

Buy EUR 22.90 Price EUR 18.50 Upside 23.8 %	Value Indicators: EUR NAV (WRe) 22e: 23.15 FFO-Yield 22e: 22.64	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 81.77 No. of shares (m): 4.42 Freefloat MC: 53.15 Ø Trad. Vol. (30d): 44.44 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Key Figures (WRe): 2020e LTV: 52.1 % Equity Ratio: 19.2 %

Strong FFO growth in first 9M; Additional growth expected in Q4

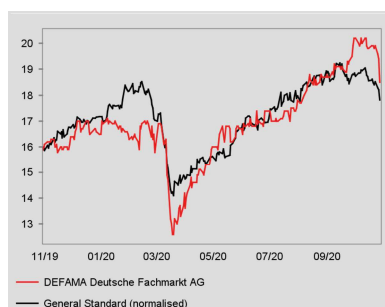
Stated Figures Q3/2020:

in EUR m	9M/20	9M/20e	9M/19	+/- in %
Revenues	10,28	10,17	8,14	26%
EBITDA	6,50	6,44	4,94	32%
EBIT	4,11	4,02	3,11	32%
EBT	2,51	2,46	1,88	33%
Net profit	1,83	1,83	1,42	29%
EPS (€)	0,42	0,42	0,36	17%
FFO	4,22	4,23	3,25	30%
FFO-margin	41%	42%	40%	
FFOPS (€)	0,96	0,96	0,83	16%
LTV (%)	61,3%	60,6%	59,6%	
NAV/share (€)	15,23	15,24	12,90	18%

Comment on Figures:

- DEFAMA released strong Q3 figures which showed revenue growth of 26% to EUR 10.3m and an FFO improvement of 30% to EUR 4.2m.
- Adjusted FFO growth, excluding the effects of the reconstruction of the centre in Radeberg, was even better at 42%.
- The FFO margin of 41% was stable.
- There was confirmation of the **2020 guidance** for FFO of EUR 5.7m (~FFOPS of EUR 1.30) and net profit (German GAAP) of ~ EUR 2.5m.
- Our assumption that DEFAMA is well on track to beat its FFO guidance (WRe: EUR 5.86m) was confirmed, but management is, understandably, adopting a conservative stance as uncertainties related to COVID-19 resurface.

- DEFAMA's volume of deferred rent unpaid by tenants currently sums up to EUR 170k. Of this, EUR 130k are related to well-known non-food franchise companies which are expected to pay the deferred amount. None of DEFAMA's tenants are insolvent and two-thirds of rents are from food-retail tenants or DIY. For this reason, we are convinced that the impact of the second wave of COVID-19 should be manageable. The robust tenant quality overall, even in an adverse environment, could surprisingly lead to lower write-downs in 2020 than in 2019 (EUR 120-150k).
- The second part of the dividend of EUR 0.25 per share will be paid after the AGM on October 30.
- We reiterate our Buy recommendation as DEFAMA's revenue stream seems to be very robust. As the acquisition pipeline seems to be well filled, DEFAMA should be able to improve its annualised FFO to its mentioned target of EUR 7m at the end of 2020. The valuation is attractive at a current FFO yield of more than 8%.



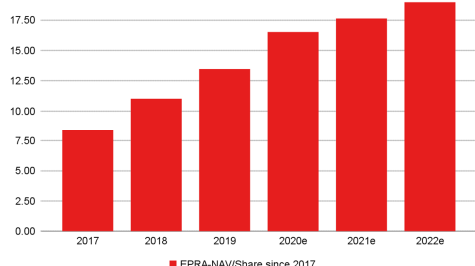
Rel. Performance vs General

1 month:	-1.7 %
6 months:	2.3 %
Year to date:	8.4 %
Trailing 12 months:	5.5 %

Company events:

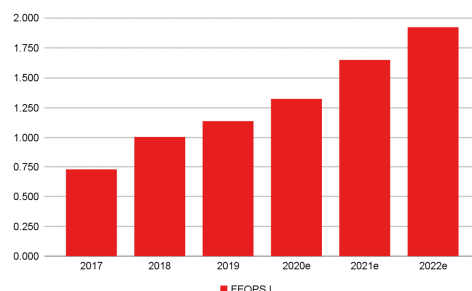
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Rental income		3.44	5.83	9.09	11.21	13.85	16.67	19.13
Change yoy		240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	20.4 %	14.8 %
EBIT		1.67	2.67	3.59	4.50	5.48	6.80	7.73
FFO I		1.59	2.58	3.65	4.62	5.86	7.29	8.50
FFO I-margin		46.2 %	44.3 %	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 %	2.7 %	3.0 %	3.2 %
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	32.5 x	26.2 x	23.2 x
Price / Book		1.4 x	2.8 x	2.6 x	2.5 x	3.3 x	3.2 x	3.1 x
P / NAVPS		1.0 x	1.1 x	1.2 x	1.3 x	1.2 x	1.2 x	1.1 x
FFO I-Yield		10.4 %	8.2 %	8.7 %	7.5 %	7.2 %	8.9 %	10.4 %
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

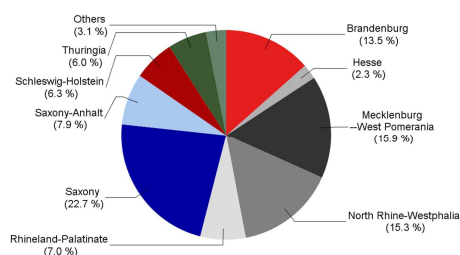
Company Background

- 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.

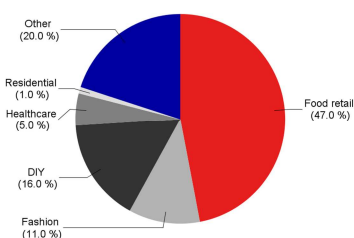
Competitive Quality

- 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	32.5 x	26.2 x	23.2 x
P / NAVPS	1.0 x	1.1 x	1.2 x	1.3 x	1.2 x	1.2 x	1.1 x
Price / Book	1.4 x	2.8 x	2.6 x	2.5 x	3.3 x	3.2 x	3.1 x
P / FFOPS I	9.6 x	12.2 x	11.5 x	13.4 x	14.0 x	11.2 x	9.6 x
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	7.2 %	8.9 %	10.4 %
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
Margin	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
FFO I-margin	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:

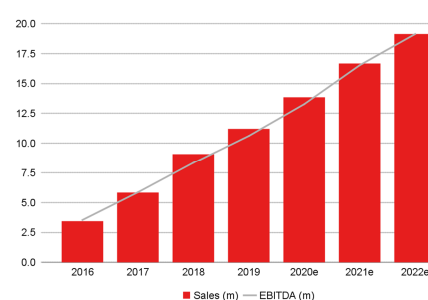
Guidance: 2020e: FFO of least EUR ~5.7m, Net profit (HGB) of EUR 2.5m

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

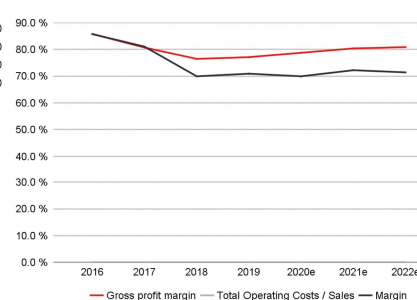
Sales, EBITDA

in EUR m



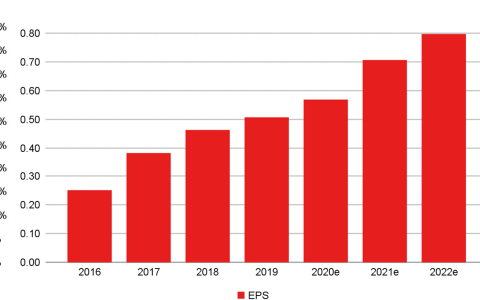
Operating Performance

in %



Performance per Share

in EUR



Source: Warburg Research

Source:

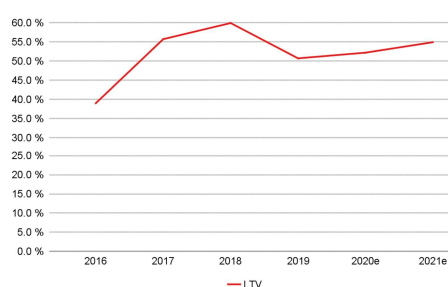
Source: Warburg Research

Consolidated balance sheet

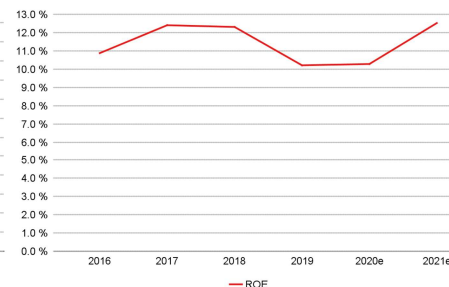
In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Assets							
Goodwill and other intangible assets	0.01	0.01	0.01	0.03	0.03	0.03	0.03
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.01	0.01	0.01	0.03	0.03	0.03	0.03
Property, plant and equipment	0.03	0.03	0.08	0.11	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

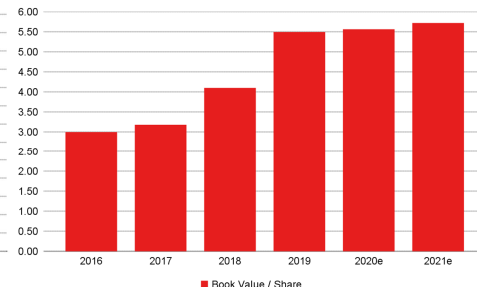
	2016	2017	2018	2019	2020e	2021e	2022e
Return on Capital							
ROA	3.5 %	3.1 %	2.4 %	2.2 %	2.1 %	2.2 %	2.2 %
ROE	10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	12.5 %	13.7 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	19.46	40.76	65.20	69.75	79.35	94.43	108.52
Net Financial 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

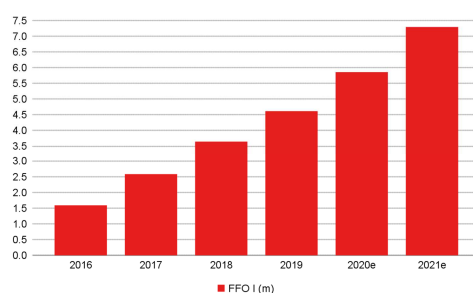
Consolidated cash flow statement

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 %	7.2 %	8.9 %	10.4 %
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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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.

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	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	134	66
Hold	55	27
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	36	84
Hold	5	12
Sell	0	0
Rating suspended	2	5
Total	43	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 29.10.2020

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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