

Buy EUR 19.30 Price EUR 15.80 Upside 22.2 %	Value Indicators: EUR NAV (WRe) 21e: 20.20 FFO-Yield 21e: 18.39	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: 69.84 No. of shares (m): 4.42 Freefloat MC: 45.39 Ø Trad. Vol. (30d): 23.18 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Risk Profile (WRe): 2019e LTV: 57.2 % Equity Ratio: 23.2 %

Preliminary Q3 results in line; Building permit for Radeberg approved

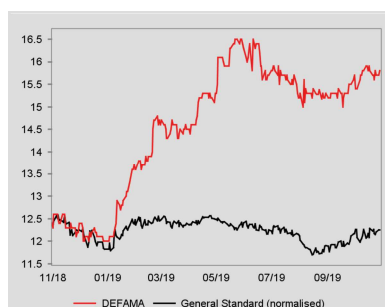
Stated Figures Q3/2019:

in EUR m	9M/19	9M/19e	9M/18	+/- in %
Revenues	8.13	8.25	6.41	27%
EBITDA	4.94	4.92	3.98	24%
EBT	1.89	1.93	1.67	13%
Net profit	1.42	1.44	1.31	9%
EPS (€)	0.36	0.36	0.37	-2%
FFO	3.25	3.27	2.66	22%
FFO-margin	40%	40%	42%	
FFOPS (€)	0.83	0.83	0.75	11%

Comment on Figures:

- DEFAMA released preliminary figures yesterday (29.10.2019). Full set of numbers to be released in the first three weeks in November.
- Top-line growth of 27% was in line with our estimates, which took into consideration the somewhat volatile impact of payments for commercial tenants for annual running costs.
- EBITDA growth of 24% reflects positive portfolio growth effects from acquisitions in 2018 and in H1/19. The recently acquired properties in Remscheid and Sternberg will contribute from October and the property acquired in Wurzen from January 2020 onwards.
- As the 9M figures included costs for the capital increase and some lower rental income due to the planned re-development of Radeberg, net profit growth stood at 9%.
- The operating performance of the properties is visible in a favourable FFO improvement of 22%.

- The guidance was slightly adjusted. DEFAMA will probably fall short of the FY 2019 net profit guidance of EUR 2.2m considering the costs of the capital increase and effects from Radeberg. Nevertheless, DEFAMA should be able to exceed its FFO guidance of EUR 4.4m. Both developments are already well reflected in our estimates.
- The annualised FFO of EUR 5m should rise further on the strength of expected portfolio growth. A figure of EUR 5.3-5.4m would seem to be possible by the end of 2019 as DEFAMA is well on track with several potential acquisition targets and can avail of liquidity of ~EUR 10m based on existing credit lines and cash.
- DEFAMA received the building permission for Radeberg yesterday evening (29.10.2019) which is excellent news. The renovation can start according to plan in February 2020. Reopening should be approx. November 2020. Management plans to sell this asset after the redevelopment and has already registered a high level of interest from possible buyers. After finalisation of large contracts and the building permission management can now start concrete negotiations regarding a disposal with a forward deal. According to the management, a disposal gain of a high single-digit million seems possible. We estimate a multiple of at least 16 on rental income which would lead to a gain of ~EUR 6m and would increase NAV by more than 10% in our view
- We reiterate our Buy recommendation.



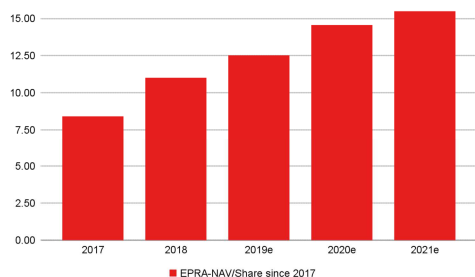
Rel. Performance vs General

1 month:	0.5 %
6 months:	5.1 %
Year to date:	28.1 %
Trailing 12 months:	31.3 %

Company events:

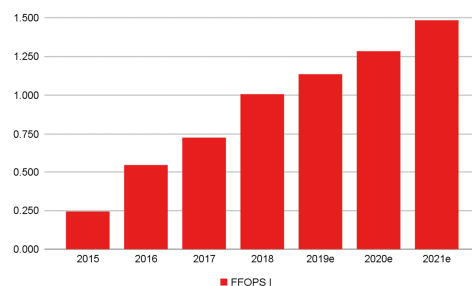
FY End: 31.12. in EUR m	CAGR (18-21e)	2015	2016	2017	2018	2019e	2020e	2021e
Rental income		1.01	3.44	5.83	9.09	11.82	14.03	16.31
Change yoy		n.a.	240.6 %	69.5 %	55.9 %	30.1 %	18.8 %	16.2 %
EBIT		0.46	1.67	2.67	3.59	4.50	12.20	6.59
FFO I		0.53	1.59	2.58	3.65	4.61	5.67	6.56
FFO I-margin		52.2 %	46.2 %	44.3 %	40.1 %	39.0 %	40.4 %	40.2 %
EBT		0.36	1.11	1.77	2.25	2.79	10.24	4.31
Net income		0.30	0.89	1.36	1.68	2.13	8.33	3.29
EPS		0.13	0.25	0.38	0.46	0.52	1.88	0.74
FFOPS I		0.24	0.54	0.73	1.01	1.14	1.28	1.48
DPS		0.10	0.20	0.34	0.40	0.45	0.51	0.59
Dividend Yield		n.a.	3.8 %	3.8 %	3.4 %	2.9 %	3.2 %	3.8 %
Book Value / Share		2.57	3.00	3.18	4.10	5.41	6.78	6.93
P / E		n.a.	20.9 x	23.2 x	25.0 x	30.2 x	8.4 x	21.2 x
Price / Book		n.a.	1.4 x	2.8 x	2.6 x	2.9 x	2.3 x	2.3 x
P / NAVPS		n.a.	1.0 x	1.1 x	1.2 x	1.4 x	1.2 x	1.1 x
FFO I-Yield		n.a.	10.4 %	8.2 %	8.7 %	7.2 %	8.1 %	9.4 %
ROE		n.a.	10.9 %	12.4 %	12.3 %	10.7 %	30.9 %	10.9 %
LTV		50.8 %	38.9 %	55.7 %	59.9 %	57.2 %	55.3 %	58.2 %
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

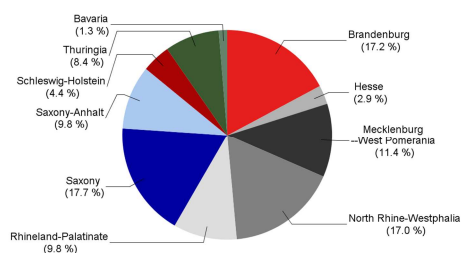
Company Background

- 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.

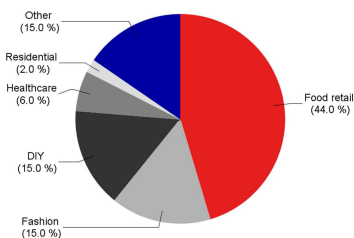
Competitive Quality

- 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.
- Focus on leading centers in smaller cities ("big fish in a small pond").
- 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.	20.9 x	23.2 x	25.0 x	30.2 x	8.4 x	21.2 x
P / NAVPS	n.a.	1.0 x	1.1 x	1.2 x	1.4 x	1.2 x	1.1 x
Price / Book	n.a.	1.4 x	2.8 x	2.6 x	2.9 x	2.3 x	2.3 x
P / FFOPS I	n.a.	9.6 x	12.2 x	11.5 x	13.9 x	12.3 x	10.7 x
FFO I-Yield	n.a.	10.4 %	8.2 %	8.7 %	7.2 %	8.1 %	9.4 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	10.7 %	30.9 %	10.9 %
Equity Ratio	32 %	32 %	21 %	19 %	23 %	24 %	22 %

Company Specific Items							
	2015	2016	2017	2018	2019e	2020e	2021e
EPRA-NAV/Share since 2017	3.28	5.14	8.42	11.02	12.52	14.56	15.49
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	11.82	14.03	16.31
Rental income	1.01	3.44	5.83	9.09	11.82	14.03	16.31
Change yoy	n.a.	240.6 %	69.5 %	55.9 %	30.1 %	18.8 %	16.2 %
Property operating costs	0.15	0.60	1.24	2.21	2.78	3.30	3.83
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	9.04	10.74	12.48
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	0.14	0.13
Gross profit	0.87	2.95	4.70	6.95	9.16	17.38	12.61
Administration expenses	0.12	0.38	0.35	0.70	0.70	1.19	1.39
Personnel expenses	0.05	0.20	0.47	0.72	0.99	1.18	1.37
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	6.98	15.00	9.85
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	2.48	2.81	3.26
EBITA	0.46	1.67	2.67	3.59	4.50	12.20	6.59
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	4.50	12.20	6.59
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	1.71	1.95	2.28
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	-1.71	-1.95	-2.28
EBT	0.36	1.11	1.77	2.25	2.79	10.24	4.31
Margin	35.4 %	32.2 %	30.4 %	24.8 %	23.6 %	73.0 %	26.4 %
Total taxes	-0.06	-0.22	-0.41	-0.55	-0.64	-0.64	-0.64
thereof cash taxes	-0.06	-0.22	-0.41	-0.55	-0.64	-1.90	-0.99
Net income from continuing operations	0.30	0.89	1.36	1.70	2.15	8.35	3.32
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	2.15	8.35	3.32
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	2.13	8.33	3.29
Number of shares, average	2.16	2.92	3.55	3.62	4.06	4.42	4.42
FFO (II)	0.53	1.59	2.58	3.65	4.61	5.67	6.56
FFO I-margin	52.2 %	46.2 %	44.3 %	40.1 %	39.0 %	40.4 %	40.2 %
FFOPS I	0.24	0.54	0.73	1.01	1.14	1.28	1.48
EPS	0.13	0.25	0.38	0.46	0.52	1.88	0.74
EPS adj.	0.13	0.25	0.38	0.43	0.48	1.88	0.74

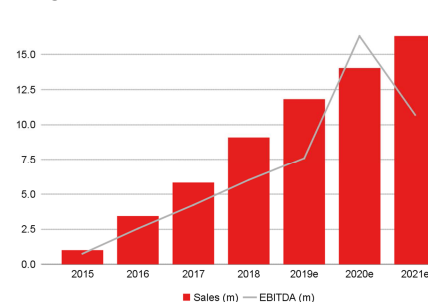
*Adjustments made for:

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

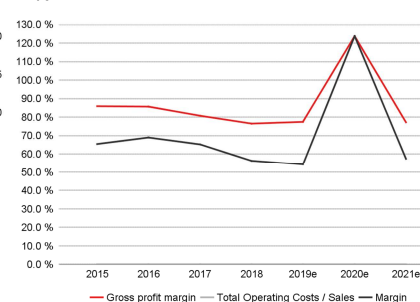
	2015	2016	2017	2018	2019e	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	24.4 %	23.5 %	23.5 %	23.5 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.5 x	4.2 x	6.6 x	7.1 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.1 x	5.3 x	5.5 x	5.5 x

Sales, EBITDA

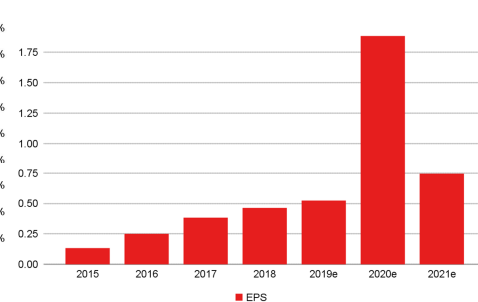
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

Source:

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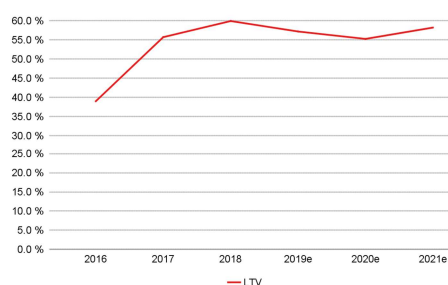
Consolidated balance sheet

In EUR m	2015	2016	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	98.62	110.31	127.05
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	98.96	110.65	127.39
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	4.59	14.37	13.35
Other short-term assets	-1.52	1.97	0.83	0.59	-0.17	-10.46	-9.44
Current assets	3.83	1.75	3.17	4.34	5.70	15.48	14.46
Total Assets	18.10	33.25	55.41	85.79	104.66	126.13	141.85
Liabilities and shareholders' equity							
Subscribed capital	2.23	3.55	3.55	3.90	4.42	4.42	4.42
Capital reserve	2.21	6.15	6.15	10.03	17.31	17.31	17.31
Retained earnings	1.28	0.94	1.59	2.06	2.18	8.24	8.91
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	23.91	29.97	30.64
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	78.10	93.37	108.24
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	80.75	96.17	111.21
Total liabilities and shareholders' equity	18.10	33.25	55.41	85.79	104.66	126.13	141.85

Financial Ratios

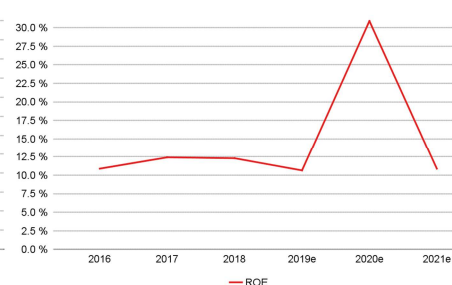
	2015	2016	2017	2018	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	3.1 %	2.4 %	2.2 %	7.2 %	2.5 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	10.7 %	30.9 %	10.9 %
FFO I / Equity	n.a.	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x
Solvency							
Net Debt	8.56	19.46	40.76	65.20	73.72	79.21	95.10
Net Financial Debt	8.53	19.37	40.58	64.99	73.51	79.00	94.89
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	11.7 x	10.5 x	5.3 x	9.6 x
LTV	50.8 %	38.9 %	55.7 %	59.9 %	57.2 %	55.3 %	58.2 %
Equity Ratio	31.6 %	32.0 %	20.5 %	19.1 %	23.2 %	24.1 %	21.9 %

LTV



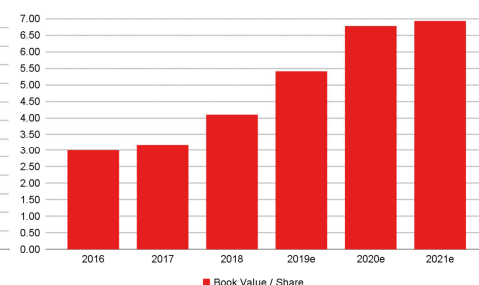
ROE

in %



Book Value per Share

in EUR



Source: Warburg Research

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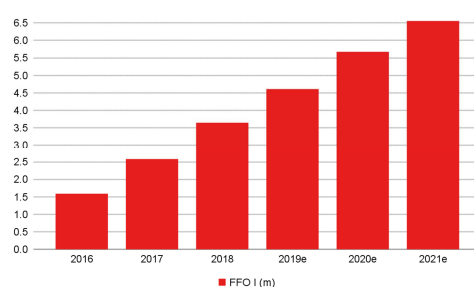
Consolidated cash flow statement

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	4.73	11.27	6.72
Net cash provided by investing activities [2]	-14.32	-17.92	-21.95	-31.12	-20.00	-9.00	-20.00
Net cash provided by financing activities [3]	3.71	14.02	20.23	28.01	17.06	7.50	12.26
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	1.03	0.31	1.79	9.78	-1.02
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	2.80	4.59	14.37	13.35

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.58	3.65	4.61	5.67	6.56
FFOPS I	0.24	0.54	0.73	1.01	1.14	1.28	1.48
FFOPS I diluted	0.24	0.45	0.73	0.94	1.04	1.28	1.48
FFO I-Yield	n.a.	10.4 %	8.2 %	8.7 %	7.2 %	8.1 %	9.4 %
FFO I-margin	52.2 %	46.2 %	44.3 %	40.1 %	39.0 %	40.4 %	40.2 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.4 %	2.3 %	2.3 %	2.3 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-42.3 %	-38.4 %	-20.3 %	-8.2 %	-15.7 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	1.4 %	-0.4 %	-0.3 %	1.3 %
Dividend Payout Ratio	72.8 %	65.7 %	88.6 %	85.1 %	85.8 %	27.2 %	79.1 %

FFO



Source: Warburg Research

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The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model (see also <http://www.mmwarburg.de/disclaimer/disclaimer.htm#Valuation>). The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
DEFAMA Deutsche Fachmarkt AG	2, 4, 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.

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Rating	Number of stocks	% of Universe
Buy	119	60
Hold	70	35
Sell	7	4
Rating suspended	4	2
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	79
Hold	7	17
Sell	0	0
Rating suspended	2	5
Total	42	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 30.10.2019

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.

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