	12/24E	12/25E
Goodwill	€M			
Total intangible	€M	0.00	0.00	0.00
Tangible fixed assets	€M	200	218	231
Financial fixed assets	€M			
WCR	€M	6.17	6.17	6.17
Other assets	€M			
Total assets (net of short term liab.)	€M	206	224	237
Ordinary shareholders' equity	€M	43.2	45.3	47.7
Quasi Equity & Preferred	€M			
Minority interests	€M	0.00	0.00	0.00
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M			
Total provisions for risks and liabilities	€M	0.00	0.00	0.00
Tax liabilities	€M			
Other liabilities	€M			
Net debt (cash)	€M	163	179	189
Total liab. and shareholders' equity	€M	206	224	237

Capital Employed

Capital employed after depreciation	€M	206	224	237
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Profits & Risks Ratios

ROE (after tax)	%	10.5	10.9	11.4
ROCE	%	2.84	3.38	3.51
Gearing (at book value)	%	363	378	386
Adj. Net debt/EBITDA(R)	x	11.4	10.6	10.3
Interest cover (x)	x	2.09	2.30	2.32

Valuation Ratios

Reference P/E (benchmark)	x	24.0	28.4	25.7
Free cash flow yield	%	-9.74	-9.88	-5.39
P/Book	x	2.47	3.01	2.86
Dividend yield	%	2.56	2.08	2.15

EV Calculation

Market cap	€M	107	136	136
+ Provisions	€M	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	163	179	189
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	270	316	326
EV/EBITDA(R)	x	18.8	18.7	17.6
EV/Sales	x	11.5	11.5	10.9

Analyst : Christian Auzanneau. Changes to Forecasts : 28/02/2024.

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