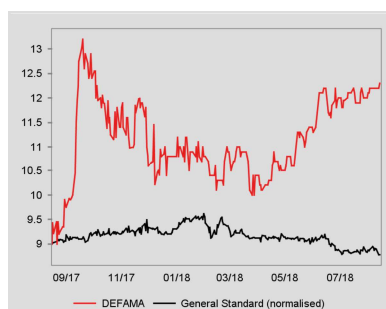


Buy EUR 14.30 Price EUR 12.30 Upside 16.3 %	Value Indicators: EUR NAV (WRe): 14.40 FFO-Yield: 14.36	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 43.63 No. of shares (m): 3.55 Freefloat MC: 20.72 Ø Trad. Vol. (30d): 3.44 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): 2018e LTV: 63.4 % Equity Ratio: 18.5 %

Roadshow Feedback: Expecting an attractive acquisition pipeline

- On a roadshow with the CEO our positive impression of DEFAMA's growth opportunities was confirmed. DEFAMA's strict acquisition discipline, the strong knowledge of the relevant regional acquisition market (10k properties) and the rising market awareness of DEFAMA should enable sustainable FFO improvement as DEFAMA avails of attractive investment opportunities.
- DEFAMA's soft announcement of a possible 10% capital increase with the H1 report is, in our view, a clear indication of a strong deal pipeline. Even though potential acquisitions are uncertain until a final settlement, the probability of another substantial improvement in the top line and FFO seems good. We are assuming an impressive deal volume in a blue-sky scenario as DEFAMA's cash development looks satisfactory and provides some scope for acquisitions even without a capital increase. At end of H1, DEFAMA had a cash position of EUR 2.3m and cash inflow of ~EUR 2m is due in H2/18 from the partial disposal (50%-stake) of the retail park in Radeberg. Additionally, the contribution from operating business has increased to EUR 3.9m p.a. (FFO) and there is a high likelihood of a complete disposal of the park in Radeberg after development to another buyer in the course of 2019 (for further cash inflow of >EUR 2m). An additional capital increase would improve DEFAMA's flexibility in the acquisition process and its position in financing negotiations with banks. A 10% capital increase could lead to proceeds of ~EUR 4m and raise the possible acquisition volume by approx. EUR 40m assuming 85% debt financing and including existing cash capacities.
- The FFO run-rate has improved impressively to EUR 3.9m after four successful acquisitions so far in 2018 with a volume of EUR 15.2m and at an attractive rent multiple of ~9. As our FFO estimate for 2019 stands at EUR 4.06m, DEFAMA is well on track to beat our estimate including the possible FFO reduction from the complete sale of Radeberg. The calculated FFO yield of 9% on the current portfolio seems attractive and should increase with further acquisitions.
- The last acquisition of a retail park in Staßfurt (near Magdeburg) will increase the number of properties to 26. Based on a purchase price of EUR 2.6m, the multiple of 9 on the net cold rent is well within DEFAMA's acquisition target. Core tenants are Aldi, ABC Schuhe and Vidrea Germany with the brand "Miller&Monroe". The location seems attractive at the intersection of two main roads in eastern Staßfurt. An extension might be possible for the core tenant Aldi.
- The investment case is fully intact. Based on attractive growth opportunities, the valuation remains appealing. Furthermore, the growing portfolio should attract the interest of investors and other real estate companies wishing to benefit from DEFAMA's strong knowledge in the German market for retail parks, especially in northern and eastern Germany. We reiterate our Buy recommendation and confirm our price target of EUR 14.30. The anticipated strong acquisition pipeline should enable additional operating growth even on a per-share basis which would offer further valuation potential.



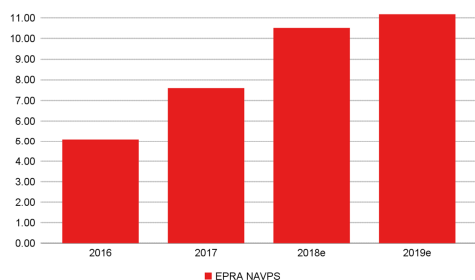
Rel. Performance vs General

1 month:	2.0 %
6 months:	25.9 %
Year to date:	19.5 %
Trailing 12 months:	32.6 %

Company events:

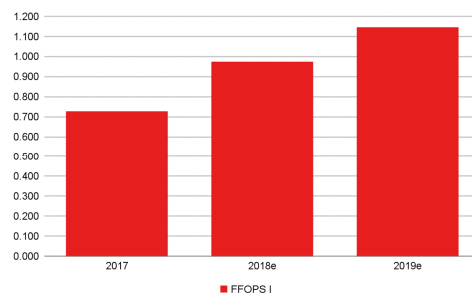
FY End: 31.12. in EUR m	CAGR (17-21e)	2015	2016	2017	2018e	2019e	2020e	2021e
Rental income		1.01	3.44	5.83	8.73	10.40	12.59	14.83
Change yoy		n.a.	240.6 %	69.5 %	49.8 %	19.1 %	21.0 %	17.8 %
EBIT		0.46	1.67	2.67	4.92	4.68	5.58	6.69
FFO I		0.53	1.59	2.58	3.45	4.06	4.87	5.74
FFO I-margin		52.2 %	46.2 %	44.3 %	39.6 %	39.1 %	38.7 %	38.7 %
EBT		0.36	1.11	1.77	3.67	3.09	3.65	4.42
Net income		0.30	0.89	1.36	2.71	2.17	2.53	3.14
EPS		0.14	0.30	0.38	0.76	0.61	0.71	0.88
FFOPS I		0.24	0.54	0.73	0.97	1.15	1.37	1.62
DPS		0.10	0.20	0.34	0.42	0.50	0.59	0.69
Dividend Yield		n.a.	3.8 %	3.8 %	3.4 %	4.1 %	4.8 %	5.9 %
Book Value / Share		2.57	3.00	3.18	3.53	3.64	3.76	3.96
EPRA NAVPS		3.26	5.10	7.60	10.52	11.18	13.58	21.13
P / E		n.a.	17.2 x	23.2 x	16.1 x	20.1 x	17.3 x	13.1 x
Price / Book		n.a.	1.4 x	2.8 x	3.5 x	3.4 x	3.3 x	2.9 x
P / NAVPS		n.a.	1.0 x	1.2 x	1.2 x	1.1 x	0.9 x	0.5 x
FFO I-Yield		n.a.	10.4 %	8.2 %	7.9 %	9.3 %	11.2 %	13.9 %
ROE		n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
LTV		59.7 %	56.0 %	61.1 %	63.4 %	65.4 %	67.1 %	68.5 %
Equity Ratio		31.6 %	32.0 %	20.5 %	18.5 %	15.8 %	13.9 %	12.7 %
Guidance:	2018e: FFO of EUR >3.2m, EPS (HGB) of EUR >0.49 +one-off from JV Rade. of 0.25							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

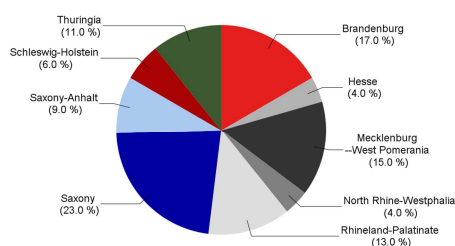
Company Background

- 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 Northern and Eastern 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 retailers.

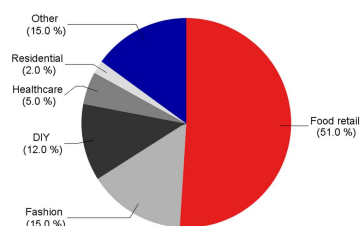
Competitive Quality

- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed 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

Valuation	2015	2016	2017	2018e	2019e	2020e	2021e
P / E	n.a.	17.2 x	23.2 x	16.1 x	20.1 x	17.3 x	13.1 x
P / NAVPS	n.a.	1.0 x	1.2 x	1.2 x	1.1 x	0.9 x	0.5 x
Price / Book	n.a.	1.4 x	2.8 x	3.5 x	3.4 x	3.3 x	2.9 x
P / FFOPS I	n.a.	9.6 x	12.2 x	12.6 x	10.7 x	9.0 x	7.2 x
FFO I-Yield	n.a.	10.4 %	8.2 %	7.9 %	9.3 %	11.2 %	13.9 %
ROE	n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
Equity Ratio	32 %	32 %	21 %	19 %	16 %	14 %	13 %

Company Specific Items	2015	2016	2017	2018e	2019e	2020e	2021e
NAV/Share	3.26	5.10	9.09	10.52	11.18	13.58	21.13
Vacancy Rate	2.5 %	2.7 %	2.7 %	3.5 %	3.0 %	3.0 %	3.0 %

Consolidated profit and loss

In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Total Sales	1.01	3.44	5.83	8.73	10.40	12.59	14.83
Rental income	1.01	3.44	5.83	8.73	10.40	12.59	14.83
Change yoy	n.a.	240.6 %	69.5 %	49.8 %	19.1 %	21.0 %	17.8 %
Property operating costs	0.15	0.60	1.24	1.86	2.18	2.71	3.19
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	0.86	2.84	4.58	6.87	8.22	9.88	11.64
Income from property sales	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Other revenues	0.00	0.11	0.12	0.12	0.12	0.12	0.12
Gross profit	0.87	2.95	4.70	7.99	8.34	10.00	11.76
Administration expenses	0.12	0.38	0.35	0.52	0.52	0.76	0.89
Personnel expenses	0.05	0.20	0.47	0.72	0.85	1.03	1.22
Other operating income/expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0.69	2.36	3.89	6.75	6.86	8.21	9.66
Valuation result	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.83	2.18	2.63	2.97
EBITA	0.46	1.67	2.67	4.92	4.68	5.58	6.69
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	0.46	1.67	2.67	4.92	4.68	5.58	6.69
Interest income	0.01	0.00	0.00	0.00	0.10	0.10	0.10
Interest expenses	0.11	0.56	0.90	1.25	1.60	1.93	2.27
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.11	-0.56	-0.90	-1.25	-1.60	-1.93	-2.27
EBT	0.36	1.11	1.77	3.67	3.09	3.65	4.42
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>30.4 %</i>	<i>42.0 %</i>	<i>29.7 %</i>	<i>29.0 %</i>	<i>29.8 %</i>
Total taxes	-0.06	-0.22	-0.41	-0.77	-0.65	-0.65	-0.65
thereof cash taxes	-0.06	-0.22	-0.41	-0.77	-0.65	-0.77	-0.93
Net income from continuing operations	0.30	0.89	1.36	2.90	2.44	2.88	3.49
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	1.36	2.90	2.44	2.88	3.49
Minority interest	0.00	0.00	0.00	0.18	0.27	0.35	0.35
Net income	0.30	0.89	1.36	2.71	2.17	2.53	3.14
Number of shares, average	2.16	2.92	3.55	3.55	3.55	3.55	3.55
FFO (II)	0.53	1.59	2.58	3.45	4.06	4.87	5.74
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>44.3 %</i>	<i>39.6 %</i>	<i>39.1 %</i>	<i>38.7 %</i>	<i>38.7 %</i>
FFOPS I	0.24	0.54	0.73	0.97	1.15	1.37	1.62
EPS	0.14	0.30	0.38	0.76	0.61	0.71	0.88
EPS adj.	0.14	0.30	0.38	0.48	0.61	0.71	0.88

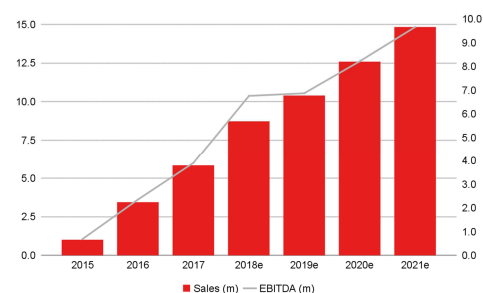
*Adjustments made for:

Guidance: 2018e: FFO of EUR >3.2m, EPS (HGB) of EUR >0.49 +one-off from JV Rade. of 0.25**Financial Ratios**

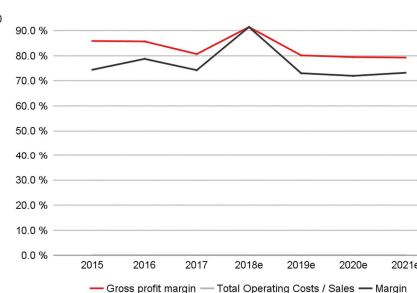
	2015	2016	2017	2018e	2019e	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	21.4 %	21.0 %	21.5 %	21.5 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.7 x	6.1 x	5.7 x	6.6 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.5 x	5.1 x	5.1 x	5.1 x

Sales, EBITDA

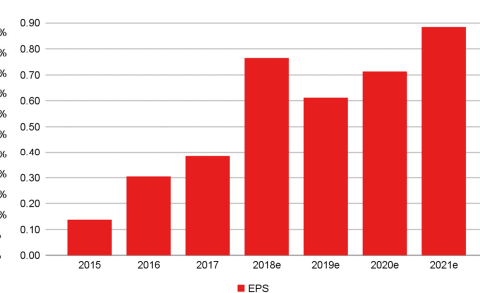
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

Source:

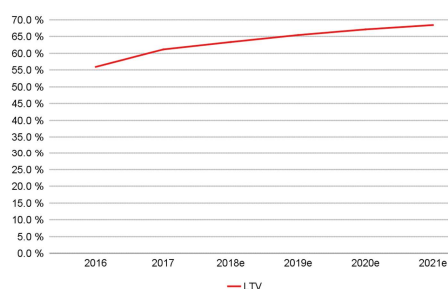
Source: Warburg Research

Consolidated balance sheet

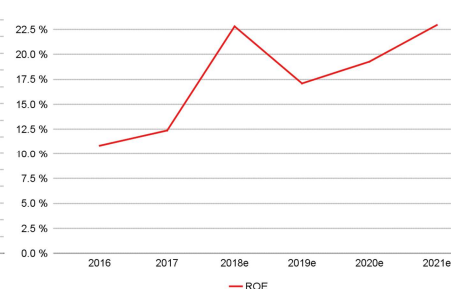
In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	0.00	0.01	0.01	0.01	0.01	0.00	0.00
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.00	0.01	0.01	0.01	0.01	0.00	0.00
Property, plant and equipment	0.00	0.03	0.03	0.04	0.04	0.04	0.04
Investment properties	14.23	31.41	51.96	65.63	80.95	95.82	110.35
Financial assets	0.04	0.05	0.24	0.24	0.24	0.24	0.24
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	14.28	31.50	52.24	65.91	81.24	96.10	110.63
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.04	0.12	0.22	0.22	0.00	0.22	0.22
Liquid assets	3.71	1.46	2.49	2.61	1.39	0.91	1.28
Other short-term assets	0.08	0.17	0.46	0.46	0.68	0.46	0.46
Current assets	3.83	1.75	3.17	3.29	2.08	1.59	1.96
Total Assets	18.10	33.25	55.41	69.21	83.31	97.70	112.60
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	1.28	0.94	1.59	2.82	3.20	3.64	4.34
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	5.72	10.64	11.29	12.51	12.90	13.33	14.03
Minority interest	0.00	0.00	0.10	0.29	0.29	0.29	0.29
Provisions	0.06	0.20	0.36	0.36	0.36	0.36	0.36
thereof provisions for pensions and similar obligations	0.03	0.10	0.18	0.18	0.18	0.18	0.18
Financial liabilities (total)	12.24	20.83	43.07	57.23	70.55	84.07	97.77
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	0.19	0.19	0.19	0.19	0.19
Other liabilities	0.07	1.51	0.51	-1.09	-0.68	-0.25	0.25
Liabilities	12.38	22.61	44.13	56.69	70.41	84.36	98.57
Total liabilities and shareholders' equity	18.10	33.25	55.41	69.21	83.31	97.70	112.60

Financial Ratios

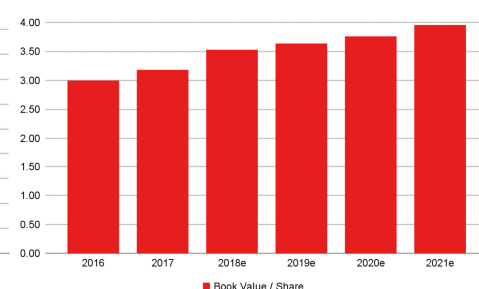
	2015	2016	2017	2018e	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	3.1 %	4.4 %	2.8 %	2.8 %	3.0 %
ROE	n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
FFO I / Equity	n.a.	0.2 x	0.2 x	0.3 x	0.3 x	0.4 x	0.4 x
Solvency							
Net Debt	8.56	19.46	40.76	54.80	69.33	83.33	96.67
Net Financial Debt	8.53	19.37	40.58	54.62	69.16	83.15	96.49
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	8.1 x	10.1 x	10.1 x	10.0 x
LTV	59.7 %	56.0 %	61.1 %	63.4 %	65.4 %	67.1 %	68.5 %
Equity Ratio	31.6 %	32.0 %	20.5 %	18.5 %	15.8 %	13.9 %	12.7 %

LTV

Source: Warburg Research

ROE
in %

Source: Warburg Research

Book Value per Share
in EUR

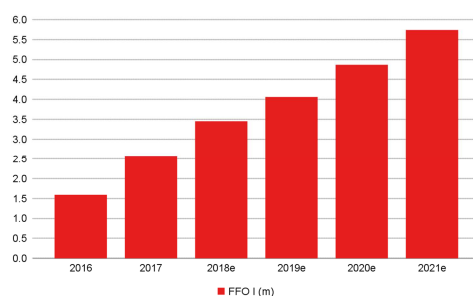
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Net income	0.30	0.89	1.36	2.71	2.17	2.53	3.14
Valuation changes properties	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.83	2.18	2.63	2.97
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	0.08	0.00	0.00	0.00	0.00
Deferred taxes	0.00	0.07	0.28	0.12	0.10	0.13	0.15
Other non-cash income and expenses	n.a.	1.49	-1.30	0.00	0.00	0.00	0.00
Cash Flow before NWC change	n.a.	3.21	1.64	3.66	4.45	5.29	6.26
Increase / decrease in inventory	n.a.	0.00	0.00	0.00	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	0.11	0.00	0.00	0.00	0.00
Increase / decrease in other working capital positions	n.a.	-0.14	-0.29	0.00	0.00	0.00	0.00
Increase / decrease in working capital (total)	n.a.	1.41	-1.48	0.00	0.00	0.00	0.00
Net cash provided by operating activities [1]	0.36	1.65	1.36	4.66	4.45	5.29	6.26
Investments in properties	n.a.	-17.92	-15.89	-17.50	-17.50	-17.50	-17.50
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	-15.89	-17.50	-17.50	-17.50	-17.50
Change in financial liabilities	n.a.	8.59	22.24	14.17	13.32	13.52	13.71
Dividends paid	n.a.	0.22	-0.58	-1.21	-1.49	-1.79	-2.09
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	21.63	12.96	11.83	11.73	11.61
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	7.09	0.12	-1.22	-0.48	0.37
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	8.56	8.68	7.46	6.98	7.35

Financial Ratios

	2015	2016	2017	2018e	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.58	3.45	4.06	4.87	5.74
FFOPS I	0.24	0.54	0.73	0.97	1.15	1.37	1.62
FFOPS I diluted	0.24	0.45	0.73	0.97	1.15	1.37	1.62
FFO I-Yield	n.a.	10.4 %	8.2 %	7.9 %	9.3 %	11.2 %	13.9 %
FFO I-margin	52.2 %	46.2 %	44.3 %	39.6 %	39.1 %	38.7 %	38.7 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.5 %	2.5 %	2.5 %	2.5 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-30.6 %	-26.7 %	-21.6 %	-18.3 %	-15.9 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	0.4 %	-0.7 %	-0.6 %	0.2 %
Dividend Payout Ratio	72.8 %	65.7 %	88.6 %	51.3 %	73.3 %	72.6 %	69.9 %

FFO

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

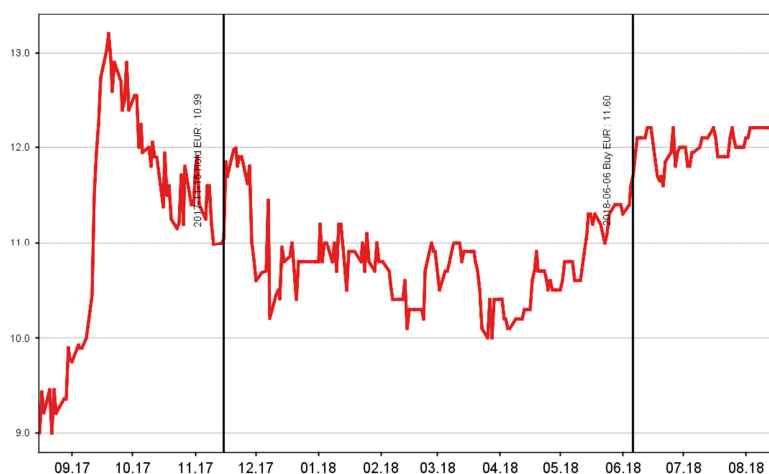
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Rating	Number of stocks	% of Universe
Buy	111	54
Hold	90	44
Sell	4	2
Rating suspended	0	0
Total	205	100

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

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	31	66
Hold	16	34
Sell	0	0
Rating suspended	0	0
Total	47	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 15.08.2018

Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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