

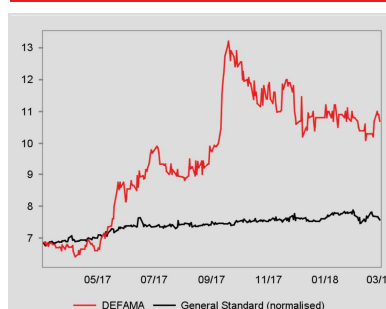
Hold EUR 12.00 Price EUR 10.70 Upside 12.1 %	Value Indicators: EUR NAV (WRe): 10.85 FFO-Yield: 13.47	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 37.95 No. of shares (m): 3.55 Freefloat MC: 18.03 Ø Trad. Vol. (30d): 14.91 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 %

Preliminary FY 2017 figures released

Group P&L	Q4 2017p	Q4 2017e	Q4 2016	+/- in %	FY 2017p	FY 2017e	FY 2016	+/- in %
Revenue	1.7	1.7	1.1	65.3%	5.8	5.80	3.44	68.6%
Operating income	n.a.	1.8	0.5	n.a.	n.a.	3.67	1.67	n.a.
EBT	n.a.	1.7	0.3	n.a.	n.a.	2.97	1.11	n.a.
Net profit	0.4	1.4	0.2	89.6%	1.4	2.34	0.89	57.3%
FFO	0.8	0.7	0.5	75.6%	2.6	2.47	1.59	63.5%
FFO-margin	45.4%	37.9%	42.7%	2.6%	44.8%	42.6%	46.2%	-3.0%
FFOPS (€)	0.22	0.19	0.16	42.8%	0.73	0.70	0.55	33.3%
EPS (€)	0.12	0.39	0.08	54.2%	0.39	0.66	0.31	25.8%

DEFAMA has released **preliminary 2017 figures**, which were largely in line with the estimates. The positive one-off in connection with the partial divestiture of the Radeberg retail park is missing as the transaction has not yet closed.

- **Revenues at EUR 5.8m** for FY 2017 and EUR 1.7m in Q4 2017 alone are exactly in line with estimates and up 65.3% in Q4 2017, largely as a result of the portfolio's expansion over the course of the past fiscal year.
- **FFO came in slightly better than expected at EUR 2.6m for FY 2017** (Q4 2017: EUR 0.8m) up strong 64% yoy, with the FFOPS coming in at EUR 0.73. This was **despite some EUR 100k in non-recurring maintenance and renovation costs**, which hit the P&L mainly in Q4. Excluding these costs, the **FFO would have been some 9% better than our estimates**, once again highlighting the strong cash generation of DEFAMA's portfolio.
- **Net Income (HGB reporting) came in at EUR 1.4m (EPS 0.39) vs the expectation of EUR 2.34m**, with a delta of close to EUR 0.9m, as the divestiture of the Radeberg retail park has not yet closed but is expected to do so within H1 2018. The company is proposing a **dividend per share of EUR 0.34 vs. EUR 0.35 and is expected to be paid after the AGM on June 13.**
- **Guidance 2018, excluding further acquisitions and the Radeberg effect:** FFO EUR 3.2m (WRe EUR 3.22m), EPS EUR 0.50 (WRe EUR 0.53), largely in line with expectations and offering little scope for estimate changes so far. The final annual report will be released at the end of April and will feature additional portfolio metrics such as NAV, LTV and vacancy rates.
- The company is **being very selective when looking at acquisition opportunities**, which explains the absence of deal flow year-to-date.
- **Management structures strengthened with the arrival of Swen Rehwald (42)** since February 1. Mr. Rehwald will head IMMA Immobilien Management GmbH, the asset management subsidiary of the company. Mr Rehwald brings strong experience in real estate asset management and, among other roles, has overseen a portfolio of EUR 850m.
- **Remains a Hold, PT EUR 12.00, based on a NAV and peer FFO yields.**

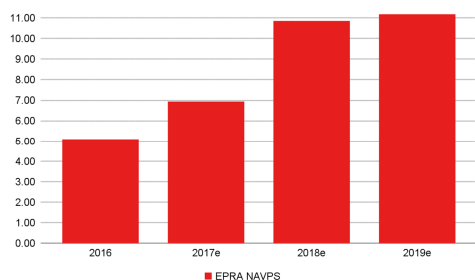


Rel. Performance vs General	
1 month:	1.0 %
6 months:	8.9 %
Year to date:	-0.4 %
Trailing 12 months:	46.6 %

Company events:
13.06.18 AGM

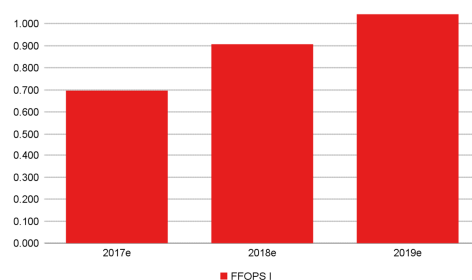
FY End: 31.12. in EUR m	CAGR (16-21e)	2015	2016	2017e	2018e	2019e	2020e	2021e
Rental income		1.01	3.44	5.80	8.06	9.35	10.04	10.48
Change yoy		n.a.	240.6 %	68.7 %	38.9 %	16.1 %	7.4 %	4.4 %
EBIT		0.46	1.67	3.67	3.78	4.35	4.66	4.95
FFO I		0.53	1.59	2.47	3.22	3.70	3.97	4.25
FFO I-margin		52.2 %	46.2 %	42.6 %	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	0.30	0.66	0.53	0.58	0.60	0.69
FFOPS I		0.24	0.54	0.70	0.91	1.04	1.12	1.20
DPS		0.10	0.20	0.34	0.45	0.52	0.56	0.60
Dividend Yield		n.a.	3.8 %	3.2 %	4.2 %	4.9 %	5.2 %	5.5 %
Book Value / Share		2.12	3.00	3.40	3.58	3.71	3.79	3.92
EPRA NAVPS		3.26	5.10	6.94	10.85	11.18	13.72	18.98
P / E		n.a.	17.2 x	16.2 x	20.1 x	18.4 x	17.7 x	15.9 x
Price / Book		n.a.	1.4 x	3.1 x	3.0 x	2.9 x	2.8 x	2.8 x
P / NAVPS		n.a.	1.0 x	1.5 x	1.0 x	1.0 x	0.8 x	0.6 x
FFO I-Yield		n.a.	10.4 %	6.5 %	8.5 %	9.7 %	10.5 %	11.0 %
ROE		n.a.	11.6 %	20.7 %	15.2 %	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 %	17.3 %	18.2 %	19.4 %
Guidance:	2018e: FFO of EUR 3.2m, adjusted EPS (HGB) of EUR 0.50							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

Company Background

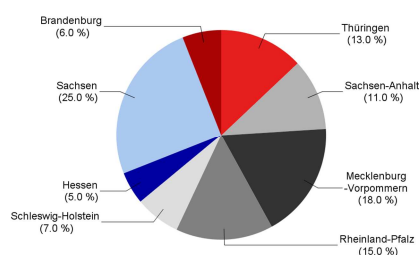
- Founded in 2014 and headquartered in Berlin, DEFAMA focuses on the acquisition, ownership and management of retail parks in German small and medium-sized cities, predominantly in Eastern and Northern Germany.
- The investment strategy is to "buy and hold" assets with high occupancy and minor capex 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").

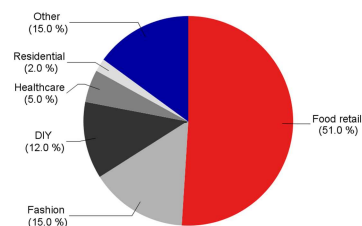
Geographical breakdown of rental income

% 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)	9.60	24.8	238.1	0.41	0.57	0.64	4.2%	6.0%	6.7%
Deutsche Euroshop	29.74	59.7	1775.5	2.44	2.43	2.25	8.2%	8.2%	7.6%
Hamborner REIT (1)	9.21	79.7	734.0	0.45	0.51	0.59	4.8%	5.5%	6.4%
TLG	21.98	94.6	2079.3	1.21	1.28	1.34	5.5%	5.8%	6.1%
VIB	20.90	27.6	576.8	1.41	1.59	1.72	6.8%	7.6%	8.2%
WCM	3.87	136.8	529.4	0.29	0.28	0.31	7.6%	7.3%	7.9%
DEFAMA	10.60	3.5	37.6	0.70	0.91	1.04	6.6%	8.6%	9.8%
Average							6.2%	6.7%	7.2%
Upside /Downside							5.8%	21.3%	27.2%
Implied DEFAMA fair value							€ 11.26	€ 13.47	€ 14.56

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.	17.2 x	16.2 x	20.1 x	18.4 x	17.7 x	15.9 x
P / NAVPS	n.a.	1.0 x	1.5 x	1.0 x	1.0 x	0.8 x	0.6 x
Price / Book	n.a.	1.4 x	3.1 x	3.0 x	2.9 x	2.8 x	2.8 x
P / FFOPS I	n.a.	9.6 x	15.4 x	11.8 x	10.3 x	9.6 x	9.1 x
FFO I-Yield	n.a.	10.4 %	6.5 %	8.5 %	9.7 %	10.5 %	11.0 %
ROE	n.a.	11.6 %	20.7 %	15.2 %	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	11.18	13.72	18.98
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
Margin	35.4 %	32.2 %	51.2 %	32.5 %	31.6 %	31.5 %	33.6 %
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	2.92	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
FFO I-margin	52.2 %	46.2 %	42.6 %	39.9 %	39.5 %	39.6 %	40.6 %
FFOPS I	0.24	0.54	0.70	0.91	1.04	1.12	1.20
EPS	0.14	0.30	0.66	0.53	0.58	0.60	0.69
EPS adj.	0.14	0.30	0.38	0.53	0.58	0.60	0.69

*Adjustments made for:

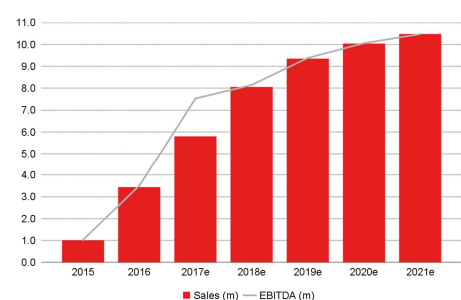
Guidance: 2018e: FFO of EUR 3.2m, adjusted EPS (HGB) of EUR 0.50

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



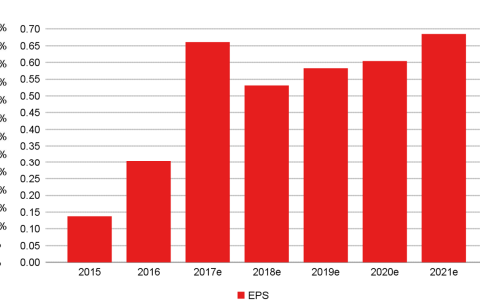
Operating Performance

in %



Performance per Share

in EUR



Source: Warburg Research

Source:

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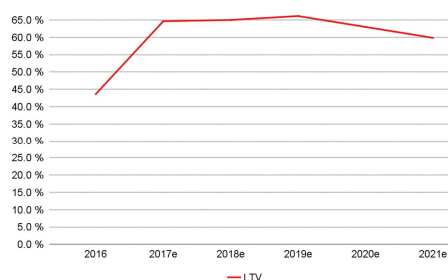
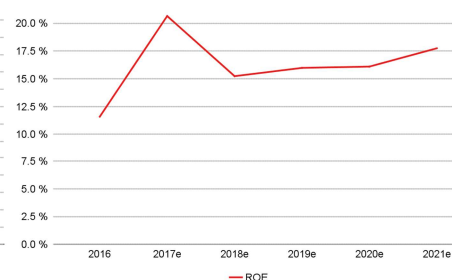
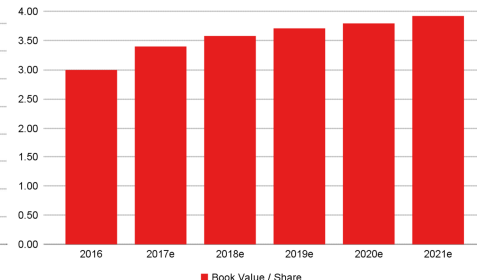
Consolidated balance sheet

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	5.19	3.51	2.81	2.26
Other short-term assets	6.25	0.17	0.18	0.17	0.28	0.17	0.17
Current assets	10.00	1.75	7.00	5.47	3.80	3.10	2.54
Total Assets	18.10	33.25	56.50	65.12	76.14	73.84	71.68
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	2.36	3.00	3.46	3.76	4.21
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	4.71	10.64	12.06	12.70	13.16	13.46	13.91
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	1.49	1.52	1.52	1.52	1.51
Liabilities	13.39	22.61	44.45	52.42	62.98	60.38	57.77
Total liabilities and shareholders' equity	18.10	33.25	56.50	65.12	76.14	73.84	71.68

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 %	15.2 %	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	45.54	57.78	55.88	53.83
Net Financial Debt	8.53	19.37	35.97	45.44	57.68	55.78	53.74
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 %	17.3 %	18.2 %	19.4 %

LTV

ROE
in %Book Value per Share
in EUR

Source: Warburg Research

Source: Warburg Research

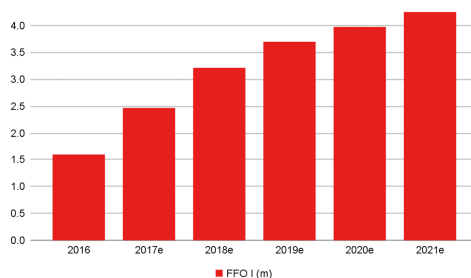
Source: Warburg Research

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	-1.21	-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	21.27	6.74	8.96	-4.45	-4.59
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	5.25	-1.52	-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	5.19	3.51	2.81	2.25

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	0.54	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.	10.4 %	6.5 %	8.5 %	9.7 %	10.5 %	11.0 %
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 %	65.7 %	51.4 %	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	111	54
Hold	90	44
Sell	5	2
Rating suspended	0	0
Total	206	100

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

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Buy	32	78
Hold	9	22
Sell	0	0
Rating suspended	0	0
Total	41	100

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