

Hold EUR 12.00 Price EUR 11.90 Upside 0.8 %	Value Indicators: EUR NAV (WRe): 10.85 FFO-Yield: 13.71	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 42.21 No. of shares (m): 3.55 Freefloat MC: 20.05 Ø Trad. Vol. (30d): 34.44 th	Shareholders: Freefloat 47.5 % MSC Invest GmbH 35.2 % Geminus GmbH 4.8 % Supervisory board 2.1 % ABCON Vermögensverwaltung 10.4 %	Risk Profile (WRe): 2017e LTV: 64.7 % Equity Ratio: 21.3 %

Management secondary placement, higher free float

On Friday November 24, DEFAMA announced that management had placed 329,000 shares or an approximate 9% stake in the company with institutional investors at a price of EUR 11.10 per share for a total transaction volume of EUR 3.7 million.

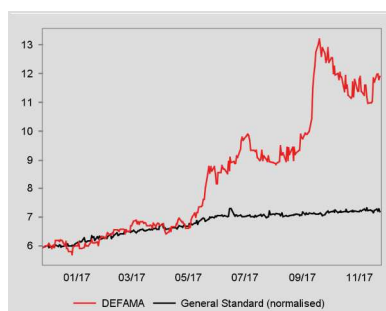
Pro forma for the transaction, the free float increases to 47.5% (38.3%) and management still holds a stake of more than 42% in the company. Demand was strong and the transaction was increased to accommodate the high level of interest in the story.

The increased free float has a positive effect on the liquidity and visibility of the share. The company should be joining the m:access segment of the Munich stock exchange by year-end, opening up the possibility of a dual XETRA listing.

Founded in 2014, DEFAMA is a German commercial real estate company focused on retail parks in small and medium-sized cities. The geographic focus lies in northern and eastern Germany. The portfolio currently comprises 22 assets with an estimated market value of approximately EUR 66m and 85,308 square meters of rentable space. LTV is currently estimated at close to 65%. WALT is 3.9 years and the average occupancy is 97%. DEFAMA pursues a "buy and hold" strategy and is able to generate a highly profitable average FFO margin of almost 40% of total rental income, thanks to a lean structure.

The market segment chosen by the company offers compelling yield opportunities because, with investment volumes of EUR 1m to EUR 5m essentially in rural areas, it is too small and too illiquid to attract the attention of institutional investors. Hence, DEFAMA is typically able to pay a maximum of 9x rental income when purchasing retail parks, which is considerably less than the 15x to 16x typically paid for similar assets in metropolitan regions. Competition from other retail locations in the catchment areas is low. Nationwide food retailers with strong credit ratings are typically the anchor tenants, currently accounting for some 51% of annualized rental income. With limited online competition, traffic at the retail locations is stable. At the same time, the tenant base is well-diversified with no tenant accounting for more than 10% of annual rental income.

Remains a HOLD PT EUR 12.00, which is the average of EPRA NAV calculation 2018e of EUR 10.85 per share and a peer group approach based on after-tax 2018e FFO yields of EUR 13.71 per share (closing share prices as of 23.11.2017).

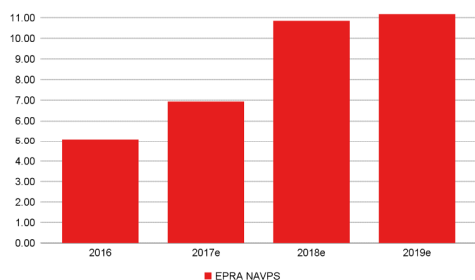


Rel. Performance vs General	
1 month:	6.3 %
6 months:	37.1 %
Year to date:	80.0 %
Trailing 12 months:	85.0 %

Company events:

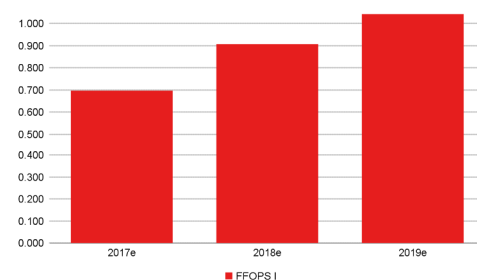
FY End: 31.12. in EUR m	CAGR (16-21e)	2015	2016	2017e	2018e	2019e	2020e	2021e
Rental income		1.01	3.44	5.80	8.06	9.35	10.04	10.48
Change yoy		n.a.	240.6 %	68.7 %	38.9 %	16.1 %	7.4 %	4.4 %
EBIT		0.46	1.67	3.67	3.78	4.35	4.66	4.95
FFO I		0.53	1.59	2.47	3.22	3.70	3.97	4.25
FFO I-margin		52.2 %	46.2 %	42.6 %	39.9 %	39.5 %	39.6 %	40.6 %
EBT		0.36	1.11	2.97	2.62	2.96	3.16	3.52
Net income		0.30	0.89	2.34	1.88	2.07	2.14	2.43
EPS		0.14	0.31	0.66	0.53	0.58	0.60	0.69
FFOPS I		0.24	0.55	0.70	0.91	1.04	1.12	1.20
DPS		0.10	0.20	0.35	0.45	0.52	0.56	0.60
Dividend Yield		n.a.	3.8 %	2.9 %	3.8 %	4.4 %	4.7 %	5.0 %
Book Value / Share		2.12	3.00	3.39	3.57	3.70	3.79	3.91
EPRA NAVPS		3.26	5.10	6.94	10.85	11.17	13.72	18.97
P / E		n.a.	17.0 x	18.0 x	22.4 x	20.4 x	19.7 x	17.4 x
Price / Book		n.a.	1.4 x	3.5 x	3.3 x	3.2 x	3.1 x	3.0 x
P / NAVPS		n.a.	1.0 x	1.7 x	1.1 x	1.1 x	0.9 x	0.6 x
FFO I-Yield		n.a.	10.5 %	5.9 %	7.6 %	8.8 %	9.4 %	10.1 %
ROE		n.a.	11.6 %	20.7 %	15.3 %	16.0 %	16.1 %	17.8 %
LTV		50.8 %	43.6 %	64.7 %	65.0 %	66.2 %	63.0 %	59.9 %
Equity Ratio		26.0 %	32.0 %	21.3 %	19.5 %	17.2 %	18.2 %	19.4 %
Guidance:		2017e: FFO of EUR 2.6m, adjusted EPS (HGB) of EUR 0.40						

NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

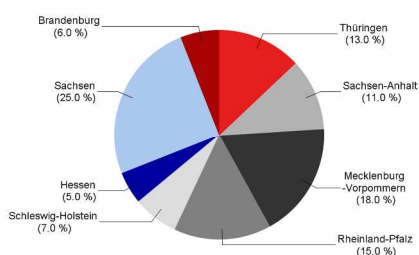
Company Background

- Founded in 2014 and headquartered in Berlin, DEFAMA focuses on the acquisition, ownership and management of retail parks in German small and medium-sized cities, predominantly in Eastern and Northern Germany.
- The investment strategy is to "buy and hold" assets with high occupancy and minor capex needs for a maximum purchase price of 9x annual rent.
- Investment volumes are EUR 1 - 5 million per asset. Anchor tenants are nationwide food retailers.

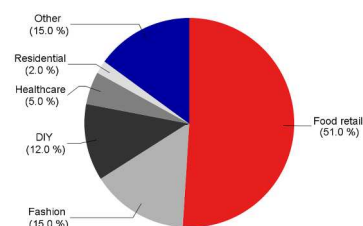
Competitive Quality

- Real estate competence: founder, majority shareholder and CEO Matthias Schrade, previously oversaw as a board member acquisitions for FCR, a real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small for institutional investors and can "buy low".
- Strong access to local public banks networks, for whom real estate financings for DEFAMA projects are large and important deals. They in turn know smaller tenants well.
- Focus on leading centers in smaller cities ("big fish in a small pond").

Geographical breakdown of rental income
% of total rental income



Rental income by sector
% of rental income



Source: Warburg Research

NAV

Rent multiplier 2018e (1)

EUR millions	10.0x	10.5x	11.0x	11.5x	12.0x	12.5x	13.0x
Investment properties	€ 72.5	€ 76.1	€ 79.8	€ 83.4	€ 87.0	€ 90.6	€ 94.3
Other Assets	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Cash	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Assets	78.0	81.7	85.3	88.9	92.5	96.2	99.8
Liabilities	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Minority interests	0.0	0.0	0.0	0.0	0.0	1.0	1.0
NAV	25.6	29.3	32.9	36.5	40.1	42.8	46.4
NAV per share	7.23	8.25	9.27	10.29	11.31	12.05	13.08
Deferred tax liabilities (2)	2.0	2.0	2.0	2.0	2.0	3.0	3.0
EPRA NAV	27.6	31.2	34.8	38.5	42.1	45.7	49.3
EPRA NAV per share	7.78	8.80	9.82	10.85	11.87	12.89	13.91

(1) excludes other income from rental activities

(2) company estimate

Peer Group

	Current Share price (EUR)	NOSH	Market Capitalisation	FFO /Share			FFO Yield		
				2017E	2018E	2019E	2017E	2018E	2019E
Deutsche Konsum (1)	10.25	24.8	254.2	0.41	0.57	0.64	4.0%	5.6%	6.3%
Deutsche Euroshop	32.35	59.7	1931.3	2.44	2.43	2.25	7.5%	7.5%	6.9%
Hamborner REIT (1)	9.54	79.7	760.3	0.45	0.51	0.59	4.7%	5.3%	6.2%
TLG	20.49	94.6	1938.4	1.21	1.28	1.34	5.9%	6.2%	6.5%
VIB	21.65	27.6	597.5	1.41	1.59	1.72	6.5%	7.3%	7.9%
WCM	3.68	136.8	503.4	0.29	0.28	0.31	8.0%	7.7%	8.3%
DEFAMA	11.90	3.5	42.2	0.70	0.91	1.04	5.9%	7.6%	8.8%
Average							6.1%	6.6%	7.0%
Upside /Downside							-4.2%	13.2%	19.6%
Implied DEFAMA fair value							€ 11.42	€ 13.71	€ 14.80

Source: Warburg Research, Bloomberg consensus estimates for the peer group

(1) Assuming a 21% tax rate, in-line with what assume for DEFAMA

Valuation

	2015	2016	2017e	2018e	2019e	2020e	2021e
P / E	n.a.	17.0 x	18.0 x	22.4 x	20.4 x	19.7 x	17.4 x
P / NAVPS	n.a.	1.0 x	1.7 x	1.1 x	1.1 x	0.9 x	0.6 x
Price / Book	n.a.	1.4 x	3.5 x	3.3 x	3.2 x	3.1 x	3.0 x
P / FFOPS I	n.a.	9.5 x	17.1 x	13.1 x	11.4 x	10.6 x	9.9 x
FFO I-Yield	n.a.	10.5 %	5.9 %	7.6 %	8.8 %	9.4 %	10.1 %
ROE	n.a.	11.6 %	20.7 %	15.3 %	16.0 %	16.1 %	17.8 %
Equity Ratio	26 %	32 %	21 %	19 %	17 %	18 %	19 %

Company Specific Items

	2015	2016	2017e	2018e	2019e	2020e	2021e
NAV/Share	3.26	5.10	6.94	10.85	11.17	13.72	18.97
Vacancy Rate	2.5 %	2.7 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %

Consolidated profit and loss

In EUR m	2015	2016	2017e	2018e	2019e	2020e	2021e
Total Sales	1.01	3.44	5.80	8.06	9.35	10.04	10.48
Rental income	1.01	3.44	5.80	8.06	9.35	10.04	10.48
Change yoy	n.a.	240.6 %	68.7 %	38.9 %	16.1 %	7.4 %	4.4 %
Property operating costs	0.17	0.62	1.04	1.45	1.68	1.81	1.89
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	0.84	2.81	4.76	6.61	7.67	8.23	8.59
Income from property sales	0.00	0.00	1.00	0.00	0.00	0.00	0.00
Other revenues	0.00	0.11	0.00	0.00	0.00	0.00	0.00
Gross profit	0.84	2.92	5.76	6.61	7.67	8.23	8.59
Administration expenses	0.10	0.36	0.64	0.97	0.97	1.20	1.26
Personnel expenses	0.05	0.20	0.29	0.40	0.47	0.50	0.52
Other operating income/expenses	0.00	0.00	0.24	0.24	0.24	0.24	0.24
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0.69	2.36	5.07	5.48	6.32	6.77	7.05
Valuation result	0.00	0.00	1.00	0.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.40	1.69	1.96	2.11	2.10
EBITA	0.46	1.67	3.67	3.78	4.35	4.66	4.96
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	0.46	1.67	3.67	3.78	4.35	4.66	4.95
Interest income	0.01	0.00	0.00	0.00	0.10	0.10	0.10
Interest expenses	0.11	0.38	0.70	1.17	1.40	1.50	1.43
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.11	-0.56	-0.70	-1.17	-1.40	-1.50	-1.43
EBT	0.36	1.11	2.97	2.62	2.96	3.16	3.52
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>51.2 %</i>	<i>32.5 %</i>	<i>31.6 %</i>	<i>31.5 %</i>	<i>33.6 %</i>
Total taxes	-0.06	-0.22	-0.62	-0.55	-0.62	-0.62	-0.62
thereof cash taxes	-0.06	-0.22	-0.62	-0.55	-0.62	-0.66	-0.74
Net income from continuing operations	0.30	0.89	2.34	2.07	2.33	2.50	2.78
Income from discontinued operations (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income before minorities	0.30	0.89	2.34	2.07	2.33	2.50	2.78
Minority interest	0.00	0.00	0.00	0.18	0.27	0.35	0.35
Net income	0.30	0.89	2.34	1.88	2.07	2.14	2.43
Number of shares, average	2.16	2.89	3.55	3.55	3.55	3.55	3.55
FFO (II)	0.53	1.59	2.47	3.22	3.70	3.97	4.25
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>42.6 %</i>	<i>39.9 %</i>	<i>39.5 %</i>	<i>39.6 %</i>	<i>40.6 %</i>
FFOPS I	0.24	0.55	0.70	0.91	1.04	1.12	1.20
EPS	0.14	0.31	0.66	0.53	0.58	0.60	0.69
EPS adj.	0.14	0.31	0.38	0.53	0.58	0.60	0.69

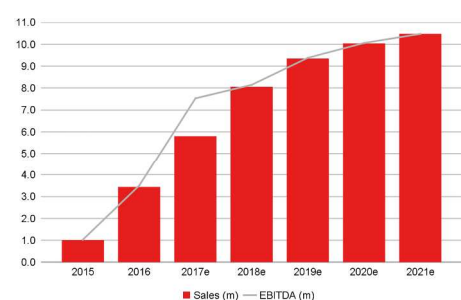
*Adjustments made for:

Guidance: 2017e: FFO of EUR 2.6m, adjusted EPS (HGB) of EUR 0.40**Financial Ratios**

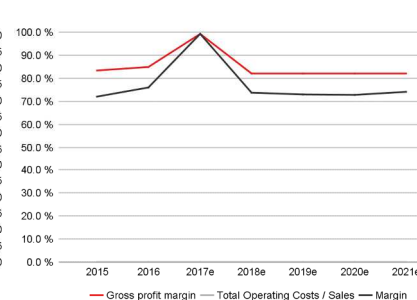
	2015	2016	2017e	2018e	2019e	2020e	2021e
Property operating costs / Rental Income	16.8 %	18.1 %	18.0 %	18.0 %	18.0 %	18.0 %	18.0 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	3.3 x	7.2 x	14.6 x	24.4 x
Rental profit / interest expenses	7.3 x	7.3 x	6.8 x	5.7 x	5.5 x	5.5 x	6.0 x

Sales, EBITDA

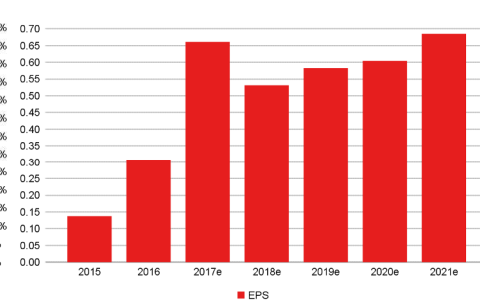
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

Source:

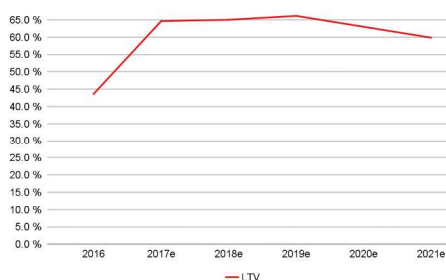
Source: Warburg Research

Consolidated balance sheet

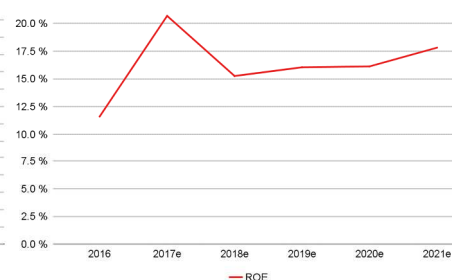
In EUR m	2015	2016	2017e	2018e	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	0.00	0.01	0.01	0.01	0.01	0.01	0.01
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Property, plant and equipment	0.00	0.03	0.03	0.03	0.03	0.03	0.03
Investment properties	14.23	31.41	49.41	59.55	72.26	70.65	69.05
Financial assets	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	14.28	31.50	49.50	59.64	72.35	70.74	69.14
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.04	0.12	0.12	0.12	0.00	0.12	0.12
Liquid assets	3.71	1.46	6.71	5.17	3.49	2.79	2.23
Other short-term assets	6.25	0.17	0.18	0.17	0.28	0.17	0.17
Current assets	10.00	1.75	7.01	5.45	3.77	3.08	2.52
Total Assets	18.10	33.25	56.51	65.09	76.12	73.81	71.66
Liabilities and shareholders' equity							
Subscribed capital	2.23	3.55	3.55	3.55	3.55	3.55	3.55
Capital reserve	2.21	6.15	6.15	6.15	6.15	6.15	6.15
Retained earnings	0.27	0.94	2.33	2.97	3.43	3.73	4.18
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	4.71	10.64	12.03	12.67	13.13	13.43	13.88
Minority interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.05	0.20	0.20	0.20	0.20	0.20	0.20
thereof provisions for pensions and similar obligations	0.03	0.10	0.10	0.10	0.10	0.10	0.10
Financial liabilities (total)	12.24	20.83	42.68	50.62	61.19	58.59	55.99
thereof short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.02	0.08	0.08	0.08	0.08	0.08	0.08
Other liabilities	1.09	1.51	1.53	1.53	1.53	1.52	1.52
Liabilities	13.39	22.61	44.48	52.43	62.99	60.39	57.78
Total liabilities and shareholders' equity	18.10	33.25	56.51	65.09	76.12	73.81	71.66

Financial Ratios

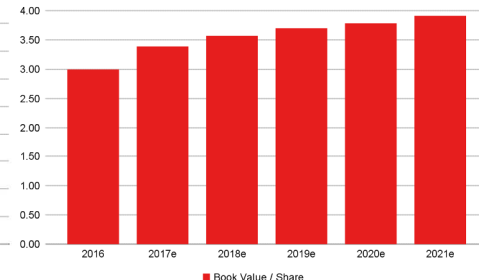
	2015	2016	2017e	2018e	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	5.2 %	3.1 %	2.9 %	2.9 %	3.3 %
ROE	n.a.	11.6 %	20.7 %	15.3 %	16.0 %	16.1 %	17.8 %
FFO I / Equity	n.a.	0.2 x	0.2 x	0.3 x	0.3 x	0.3 x	0.3 x
Solvency							
Net Debt	8.55	19.46	36.07	45.56	57.80	55.90	53.86
Net Financial Debt	8.53	19.37	35.97	45.46	57.70	55.80	53.76
Net Fin. Debt / EBITDA	12.3 x	8.2 x	7.1 x	8.3 x	9.1 x	8.2 x	7.6 x
LTV	50.8 %	43.6 %	64.7 %	65.0 %	66.2 %	63.0 %	59.9 %
Equity Ratio	26.0 %	32.0 %	21.3 %	19.5 %	17.2 %	18.2 %	19.4 %

LTV

Source: Warburg Research

ROE
in %

Source: Warburg Research

Book Value per Share
in EUR

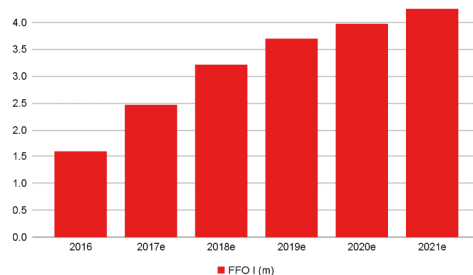
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2015	2016	2017e	2018e	2019e	2020e	2021e
Net income	0.30	0.89	2.34	1.88	2.07	2.14	2.43
Valuation changes properties	0.00	0.00	1.00	0.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.40	1.69	1.96	2.11	2.10
Amortisation of goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortisation of intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase/decrease in long-term provisions	0.00	0.07	0.00	0.00	0.00	0.00	0.00
Deferred taxes	0.00	0.07	0.00	0.00	0.00	0.00	0.00
Other non-cash income and expenses	n.a.	1.49	0.00	0.00	0.00	0.00	0.00
Cash Flow before NWC change	n.a.	3.21	2.74	3.58	4.03	4.25	4.53
Increase / decrease in inventory	n.a.	0.00	-0.01	0.01	0.00	0.00	0.00
Increase / decrease in accounts receivable	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Increase / decrease in accounts payable	n.a.	0.06	0.00	0.00	0.00	0.00	0.00
Increase / decrease in other working capital positions	n.a.	-0.13	0.00	0.00	0.00	0.00	0.00
Increase / decrease in working capital (total)	n.a.	1.41	-0.01	0.01	0.00	0.00	0.00
Net cash provided by operating activities [1]	0.36	1.65	3.74	3.58	4.03	4.25	4.53
Investments in properties	n.a.	-17.92	-19.77	-11.83	-14.67	-0.50	-0.50
Income from asset disposals	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Investments in intangible assets	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Payments for acquisitions	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Financial investments	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Investments in other assets (net)	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided by investing activities [2]	-14.32	-17.92	-19.77	-11.83	-14.67	-0.50	-0.50
Change in financial liabilities	n.a.	8.59	21.85	7.94	10.57	-2.60	-2.60
Dividends paid	n.a.	0.22	-0.58	-1.24	-1.61	-1.85	-1.99
Purchase of own shares	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Capital measures	n.a.	1.32	0.00	0.00	0.00	0.00	0.00
Other	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided by financing activities [3]	3.71	14.02	21.28	6.71	8.96	-4.45	-4.59
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	5.25	-1.55	-1.68	-0.70	-0.56
Effects of exchange-rate changes on cash	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalent at end of period	n.a.	1.46	6.71	5.16	3.49	2.79	2.23

Financial Ratios

	2015	2016	2017e	2018e	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.47	3.22	3.70	3.97	4.25
FFOPS I	0.24	0.55	0.70	0.91	1.04	1.12	1.20
FFOPS I diluted	0.24	0.45	0.70	0.91	1.04	1.12	1.20
FFO I-Yield	n.a.	10.5 %	5.9 %	7.6 %	8.8 %	9.4 %	10.1 %
FFO I-margin	52.2 %	46.2 %	42.6 %	39.9 %	39.5 %	39.6 %	40.6 %
Interest Paid / Avg. Debt	n.a.	2.3 %	2.2 %	2.5 %	2.5 %	2.5 %	2.5 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-40.0 %	-19.9 %	-20.3 %	-0.7 %	-0.7 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	0.5 %	-0.2 %	-0.2 %	0.4 %
Dividend Payout Ratio	72.8 %	64.9 %	52.7 %	77.7 %	79.2 %	79.6 %	76.4 %

FFO

Source: Warburg Research

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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	105	52
Hold	90	44
Sell	8	4
Rating suspended	0	0
Total	203	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

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Rating	Number of stocks	% of Universe
Buy	31	76
Hold	9	22
Sell	1	2
Rating suspended	0	0
Total	41	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 24.11.2017


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