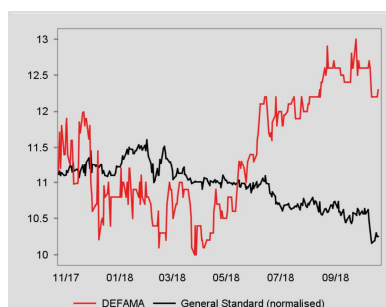


Buy EUR 15.00 (EUR 14.30) Price EUR 12.30 Upside 22.0 %	Value Indicators: EUR NAV (WRe): 14.72 FFO-Yield: 15.28	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 47.97 No. of shares (m): 3.90 Freefloat MC: 29.26 Ø Trad. Vol. (30d): 7.27 th	Shareholders: Freefloat 61.0 % MSC Invest GmbH 32.4 % Geminus GmbH 4.8 % Supervisory board 1.9 %	Risk Profile (WRe): 2018e LTV: 66.0 % Equity Ratio: 19.8 %

Proceeds from capital increase used for successful portfolio growth

- DEFAMA has successfully completed the promised acquisitions and invested the proceeds from the capital increase at a reasonable multiple in the acquisition of four additional retail parks. DEFAMA's regional diversification is supported by the recent acquisition of retail parks in Schmallenberg, (North Rhine-Westphalia), Eberswalde (Brandenburg) and Sonnefeld (Bavaria) and the previous one in Templin (Brandenburg). The total number of properties has increased to 30. The federal states with the highest share of net rental income are Brandenburg (19%) and Saxony (19%) followed by Mecklenburg-West Pomerania (12%), Rhineland Palatinate (11%), and Saxony Anhalt (11%). DEFAMA paid a total purchase price of about EUR 10m for the mentioned three assets in one deal which is a multiple of 10.4 on the existing rent. The net cold rent could increase to EUR 1.1m by reducing vacancies in two centres. On a fully-let basis, the multiple would be 9 and exactly in line with DEFAMA's recently paid multiples.
- We estimate that DEFAMA will use around 50% of the total proceeds from the capital increase (~EUR 4.2m) as an equity portion for the recently acquired four properties with a total purchase price of ~EUR 12.5m. As usual, DEFAMA financed most of its acquisition with debt (80-90%). For this reason DEFAMA can grow further with the remaining cash from the capital increase. (WRe: 7% FFO growth contribution).
- Looking at the acquisition details, the quality of these retail parks is solid in our view. Core tenants like Lidl, Takko, NORMA, Tedi and KIK would suggest a solid base for at least stable rents. The existing vacancy in two centers (WRe: 10% and 14%) should be reduced by using management's experience in the tenant market for retail parks.
- The expected improvement in annualised figures for net cold rent of EUR 9.3m and FFO of EUR 4.4m are fully in line with our expectations based on the company release at the end of August. DEFAMA's estimated current FFO yield of 9.8% for 2019 (WRe) looks attractive.
- DEFAMA has decided to proceed alone with the planned development of the centre in Radeberg. The contracts with tenants should be finalised by the end of Q1 2019. Construction is expected to begin in mid-2019. As DEFAMA currently plans to sell the renovated retail park in Radeberg we are expecting a significant earnings contribution from the disposal. Our calculated gain (EUR 5.5m) is based on planned rents and is included in our 2020 estimate. Previously, we expected EUR 1m gain in 2018 by the reduction of the stake in the development to 50%.
- We increase our price target to EUR 15 reflecting positive estimate revisions from value-enhancing transactions.

Changes in Estimates:						Comment on Changes:	
FY End: 31.12. in EUR m	2018e (old)	+ / -	2019e (old)	+ / -	2020e (old)	+ / -	
Rental income	8.73	1.8 %	10.40	10.4 %	12.59	9.5 %	<ul style="list-style-type: none"> We update our estimates for the acquisition of four additional retail parks and the successful capital increase. Furthermore we adjust the financial impact of the planned development in Radeberg which should lead to a substantial gain in 2020 and is significantly higher than our previous estimate of EUR 1m (estimated for 2018).
FFOPS I	0.97	-0.9 %	1.15	2.2 %	1.37	4.8 %	
EPS	0.76	-37.8 %	0.61	-0.2 %	0.71	160.7 %	

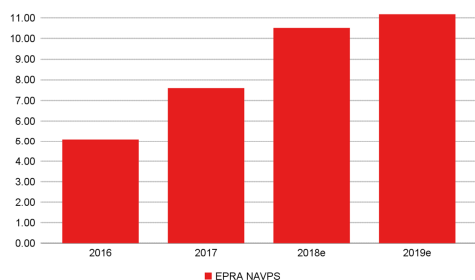


Rel. Performance vs General	
1 month:	0.7 %
6 months:	22.0 %
Year to date:	22.5 %
Trailing 12 months:	16.8 %

Company events:

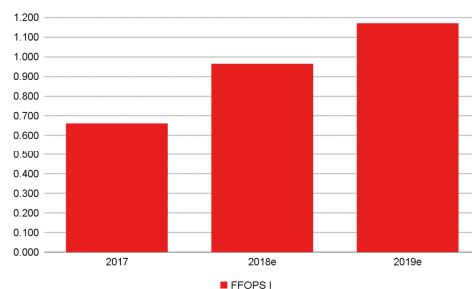
FY End: 31.12. in EUR m	CAGR (17-21e)	2015	2016	2017	2018e	2019e	2020e	2021e
Rental income		1.01	3.44	5.83	8.89	11.48	13.79	15.97
Change yoy		n.a.	240.6 %	69.5 %	52.5 %	29.2 %	20.0 %	15.9 %
EBIT		0.46	1.67	2.67	3.67	4.97	11.48	7.09
FFO I		0.53	1.59	2.58	3.51	4.57	5.61	6.54
FFO I-margin		52.2 %	46.2 %	44.3 %	39.5 %	39.8 %	40.7 %	40.9 %
EBT		0.36	1.11	1.77	2.20	3.02	9.18	4.43
Net income		0.30	0.89	1.36	1.73	2.38	7.25	3.50
EPS		0.14	0.30	0.38	0.48	0.61	1.86	0.90
FFOPS I		0.24	0.54	0.66	0.96	1.17	1.44	1.68
DPS		0.10	0.20	0.34	0.39	0.52	0.62	0.71
Dividend Yield		n.a.	3.8 %	3.8 %	3.1 %	4.2 %	5.0 %	5.8 %
Book Value / Share		2.57	3.00	3.18	4.17	4.26	5.50	5.69
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	25.8 x	20.1 x	6.6 x	13.6 x
Price / Book		n.a.	1.4 x	3.1 x	3.0 x	2.9 x	2.2 x	2.1 x
P / NAVPS		n.a.	1.0 x	1.2 x	1.2 x	1.1 x	0.9 x	0.6 x
FFO I-Yield		n.a.	10.4 %	7.4 %	7.8 %	9.5 %	11.7 %	13.7 %
ROE		n.a.	10.9 %	12.4 %	12.6 %	14.5 %	38.1 %	16.0 %
LTV		59.7 %	56.0 %	61.1 %	66.0 %	67.6 %	75.3 %	75.6 %
Equity Ratio		31.6 %	32.0 %	20.5 %	19.8 %	17.4 %	18.7 %	17.2 %
Guidance:	2018e: FFO of EUR >3.4m, EPS (HGB) of EUR >0.49							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

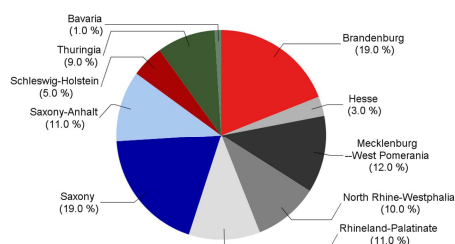
Company Background

- 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.

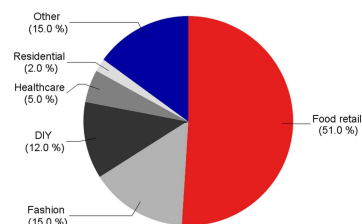
Competitive Quality

- 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	25.8 x	20.1 x	6.6 x	13.6 x
P / NAVPS	n.a.	1.0 x	1.2 x	1.2 x	1.1 x	0.9 x	0.6 x
Price / Book	n.a.	1.4 x	3.1 x	3.0 x	2.9 x	2.2 x	2.1 x
P / FFOPS I	n.a.	9.6 x	13.5 x	12.7 x	10.5 x	8.6 x	7.3 x
FFO I-Yield	n.a.	10.4 %	7.4 %	7.8 %	9.5 %	11.7 %	13.7 %
ROE	n.a.	10.9 %	12.4 %	12.6 %	14.5 %	38.1 %	16.0 %
Equity Ratio	32 %	32 %	21 %	20 %	17 %	19 %	17 %

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 %	4.0 %	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	8.89	11.48	13.79	15.97
Rental income	1.01	3.44	5.83	8.89	11.48	13.79	15.97
Change yoy	n.a.	240.6 %	69.5 %	52.5 %	29.2 %	20.0 %	15.9 %
Property operating costs	0.15	0.60	1.24	1.90	2.58	3.10	3.59
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	6.99	8.90	10.68	12.38
Income from property sales	0.00	0.00	0.00	0.00	0.00	5.50	0.00
Other revenues	0.00	0.11	0.12	-0.30	-0.11	0.00	0.00
Gross profit	0.87	2.95	4.70	6.69	8.79	16.18	12.38
Administration expenses	0.12	0.38	0.35	0.52	0.52	0.81	0.94
Personnel expenses	0.05	0.20	0.47	0.72	0.94	1.13	1.31
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	5.45	7.16	14.24	10.13
Valuation result	0.00	0.00	0.00	0.00	0.00	5.50	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.78	2.18	2.76	3.03
EBITA	0.46	1.67	2.67	3.67	4.97	11.48	7.09
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	3.67	4.97	11.48	7.09
Interest income	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Interest expenses	0.11	0.56	0.90	1.47	1.95	2.30	2.66
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	-1.47	-1.95	-2.30	-2.66
EBT	0.36	1.11	1.77	2.20	3.02	9.18	4.43
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>30.4 %</i>	<i>24.7 %</i>	<i>26.3 %</i>	<i>66.6 %</i>	<i>27.8 %</i>
Total taxes	-0.06	-0.22	-0.41	-0.46	-0.63	-0.63	-0.63
thereof cash taxes	-0.06	-0.22	-0.41	-0.46	-0.63	-1.93	-0.93
Net income from continuing operations	0.30	0.89	1.36	1.74	2.38	7.25	3.50
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	1.74	2.38	7.25	3.50
Minority interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	0.30	0.89	1.36	1.73	2.38	7.25	3.50
Number of shares, average	2.16	2.92	3.90	3.64	3.90	3.90	3.90
FFO (II)	0.53	1.59	2.58	3.51	4.57	5.61	6.54
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>44.3 %</i>	<i>39.5 %</i>	<i>39.8 %</i>	<i>40.7 %</i>	<i>40.9 %</i>
FFOPS I	0.24	0.54	0.66	0.96	1.17	1.44	1.68
EPS	0.14	0.30	0.38	0.48	0.61	1.86	0.90
EPS adj.	0.14	0.30	0.38	0.44	0.61	1.86	0.90

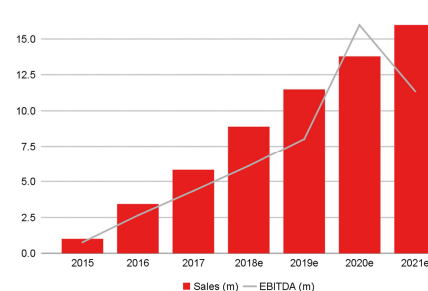
*Adjustments made for:

Guidance: 2018e: FFO of EUR >3.4m, EPS (HGB) of EUR >0.49**Financial Ratios**

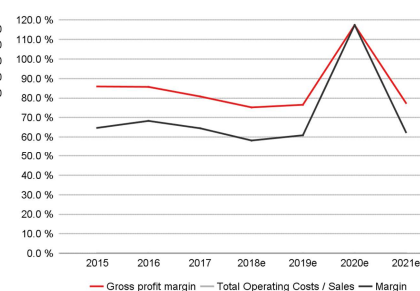
	2015	2016	2017	2018e	2019e	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	21.4 %	22.5 %	22.5 %	22.5 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.6 x	4.5 x	6.1 x	7.3 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	4.8 x	4.6 x	4.6 x	4.7 x

Sales, EBITDA

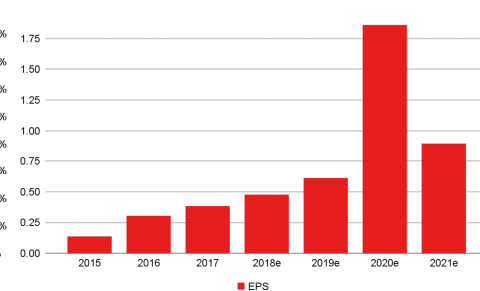
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

Source:

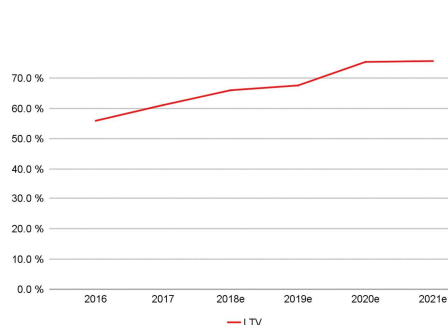
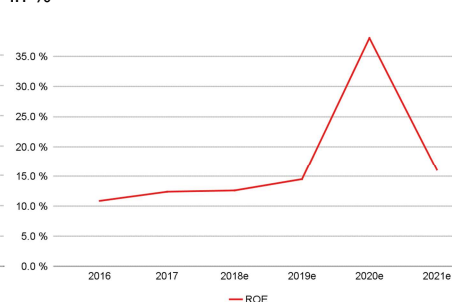
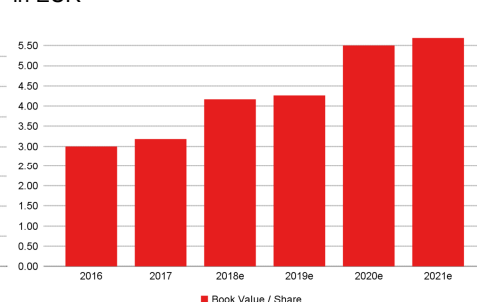
Source: Warburg Research

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	77.38	92.70	101.94	116.40
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	77.66	92.98	102.22	116.68
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	5.13	3.69	13.39	13.41
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	5.82	4.37	14.07	14.09
Total Assets	18.10	33.25	55.41	83.48	97.35	116.29	130.77
Liabilities and shareholders' equity							
Subscribed capital	2.23	3.55	3.55	3.90	3.90	3.90	3.90
Capital reserve	2.21	6.15	6.15	10.44	10.44	10.44	10.44
Retained earnings	1.28	0.94	1.59	1.91	2.29	7.13	7.85
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	16.25	16.63	21.47	22.19
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	65.85	79.24	93.22	106.83
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	0.83	0.93	1.06	1.21
Liabilities	12.38	22.61	44.13	67.22	80.72	94.82	108.58
Total liabilities and shareholders' equity	18.10	33.25	55.41	83.48	97.35	116.29	130.77

Financial Ratios

	2015	2016	2017	2018e	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	3.1 %	2.5 %	2.6 %	6.8 %	2.8 %
ROE	n.a.	10.9 %	12.4 %	12.6 %	14.5 %	38.1 %	16.0 %
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	8.56	19.46	40.76	60.90	75.74	80.01	93.60
Net Financial Debt	8.53	19.37	40.58	60.72	75.56	79.84	93.43
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	11.1 x	10.6 x	5.6 x	9.2 x
LTV	59.7 %	56.0 %	61.1 %	66.0 %	67.6 %	75.3 %	75.6 %
Equity Ratio	31.6 %	32.0 %	20.5 %	19.8 %	17.4 %	18.7 %	17.2 %

LTV**ROE**
in %**Book Value per Share**
in EUR

Source: Warburg Research

Source: Warburg Research

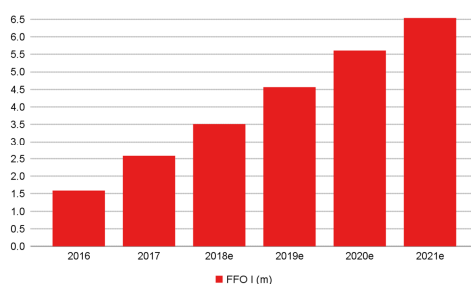
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Net income	0.30	0.89	1.36	1.73	2.38	7.25	3.50
Valuation changes properties	0.00	0.00	0.00	0.00	0.00	5.50	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.78	2.18	2.76	3.03
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	3.63	4.67	4.63	6.69
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	3.63	4.67	10.13	6.69
Investments in properties	n.a.	-17.92	-21.95	-26.91	-17.50	-6.50	-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	-21.95	-26.91	-17.50	-6.50	-17.50
Change in financial liabilities	n.a.	8.59	22.24	22.78	13.39	13.98	13.61
Dividends paid	n.a.	0.22	-0.58	-1.21	-1.41	-2.01	-2.41
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	0.35	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	25.93	11.38	6.07	10.83
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	1.03	2.64	-1.45	9.70	0.02
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	2.49	5.13	3.69	13.39	13.41

Financial Ratios

	2015	2016	2017	2018e	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.58	3.51	4.57	5.61	6.54
FFOPS I	0.24	0.54	0.66	0.96	1.17	1.44	1.68
FFOPS I diluted	0.24	0.45	0.73	0.90	1.17	1.44	1.68
FFO I-Yield	n.a.	10.4 %	7.4 %	7.8 %	9.5 %	11.7 %	13.7 %
FFO I-margin	52.2 %	46.2 %	44.3 %	39.5 %	39.8 %	40.7 %	40.9 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.7 %	2.7 %	2.7 %	2.7 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-42.3 %	-34.8 %	-18.9 %	-6.4 %	-15.0 %
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 %	97.4 %	81.2 %	84.2 %	33.3 %	79.3 %

FFO

Source: Warburg Research

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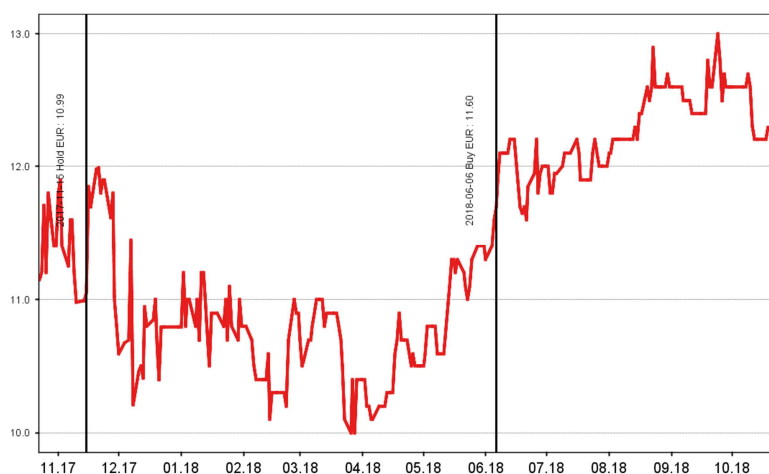
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Rating	Number of stocks	% of Universe
Buy	119	57
Hold	85	41
Sell	3	1
Rating suspended	0	0
Total	207	100

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	33	67
Hold	16	33
Sell	0	0
Rating suspended	0	0
Total	49	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 22.10.2018

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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