

<b>Buy</b>  <b>EUR 20.20</b> (EUR 18.20)  Price <b>EUR 16.30</b> <b>Upside 23.9 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 21e: 21.51 FFO-Yield 21e: 18.79	<b>Share data:</b> Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	<b>Description:</b> Commercial real estate company focused on retail parks in Northern and Eastern Germany
	<b>Market Snapshot:</b> EUR m Market cap: 72.05 No. of shares (m): 4.42 Freefloat MC: 46.83 Ø Trad. Vol. (30d): 40.50 th	<b>Shareholders:</b> Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	<b>Risk Profile (WRe):</b> 2020e LTV: 52.3 % Equity Ratio: 20.1 %

## Sound start to 2020 driven by successful acquisition strategy

### Stated Figures Q1/2020:

in EUR m	Q1/20	Q1/20e	Q1/19	+/- in %
Revenues	3,13	3,13	2,71	16%
EBITDA	1,98	2,01	1,67	19%
EBIT	1,27	1,26	1,08	18%
EBT	0,78	0,77	0,69	14%
Net profit	0,59	0,61	0,54	11%
EPS (€)	0,13	0,14	0,14	-5%
FFO	1,31	1,29	1,13	16%
FFO-margin	42%	41%	42%	
FFOPS (€)	0,30	0,29	0,29	4%
LTV (%)	60,5%	62,5%	62,5%	
NAV/share (€)	14,78	14,61	11,28	

### Comment on Figures:

- DEFAMA released sound Q1 figures with strong sales and FFO growth of 16%. Both numbers were in line with our estimates and reflected the positive effects of seven acquisitions within the last 12 months.
- The operating performance was affected by the planned renovation of the shopping centre in Radeberg which led to a lower revenue contribution from this property (yoy). Adjusted for this effect, the underlying operating performance was much more impressive with an FFO increase of 29%. After the planned completion in November, Radeberg will contribute a higher rental income of EUR 1.3m p.a. which should be visible in 2021. The project is fully on track in terms of costs and perpetuity.
- The impact of COVID-19 should be moderate in our view. So far, DEFAMA has received ~80% of its total rents for April. This ratio is expected to improve significantly in May as most of the tenants directly affected were able to reopen their shops. In May, most of these tenants (WRe: ≥50%) will resume their rent payments.

- DEFAMA was able to confirm its 2020 guidance for an FFO of EUR 5.7m (FFOPS EUR 1.30) and a net profit of ~EUR 2.5m. The target for the annualised FFO remained at EUR 7m, which is an increase of ~10% from the existing level of EUR 6.2m (already includes the acquisition in Zeitz). Against the background of current liquidity of ~EUR 5m (incl. credit lines) and, as a precaution, achieved suspension of loans, DEFAMA looks well prepared to avail of acquisition opportunities in the market. According to its CEO, DEFAMA is in advanced negotiations for several properties which could lead to a higher acquisition volume than the annual target (EUR 15-20m) again in 2020.

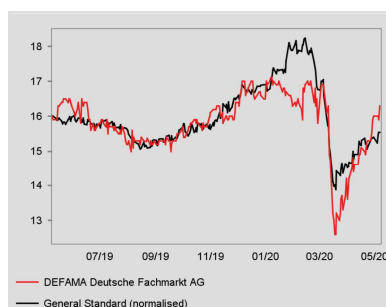
- We confirm our Buy recommendation. Our PT increase to EUR 20.2 was driven by a positive estimate revision which compensates for a slightly lower rent multiple of 12 (previously 12.5). Valuation with an FFO yield of 10% on annualised FFO looks undemanding.

### Changes in Estimates:

FY End: 31.12. in EUR m	2020e (old)	+ / -	2021e (old)	+ / -
<b>Rental income</b>	12.30	8.8 %	16.30	1.5 %
<b>FFO I</b>	5.44	2.9 %	6.51	2.6 %
<b>FFOPS I</b>	1.23	2.9 %	1.47	2.6 %
<b>Net income</b>	1.89	21.5 %	8.06	1.4 %
<b>EPS</b>	0.43	21.5 %	1.82	1.4 %

### Comment on Changes:

- Despite the likelihood of a rising rental default volume in 2020, the negative impact should be less than previously expected. We had included a negative effect of ~4% of the rental income so far. We change this assumption to 2%.



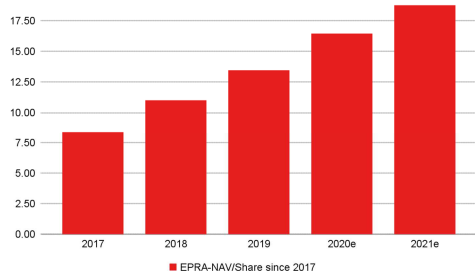
### Rel. Performance vs General

1 month:	7.9 %
6 months:	n/a
Year to date:	6.8 %
Trailing 12 months:	4.0 %

### Company events:

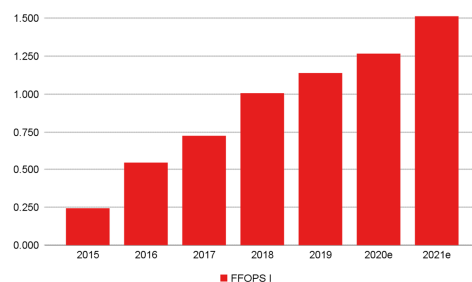
FY End: 31.12. in EUR m	CAGR (19-21e)	2015	2016	2017	2018	2019	2020e	2021e
<b>Rental income</b>		1.01	3.44	5.83	9.09	11.21	13.39	16.54
<b>Change yoy</b>		n.a.	240.6 %	69.5 %	55.9 %	23.3 %	19.5 %	23.5 %
<b>EBIT</b>		0.46	1.67	2.67	3.59	4.50	5.11	13.16
<b>FFO I</b>		0.53	1.59	2.58	3.65	4.62	5.60	6.68
<b>FFO I-margin</b>		52.2 %	46.2 %	44.3 %	40.1 %	41.2 %	41.8 %	40.4 %
<b>EBT</b>		0.36	1.11	1.77	2.25	2.78	3.06	10.77
<b>Net income</b>		0.30	0.89	1.36	1.68	2.06	2.30	8.17
<b>EPS</b>		0.13	0.25	0.38	0.46	0.51	0.52	1.85
<b>FFOPS I</b>		0.24	0.54	0.73	1.01	1.14	1.27	1.51
<b>DPS</b>		0.10	0.20	0.34	0.40	0.45	0.51	0.60
<b>Dividend Yield</b>		n.a.	3.8 %	3.8 %	3.4 %	2.9 %	3.1 %	3.7 %
<b>Book Value / Share</b>		2.57	3.00	3.18	4.10	5.50	5.51	6.90
<b>P / E</b>		n.a.	20.9 x	23.2 x	25.0 x	30.1 x	31.4 x	8.8 x
<b>Price / Book</b>		n.a.	1.4 x	2.8 x	2.6 x	2.5 x	3.0 x	2.4 x
<b>P / NAVPS</b>		n.a.	1.0 x	1.1 x	1.2 x	1.3 x	1.1 x	1.0 x
<b>FFO I-Yield</b>		n.a.	10.4 %	8.2 %	8.7 %	7.5 %	7.8 %	9.3 %
<b>ROE</b>		n.a.	10.9 %	12.4 %	12.3 %	10.2 %	9.4 %	29.8 %
<b>LTV</b>		50.8 %	38.9 %	55.7 %	59.9 %	50.7 %	52.3 %	51.9 %
<b>Guidance:</b>	2020e: FFO of EUR ~5.7m, Net profit (HGB) of EUR 2.5m							

### EPRA-NAV per share development in EUR



Source: Warburg Research

### FFO per share development in EUR



Source: Warburg Research

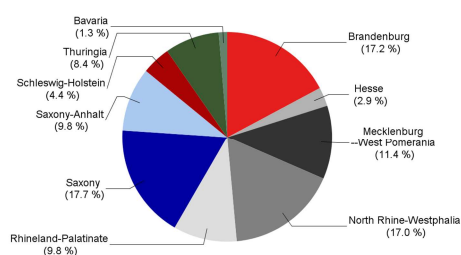
## Company Background

- 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 purchase price of ~10x annual rent.
- Investment volumes are EUR 1 - 5 million per asset. Anchor tenants are nationwide retailers.

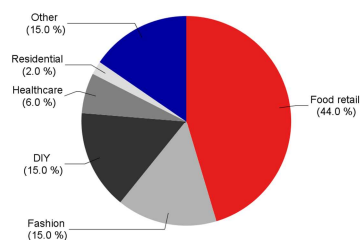
## Competitive Quality

- 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	2019	2020e	2021e
P / E	n.a.	20.9 x	23.2 x	25.0 x	30.1 x	31.4 x	8.8 x
P / NAVPS	n.a.	1.0 x	1.1 x	1.2 x	1.3 x	1.1 x	1.0 x
Price / Book	n.a.	1.4 x	2.8 x	2.6 x	2.5 x	3.0 x	2.4 x
P / FFOPS I	n.a.	9.6 x	12.2 x	11.5 x	13.4 x	12.9 x	10.8 x
FFO I-Yield	n.a.	10.4 %	8.2 %	8.7 %	7.5 %	7.8 %	9.3 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	10.2 %	9.4 %	29.8 %
Equity Ratio	32 %	32 %	21 %	19 %	24 %	20 %	22 %

Company Specific Items							
	2015	2016	2017	2018	2019	2020e	2021e
EPRA-NAV/Share since 2017	3.28	5.14	8.42	11.02	13.46	16.45	18.76
Vacancy Rate	2.5 %	2.7 %	2.7 %	4.3 %	4.0 %	4.0 %	4.0 %

**Consolidated profit and loss**

In EUR m	2015	2016	2017	2018	2019	2020e	2021e
<b>Total Sales</b>	<b>1.01</b>	<b>3.44</b>	<b>5.83</b>	<b>9.09</b>	<b>11.21</b>	<b>13.39</b>	<b>16.54</b>
<b>Rental income</b>	<b>1.01</b>	<b>3.44</b>	<b>5.83</b>	<b>9.09</b>	<b>11.21</b>	<b>13.39</b>	<b>16.54</b>
Change yoy	n.a.	240.6 %	69.5 %	55.9 %	23.3 %	19.5 %	23.5 %
Property operating costs	0.15	0.60	1.24	2.21	2.63	2.95	3.64
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	8.57	10.44	12.90
<b>Income from property sales</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>
<b>Other revenues</b>	<b>0.00</b>	<b>0.11</b>	<b>0.12</b>	<b>0.08</b>	<b>0.07</b>	<b>0.11</b>	<b>0.13</b>
<b>Gross profit</b>	<b>0.87</b>	<b>2.95</b>	<b>4.70</b>	<b>6.95</b>	<b>8.64</b>	<b>10.55</b>	<b>19.53</b>
Administration expenses	0.12	0.38	0.35	0.70	0.70	0.74	0.91
Personnel expenses	0.05	0.20	0.47	0.72	1.04	1.40	1.49
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.
<b>EBITDA</b>	<b>0.69</b>	<b>2.36</b>	<b>3.89</b>	<b>5.53</b>	<b>7.04</b>	<b>8.41</b>	<b>17.13</b>
Valuation result	0.00	0.00	0.00	0.00	0.00	0.00	6.50
Depreciation of fixed assets	-0.23	0.69	1.22	1.95	2.55	3.30	3.97
<b>EBITA</b>	<b>0.46</b>	<b>1.67</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.11</b>	<b>13.16</b>
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>0.46</b>	<b>1.67</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.11</b>	<b>13.16</b>
Interest income	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Interest expenses	0.11	0.56	0.90	1.34	1.73	2.05	2.39
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial result</b>	<b>-0.11</b>	<b>-0.56</b>	<b>-0.90</b>	<b>-1.34</b>	<b>-1.72</b>	<b>-2.05</b>	<b>-2.39</b>
<b>EBT</b>	<b>0.36</b>	<b>1.11</b>	<b>1.77</b>	<b>2.25</b>	<b>2.78</b>	<b>3.06</b>	<b>10.77</b>
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>30.4 %</i>	<i>24.8 %</i>	<i>24.8 %</i>	<i>22.8 %</i>	<i>65.1 %</i>
Total taxes	-0.06	-0.22	-0.41	-0.55	-0.71	-0.71	-0.71
thereof cash taxes	-0.06	-0.22	-0.41	-0.55	-0.71	-0.75	-2.58
<b>Net income from continuing operations</b>	<b>0.30</b>	<b>0.89</b>	<b>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.31</b>	<b>8.19</b>
Income from discontinued operations (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income before minorities</b>	<b>0.30</b>	<b>0.89</b>	<b>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.31</b>	<b>8.19</b>
Minority interest	0.00	0.00	0.00	0.02	0.01	0.01	0.01
<b>Net income</b>	<b>0.30</b>	<b>0.89</b>	<b>1.36</b>	<b>1.68</b>	<b>2.06</b>	<b>2.30</b>	<b>8.17</b>
Number of shares, average	2.16	2.92	3.55	3.62	4.05	4.42	4.42
<b>FFO (II)</b>	<b>0.53</b>	<b>1.59</b>	<b>2.58</b>	<b>3.65</b>	<b>4.62</b>	<b>5.60</b>	<b>6.68</b>
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>44.3 %</i>	<i>40.1 %</i>	<i>41.2 %</i>	<i>41.8 %</i>	<i>40.4 %</i>
<b>FFOPS I</b>	<b>0.24</b>	<b>0.54</b>	<b>0.73</b>	<b>1.01</b>	<b>1.14</b>	<b>1.27</b>	<b>1.51</b>
<b>EPS</b>	<b>0.13</b>	<b>0.25</b>	<b>0.38</b>	<b>0.46</b>	<b>0.51</b>	<b>0.52</b>	<b>1.85</b>
EPS adj.	0.13	0.25	0.38	0.43	0.47	0.52	1.85

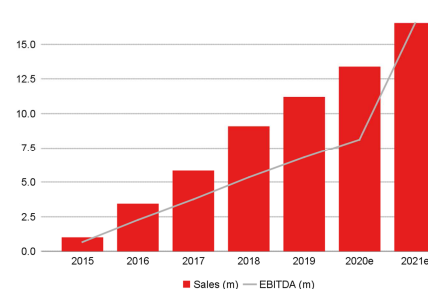
\*Adjustments made for:

**Guidance: 2020e: FFO of EUR ~5.7m, Net profit (HGB) of EUR 2.5m****Financial Ratios**

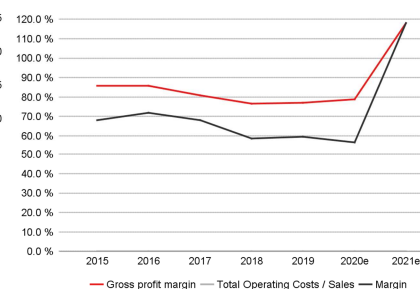
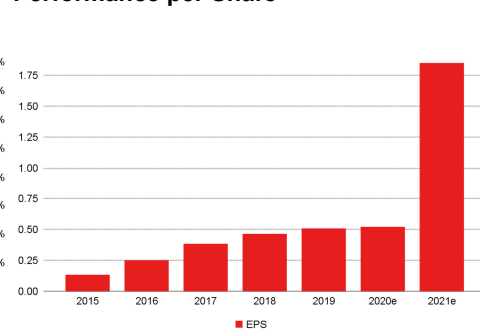
	2015	2016	2017	2018	2019	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	24.4 %	23.5 %	22.0 %	22.0 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.5 x	5.4 x	6.2 x	5.1 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.1 x	5.0 x	5.1 x	5.4 x

**Sales, EBITDA**

in EUR m

**Operating Performance**

in %

**Performance per Share**

Source: Warburg Research

Source:

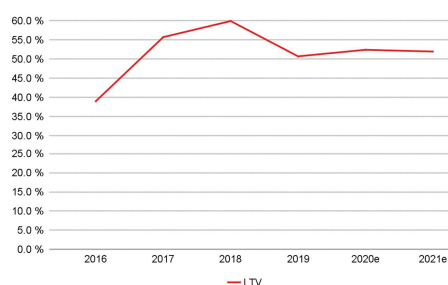
Source: Warburg Research

**Consolidated balance sheet**

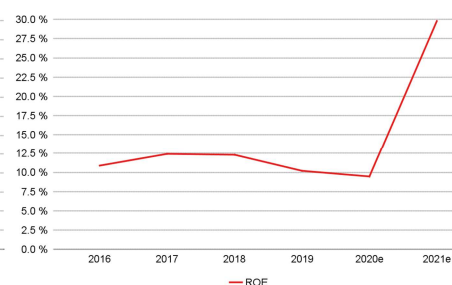
In EUR m	2015	2016	2017	2018	2019	2020e	2021e
<b>Assets</b>							
Goodwill and other intangible assets	0.00	0.01	0.01	0.01	0.03	0.03	0.03
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.00	0.01	0.01	0.01	0.03	0.03	0.03
Property, plant and equipment	0.00	0.03	0.03	0.08	0.11	0.11	0.11
Investment properties	14.23	31.41	51.96	81.10	93.14	104.34	120.37
Financial assets	0.04	0.05	0.24	0.26	1.70	1.70	1.70
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Fixed assets</b>	<b>14.28</b>	<b>31.50</b>	<b>52.24</b>	<b>81.44</b>	<b>94.98</b>	<b>106.18</b>	<b>122.22</b>
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	0.44	0.44
Liquid assets	3.71	1.46	2.49	2.80	6.98	15.53	19.78
Other short-term assets	-1.52	1.97	0.83	0.59	-2.56	-11.54	-15.80
<b>Current assets</b>	<b>3.83</b>	<b>1.75</b>	<b>3.17</b>	<b>4.34</b>	<b>9.29</b>	<b>16.88</b>	<b>21.14</b>
<b>Total Assets</b>	<b>18.10</b>	<b>33.25</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>123.07</b>	<b>143.35</b>
<b>Liabilities and shareholders' equity</b>							
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	17.98
Retained earnings	1.28	0.94	1.59	2.06	2.56	2.62	8.12
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Shareholders' equity</b>	<b>5.72</b>	<b>10.64</b>	<b>11.29</b>	<b>15.99</b>	<b>24.29</b>	<b>24.35</b>	<b>30.52</b>
Minority interest	0.00	0.00	0.10	0.38	0.39	0.39	0.39
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	76.52	94.95	109.01
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	0.51	0.51	0.51
Other liabilities	0.07	1.51	0.51	0.70	2.54	2.83	2.89
<b>Liabilities</b>	<b>12.38</b>	<b>22.61</b>	<b>44.13</b>	<b>69.79</b>	<b>79.99</b>	<b>98.72</b>	<b>112.84</b>
<b>Total liabilities and shareholders' equity</b>	<b>18.10</b>	<b>33.25</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>123.07</b>	<b>143.35</b>

**Financial Ratios**

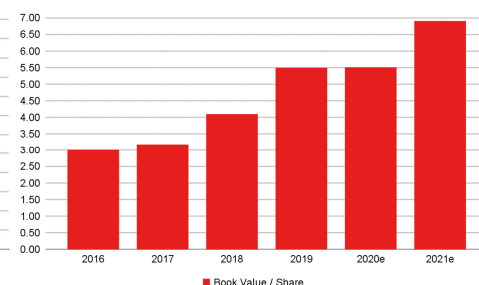
	2015	2016	2017	2018	2019	2020e	2021e
<b>Return on Capital</b>							
ROA	n.a.	3.5 %	3.1 %	2.4 %	2.2 %	2.0 %	6.1 %
ROE	n.a.	10.9 %	12.4 %	12.3 %	10.2 %	9.4 %	29.8 %
FFO I / Equity	n.a.	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x
<b>Solvency</b>							
Net Debt	8.56	19.46	40.76	65.20	69.75	79.64	89.44
Net Financial Debt	8.53	19.37	40.58	64.99	69.54	79.42	89.23
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	11.7 x	9.9 x	9.4 x	5.2 x
LTV	50.8 %	38.9 %	55.7 %	59.9 %	50.7 %	52.3 %	51.9 %
Equity Ratio	31.6 %	32.0 %	20.5 %	19.1 %	23.7 %	20.1 %	21.6 %

**LTV**

Source: Warburg Research

**ROE**  
in %

Source: Warburg Research

**Book Value per Share**  
in EUR

Source: Warburg Research

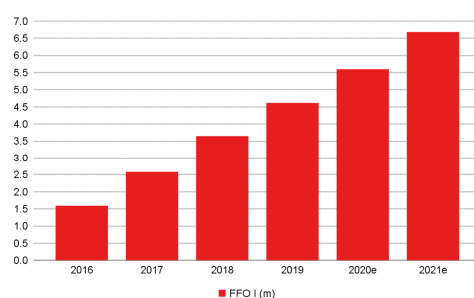
## Consolidated cash flow statement

In EUR m	2015	2016	2017	2018	2019	2020e	2021e
<b>Net cash provided by operating activities [1]</b>	<b>0.36</b>	<b>1.65</b>	<b>2.76</b>	<b>3.42</b>	<b>3.80</b>	<b>5.65</b>	<b>12.20</b>
<b>Net cash provided by investing activities [2]</b>	<b>-14.32</b>	<b>-17.92</b>	<b>-21.95</b>	<b>-31.12</b>	<b>-16.09</b>	<b>-9.00</b>	<b>-20.00</b>
<b>Net cash provided by financing activities [3]</b>	<b>3.71</b>	<b>14.02</b>	<b>20.23</b>	<b>28.01</b>	<b>16.47</b>	<b>11.90</b>	<b>12.05</b>
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	1.03	0.31	4.18	8.55	4.26
Effects of exchange-rate changes on cash	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and cash equivalent at end of period</b>	<b>n.a.</b>	<b>1.46</b>	<b>2.49</b>	<b>2.80</b>	<b>6.98</b>	<b>15.53</b>	<b>19.78</b>

## Financial Ratios

	2015	2016	2017	2018	2019	2020e	2021e
<b>Cash Flow</b>							
FFO (II)	0.53	1.59	2.58	3.65	4.62	5.60	6.68
FFOPS I	0.24	0.54	0.73	1.01	1.14	1.27	1.51
FFOPS I diluted	0.24	0.45	0.73	0.94	1.04	1.27	1.51
FFO I-Yield	n.a.	10.4 %	8.2 %	8.7 %	7.5 %	7.8 %	9.3 %
FFO I-margin	52.2 %	46.2 %	44.3 %	40.1 %	41.2 %	41.8 %	40.4 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.4 %	2.4 %	2.4 %	2.3 %
<b>Management of Funds</b>							
Capex/Investment Properties	n.a.	-57.0 %	-42.3 %	-38.4 %	-17.3 %	-8.6 %	-16.6 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	1.4 %	-1.3 %	-2.1 %	-0.4 %
Dividend Payout Ratio	72.8 %	65.7 %	88.6 %	85.1 %	88.2 %	97.0 %	32.7 %

## FFO



Source: Warburg Research

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-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
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“-“	<b>Rating suspended:</b>	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	132	64
Hold	60	29
Sell	7	3
Rating suspended	6	3
<b>Total</b>	<b>205</b>	<b>100</b>

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

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Rating	Number of stocks	% of Universe
Buy	35	83
Hold	4	10
Sell	0	0
Rating suspended	3	7
<b>Total</b>	<b>42</b>	<b>100</b>

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