

<div>Buy</div> <div>EUR 22.90</div>	<div>Value Indicators:</div> <div>EUR</div>		<div>Warburg ESG Risk Score:</div> <div>2.3</div>		<div>Description:</div> <div>Commercial real estate company focused on retail parks in Northern and Eastern Germany</div>
	NAV (WRe) 22e:	24.28	<div>ESG Score (MSCI based):</div> <div>3.0</div>		
	FFO-Yield 22e:	23.75	<div>Balance Sheet Score:</div> <div>3.8</div>		
			<div>Market Liquidity Score:</div> <div>0.0</div>		
<div>Price</div> <div>EUR 19.40</div> <div>Upside</div> <div>18.0 %</div>	<div>Market Snapshot:</div> <div>EUR m</div>		<div>Shareholders:</div>		<div>Key Figures (WRe):</div> <div>2020e</div>
	Market cap:	85.75	<div>Freefloat</div> <div>65.0 %</div>		
	No. of shares (m):	4.42	<div>MSC Invest GmbH</div> <div>29.0 %</div>		
	Freefloat MC:	55.74	<div>Geminus GmbH</div> <div>4.0 %</div>		
	Ø Trad. Vol. (30d):	32.63 th	<div>Supervisory board</div> <div>2.0 %</div>		
					<div>LTV:</div> <div>61.7 %</div>
					<div>Equity Ratio:</div> <div>19.2 %</div>

FY20 guidance should be achieved; Strong growth to continue in 2021

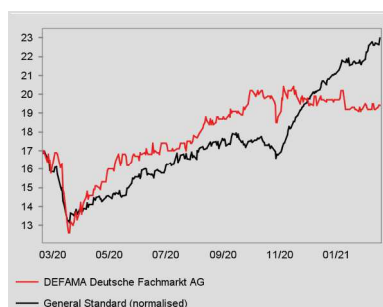
Expected Figures Q4/2020:

	2020e	2019	+/- in %
Revenues	13,85	11,21	24%
EBITDA	8,82	7,04	25%
EBIT	5,48	4,50	22%
EBT	3,38	2,78	22%
Net profit	2,52	2,07	22%
EPS (€)	0,57	0,51	12%
FFO	5,86	4,62	27%
FFO-margin	42%	41%	
FFOPS (€)	1,32	1,14	16%
LTV (%)	61,5%	58,2%	6%
NAV/share (€)	16,51	13,46	23%
DPS	0,50	0,45	11%

Comment on Figures:

- DEFAMA will release its preliminary figures on February 25.
- The FY guidance should be achieved with an estimated FFO of EUR 5.86m and net profit (German GAAP) of EUR 2.52m.
- Management already gave guidance for 2021 in December last year. It is expecting FFO of EUR 7.1m (WRe: 7.29m) and net profit growth of ~24% to EUR 3.1m (WRe: 3.12m). Both targets are conservative, in our view, as annualised FFO is already more than EUR 7m.

- The impact of Covid-19 on DEFAMA's operating performance was relatively small and not really visible in 2020. The collection rate of 80% at the beginning of the first lockdown improved steadily to 99% in November. The rent outstanding was relatively small (WRe: ~EUR 100k) after continuous reduction over the course of the year 2020. In 2021, the lockdown should lead to deferred rent volume of EUR 120-160k (~1% of revenues) in our view which should decline after re-opening. As a consequence, DEFAMA's targets for 2021 are not at risk despite the extension of the lockdown at the beginning of this year.
- DEFAMA's focus on several smaller redevelopments within its portfolio should pay off in additional net rental growth. Company will invest e.g. ~EUR 2.2m in its properties in Hamm, Löwenberg and Lübbenau. Including the latest small acquisition near Magdeburg, DEFAMA's rental income will grow by approx. EUR 250k, which is attractive in light of the the total investment of EUR 3.3m.



Rel. Performance vs General

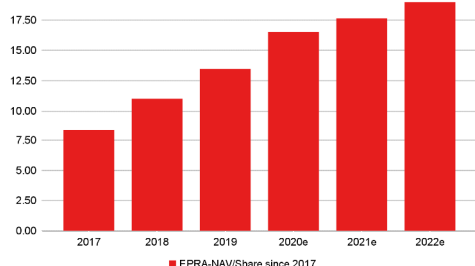
1 month:	-6.0 %
6 months:	-28.0 %
Year to date:	-10.6 %
Trailing 12 months:	-22.0 %

Company events:

25.02.21 Prel. FY 2020

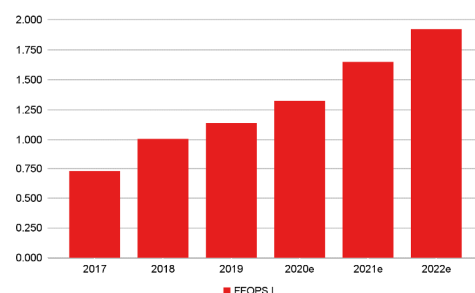
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Rental income		3.44	5.83	9.09	11.21	13.85	16.67	19.13
Change yoy		240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	20.4 %	14.8 %
EBIT		1.67	2.67	3.59	4.50	5.48	6.80	7.73
FFO I		1.59	2.58	3.65	4.62	5.86	7.29	8.50
FFO I-margin		46.2 %	44.3 %	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 %	2.6 %	2.8 %	3.1 %
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	34.1 x	27.5 x	24.3 x
Price / Book		1.4 x	2.8 x	2.6 x	2.5 x	3.5 x	3.4 x	3.3 x
P / NAVPS		1.0 x	1.1 x	1.2 x	1.3 x	1.3 x	1.2 x	1.1 x
FFO I-Yield		10.4 %	8.2 %	8.7 %	7.5 %	6.8 %	8.5 %	9.9 %
ROE		10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	12.5 %	13.7 %
LTV		56.0 %	61.1 %	62.0 %	58.2 %	61.7 %	62.4 %	64.0 %
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

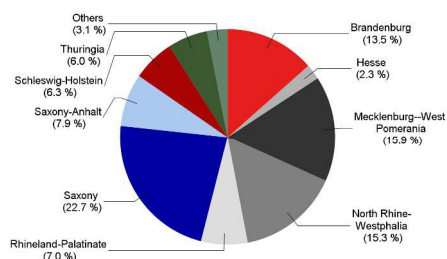
- Founded in 2014 and headquartered in Berlin, DEFAMA focuses on the acquisition, ownership and management of retail parks in German small and medium-sized cities, predominantly in Northern and Eastern Germany.
- The investment strategy is to "buy and hold" assets with high occupancy and minor capex 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").

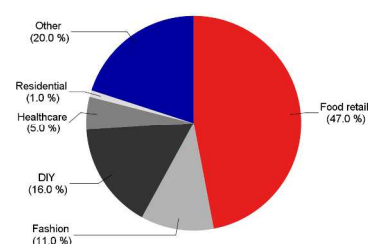
Geographical breakdown of rental income

% of total rental income



Rental income by sector

% of rental income



Source: Warburg Research

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	34.1 x	27.5 x	24.3 x
P / NAVPS	1.0 x	1.1 x	1.2 x	1.3 x	1.3 x	1.2 x	1.1 x
Price / Book	1.4 x	2.8 x	2.6 x	2.5 x	3.5 x	3.4 x	3.3 x
P / FFOPS I	9.6 x	12.2 x	11.5 x	13.4 x	14.6 x	11.8 x	10.1 x
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	6.8 %	8.5 %	9.9 %
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
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:

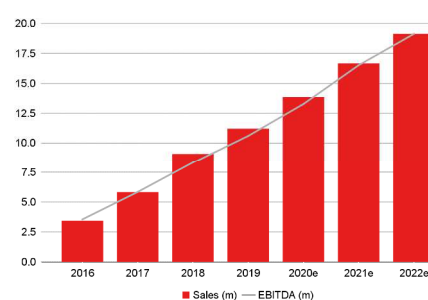
Guidance: 2020e: FFO of least EUR ~5.7m, Net profit (HGB) of EUR 2.5m

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

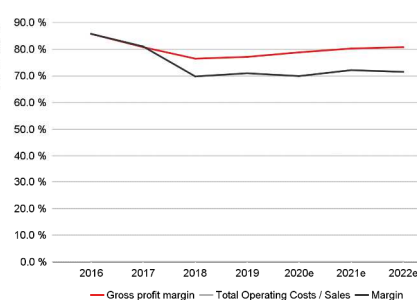
Sales, EBITDA

in EUR m



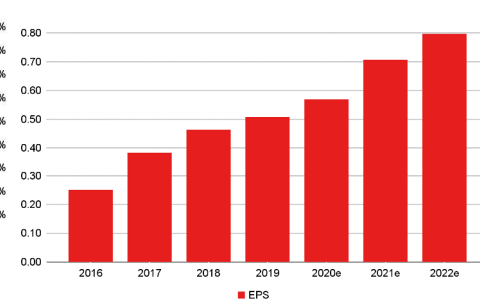
Operating Performance

in %



Performance per Share

in EUR



Source: Warburg Research

Source:

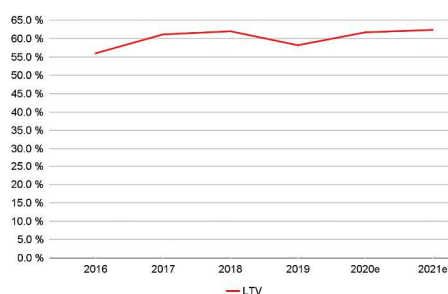
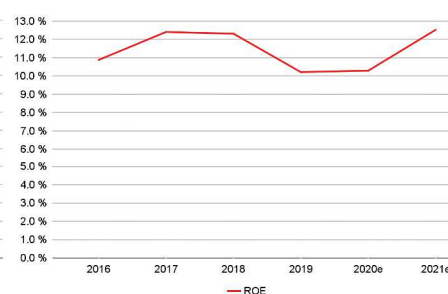
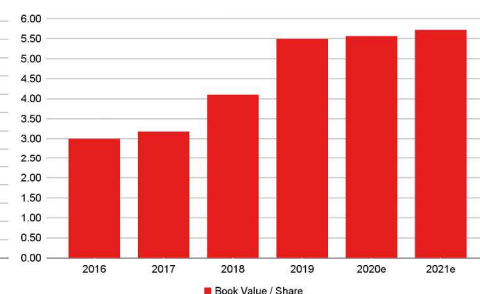
Source: Warburg Research

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	56.0 %	61.1 %	62.0 %	58.2 %	61.7 %	62.4 %	64.0 %
Equity Ratio	32.0 %	20.5 %	19.1 %	23.7 %	19.2 %	17.0 %	16.0 %

LTV**ROE**
in %**Book Value per Share**
in EUR

Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

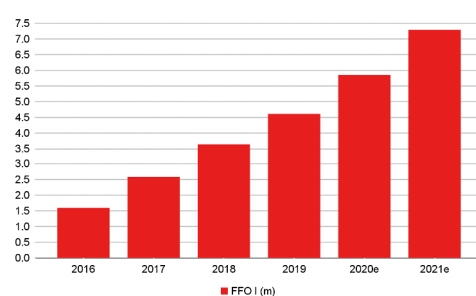
Consolidated cash flow statement

In EUR m	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 %	6.8 %	8.5 %	9.9 %
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	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A13SUL5.htm

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-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	63
Hold	62	30
Sell	8	4
Rating suspended	6	3
Total	207	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	38	79
Hold	7	15
Sell	0	0
Rating suspended	3	6
Total	48	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 18.02.2021

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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