

Buy EUR 24.60 (EUR 24.00) Price EUR 21.60 Upside 13.9 %	Value Indicators: EUR NAV (WRe) 23e: 24.25 FFO-Yield 23e: 24.80	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: 95.47 No. of shares (m): 4.42 Freefloat MC: 62.06 Ø Trad. Vol. (30d): 26.57 th	Shareholders: Freefloat: 65.0 % MSC Invest GmbH: 29.0 % Geminus GmbH: 4.0 % Supervisory board: 2.0 %	Key Figures (WRe): 2020e LTV: 60.2 % Equity Ratio: 18.4 %

Growth well on track after a good start to 2021 and a new acquisition

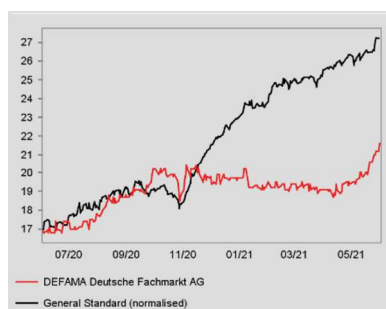
Stated Figures Q1/2021:				
in EUR m	Q1/21	Q1/21e	Q1/20	+/- in %
Revenues	4.05	4.32	3.13	30%
EBITDA	2.56	2.47	1.98	29%
EBIT	1.57	1.48	1.27	24%
EBT	0.95	0.94	0.78	21%
Net profit	0.70	0.71	0.59	18%
EPS (€)	0.16	0.16	0.13	19%
FFO	1.69	1.67	1.31	29%
FFO-margin	42%	39%	42%	
FFOPS (€)	0.38	0.38	0.30	29%
LTV (%)	60.2%	60.5%	60.5%	
NAV/share (€)	17.09	17.02	14.78	16%

Comment on Figures:

- Sound growth rates as shown in DEFAMA's recently published Q1 support our positive view of the growth prospects in 2021 and beyond.
- Impressive EBITDA and EBT growth rates of 29% and 21% respectively reflect strong portfolio growth in 2020 and already include a minor burden from the pandemic (WRe: EUR 100k). The collection ratio stood at a solid 92%, showing the resilience of DEFAMA's business model.
- Financial ratios remain solid with an LTV of 59% and eligible liquidity (incl. credit lines) of EUR ~8m. NAV improved 16% in the last 12 months to EUR 17.09.
- Management confirmed its guidance for 2021 with an FFO of EUR 7.3m and a net profit of EUR 3.1m excl. the successful and attractive disposal of the retail park in Bleicherode for a multiple of 14.7. We estimate an adjusted net profit of EUR 3.05m.

- In 2021 so far, DEFAMA has acquired two properties with an investment volume of EUR 12m. The purchase price of the recent acquisition in Barsinghausen (near Hannover) was EUR 3.6m for an annual net rent contribution of ~EUR 340k. The paid multiple of 10.6 is in line with DEFAMA's target multiples of around ~10. Core tenants are Netto and Dänisches Bettenlager and several smaller tenants retailing goods and services for daily needs. DEFAMA's annualised rent improved to EUR 15.3m and annualised FFO stands at EUR 7.5m (~FFOPS EUR 1.70). Therefore, DEFAMA is well on track to achieve its FY target for annualised FFO of EUR 8m at the end of 2021. The acquisition volume should again be at the upper end of DEFAMA's annual target range (EUR 15-20m) despite a selective investment approach.
- We increase our price target to EUR 24.60 which is now based on 2023 estimates. FFO yield on annualised FFO of nearly 8% remains attractive.

Changes in Estimates:			Comment on Changes:		
FY End: 31.12. in EUR m	2021e (old)	+ / -	2022e (old)	+ / -	
FFO I	7.39	-2.1 %	8.56	-2.0 %	Decrease in top-line estimates due to expectation of lower ancillary costs paid by tenants as the ratio of rental income to total revenues should increase slightly.
FFOPS I	1.67	-2.1 %	1.94	-2.0 %	The modest reduction in our FFO estimate is driven by the disposal of Bleicherode (annual FFO-impact of EUR ~160k).
Net income	5.51	-6.4 %	3.67	-3.0 %	Net income adjustment is affected by higher estimated taxes.
EPS	1.25	-6.4 %	0.83	-3.0 %	

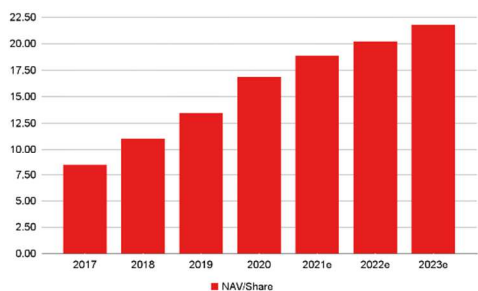


Rel. Performance vs General	
1 month:	8.1 %
6 months:	-14.9 %
Year to date:	-8.8 %
Trailing 12 months:	-27.7 %

Company events:

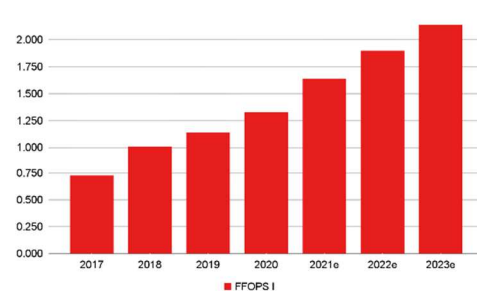
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Rental income		5.10	7.61	9.53	12.19	14.93	16.89	18.95
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.2 %	12.2 %
EBIT		2.67	3.59	4.50	5.62	9.21	7.60	8.53
FFO I		2.58	3.65	4.62	5.87	7.23	8.38	9.45
FFO I-margin		50.6 %	47.9 %	48.4 %	48.2 %	48.5 %	49.6 %	49.9 %
EBT		1.77	2.25	2.78	3.49	6.67	4.79	5.42
Net income		1.36	1.68	2.06	2.51	5.15	3.56	4.03
EPS		0.38	0.46	0.51	0.57	1.17	0.80	0.91
FFOPS I		0.73	1.01	1.14	1.33	1.64	1.90	2.14
DPS		0.34	0.40	0.45	0.48	0.55	0.60	0.65
Dividend Yield		3.8 %	3.4 %	2.9 %	2.7 %	2.5 %	2.8 %	3.0 %
Book Value / Share		3.18	4.10	5.50	5.61	6.23	6.43	6.69
P / E		23.2 x	25.0 x	30.1 x	30.9 x	18.5 x	26.8 x	23.7 x
Price / Book		2.8 x	2.6 x	2.5 x	3.1 x	3.5 x	3.4 x	3.2 x
P / NAVPS		1.1 x	1.2 x	1.3 x	1.2 x	1.3 x	1.2 x	1.1 x
FFO I-Yield		8.2 %	8.7 %	7.5 %	7.6 %	7.6 %	8.8 %	9.9 %
ROE		12.4 %	12.3 %	10.2 %	10.2 %	19.7 %	12.7 %	13.9 %
LTV		61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.1 %	59.5 %
Guidance:		2021e: FFO of EUR ~7.1m, 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

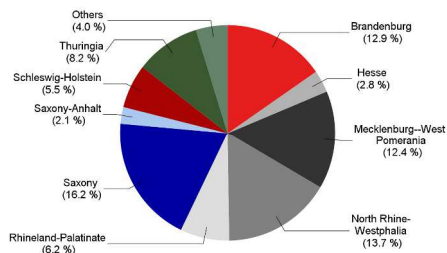
Company Background

- 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

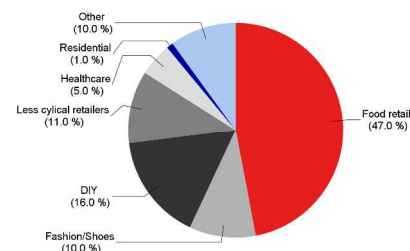
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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							
	2017	2018	2019	2020	2021e	2022e	2023e
P / E	23.2 x	25.0 x	30.1 x	30.9 x	18.5 x	26.8 x	23.7 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.3 x	1.2 x	1.1 x
Price / Book	2.8 x	2.6 x	2.5 x	3.1 x	3.5 x	3.4 x	3.2 x
P / FFOPS I	12.2 x	11.5 x	13.4 x	13.2 x	13.2 x	11.4 x	10.1 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	7.6 %	8.8 %	9.9 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.7 %	12.7 %	13.9 %
Equity Ratio	21 %	19 %	24 %	18 %	19 %	17 %	17 %

Company Specific Items							
	2017	2018	2019	2020	2021e	2022e	2023e
NAV/Share	8.42	11.02	13.46	16.86	18.84	20.22	21.78
Vacancy Rate	2.7 %	4.3 %	4.0 %	3.7 %	3.7 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Total revenues	5.83	9.09	11.21	14.58	17.77	20.11	22.56
Rental income	5.10	7.61	9.53	12.19	14.93	16.89	18.95
Change yoy	67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.2 %	12.2 %
Property operating costs	1.24	2.21	2.63	3.40	4.21	4.67	5.23
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	4.58	6.87	8.57	11.18	13.56	15.45	17.32
Income from property sales	0.00	0.00	0.00	0.00	2.60	0.00	0.00
Other revenues	0.12	0.08	0.07	0.12	0.14	0.16	0.18
Gross profit	4.70	6.95	8.64	11.30	16.30	15.61	17.50
Administration expenses	0.35	0.70	0.70	0.81	1.00	1.13	1.26
Personnel expenses	0.47	0.72	1.04	1.50	1.83	2.05	2.30
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	3.89	5.53	7.04	8.99	13.48	12.43	13.94
Valuation result	0.00	0.00	0.00	0.00	2.60	0.00	0.00
Depreciation of fixed assets	1.22	1.95	2.55	3.36	4.27	4.83	5.41
EBITA	2.67	3.59	4.50	5.62	9.21	7.60	8.53
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	2.67	3.59	4.50	5.62	9.21	7.60	8.53
Interest income	0.00	0.00	0.01	0.01	0.00	0.00	0.00
Interest expenses	0.90	1.34	1.73	2.14	2.54	2.81	3.11
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.90	-1.34	-1.72	-2.13	-2.54	-2.81	-3.11
EBT	1.77	2.25	2.78	3.49	6.67	4.79	5.42
<i>Margin</i>	<i>30.4 %</i>	<i>24.8 %</i>	<i>24.8 %</i>	<i>24.0 %</i>	<i>37.5 %</i>	<i>23.8 %</i>	<i>24.0 %</i>
Total taxes	-0.41	-0.55	-0.71	-0.71	-0.71	-1.23	-1.38
thereof cash taxes	-0.28	-0.36	-0.42	-0.42	-0.42	-0.73	-0.83
Net income from continuing operations	1.36	1.70	2.07	2.51	5.16	3.56	4.04
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	1.36	1.70	2.07	2.51	5.16	3.56	4.04
Minority interest	0.00	0.02	0.01	0.00	0.00	0.00	0.00
Net income	1.36	1.68	2.06	2.51	5.15	3.56	4.03
Number of shares, average	3.55	3.62	4.05	4.42	4.42	4.42	4.42
FFO (II)	2.58	3.65	4.62	5.87	7.23	8.38	9.45
<i>FFO I-margin</i>	<i>50.6 %</i>	<i>47.9 %</i>	<i>48.4 %</i>	<i>48.2 %</i>	<i>48.5 %</i>	<i>49.6 %</i>	<i>49.9 %</i>
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.14
EPS	0.38	0.46	0.51	0.57	1.17	0.80	0.91
EPS adj.	0.38	0.43	0.47	0.57	1.17	0.80	0.91

*Adjustments made for:

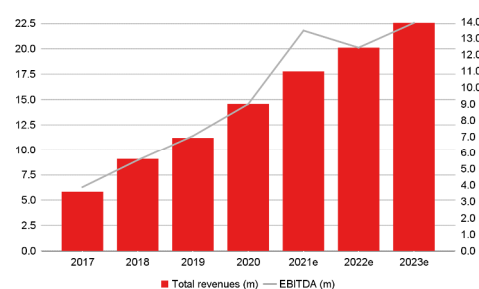
Guidance: 2021e: FFO of EUR ~7.1m, Net profit (HGB) of EUR 3.1m

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Property operating costs / Rental Income	24.4 %	29.1 %	27.6 %	27.9 %	28.2 %	27.6 %	27.6 %
Operating Leverage (Real Estate)	2.4 x	2.9 x	5.0 x	4.6 x	5.5 x	8.8 x	9.3 x
Rental profit / interest expenses	5.1 x	5.1 x	5.0 x	5.2 x	5.3 x	5.5 x	5.6 x

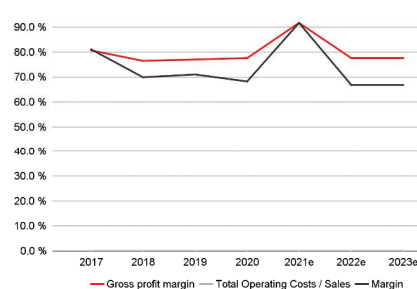
Revenues, EBITDA

in EUR m

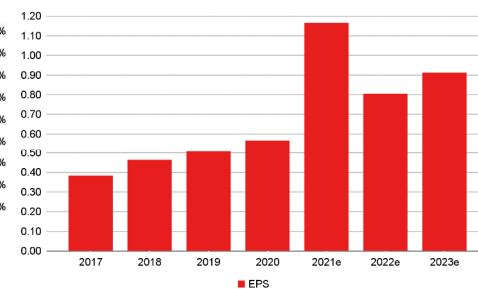


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

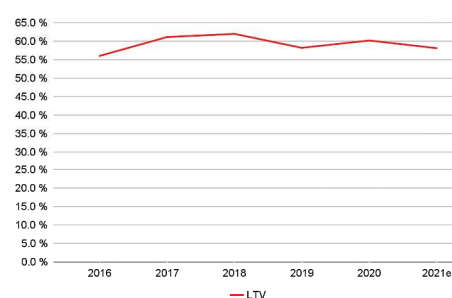
Consolidated balance sheet

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Assets							
Goodwill and other intangible assets	0.01	0.01	0.03	0.02	0.02	0.02	0.02
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.01	0.01	0.03	0.02	0.02	0.02	0.02
Property, plant and equipment	0.03	0.08	0.11	1.39	1.41	1.42	1.43
Investment properties	51.96	81.10	93.14	127.79	141.79	156.64	170.88
Financial assets	0.24	0.26	1.70	0.12	0.45	0.45	0.45
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	52.24	81.44	94.98	129.33	143.67	158.53	172.79
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.22	0.51	0.00	0.80	0.91	0.93	0.95
Liquid assets	2.49	2.80	6.98	4.28	4.45	4.43	4.56
Other short-term assets	0.83	0.59	-2.56	-0.66	-0.94	-0.94	-1.09
Current assets	3.17	4.34	9.29	7.38	6.37	6.37	6.54
Total Assets	55.41	85.79	104.28	136.71	150.04	164.91	179.33
Liabilities and shareholders' equity							
Subscribed capital	3.55	3.90	4.42	4.42	4.42	4.42	4.42
Capital reserve	6.15	10.03	17.31	17.31	17.31	17.31	17.31
Retained earnings	1.59	2.06	2.56	3.07	5.80	6.70	7.86
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	11.29	15.99	24.29	24.81	27.53	28.43	29.59
Minority interest	0.10	0.38	0.39	0.40	0.40	0.40	0.40
Provisions	0.36	1.01	0.43	0.51	0.51	0.51	0.51
thereof provisions for pensions and similar obligations	0.18	0.21	0.21	0.25	0.25	0.25	0.25
Financial liabilities (total)	43.07	67.79	76.52	110.25	120.74	134.70	147.97
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.19	0.30	0.51	0.29	0.42	0.42	0.42
Other liabilities	0.51	0.70	2.54	0.86	0.84	0.84	0.84
Liabilities	44.13	69.79	79.99	111.91	122.51	136.47	149.74
Total liabilities and shareholders' equity	55.41	85.79	104.28	136.71	150.04	164.91	179.33

Financial Ratios

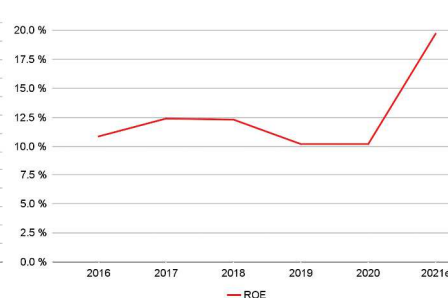
	2017	2018	2019	2020	2021e	2022e	2023e
Return on Capital							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.6 %	2.3 %	2.3 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.7 %	12.7 %	13.9 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x	0.3 x
Solvency							
Net Debt	40.76	65.20	69.75	106.23	116.55	130.52	143.66
Net Financial Debt	40.58	64.99	69.54	105.98	116.29	130.27	143.41
Net Fin. Debt / EBITDA	10.4 x	11.7 x	9.9 x	11.8 x	8.6 x	10.5 x	10.3 x
LTV	61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.1 %	59.5 %
Equity Ratio	20.5 %	19.1 %	23.7 %	18.4 %	18.6 %	17.5 %	16.7 %

LTV



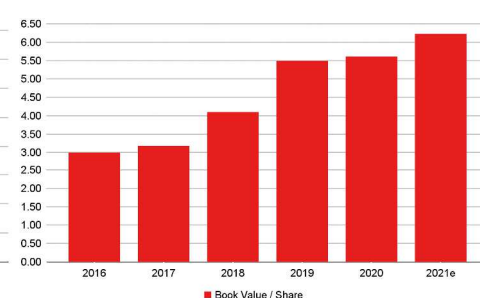
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



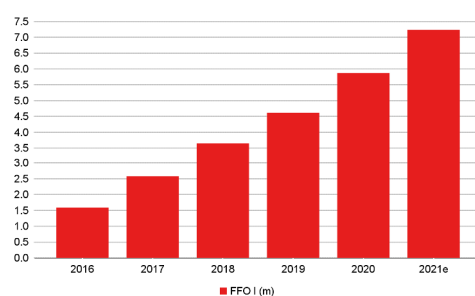
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net cash provided by operating activities [1]	2.76	3.42	3.80	4.96	9.67	8.45	9.51
Net cash provided by investing activities [2]	-21.95	-31.12	-16.09	-37.91	-17.84	-20.00	-20.00
Net cash provided by financing activities [3]	20.23	28.01	16.47	30.25	8.34	11.53	10.61
Change in liquid funds [1]+[2]+[3]	1.03	0.31	4.18	-2.70	0.17	-0.01	0.13
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	2.49	2.80	6.98	4.28	4.45	4.43	4.56

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FFO (II)	2.58	3.65	4.62	5.87	7.23	8.38	9.45
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.14
FFOPS I diluted	0.73	0.94	1.04	1.33	1.64	1.90	2.14
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	7.6 %	8.8 %	9.9 %
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	48.5 %	49.6 %	49.9 %
Interest Paid / Avg. Debt	2.8 %	2.4 %	2.4 %	2.3 %	2.2 %	2.2 %	2.2 %
Management of Funds							
Capex/Investment Properties	-42.3 %	-38.4 %	-17.3 %	-29.7 %	-12.6 %	-12.8 %	-11.7 %
Avg. Working Capital / Sales	0.7 %	1.4 %	-1.3 %	0.0 %	2.8 %	2.5 %	2.3 %
Dividend Payout Ratio	88.6 %	85.1 %	88.2 %	84.5 %	47.1 %	74.5 %	71.2 %

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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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-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.

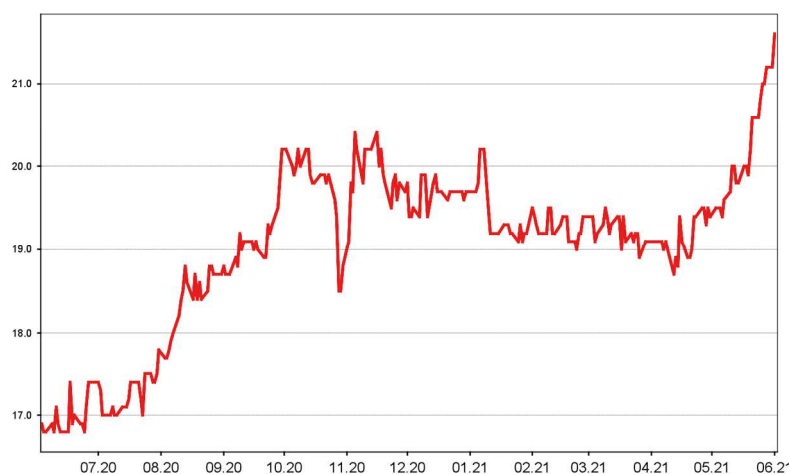
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Rating	Number of stocks	% of Universe
Buy	151	70
Hold	55	26
Sell	5	2
Rating suspended	4	2
Total	215	100

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	43	88
Hold	3	6
Sell	0	0
Rating suspended	3	6
Total	49	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 02.06.2021


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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