

DEFAMA

Retail - Property / Germany

More steps in the right direction

M&A /Corp. Action - 18/06/2025

We held a private call today with DEFAMA CEO Mr. Schrade to discuss the H1 25 and the outlook for H2 25. DEFAMA continues to progress through acquisitions that present a favourable risk-reward profile. Mr. Schrade remains confident about DEFAMA's future prospects.

Fact

- Development continues, with numerous acquisition opportunities available in the market.
- DEFAMA maintains a highly selective approach to acquisitions, focusing on size, location, tenant quality, and yield.
- The CEO expresses confidence in the 2025 guidance.

Analysis

Back to Q1 25

Revenue growth in Q1 25 was 12%, primarily driven by acquisitions over the past 12 months and contributions from indexations, which we anticipate will become negligible. This growth led to a 10% increase in EBITDA and a 7% rise in FFO.

The slower conversion of revenue into FFO has been evident for several quarters, mainly due to the normalisation of financial expenses affecting the lower end of the P&L. This trend is expected to continue. However, we foresee potential for bottom-line improvement in 2025 and 2026 once expressed in Euros. On an annual basis, FFO improved by €200k in Q1 25. We will monitor for any organic acceleration in H2 25, but do not anticipate a sustained acceleration in cash production in the near term if DEFAMA maintains the prudent balance sheet management we like.

M&A

DEFAMA has recently acquired eleven assets in Germany, continuing its regular acquisition strategy. The main tenants include Aldi, Budni, dm-Drogerie, and Rossmann, many of whom are already first-ranked tenants in other DEFAMA locations.

These assets provide a total of 13,600 sqm of leasable area with a 97% occupancy ratio, increasing the group's leasable area by 4%. Although the transaction terms are undisclosed, we estimate the gross yield to be around the double digits. Prior to this acquisition, annualised rents were €27m, now rising to €28m, indicating the contribution to the P&L for the full year 2026 and suggesting the total transaction value by transparency. These acquisitions complement recently added buildings expected to contribute throughout 2025, such as Abtsgmünd (Q2 25) and Havelberg (Q3 25).

DEFAMA identifies numerous buying opportunities in the current market, allowing it to selectively acquire targets with optimal risk/return ratios. In our view, DEFAMA's M&A strategy remains beneficial for shareholders, particularly in terms of risk management, which we prioritise. However, the market in which DEFAMA operates is "turbulent," with the abundance of opportunities indicating an imbalance seen in a growing number of other European retail markets, such as Luxembourg (see [Wereldhave](#)) and France (see [Mercialis](#)). Given the niche

Baader Europe

Reduce

Upside: 8.55%

Target Price (6 months)	€ 29.5
Share Price	€ 27.2
Market Cap. €M	131
Price Momentum	GOOD
Extremes 12 Months	25.2 ► 31.0
Sustainability score	2.5 /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	-0.73%	4.62%	-0.73%	7.75
Real Estate	-0.80%	3.13%	11.3%	15.3
STOXX 600	-1.96%	-1.27%	-1.58%	6.02

Sector Opinion

Underweight

Strongest upside

VIB Vermögen

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	26.3	24.6	24.1
Dividend yield (%)	2.56	2.24	2.24	2.28
EV/EBITDA(R) (x)	18.8	18.1	17.3	16.5
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](#)

market DEFAMA targets, this is not currently a central concern for the investment case.

Business plan

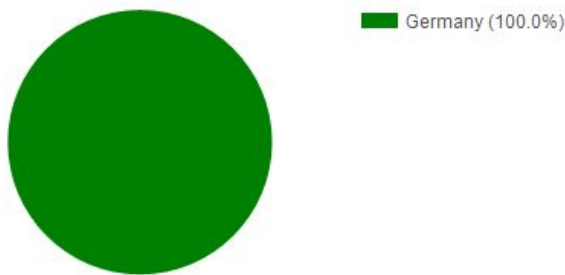
DEFAMA's 2025 objectives, notably an FFO of €11m, appear secure, supporting a potential increase in the dividend per share in 2026. Recent acquisitions bolster this target, and their consolidation will drive growth and performance in 2026, offering visibility into next year's developments. Concurrently, portfolio rotation is ongoing, with regular disposals facilitating yield trades by recycling capital from mature, well-valued properties. This strategy enhances the portfolio's deployment capacity for 2026-27.

Upon completing all pending transactions, the 2025 annualised revenue is projected to reach €28m, aligning with the plan published in 2022. At that time, the 2025 FFO was anticipated to be €13m. It will be insightful to observe the actual FFO reported in 2026 on a full-year basis. A key focus for 2026-27 will be assessing whether higher-yielding acquisitions can offset the increased cost of debt across the portfolio. This analysis will help determine the trajectory of FFO evolution in the coming years. However, the numbers do not fully capture the evolution of portfolio quality. It can be advantageous to have a slightly lower FFO if it results in higher quality assets.

■ Impact

DEFAMA demonstrated effective operational management in H1 25. The quality of newsflow remains high, with management exercising strong risk control. We commend the asset rotation strategy, which facilitates portfolio development while maintaining a stable risk profile. The 9% upside potential in our target price is slightly below the 10% threshold distinguishing a Reduce from an Add opinion.

Sales by Geography



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	€ 27.2	20%	
DCF	€ 28.1	10%	
PE based	n/a	10%	
P/book based	n/a	5%	
TARGET PRICE	€ 29.5	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	24.6
Free cash flow yield	%	-9.74	-10.7	-5.63
P/Book	x	2.47	2.79	2.74
Dividend yield	%	2.56	2.24	2.24

EV Calculation

Market cap	€M	107	126	131
+ 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	320
EV/EBITDA(R)	x	18.8	18.1	17.3
EV/Sales	x	11.5	11.1	10.7

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

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