

Buy EUR 19.30 (EUR 17.70) Price EUR 15.20 Upside 27.0 %	Value Indicators: EUR NAV (WRe) 21e: 19.36 FFO-Yield 21e: 19.16	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: 59.28 No. of shares (m): 3.90 Freefloat MC: 36.16 Ø Trad. Vol. (30d): 21.73 th	Shareholders: Freefloat 61.0 % MSC Invest GmbH 32.4 % Geminus GmbH 4.8 % Supervisory board 1.9 %	Risk Profile (WRe): 2019e LTV: 62.6 % Equity Ratio: 16.6 %

Strong FFO growth in H1; Well on track to achieve acquisition target

Stated Figures Q2/2019:					Comment on Figures:
in EUR m	H1/19	H1/19e	H1/18	+/- in %	
Revenues	5.47	5.44	4.23	29%	<ul style="list-style-type: none"> DEFAMA released sound H1 figures last week that were in line with our estimates. Impressive top-line and EBITDA growth of 29% and 28% respectively in H1 was driven by successful acquisitions settled in H2/18. H1 numbers already included burden from insolvencies from previous tenants e.g. Miller&Monroe, as receivables were fully written off so that the underlying figure would be somewhat better. The lower but still attractive growth numbers per share reflected the impact of the capital increase in 2018. Guidance for 2019 was confirmed with an FFO of EUR 4.4m (current annualised FFO at EUR 4.7m or FFOPS of EUR 1.22) and net profit (German GAAP) of EUR 2.2m w/o effects from Radeberg. DEFAMA expects an annualised FFO of at least EUR 5m at end of 2019.
EBITDA	3.31	3.34	2.58	28%	
EBT	1.33	1.39	1.08	23%	
Net profit	1.02	1.03	0.85	19%	
EPS (€)	0.26	0.26	0.24	8%	
FFO	2.20	2.20	1.74	27%	
FFO-margin	40%	41%	41%		
FFOPS (€)	0.56	0.57	0.49	15%	

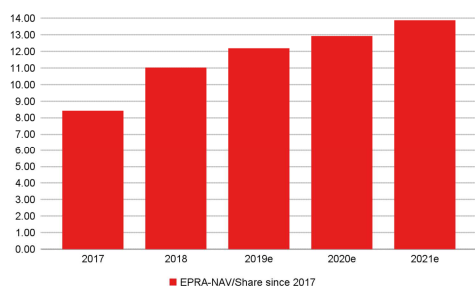
- DEFAMA announced in mid-July a further but small acquisition of a retail park for an investment volume of EUR 1m. The property with a lettable space of 1,234 sqm is located ~50 km from Schwerin in Sternberg. Net cold rent stood at EUR 120k coming from the core tenant Penny. After the successful acquisition of a property in Dinslaken, DEFAMA has already fulfilled more than 50% of the guided minimum investment volume (range EUR 15-20m) for 2019. As the CEO made several bids with a total investment volume of ~EUR 10m in one week before the AGM in July, we are optimistic that DEFAMA will exceed its own target.
- The company expects to receive the building permit for Radeberg by the end of 2019. Given the expected capital increase, which would increase DEFAMA's operating flexibility, the company seems to be in a strong bargaining position with potential buyers. So far, management has rejected an offer for Radeberg which would have led to a disposal gain of EUR 7m. This gain would be achieved with a multiple of slightly above 16 and is above our recent estimate (WRe: EUR 6.5m). Assuming a blue-sky multiple of 18, the positive contribution for EPRA-NAV would be ~EUR 1.9 per share (WRe: tax ratio 20%).
- Despite possible significant proceeds from the disposal of Radeberg in 2020 (WRe), DEFAMA's access to additional financing capacity for growth seems to be good. DEFAMA's high repayment ratio of annuity loans should enable the steady redissbursement of loans in our view which would decrease the necessary volume of capital increases in the future.
- We increase our price target to EUR 19.3 (based on pro-forma estimates for 2021 incl. potential cap raise effect) as we assume that DEFAMA's acquisition target in 2019 could be achieved at the upper end of the targeted range. For this reason, a capital increase would be reasonable to enable additional attractive growth and improve operating flexibility in the portfolio optimisation and negotiation with possible buyers of Radeberg. We confirm our Buy recommendation.



Rel. Performance vs General	
1 month:	-3.6 %
6 months:	13.5 %
Year to date:	24.0 %
Trailing 12 months:	33.7 %
Company events:	
06.08.19	RS DUB
07.08.19	RS LON
08.08.19	RS FFM
09.08.19	RS STR

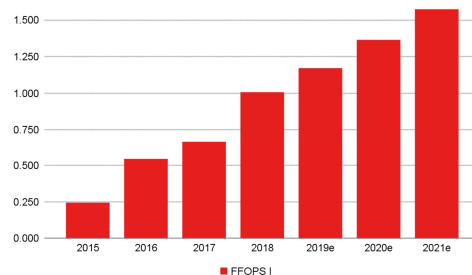
FY End: 31.12. in EUR m	CAGR (18-21e)	2015	2016	2017	2018	2019e	2020e	2021e
Rental income		1.01	3.44	5.83	9.09	11.56	13.60	15.59
Change yoy		n.a.	240.6 %	69.5 %	55.9 %	27.2 %	17.7 %	14.6 %
EBIT		0.46	1.67	2.67	3.59	4.89	12.25	6.75
FFO I		0.53	1.59	2.58	3.65	4.57	5.32	6.14
FFO I-margin		52.2 %	46.2 %	44.3 %	40.1 %	39.5 %	39.1 %	39.4 %
EBT		0.36	1.11	1.77	2.25	2.89	9.90	4.05
Net income		0.30	0.89	1.36	1.68	2.26	7.80	3.18
EPS		0.14	0.30	0.38	0.46	0.58	2.00	0.81
FFOPS I		0.24	0.54	0.66	1.01	1.17	1.36	1.57
DPS		0.10	0.20	0.34	0.40	0.52	0.59	0.67
Dividend Yield		n.a.	3.8 %	3.8 %	3.4 %	3.4 %	3.9 %	4.4 %
Book Value / Share		2.57	3.00	3.18	4.10	4.16	5.58	5.72
P / E		n.a.	17.2 x	23.2 x	25.0 x	26.3 x	7.6 x	18.7 x
Price / Book		n.a.	1.4 x	3.1 x	2.6 x	3.7 x	2.7 x	2.7 x
P / NAVPS		n.a.	1.0 x	1.2 x	1.2 x	1.4 x	1.3 x	1.2 x
FFO I-Yield		n.a.	10.4 %	7.4 %	8.7 %	7.7 %	9.0 %	10.4 %
ROE		n.a.	10.9 %	12.4 %	12.3 %	14.0 %	41.1 %	14.4 %
LTV		50.8 %	40.5 %	55.7 %	59.9 %	62.6 %	62.3 %	64.2 %
Guidance:	2019e: FFO of EUR ~4.4m, Net profit (HGB) of EUR 2.2m							

EPRA-NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

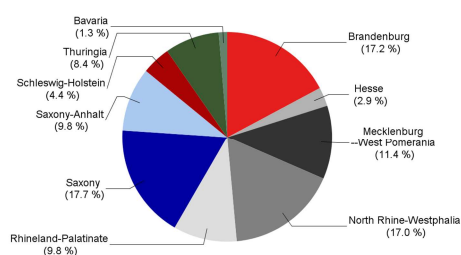
Company Background

- 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.

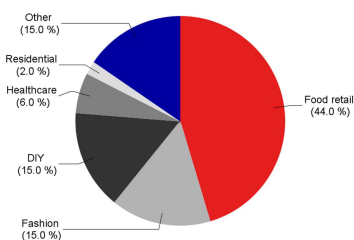
Competitive Quality

- 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	2018	2019e	2020e	2021e
P / E	n.a.	17.2 x	23.2 x	25.0 x	26.3 x	7.6 x	18.7 x
P / NAVPS	n.a.	1.0 x	1.2 x	1.2 x	1.4 x	1.3 x	1.2 x
Price / Book	n.a.	1.4 x	3.1 x	2.6 x	3.7 x	2.7 x	2.7 x
P / FFOPS I	n.a.	9.6 x	13.5 x	11.5 x	13.0 x	11.1 x	9.7 x
FFO I-Yield	n.a.	10.4 %	7.4 %	8.7 %	7.7 %	9.0 %	10.4 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	14.0 %	41.1 %	14.4 %
Equity Ratio	32 %	32 %	21 %	19 %	17 %	19 %	17 %

Company Specific Items							
	2015	2016	2017	2018	2019e	2020e	2021e
EPRA-NAV/Share since 2017	3.28	5.14	8.42	11.02	12.18	12.92	13.87
Vacancy Rate	2.5 %	2.7 %	2.7 %	4.3 %	5.0 %	5.0 %	4.0 %

Consolidated profit and loss

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Total Sales	1.01	3.44	5.83	9.09	11.56	13.60	15.59
Rental income	1.01	3.44	5.83	9.09	11.56	13.60	15.59
Change yoy	n.a.	240.6 %	69.5 %	55.9 %	27.2 %	17.7 %	14.6 %
Property operating costs	0.15	0.60	1.24	2.21	2.72	3.20	3.66
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	8.84	10.40	11.93
Income from property sales	0.00	0.00	0.00	0.00	0.00	6.50	0.00
Other revenues	0.00	0.11	0.12	0.08	0.12	0.00	0.00
Gross profit	0.87	2.95	4.70	6.95	8.96	16.90	11.93
Administration expenses	0.12	0.38	0.35	0.70	0.70	0.82	0.94
Personnel expenses	0.05	0.20	0.47	0.72	0.95	1.12	1.28
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	5.53	7.20	14.97	9.71
Valuation result	0.00	0.00	0.00	0.00	0.00	6.50	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.95	2.31	2.72	2.96
EBITA	0.46	1.67	2.67	3.59	4.89	12.25	6.75
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	3.59	4.89	12.25	6.75
Interest income	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Interest expenses	0.11	0.56	0.90	1.34	2.00	2.35	2.70
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	-1.34	-2.00	-2.35	-2.70
EBT	0.36	1.11	1.77	2.25	2.89	9.90	4.05
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>30.4 %</i>	<i>24.8 %</i>	<i>25.0 %</i>	<i>72.8 %</i>	<i>26.0 %</i>
Total taxes	-0.06	-0.22	-0.41	-0.55	-0.61	-0.61	-0.61
thereof cash taxes	-0.06	-0.22	-0.41	-0.55	-0.61	-2.08	-0.85
Net income from continuing operations	0.30	0.89	1.36	1.70	2.28	7.82	3.20
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	1.70	2.28	7.82	3.20
Minority interest	0.00	0.00	0.00	0.02	0.02	0.02	0.02
Net income	0.30	0.89	1.36	1.68	2.26	7.80	3.18
Number of shares, average	2.16	2.92	3.90	3.62	3.90	3.90	3.90
FFO (II)	0.53	1.59	2.58	3.65	4.57	5.32	6.14
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>44.3 %</i>	<i>40.1 %</i>	<i>39.5 %</i>	<i>39.1 %</i>	<i>39.4 %</i>
FFOPS I	0.24	0.54	0.66	1.01	1.17	1.36	1.57
EPS	0.14	0.30	0.38	0.46	0.58	2.00	0.81
EPS adj.	0.14	0.30	0.38	0.43	0.58	2.00	0.81

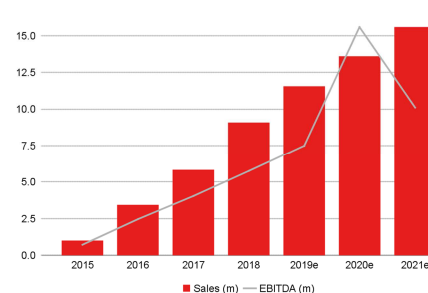
*Adjustments made for:

Guidance: 2019e: FFO of EUR ~4.4m, Net profit (HGB) of EUR 2.2m**Financial Ratios**

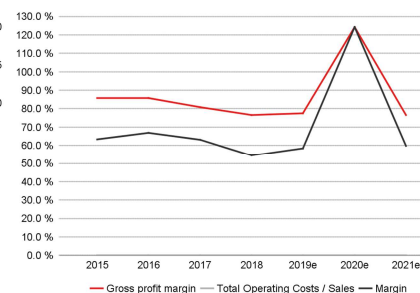
	2015	2016	2017	2018	2019e	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	24.4 %	23.5 %	23.5 %	23.5 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.5 x	4.6 x	6.6 x	7.9 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.1 x	4.4 x	4.4 x	4.4 x

Sales, EBITDA

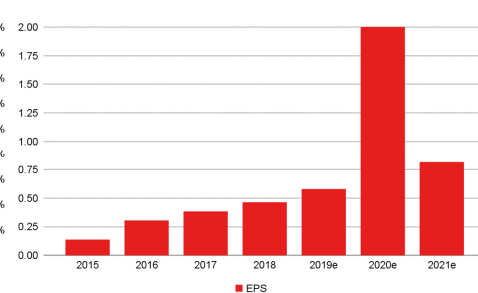
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

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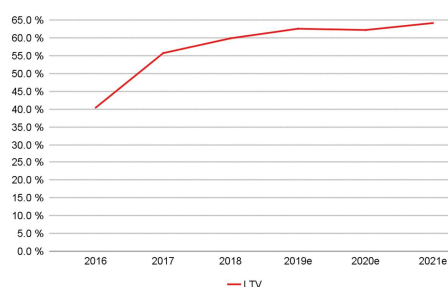
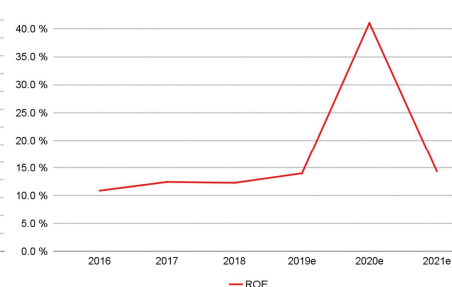
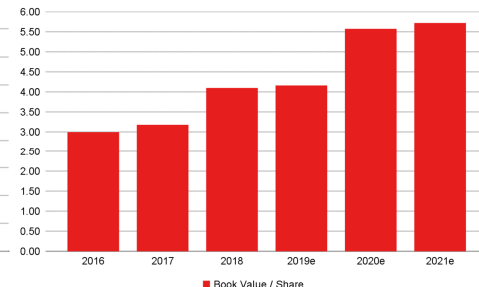
Source: Warburg Research

Consolidated balance sheet

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	0.00	0.01	0.01	0.01	0.00	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	0.00	0.00	0.00
Property, plant and equipment	0.00	0.03	0.03	0.08	0.08	0.08	0.08
Investment properties	14.23	31.41	51.96	81.10	96.29	105.57	120.11
Financial assets	0.04	0.05	0.24	0.26	0.26	0.26	0.26
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	81.44	96.63	105.91	120.45
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.04	0.12	0.22	0.51	0.00	0.51	0.51
Liquid assets	3.71	1.46	2.49	2.80	2.12	12.36	12.08
Other short-term assets	0.08	0.17	0.46	1.04	1.11	0.60	0.60
Current assets	3.83	1.75	3.17	4.34	3.23	13.47	13.19
Total Assets	18.10	33.25	55.41	85.79	99.86	119.38	133.64
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	10.03	10.03	10.03	10.03
Retained earnings	1.28	0.94	1.59	2.06	2.31	7.82	8.39
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	15.99	16.24	21.75	22.32
Minority interest	0.00	0.00	0.10	0.38	0.38	0.38	0.38
Provisions	0.06	0.20	0.36	1.01	0.43	0.43	0.43
thereof provisions for pensions and similar obligations	0.03	0.10	0.18	0.21	0.21	0.21	0.21
Financial liabilities (total)	12.24	20.83	43.07	67.79	80.96	94.83	108.35
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	0.30	0.30	0.30	0.30
Other liabilities	0.07	1.51	0.51	0.70	1.93	2.07	2.25
Liabilities	12.38	22.61	44.13	69.79	83.62	97.63	111.32
Total liabilities and shareholders' equity	18.10	33.25	55.41	85.79	99.86	119.38	133.64

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	3.1 %	2.4 %	2.4 %	7.1 %	2.5 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	14.0 %	41.1 %	14.4 %
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	65.20	79.06	82.68	96.48
Net Financial Debt	8.53	19.37	40.58	64.99	78.84	82.47	96.27
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	11.7 x	11.0 x	5.5 x	9.9 x
LTV	50.8 %	40.5 %	55.7 %	59.9 %	62.6 %	62.3 %	64.2 %
Equity Ratio	31.6 %	32.0 %	20.5 %	19.1 %	16.6 %	18.5 %	17.0 %

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

Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

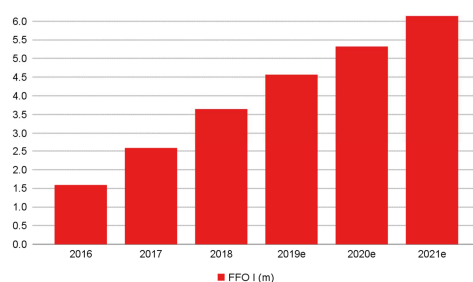
Consolidated cash flow statement

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Net cash provided by operating activities [1]	0.36	1.65	2.76	3.42	4.69	10.66	6.31
Net cash provided by investing activities [2]	-14.32	-17.92	-21.95	-31.12	-17.50	-6.50	-17.50
Net cash provided by financing activities [3]	3.71	14.02	20.23	28.01	12.12	6.09	10.91
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	1.03	0.31	-0.68	10.25	-0.28
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	2.80	2.12	12.36	12.08

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.58	3.65	4.57	5.32	6.14
FFOPS I	0.24	0.54	0.66	1.01	1.17	1.36	1.57
FFOPS I diluted	0.24	0.45	0.73	1.01	1.17	1.36	1.57
FFO I-Yield	n.a.	10.4 %	7.4 %	8.7 %	7.7 %	9.0 %	10.4 %
FFO I-margin	52.2 %	46.2 %	44.3 %	40.1 %	39.5 %	39.1 %	39.4 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.4 %	2.7 %	2.7 %	2.7 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-42.3 %	-38.4 %	-18.2 %	-6.2 %	-14.6 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	1.4 %	-0.4 %	-0.3 %	1.4 %
Dividend Payout Ratio	72.8 %	65.7 %	97.4 %	85.1 %	88.2 %	29.2 %	81.5 %

FFO



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
DEFAMA Deutsche Fachmarkt AG	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A13SUL5.htm

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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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	121	61
Hold	69	35
Sell	5	3
Rating suspended	5	3
Total	200	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	80
Hold	6	15
Sell	0	0
Rating suspended	2	5
Total	41	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 02.08.2019



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.

EQUITIES

Matthias Rode +49 40 3282-2678
Head of Equities mrode@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Jan Bauer +40 40 309537-155
Renewables jbauer@warburg-research.com

Jonas Blum +40 40 309537-240
Telco, Construction jblum@warburg-research.com

Christian Cohrs +49 40 309537-175
Industrials & Transportation ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Financial Services mfuhrberg@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Philipp Kaiser +49 40 309537-260
Real Estate pkaiser@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Franz Schall +40 40 309537-230
Automobiles, Car Suppliers fschall@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Leisure, Internet pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Cansu Tatar +49 40 309537-248
Cap. Goods, Engineering ctatar@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Robert-Jan van der Horst +49 40 309537-290
Technology rvanderhorst@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Marc Niemann +49 40 3282-2660
Head of Equity Sales, Germany mniemann@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Head of Equity Sales, Germany kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
Ireland, Poland, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Alexander Eschweiler +49 40 3282-2669
Germany aeschweiler@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Julia Fesenberg +49 69 5050-7417
Roadshow/Marketing jfesenberg@mmwarburg.com

Juliane Niemann +49 40 3282-2694
Roadshow/Marketing jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3282-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg MMWA GO
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Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com