

<b>Buy</b> <b>EUR 24.00</b> (EUR 22.90)	<b>Value Indicators:</b> EUR NAV (WRe) 22e: 24.76 FFO-Yield 22e: 23.29	<b>Warburg ESG Risk Score:</b> <b>2.3</b> ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	<b>Description:</b> Commercial real estate company focused on retail parks in Northern and Eastern Germany
	<b>Market Snapshot:</b> EUR m Market cap: 84.86 No. of shares (m): 4.42 Freefloat MC: 55.16 Ø Trad. Vol. (30d): 43.03 th	<b>Shareholders:</b> Freefloat: 65.0 % MSC Invest GmbH: 29.0 % Geminus GmbH: 4.0 % Supervisory board: 2.0 %	<b>Key Figures (WRe):</b> 2020e LTV: 61.6 % Equity Ratio: 19.2 %
Price: EUR 19.20 Upside: <b>25.0 %</b>			

## FY20 guidance fulfilled; Further growth expected in 2021

in EUR m	2020	2020e	2019	+/- in %
Revenues	14,80	13,85	11,21	32%
Net profit	2,50	2,52	2,07	21%
EPS (€)	0,57	0,57	0,51	12%
FFO	5,80	5,86	4,62	26%
FFOPS (€)	1,32	1,32	1,14	16%
DPS	0,48	0,50	0,45	7%

Stated Figures Q4/2020:

Comment on Figures:

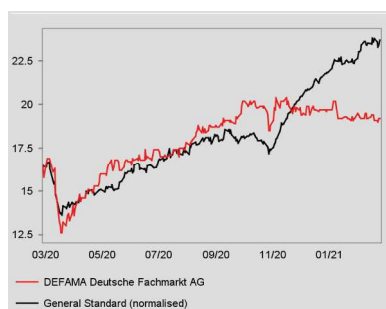
- DEFAMA released preliminary figures which showed strong growth rates and, apart from revenue, were in line with our estimates. The higher revenue figure is likely to be attributable to higher ancillary costs (WRe ~EUR +0.5m) and other revenues (WRe +0.15m) but also higher rental income (WRe~0.3m).
- Confirmation of 2021 guidance for FFO of EUR 7.1m and net profit of EUR 3.1m, which is in line with our previous estimates (EUR 7.29m and EUR 3.12m respectively). The disposal in Bleicherode will contribute additional net profit of EUR 2.1m, in our view.

- One day before releasing its preliminary figures, DEFAMA announced the sale of its retail park in Bleicherode for an attractive price of EUR 5.16m which is a multiple of 14.7 on existing net rent of 350k. Tenants are REWE, Ernsting's Family, a bakery and some other smaller retail shops. As a consequence, DEFAMA will show a positive one-off P&L effect of EUR 2.6m before taxes. After repaying the existing debt on this property, DEFAMA will receive cash proceeds of EUR 3m after taxes and prepayment fees which the company can use for new acquisitions. The disposal value is 22% above the existing recent fair value and is double the acquisition price. This transaction is a good example of the hidden value of DEFAMA's properties. Nevertheless, DEFAMA's buy-and-hold strategy remains unchanged after this successful disposal.
- The proceeds can be used for the further expansion of the portfolio. Existing annualised net rental income and FFO now stand at EUR 14m and EUR 6.9m respectively after this very attractive deal. Assuming the same multiple for the whole portfolio we calculate a fair value of above EUR 32 per share on an NAV basis.
- We confirm our Buy recommendation and increase our price target to EUR 24 which is based on our 2022 estimates.

Changes in Estimates:	2020e	+ / -	2021e	+ / -	2022e	+ / -
FY End: 31.12. in EUR m	(old)		(old)		(old)	
Rental income	13.85	0.0 %	16.67	-1.1 %	19.13	-1.7 %
FFO I	5.86	0.0 %	7.29	-1.5 %	8.50	-2.1 %
FFOPS I	1.32	0.0 %	1.65	-1.5 %	1.92	-2.1 %
Net income	2.52	0.0 %	3.12	69.7 %	3.52	-2.8 %
EPS	0.57	0.0 %	0.71	69.7 %	0.80	-2.8 %

Comment on Changes:

- Update of figures for 2021 and 2022 due to the disposal of Bleicherode which will lead to a significant positive one-off effect in 2021. We have not included any additional acquisitions which would be possible with the proceeds of EUR 3m (net).

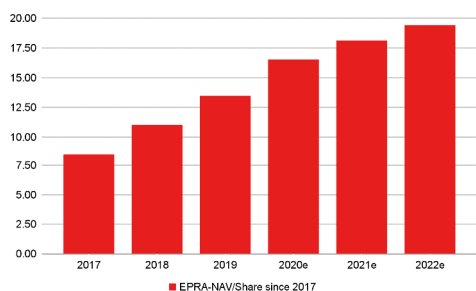


Rel. Performance vs General	
1 month:	-5.4 %
6 months:	-28.7 %
Year to date:	-11.0 %
Trailing 12 months:	-22.4 %

**Company events:**

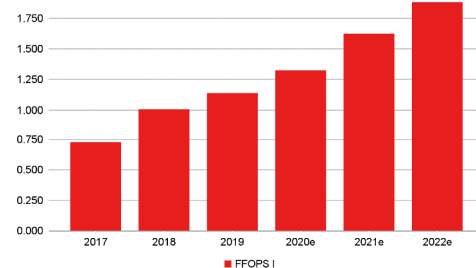
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Rental income		3.44	5.83	9.09	11.21	13.85	16.49	18.81
Change yoy		240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	19.1 %	14.0 %
EBIT		1.67	2.67	3.59	4.50	5.48	9.39	7.60
FFO I		1.59	2.58	3.65	4.62	5.86	7.18	8.31
FFO I-margin		46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.5 %	44.2 %
EBT		1.11	1.77	2.25	2.78	3.38	6.77	4.58
Net income		0.89	1.36	1.68	2.06	2.52	5.30	3.42
EPS		0.25	0.38	0.46	0.51	0.57	1.20	0.77
FFOPS I		0.54	0.73	1.01	1.14	1.32	1.62	1.88
DPS		0.20	0.34	0.40	0.45	0.48	0.55	0.60
Dividend Yield		3.8 %	3.8 %	3.4 %	2.9 %	2.5 %	2.9 %	3.1 %
Book Value / Share		3.00	3.18	4.10	5.50	5.58	6.23	6.41
P / E		20.9 x	23.2 x	25.0 x	30.1 x	33.7 x	16.0 x	24.8 x
Price / Book		1.4 x	2.8 x	2.6 x	2.5 x	3.4 x	3.1 x	3.0 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 %	6.9 %	8.5 %	9.8 %
ROE		10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	20.3 %	12.3 %
LTV		56.0 %	61.1 %	62.0 %	58.2 %	61.6 %	61.1 %	63.0 %
Guidance:		2021e: FFO of least EUR ~7m, Net profit (HGB) of EUR 3.1m						

**EPRA-NAV per share development**  
in EUR



Source: Warburg Research

**FFO per share development**  
in EUR



Source: Warburg Research

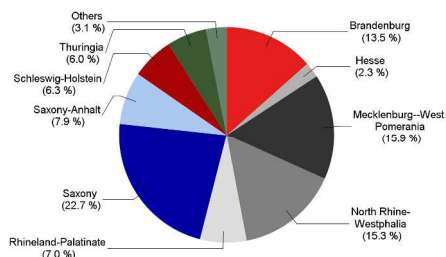
**Company Background**

- 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**

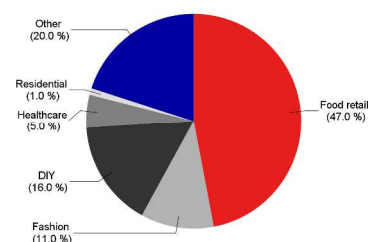
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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



Source: Warburg Research

**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	33.7 x	16.0 x	24.8 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	3.4 x	3.1 x	3.0 x
P / FFOPS I	9.6 x	12.2 x	11.5 x	13.4 x	14.5 x	11.8 x	10.2 x
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	6.9 %	8.5 %	9.8 %
ROE	10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	20.3 %	12.3 %
Equity Ratio	32 %	21 %	19 %	24 %	19 %	18 %	17 %

Company Specific Items							
	2016	2017	2018	2019	2020e	2021e	2022e
EPRA-NAV/Share since 2017	5.14	8.42	11.02	13.46	16.53	18.13	19.43
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
<b>Total Sales</b>	<b>3.44</b>	<b>5.83</b>	<b>9.09</b>	<b>11.21</b>	<b>13.85</b>	<b>16.49</b>	<b>18.81</b>
<b>Rental income</b>	<b>3.44</b>	<b>5.83</b>	<b>9.09</b>	<b>11.21</b>	<b>13.85</b>	<b>16.49</b>	<b>18.81</b>
Change yoy	240.6 %	69.5 %	55.9 %	23.3 %	23.5 %	19.1 %	14.0 %
Property operating costs	0.60	1.24	2.21	2.63	3.05	3.32	3.76
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	13.17	15.05
<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>2.60</b>	<b>0.00</b>
<b>Other revenues</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>0.15</b>
<b>Gross profit</b>	<b>2.95</b>	<b>4.70</b>	<b>6.95</b>	<b>8.64</b>	<b>10.91</b>	<b>15.90</b>	<b>15.20</b>
Administration expenses	0.38	0.35	0.70	0.70	0.69	0.82	0.94
Personnel expenses	0.20	0.47	0.72	1.04	1.40	1.57	1.77
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>2.36</b>	<b>3.89</b>	<b>5.53</b>	<b>7.04</b>	<b>8.82</b>	<b>13.51</b>	<b>12.49</b>
Valuation result	0.00	0.00	0.00	0.00	0.00	2.60	0.00
Depreciation of fixed assets	0.69	1.22	1.95	2.55	3.34	4.12	4.89
<b>EBITA</b>	<b>1.67</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.48</b>	<b>9.39</b>	<b>7.60</b>
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>1.67</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.48</b>	<b>9.39</b>	<b>7.60</b>
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
<b>Financial result</b>	<b>-0.56</b>	<b>-0.90</b>	<b>-1.34</b>	<b>-1.72</b>	<b>-2.10</b>	<b>-2.62</b>	<b>-3.02</b>
<b>EBT</b>	<b>1.11</b>	<b>1.77</b>	<b>2.25</b>	<b>2.78</b>	<b>3.38</b>	<b>6.77</b>	<b>4.58</b>
<i>Margin</i>	32.2 %	30.4 %	24.8 %	24.8 %	24.4 %	41.0 %	24.4 %
Total taxes	-0.22	-0.41	-0.55	-0.71	-0.71	-0.71	-1.15
thereof cash taxes	-0.22	-0.41	-0.55	-0.71	-0.85	-1.46	-1.15
<b>Net income from continuing operations</b>	<b>0.89</b>	<b>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.53</b>	<b>5.31</b>	<b>3.44</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>0.89</b>	<b>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.53</b>	<b>5.31</b>	<b>3.44</b>
Minority interest	0.00	0.00	0.02	0.01	0.01	0.01	0.01
<b>Net income</b>	<b>0.89</b>	<b>1.36</b>	<b>1.68</b>	<b>2.06</b>	<b>2.52</b>	<b>5.30</b>	<b>3.42</b>
Number of shares, average	2.92	3.55	3.62	4.05	4.42	4.42	4.42
<b>FFO (II)</b>	<b>1.59</b>	<b>2.58</b>	<b>3.65</b>	<b>4.62</b>	<b>5.86</b>	<b>7.18</b>	<b>8.31</b>
<i>FFO I-margin</i>	46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.5 %	44.2 %
<b>FFOPS I</b>	<b>0.54</b>	<b>0.73</b>	<b>1.01</b>	<b>1.14</b>	<b>1.32</b>	<b>1.62</b>	<b>1.88</b>
<b>EPS</b>	<b>0.25</b>	<b>0.38</b>	<b>0.46</b>	<b>0.51</b>	<b>0.57</b>	<b>1.20</b>	<b>0.77</b>
EPS adj.	0.25	0.38	0.43	0.47	0.57	1.20	0.77

\*Adjustments made for:

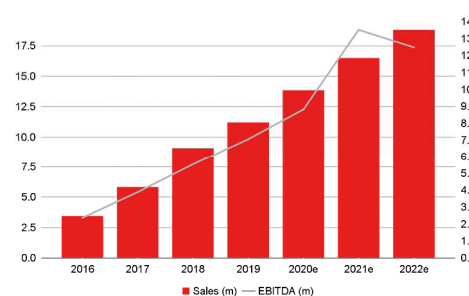
**Guidance: 2021e: FFO of least EUR ~7m, Net profit (HGB) of EUR 3.1m**

**Financial Ratios**

	2016	2017	2018	2019	2020e	2021e	2022e
Property operating costs / Rental Income	17.3 %	21.4 %	24.4 %	23.5 %	22.0 %	20.1 %	20.0 %
Operating Leverage (Real Estate)	1.3 x	2.3 x	2.5 x	5.4 x	5.4 x	6.4 x	8.3 x
Rental profit / interest expenses	5.1 x	5.1 x	5.1 x	5.0 x	5.1 x	5.0 x	5.0 x

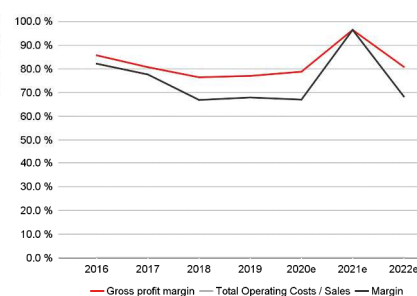
**Sales, EBITDA**

in EUR m



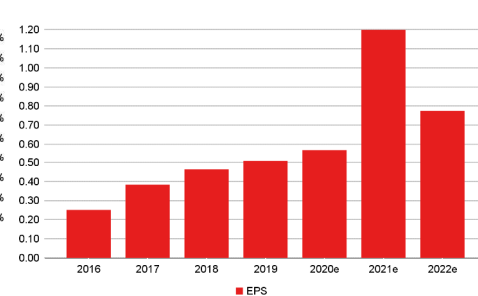
**Operating Performance**

in %



**Performance per Share**

in EUR



Source: Warburg Research

Source:

Source: Warburg Research

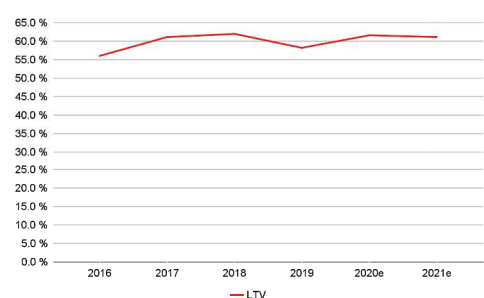
### Consolidated balance sheet

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
<b>Assets</b>							
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	120.18	135.29
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
<b>Fixed assets</b>	<b>31.50</b>	<b>52.24</b>	<b>81.44</b>	<b>94.98</b>	<b>106.14</b>	<b>122.02</b>	<b>137.13</b>
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	29.83	29.72
Other short-term assets	1.97	0.83	0.59	-2.56	-18.80	-25.85	-25.73
<b>Current assets</b>	<b>1.75</b>	<b>3.17</b>	<b>4.34</b>	<b>9.29</b>	<b>24.14</b>	<b>31.19</b>	<b>31.07</b>
<b>Total Assets</b>	<b>33.25</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>130.28</b>	<b>153.21</b>	<b>168.21</b>
<b>Liabilities and shareholders' equity</b>							
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	2.95	5.82	6.59
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Shareholders' equity</b>	<b>10.64</b>	<b>11.29</b>	<b>15.99</b>	<b>24.29</b>	<b>24.68</b>	<b>27.55</b>	<b>28.32</b>
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	101.83	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
<b>Liabilities</b>	<b>22.61</b>	<b>44.13</b>	<b>69.79</b>	<b>79.99</b>	<b>105.60</b>	<b>125.66</b>	<b>139.88</b>
<b>Total liabilities and shareholders' equity</b>	<b>33.25</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>130.28</b>	<b>153.21</b>	<b>168.21</b>

### Financial Ratios

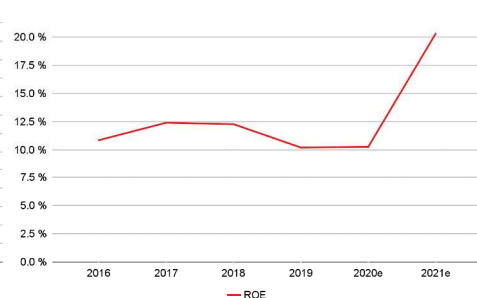
	2016	2017	2018	2019	2020e	2021e	2022e
<b>Return on Capital</b>							
ROA	3.5 %	3.1 %	2.4 %	2.2 %	2.1 %	3.7 %	2.1 %
ROE	10.9 %	12.4 %	12.3 %	10.2 %	10.3 %	20.3 %	12.3 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
<b>Solvency</b>							
Net Debt	19.46	40.76	65.20	69.75	79.26	92.21	106.48
Net Financial Debt	19.37	40.58	64.99	69.54	79.05	92.00	106.26
Net Fin. Debt / EBITDA	8.2 x	10.4 x	11.7 x	9.9 x	9.0 x	6.8 x	8.5 x
LTV	56.0 %	61.1 %	62.0 %	58.2 %	61.6 %	61.1 %	63.0 %
Equity Ratio	32.0 %	20.5 %	19.1 %	23.7 %	19.2 %	18.2 %	17.1 %

#### LTV



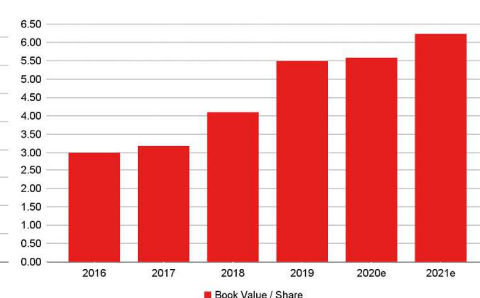
Source: Warburg Research

#### ROE



Source: Warburg Research

#### Book Value per Share



Source: Warburg Research

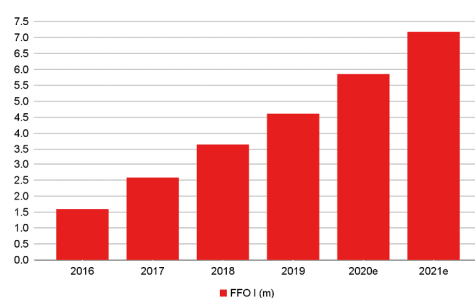
### Consolidated cash flow statement

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
<b>Net cash provided by operating activities [1]</b>	<b>1.65</b>	<b>2.76</b>	<b>3.42</b>	<b>3.80</b>	<b>5.90</b>	<b>9.48</b>	<b>8.39</b>
<b>Net cash provided by investing activities [2]</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>-20.00</b>
<b>Net cash provided by financing activities [3]</b>	<b>14.02</b>	<b>20.23</b>	<b>28.01</b>	<b>16.47</b>	<b>18.90</b>	<b>17.57</b>	<b>11.50</b>
Change in liquid funds [1]+[2]+[3]	-2.25	1.03	0.31	4.18	15.80	7.05	-0.12
Effects of exchange-rate changes on cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and cash equivalent at end of period</b>	<b>1.46</b>	<b>2.49</b>	<b>2.80</b>	<b>6.98</b>	<b>22.78</b>	<b>29.83</b>	<b>29.72</b>

### Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
<b>Cash Flow</b>							
FFO (II)	1.59	2.58	3.65	4.62	5.86	7.18	8.31
FFOPS I	0.54	0.73	1.01	1.14	1.32	1.62	1.88
FFOPS I diluted	0.45	0.73	0.94	1.04	1.32	1.62	1.88
FFO I-Yield	10.4 %	8.2 %	8.7 %	7.5 %	6.9 %	8.5 %	9.8 %
FFO I-margin	46.2 %	44.3 %	40.1 %	41.2 %	42.3 %	43.5 %	44.2 %
Interest Paid / Avg. Debt	3.4 %	2.8 %	2.4 %	2.4 %	2.4 %	2.3 %	2.3 %
<b>Management of Funds</b>							
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 %	84.0 %	45.8 %	77.2 %

### FFO



Source: Warburg Research

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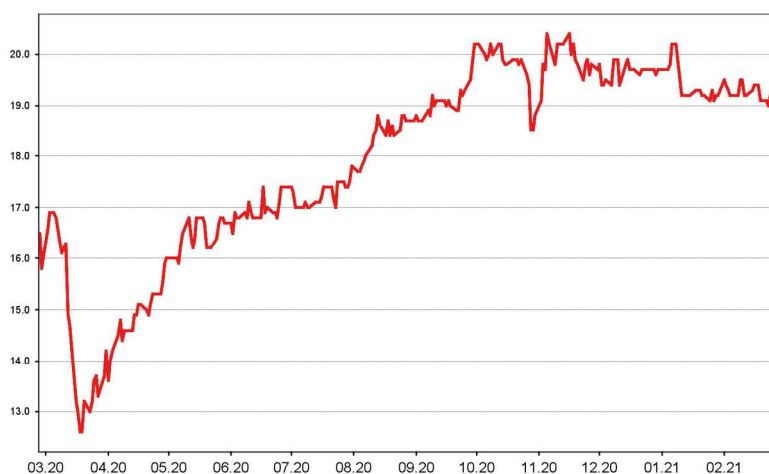
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Rating	Number of stocks	% of Universe
Buy	131	63
Hold	63	30
Sell	7	3
Rating suspended	6	3
<b>Total</b>	<b>207</b>	<b>100</b>

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Rating	Number of stocks	% of Universe
Buy	38	79
Hold	7	15
Sell	0	0
Rating suspended	3	6
<b>Total</b>	<b>48</b>	<b>100</b>

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