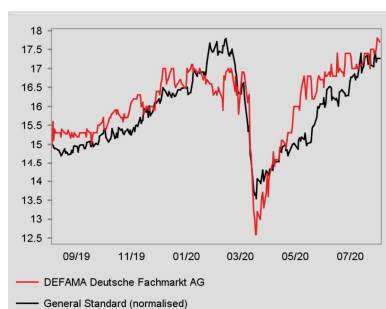


Buy EUR 22.90 (EUR 20.20) Price EUR 17.70 Upside 29.4 %	Value Indicators: EUR NAV (WRe) 22e: 23.15 FFO-Yield 22e: 22.64	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 78.23 No. of shares (m): 4.42 Freefloat MC: 50.85 Ø Trad. Vol. (30d): 36.39 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Risk Profile (WRe): 2020e LTV: 52.1 % Equity Ratio: 19.2 %

Sound acquisition pipeline and portfolio optimisation enables further FFO growth

- **Sound H1 figures** recently released by DEFAMA confirmed our positive view of the investment case. The **top line improved 21%** to EUR 6.6m driven by successful acquisitions in 2019 and a positive effect of the attractive acquisition in Zeitz in H1 2020. The good performance was visible in an **FFO improvement of 26%** to EUR 2.77m which already makes up 49% of DEFAMA's FY guidance. **Adjusted growth would be 40%**, if we consider that the redevelopment of Radeberg was a temporary burden in H1 owing to lower rent in the course of construction. **Net profit** was up 20% to EUR 1.22m. We are assuming that the company is well on track to at least meet its 2020 target of EUR 2.5m given positive consolidation effects from acquisitions and the planned re-opening of Radeberg in November.
- DEFAMA's **total liquidity** remains strong with EUR 7m at the end of H1. The eligible cash should be around EUR 5-6m according to the CEO after the recent acquisition of the DIY market in Anklam which would enable further acquisitions of at least EUR 20m. Given a rising FFO contribution from the portfolio and attractive financing options (re-valuation of loans, mortgage rate of a new acquisition), a capital increase does not seem to be on the agenda despite a good acquisition pipeline.
- **The guidance for 2020** was confirmed for FFO of EUR 5.7m and net profit of EUR 2.5m. Nevertheless, after sound H1 development, successful acquisitions, and little impact from COVID-19, we see a good chance that DEFAMA will beat its FFO guidance in 2020. Current annualised FFO of EUR 6.7m (including Anklam) and an expected EUR 7m at the end of 2020 are a good indication for **further profitable growth in 2021**. Additionally, the more focused optimisation of the portfolio (e.g. refurbishment, expansion, tenant mix) is already leading to additional net cash of EUR 2.5m and FFO growth. We are also optimistic that the trend of declining average interest costs (H1: 2.26%) should continue with current available financing costs significantly lower than this level depending on the mortgage rate.
- The second **dividend** payout should be expected in autumn after shareholders received a first DPS of EUR 0.20 in July. Management is targeting an AGM in Q4 when the remainder (EUR 0.25) of the dividend proposal should be paid out.
- We stick to our Buy recommendation and increase our price target to EUR 22.9. We roll over our valuation to 2022. Our fair value approach results from a NAV calculation based on a rent multiple of 12.5 and a calculated fair value based on a FFO yield of 7.5%.

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2020e (old)	+ / -	2021e (old)	+ / -	2022e (old)	+ / -	
Rental income	13.39	3.4 %	16.54	0.8 %	n.a.	n.m.	▪ 2020 estimates increased as the 2% buffer for negative COVID-19 impact is removed from our estimate and as slightly stronger positive effects of the acquisitions already announced are taken into account. ▪ We exclude the possibility of a positive one-off gain from the sale of Radeberg (WRe: EUR 6.5m). As the revaluation of the loan for this property could also enable attractive access to liquidity, the probability of a disposal is not >80% as previously expected.
FFO I	5.60	4.6 %	6.68	9.1 %	n.a.	n.m.	
FFOPS I	1.27	4.6 %	1.51	9.1 %	n.a.	n.m.	
Net income	2.30	9.5 %	8.17	-61.8 %	n.a.	n.m.	
EPS	0.52	9.5 %	1.85	-61.8 %	n.a.	n.m.	

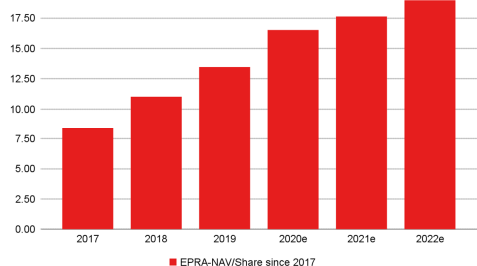


Rel. Performance vs General	
1 month:	1.2 %
6 months:	11.1 %
Year to date:	2.6 %
Trailing 12 months:	1.5 %

Company events:

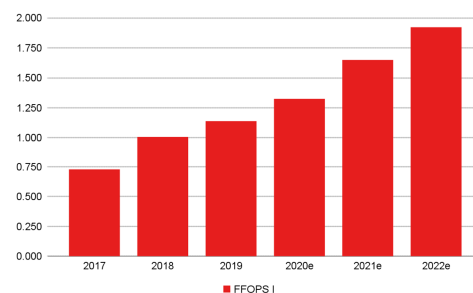
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Rental income		3.44	5.83	9.09	11.21	13.85	16.67	19.13
Change yoy		240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	20.4 %	14.8 %
EBIT		1.67	2.67	3.59	4.50	5.48	6.80	7.73
FFO I		1.59	2.58	3.65	4.62	5.86	7.29	8.50
FFO I-margin		46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.7 %	44.4 %
EBT		1.11	1.77	2.25	2.78	3.38	4.18	4.71
Net income		0.89	1.36	1.68	2.06	2.52	3.12	3.52
EPS		0.25	0.38	0.46	0.51	0.57	0.71	0.80
FFOPS I		0.54	0.73	1.01	1.14	1.32	1.65	1.92
DPS		0.20	0.34	0.40	0.45	0.50	0.55	0.60
Dividend Yield		3.8 %	3.8 %	3.4 %	2.9 %	2.8 %	3.1 %	3.4 %
Book Value / Share		3.00	3.18	4.10	5.50	5.56	5.72	5.92
P / E		20.9 x	23.2 x	25.0 x	30.1 x	31.1 x	25.1 x	22.2 x
Price / Book		1.4 x	2.8 x	2.6 x	2.5 x	3.2 x	3.1 x	3.0 x
P / NAVPS		1.0 x	1.1 x	1.2 x	1.3 x	1.2 x	1.1 x	1.0 x
FFO I-Yield		10.4 %	8.2 %	8.7 %	7.5 %	7.5 %	9.3 %	10.9 %
ROE		10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	12.5 %	13.7 %
LTV		38.9 %	55.7 %	59.9 %	50.7 %	52.1 %	54.9 %	56.5 %
Guidance:		2020e: FFO of least 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

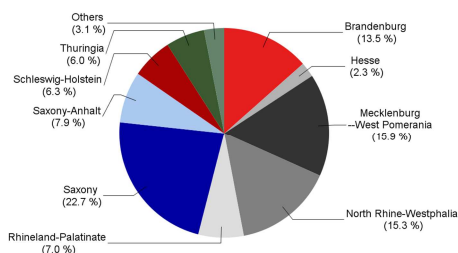
Company Background

- 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.

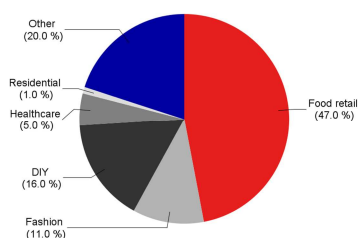
Competitive Quality

- 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							
	2016	2017	2018	2019	2020e	2021e	2022e
P / E	20.9 x	23.2 x	25.0 x	30.1 x	31.1 x	25.1 x	22.2 x
P / NAVPS	1.0 x	1.1 x	1.2 x	1.3 x	1.2 x	1.1 x	1.0 x
Price / Book	1.4 x	2.8 x	2.6 x	2.5 x	3.2 x	3.1 x	3.0 x
P / FFOPS I	9.6 x	12.2 x	11.5 x	13.4 x	13.4 x	10.7 x	9.2 x
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	7.5 %	9.3 %	10.9 %
ROE	10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	12.5 %	13.7 %
Equity Ratio	32 %	21 %	19 %	24 %	19 %	17 %	16 %

Company Specific Items							
	2016	2017	2018	2019	2020e	2021e	2022e
EPRA-NAV/Share since 2017	5.14	8.42	11.02	13.46	16.51	17.63	18.97
Vacancy Rate	2.7 %	2.7 %	4.3 %	4.0 %	4.0 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Total Sales	3.44	5.83	9.09	11.21	13.85	16.67	19.13
Rental income	3.44	5.83	9.09	11.21	13.85	16.67	19.13
Change yoy	240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	20.4 %	14.8 %
Property operating costs	0.60	1.24	2.21	2.63	3.05	3.42	3.83
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	2.84	4.58	6.87	8.57	10.80	13.25	15.31
Income from property sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenues	0.11	0.12	0.08	0.07	0.11	0.13	0.15
Gross profit	2.95	4.70	6.95	8.64	10.91	13.39	15.46
Administration expenses	0.38	0.35	0.70	0.70	0.69	0.83	0.96
Personnel expenses	0.20	0.47	0.72	1.04	1.40	1.58	1.80
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	2.36	3.89	5.53	7.04	8.82	10.97	12.70
Valuation result	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation of fixed assets	0.69	1.22	1.95	2.55	3.34	4.17	4.97
EBITA	1.67	2.67	3.59	4.50	5.48	6.80	7.73
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	1.67	2.67	3.59	4.50	5.48	6.80	7.73
Interest income	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Interest expenses	0.56	0.90	1.34	1.73	2.10	2.62	3.02
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.56	-0.90	-1.34	-1.72	-2.10	-2.62	-3.02
EBT	1.11	1.77	2.25	2.78	3.38	4.18	4.71
<i>Margin</i>	32.2 %	30.4 %	24.8 %	24.8 %	24.4 %	25.1 %	24.6 %
Total taxes	-0.22	-0.41	-0.55	-0.71	-0.71	-0.71	-1.18
thereof cash taxes	-0.22	-0.41	-0.55	-0.71	-0.85	-1.04	-1.18
Net income from continuing operations	0.89	1.36	1.70	2.07	2.53	3.13	3.53
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	0.89	1.36	1.70	2.07	2.53	3.13	3.53
Minority interest	0.00	0.00	0.02	0.01	0.01	0.01	0.01
Net income	0.89	1.36	1.68	2.06	2.52	3.12	3.52
Number of shares, average	2.92	3.55	3.62	4.05	4.42	4.42	4.42
FFO (II)	1.59	2.58	3.65	4.62	5.86	7.29	8.50
<i>FFO I-margin</i>	46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.7 %	44.4 %
FFOPS I	0.54	0.73	1.01	1.14	1.32	1.65	1.92
EPS	0.25	0.38	0.46	0.51	0.57	0.71	0.80
EPS adj.	0.25	0.38	0.43	0.47	0.57	0.71	0.80

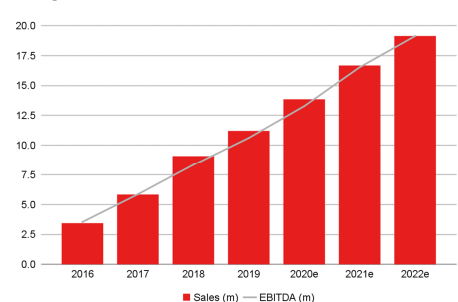
*Adjustments made for:

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

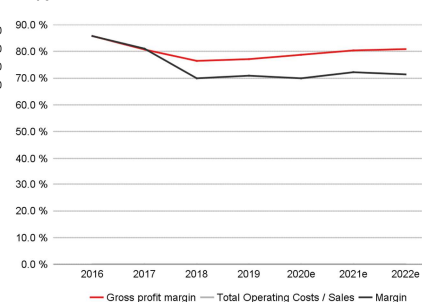
Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Property operating costs / Rental Income	17.3 %	21.4 %	24.4 %	23.5 %	22.0 %	20.5 %	20.0 %
Operating Leverage (Real Estate)	1.3 x	2.3 x	2.5 x	5.4 x	5.4 x	6.1 x	7.9 x
Rental profit / interest expenses	5.1 x	5.1 x	5.1 x	5.0 x	5.1 x	5.1 x	5.1 x

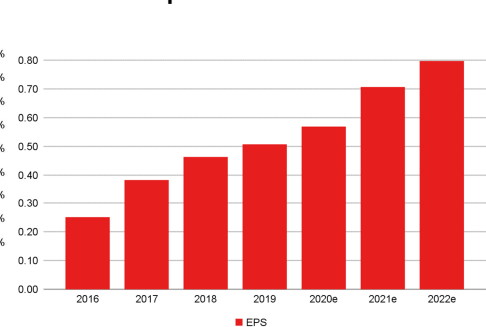
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

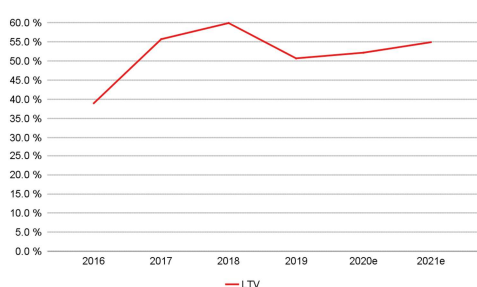
Consolidated balance sheet

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Assets							
Goodwill and other intangible assets	0.01	0.01	0.01	0.03	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	0.01	0.01	0.01	0.03	0.03	0.03	0.03
Property, plant and equipment	0.03	0.03	0.08	0.11	0.11	0.11	0.11
Investment properties	31.41	51.96	81.10	93.14	104.30	120.13	135.16
Financial assets	0.05	0.24	0.26	1.70	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	31.50	52.24	81.44	94.98	106.14	121.98	137.01
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.12	0.22	0.51	0.00	0.44	0.44	0.44
Liquid assets	1.46	2.49	2.80	6.98	22.78	27.61	27.68
Other short-term assets	1.97	0.83	0.59	-2.56	-18.80	-23.63	-23.70
Current assets	1.75	3.17	4.34	9.29	24.14	28.97	29.03
Total Assets	33.25	55.41	85.79	104.28	130.28	150.95	166.04
Liabilities and shareholders' equity							
Subscribed capital	3.55	3.55	3.90	4.42	4.42	4.42	4.42
Capital reserve	6.15	6.15	10.03	17.31	17.31	17.31	17.31
Retained earnings	0.94	1.59	2.06	2.56	2.86	3.55	4.43
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	10.64	11.29	15.99	24.29	24.60	25.29	26.16
Minority interest	0.00	0.10	0.38	0.39	0.39	0.39	0.39
Provisions	0.20	0.36	1.01	0.43	0.43	0.43	0.43
thereof provisions for pensions and similar obligations	0.10	0.18	0.21	0.21	0.21	0.21	0.21
Financial liabilities (total)	20.83	43.07	67.79	76.52	101.92	121.83	135.98
thereof short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.08	0.19	0.30	0.51	0.51	0.51	0.51
Other liabilities	1.51	0.51	0.70	2.54	2.83	2.89	2.97
Liabilities	22.61	44.13	69.79	79.99	105.69	125.66	139.88
Total liabilities and shareholders' equity	33.25	55.41	85.79	104.28	130.28	150.95	166.04

Financial Ratios

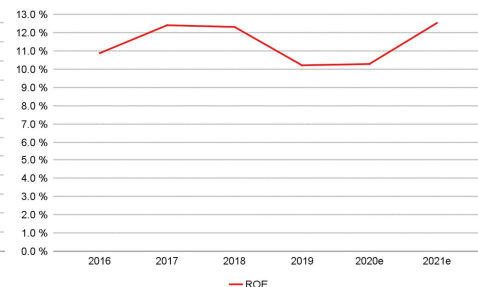
	2016	2017	2018	2019	2020e	2021e	2022e
Return on Capital							
ROA	3.5 %	3.1 %	2.4 %	2.2 %	2.1 %	2.2 %	2.2 %
ROE	10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	12.5 %	13.7 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	19.46	40.76	65.20	69.75	79.35	94.43	108.52
Net Financial Debt	19.37	40.58	64.99	69.54	79.14	94.22	108.30
Net Fin. Debt / EBITDA	8.2 x	10.4 x	11.7 x	9.9 x	9.0 x	8.6 x	8.5 x
LTV	38.9 %	55.7 %	59.9 %	50.7 %	52.1 %	54.9 %	56.5 %
Equity Ratio	32.0 %	20.5 %	19.1 %	23.7 %	19.2 %	17.0 %	16.0 %

LTV



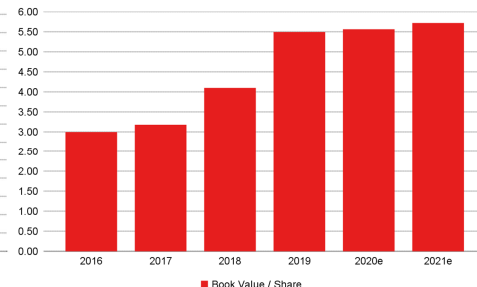
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

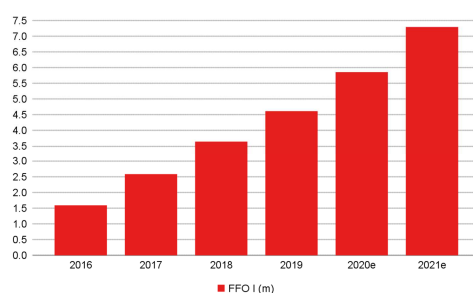
Consolidated cash flow statement

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Net cash provided by operating activities [1]	1.65	2.76	3.42	3.80	5.90	7.35	8.57
Net cash provided by investing activities [2]	-17.92	-21.95	-31.12	-16.09	-9.00	-20.00	-20.00
Net cash provided by financing activities [3]	14.02	20.23	28.01	16.47	18.90	17.48	11.50
Change in liquid funds [1]+[2]+[3]	-2.25	1.03	0.31	4.18	15.80	4.83	0.07
Effects of exchange-rate changes on cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalent at end of period	1.46	2.49	2.80	6.98	22.78	27.61	27.68

Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Cash Flow							
FFO (II)	1.59	2.58	3.65	4.62	5.86	7.29	8.50
FFOPS I	0.54	0.73	1.01	1.14	1.32	1.65	1.92
FFOPS I diluted	0.45	0.73	0.94	1.04	1.32	1.65	1.92
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	7.5 %	9.3 %	10.9 %
FFO I-margin	46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.7 %	44.4 %
Interest Paid / Avg. Debt	3.4 %	2.8 %	2.4 %	2.4 %	2.4 %	2.3 %	2.3 %
Management of Funds							
Capex/Investment Properties	-57.0 %	-42.3 %	-38.4 %	-17.3 %	-8.6 %	-16.6 %	-14.8 %
Avg. Working Capital / Sales	0.9 %	0.7 %	1.4 %	-1.3 %	-2.1 %	-0.4 %	-0.4 %
Dividend Payout Ratio	65.7 %	88.6 %	85.1 %	88.2 %	87.5 %	77.5 %	75.0 %

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	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.
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“-“	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	130	63
Hold	57	28
Sell	11	5
Rating suspended	7	3
Total	205	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	34	85
Hold	4	10
Sell	0	0
Rating suspended	2	5
Total	40	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 04.08.2020

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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