

DEFAMA

Retail - Property / Germany

Growth will continue beyond 2025

Earnings/sales releases - 27/02/2025

Due to consolidation date factors, FFO is below our expectations for 2024-25. However, our projections for subsequent years remain unchanged.

Fact

- FFO rose by 3% to €10m in FY 24, compared to €9.7m in FY 23, but fell short of the €11.4m forecast.
- Net profit of €4.6m met expectations but including a €1.1m positive one-off from the sale of a building in Büdelsdorf.
- The dividend increased by 5% to €0.60, yielding 2.1%, and will be fully paid in cash. A further dividend increase is anticipated in 2026 (target in Euros or nominal growth: undisclosed).
- Annualised FFO reached €12m in December 2024, supporting the 2025 FFO guidance of €11m (+10% yoy).
- The complete results, including balance sheet, debt, and cash flow details, will be released in May 2025, with the AGM scheduled for 28 July in Berlin.

Analysis

The result of careful management

The initial strategic roadmap for 2025 will not be fully achieved in terms of portfolio size by 2024 and 2025. However, the annualised FFO by the end of 2024 will closely align with these objectives. This will gradually reflect in the P&L, securing expectations for 2026 and beyond.

The asset rotation in 2024, including the sale of Büdelsdorf and significant investments for DEFAMA, ensures growth in 2025 and 2026 without excessively increasing balance sheet leverage. Discrepancies in consolidated figures do not undermine DEFAMA's growth quality or management effectiveness. The moderate increase in dividend per share supports an attractive LTV management and topline growth mix within the property sector.

Interest rates and M&A

DEFAMA, like other German property companies, benefits from low Bund rates, both in absolute terms and relative to other European regions. This provides a competitive advantage, both industrially and in the stock market, as the perceived risk level (reflected in future financial expenses, FFO then dividends) favours

Baader Europe

Reduce

Upside: 6.12%

Target Price (6 months)	€ 29.7
Share Price	€ 28.0
Market Cap. €M	134
Price Momentum	GOOD
Extremes 12 Months	23.1 ▶ 31.0
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	1.45%	-1.41%	-6.04%	13.6
Real Estate	2.10%	3.04%	-0.08%	14.0
STOXX 600	1.37%	5.66%	10.6%	13.0

Sector Opinion	Underweight
Strongest upside	DEMIRE
Worst potential	Nexity

[Complete Sector Analysis](#)

German companies over their English or French peers.

DEFAMA's financing, primarily through German regional banks and not reliant on the European bond market, is expected to remain stable, not affecting short-term FFO. This stability supports DEFAMA's growth. DEFAMA continues to explore numerous acquisition opportunities, with an annual acquisition capacity of €20-30m. This allows a focus on assets with optimal risk-reward profiles, particularly regarding location and gross yield. In 2025, a sufficient yield spread over financing costs will enable incremental financing of new buildings with minimal equity.

■ Impact

Our FFO projections for 2026 and beyond align with the annualised FFO of December 2024, indicating low risk. However, the upside potential of 6% does not lead to a positive recommendation. It is important to note that the medium-term strategic plan has not yet been incorporated into our analysis.

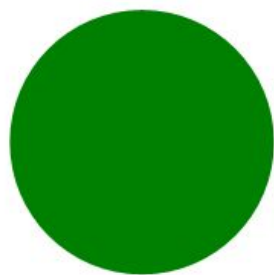
The upside has naturally re-emerged since the share price peaked at €32 on 25 November, now at €28. Future acquisitions and financing conditions, particularly corporate loan interest rates, will determine if a "Buy" recommendation is warranted, but this is not the case at present.

We await the full 2024 balance sheet with confidence, as we continue to like DEFAMA. Its management is committed to a genuine long-term strategy under risk conditions that we find appealing.

Last updated: 28/02/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	24.0	26.3	25.3	24.8
Dividend yield (%)	2.56	2.24	2.18	2.21
EV/EBITDA(R) (x)	18.8	18.1	17.5	16.7
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](#)

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	€ 28.0	20%	
DCF	€ 28.1	10%	
PE based	n/a	10%	
P/book based	n/a	5%	
TARGET PRICE	€ 29.7	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	26.3	25.3
Free cash flow yield	%	-9.74	-10.7	-5.47
P/Book	x	2.47	2.79	2.82
Dividend yield	%	2.56	2.24	2.18

EV Calculation

Market cap	€M	107	126	134
+ 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	306	324
EV/EBITDA(R)	x	18.8	18.1	17.5
EV/Sales	x	11.5	11.1	10.8

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

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