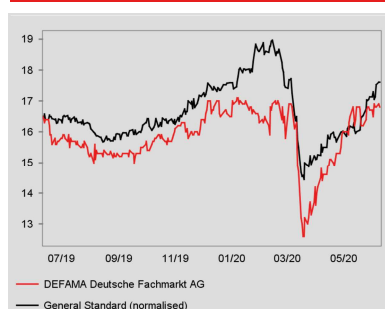


Buy EUR 20.20 Price EUR 16.80 Upside 20.2 %	Value Indicators: EUR NAV (WRe) 21e: 21.51 FFO-Yield 21e: 18.79	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 74.26 No. of shares (m): 4.42 Freefloat MC: 48.27 Ø Trad. Vol. (30d): 21.78 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Risk Profile (WRe): 2020e LTV: 52.3 % Equity Ratio: 20.1 %

Feedback from virtual roadshow: Impact of COVID-19 limited

- Our positive view of DEFAMA's growth opportunities and its relatively resilient business model was confirmed during our virtual roadshow with the CEO. What were the key messages?
- 1) The COVID-19 pandemic is expected to have a very limited effect on DEFAMA's P&L and cash flow. DEFAMA received 90% of its monthly rents in April and May and a nearly full payment is expected for June. The deferred volume of rents sum up to EUR 220k (~1.6% of annual rental income and also includes deferrals unrelated to COVID-19) and have no direct impact on the P&L. It is worth mentioning that none of the tenants has declared insolvency so far. For this reason, the CEO sees a good chance that full-year defaults in 2020 might be lower than in 2019 which would be a positive surprise. Our default assumption of 2% of rental income (reduced from 4%) seems conservative.
- 2) One of DEFAMA's top-10 tenants, Takko, which contributes 2.3% or 300k to rental income decided not to pay its interest payments for two outstanding bonds with a volume of EUR 510m. Nevertheless, Takko paid its rent to DEFAMA for its shops in five locations and did not avail of the forbearance option. Even in a scenario of an insolvency of this tenant, the problem of re-letting would be very low as several other retailers could step into these particular retail parks or want to expand their space at these locations.
- 3) In terms of acquisitions, DEFAMA is well on track to achieve its target range of EUR 15-20m in 2020. As already indicated by management in January, DEFAMA's pipeline should be well filled. We assume that some transactions were postponed and could be finalised after normalisation in Q3 in our view. COVID-19 is not leading to additional buying opportunities due to fire sales in DEFAMA's relevant target market. Given the attractive and large transaction in Zeitz (CEO was very happy to close this deal at a multiple below 7) with an acquisition volume of EUR 9m, we see a good chance that DEFAMA will again exceed the upper end of mentioned target range.
- 4) The redevelopment in Radeberg is well on track in terms of the construction process. Surprisingly, the costs have been slightly below budget so far. Completion is expected in November. The disposal-or-integration decision depends on the parameters a) disposal price and b) the re-disbursement of the existing loan volume (WRe: ~EUR 12m) after DEFAMA's capex of approx. EUR 9m. The book value will be at ~EUR 15m after completion. Assuming a rent multiple of 18 for a disposal, DEFAMA could receive additional net cash of up to EUR 11m. If an attractive re-disbursement of the loan is possible, DEFAMA would maintain rental income of EUR 1.3m and receive additional cash of EUR 2-4m in our view. Both decisions should support DEFAMA's growth and depend on existing investment opportunities.
- 5) First dividend payment is expected for June 18 with a DPS of EUR 0.20. The remaining DPS of EUR 0.25 could be paid out in October assuming no significant negative market developments.
- DEFAMA's published NAV of EUR 14.78 is based on net rent multiple of ~11.5 according to the CEO. As the company is able to find value accretive targets due to its high flexibility in the acquisition process and to its strong focus on a niche market, the NAV is expected to rise step by step. Our fair value (NAV) of EUR 21.5 is based on rent multiple of 12 (2021e). Our FFO model leads to a fair value of nearly EUR 19. We stick to Buy as valuation and news-flow should support our investment case.

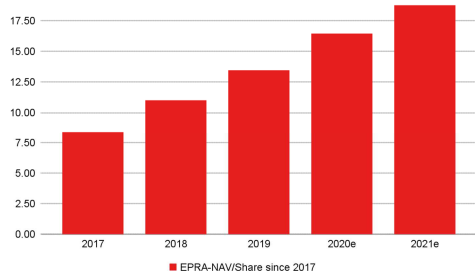


Rel. Performance vs General	
1 month:	-7.0 %
6 months:	0.1 %
Year to date:	1.6 %
Trailing 12 months:	0.1 %

Company events:

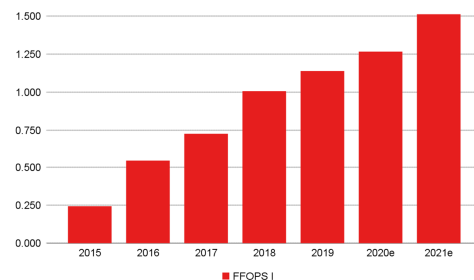
FY End: 31.12. in EUR m	CAGR (19-21e)	2015	2016	2017	2018	2019	2020e	2021e
Rental income		1.01	3.44	5.83	9.09	11.21	13.39	16.54
Change yoy		n.a.	240.6 %	69.5 %	55.9 %	23.3 %	19.5 %	23.5 %
EBIT		0.46	1.67	2.67	3.59	4.50	5.11	13.16
FFO I		0.53	1.59	2.58	3.65	4.62	5.60	6.68
FFO I-margin		52.2 %	46.2 %	44.3 %	40.1 %	41.2 %	41.8 %	40.4 %
EBT		0.36	1.11	1.77	2.25	2.78	3.06	10.77
Net income		0.30	0.89	1.36	1.68	2.06	2.30	8.17
EPS		0.13	0.25	0.38	0.46	0.51	0.52	1.85
FFOPS I		0.24	0.54	0.73	1.01	1.14	1.27	1.51
DPS		0.10	0.20	0.34	0.40	0.45	0.51	0.60
Dividend Yield		n.a.	3.8 %	3.8 %	3.4 %	2.9 %	3.0 %	3.6 %
Book Value / Share		2.57	3.00	3.18	4.10	5.50	5.51	6.90
P / E		n.a.	20.9 x	23.2 x	25.0 x	30.1 x	32.3 x	9.1 x
Price / Book		n.a.	1.4 x	2.8 x	2.6 x	2.5 x	3.0 x	2.4 x
P / NAVPS		n.a.	1.0 x	1.1 x	1.2 x	1.3 x	1.1 x	1.0 x
FFO I-Yield		n.a.	10.4 %	8.2 %	8.7 %	7.5 %	7.5 %	9.0 %
ROE		n.a.	10.9 %	12.4 %	12.3 %	10.2 %	9.4 %	29.8 %
LTV		50.8 %	38.9 %	55.7 %	59.9 %	50.7 %	52.3 %	51.9 %
Guidance:	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

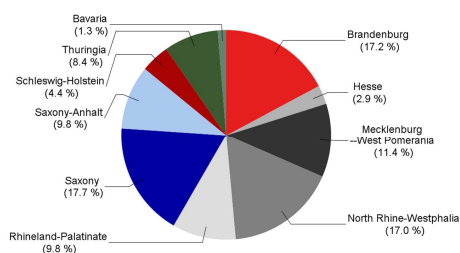
Company Background

- 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.

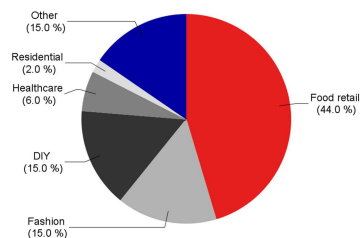
Competitive Quality

- 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	32.3 x	9.1 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	13.3 x	11.1 x
FFO I-Yield	n.a.	10.4 %	8.2 %	8.7 %	7.5 %	7.5 %	9.0 %
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
Total Sales	1.01	3.44	5.83	9.09	11.21	13.39	16.54
Rental income	1.01	3.44	5.83	9.09	11.21	13.39	16.54
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
Income from property sales	0.00	0.00	0.00	0.00	0.00	0.00	6.50
Other revenues	0.00	0.11	0.12	0.08	0.07	0.11	0.13
Gross profit	0.87	2.95	4.70	6.95	8.64	10.55	19.53
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.
EBITDA	0.69	2.36	3.89	5.53	7.04	8.41	17.13
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
EBITA	0.46	1.67	2.67	3.59	4.50	5.11	13.16
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	5.11	13.16
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
Financial result	-0.11	-0.56	-0.90	-1.34	-1.72	-2.05	-2.39
EBT	0.36	1.11	1.77	2.25	2.78	3.06	10.77
<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
Net income from continuing operations	0.30	0.89	1.36	1.70	2.07	2.31	8.19
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	2.07	2.31	8.19
Minority interest	0.00	0.00	0.00	0.02	0.01	0.01	0.01
Net income	0.30	0.89	1.36	1.68	2.06	2.30	8.17
Number of shares, average	2.16	2.92	3.55	3.62	4.05	4.42	4.42
FFO (II)	0.53	1.59	2.58	3.65	4.62	5.60	6.68
<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>
FFOPS I	0.24	0.54	0.73	1.01	1.14	1.27	1.51
EPS	0.13	0.25	0.38	0.46	0.51	0.52	1.85
EPS adj.	0.13	0.25	0.38	0.43	0.47	0.52	1.85

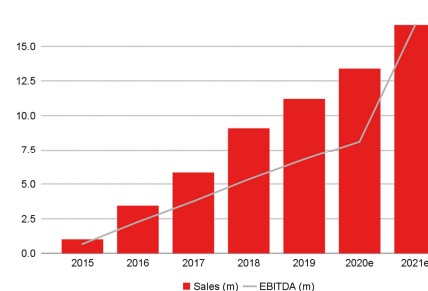
*Adjustments made for:

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

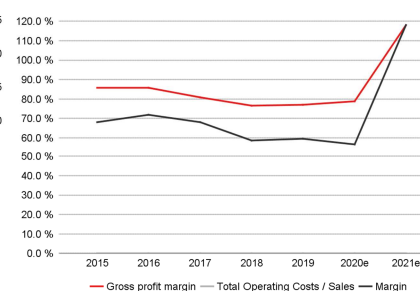
	2015	2016	2017	2018	2019	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	24.4 %	23.5 %	22.0 %	22.0 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.5 x	5.4 x	6.2 x	5.1 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.1 x	5.0 x	5.1 x	5.4 x

Sales, EBITDA

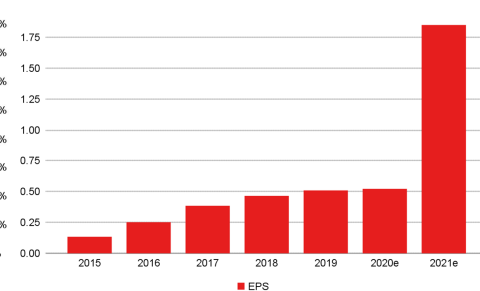
in EUR m

**Operating Performance**

in %

**Performance per Share**

in EUR



Source: Warburg Research

Source:

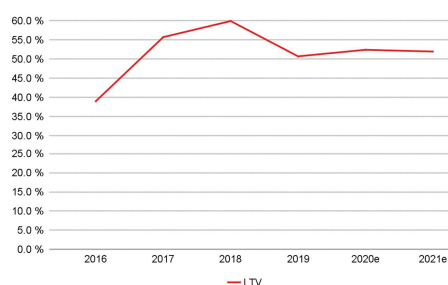
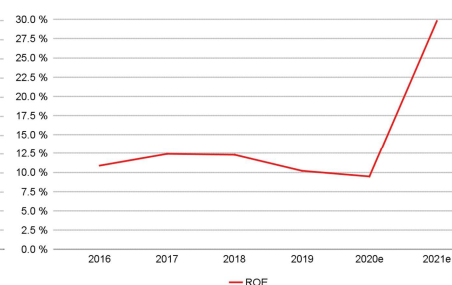
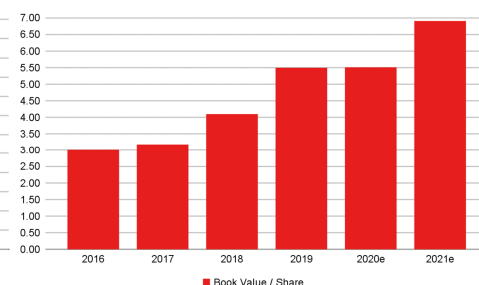
Source: Warburg Research

Consolidated balance sheet

In EUR m	2015	2016	2017	2018	2019	2020e	2021e
Assets							
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
Fixed assets	14.28	31.50	52.24	81.44	94.98	106.18	122.22
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
Current assets	3.83	1.75	3.17	4.34	9.29	16.88	21.14
Total Assets	18.10	33.25	55.41	85.79	104.28	123.07	143.35
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	17.98
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
Shareholders' equity	5.72	10.64	11.29	15.99	24.29	24.35	30.52
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
Liabilities	12.38	22.61	44.13	69.79	79.99	98.72	112.84
Total liabilities and shareholders' equity	18.10	33.25	55.41	85.79	104.28	123.07	143.35

Financial Ratios

	2015	2016	2017	2018	2019	2020e	2021e
Return on Capital							
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
Solvency							
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**ROE**
in %**Book Value per Share**
in EUR

Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

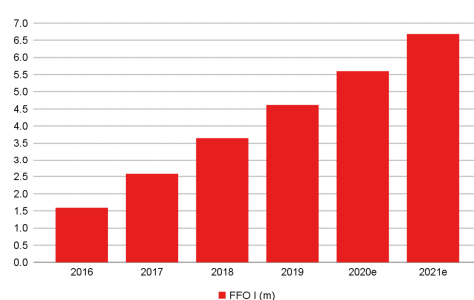
Consolidated cash flow statement

In EUR m	2015	2016	2017	2018	2019	2020e	2021e
Net cash provided by operating activities [1]	0.36	1.65	2.76	3.42	3.80	5.65	12.20
Net cash provided by investing activities [2]	-14.32	-17.92	-21.95	-31.12	-16.09	-9.00	-20.00
Net cash provided by financing activities [3]	3.71	14.02	20.23	28.01	16.47	11.90	12.05
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
Cash and cash equivalent at end of period	n.a.	1.46	2.49	2.80	6.98	15.53	19.78

Financial Ratios

	2015	2016	2017	2018	2019	2020e	2021e
Cash Flow							
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 %	7.5 %	9.0 %
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 %
Management of Funds							
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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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 Value Potential, NAV, 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.

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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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	131	64
Hold	58	28
Sell	9	4
Rating suspended	6	3
Total	204	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	5	12
Sell	0	0
Rating suspended	3	7
Total	41	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 10.06.2020

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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