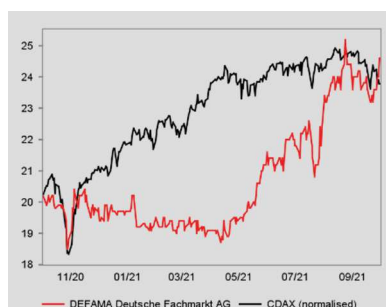


Buy EUR 26.90 Price EUR 24.60 Upside 9.3 %	Value Indicators: EUR NAV (WRe) 23e: 28.45 FFO-Yield 23e: 25.34	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 108.73 No. of shares (m): 4.42 Freefloat MC: 70.68 Ø Trad. Vol. (30d): 21.64 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Key Figures (WRe): 2021e LTV: 58.1 % Equity Ratio: 17.8 %

Further acquisition of a retail park strengthens portfolio and FFO

- DEFAMA yesterday (30.09.21) announced its third investment of 2021 with the acquisition of a further retail park at an excellent location in Hof/Bavaria within a conglomerate of well-known retailers (e.g. Kaufland, Lidl, OBI etc). The company bought this retail park with a current lettable space of 6.7k sqm for EUR 6.7m or EUR 1000/sqm. Core tenants are Dänisches Bettenlager, Fressnapf, Detlev Louis Motorrad. With full occupancy, the net annualised rent would amount to EUR 570k. The vacancy rate is currently significant below 10% and there is strong tenant-interest in this free space. Full occupancy should therefore be likely.
- The paid multiple of 11.7 is slightly above an average paid multiple in recent transactions of 11.2 (WRe: w/o consideration of successful letting activities at Gardelegen). Nevertheless, the acquisition includes an additional site of 2k sqm which can be used for the development of a further building which would contribute to the top line. According to the management there is strong interest from potential tenants for additional space at this location. We assume, that a possible development could reduce the paid multiple and offer an attractive sustainable FFO.
- With this transaction, DEFAMA has already achieved an acquisition volume of EUR 18.3m and has fulfilled its targeted annual acquisition volume of EUR 15-20m and 2021 is not over yet.
- The annualised rent has now increased to EUR 15.6m for a property portfolio at 45 locations and an occupancy rate of currently 94%. The annualised FFO of the portfolio improved to EUR 7.8m. Given a target of EUR 8m at end of 2021, DEFAMA would need an additional acquisition volume of ~EUR 4.4m assuming an FFO margin of 45% and a rent multiple of 10 without considering successful letting activities. But we are optimistic that DEFAMA's letting activities will be supportive, especially in Gardelegen, and will make an additional FFO contribution to reach the target.
- The successful disposal of a sub-portfolio of its peer Deutsche Konsum REIT with a multiple of 18 to a long-term institutional asset manager could offer additional valuation potential for the portfolio and should lead to a further NAV-improvement.
- We confirm our Buy recommendation as valuation remains attractive with an expected FFO-yield of nearly 9% in 2023 and a proven business model with an excellent growth track record and successful redevelopments.

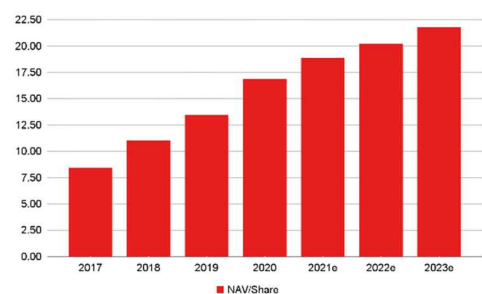


Rel. Performance vs CDAX:	
1 month:	8.1 %
6 months:	29.0 %
Year to date:	16.1 %
Trailing 12 months:	4.5 %

Company events:

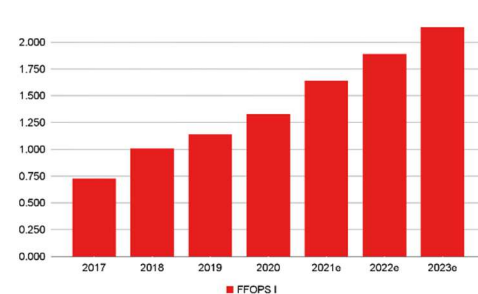
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Rental income		5.10	7.61	9.53	12.19	14.93	16.89	18.95
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.2 %	12.2 %
EBIT		2.67	3.59	4.50	5.62	9.28	7.68	8.62
FFO I		2.58	3.65	4.62	5.87	7.25	8.36	9.46
<i>FFO I-margin</i>		50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	49.9 %
EBT		1.77	2.25	2.78	3.49	6.67	4.76	5.43
Net income		1.36	1.68	2.06	2.51	5.13	3.53	4.05
EPS		0.38	0.46	0.51	0.57	1.16	0.80	0.92
FFOPS I		0.73	1.01	1.14	1.33	1.64	1.89	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 %	2.2 %	2.4 %	2.6 %
Book Value / Share		3.18	4.10	5.50	5.61	6.22	6.42	6.69
P / E		23.2 x	25.0 x	30.1 x	30.9 x	21.2 x	30.8 x	26.9 x
Price / Book		2.8 x	2.6 x	2.5 x	3.1 x	4.0 x	3.8 x	3.7 x
P / NAVPS		1.1 x	1.2 x	1.3 x	1.2 x	1.4 x	1.3 x	1.3 x
FFO I-Yield		8.2 %	8.7 %	7.5 %	7.6 %	6.7 %	7.7 %	8.7 %
ROE		12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.6 %	14.0 %
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 >5.0m						

EPRA-NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

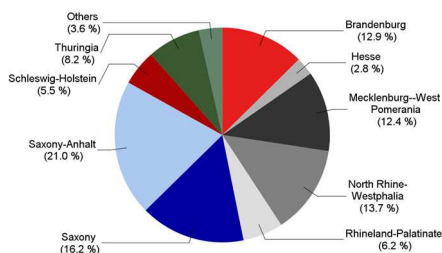
Company Background

- 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.

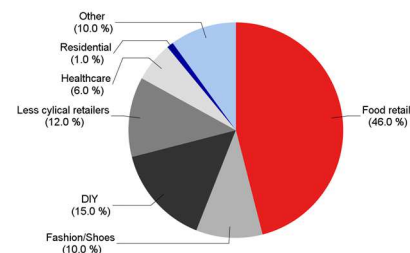
Competitive Quality

- 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							
	2017	2018	2019	2020	2021e	2022e	2023e
P / E	23.2 x	25.0 x	30.1 x	30.9 x	21.2 x	30.8 x	26.9 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.4 x	1.3 x	1.3 x
Price / Book	2.8 x	2.6 x	2.5 x	3.1 x	4.0 x	3.8 x	3.7 x
P / FFOPS I	12.2 x	11.5 x	13.4 x	13.2 x	15.0 x	13.0 x	11.5 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	6.7 %	7.7 %	8.7 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.6 %	14.0 %
Equity Ratio	21 %	19 %	24 %	18 %	18 %	17 %	16 %

Company Specific Items							
	2017	2018	2019	2020	2021e	2022e	2023e
NAV/Share	8.42	11.02	13.46	16.86	18.85	20.21	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	0.25	0.24	0.27
Gross profit	4.70	6.95	8.64	11.30	16.41	15.69	17.59
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	13.58	12.51	14.03
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	4.30	4.83	5.41
EBITA	2.67	3.59	4.50	5.62	9.28	7.68	8.62
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	9.28	7.68	8.62
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	2.62	2.93	3.19
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	-2.62	-2.93	-3.19
EBT	1.77	2.25	2.78	3.49	6.67	4.76	5.43
<i>Margin</i>	30.4 %	24.8 %	24.8 %	24.0 %	37.5 %	23.6 %	24.1 %
Total taxes	-0.41	-0.55	-0.71	-0.71	-0.71	-1.22	-1.38
thereof cash taxes	-0.28	-0.36	-0.42	-0.42	-0.42	-0.72	-0.83
Net income from continuing operations	1.36	1.70	2.07	2.51	5.14	3.53	4.05
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	5.14	3.53	4.05
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	5.13	3.53	4.05
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	7.25	8.36	9.46
<i>FFO I-margin</i>	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	49.9 %
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.89	2.14
EPS	0.38	0.46	0.51	0.57	1.16	0.80	0.92
EPS adj.	0.38	0.43	0.47	0.57	1.16	0.80	0.92

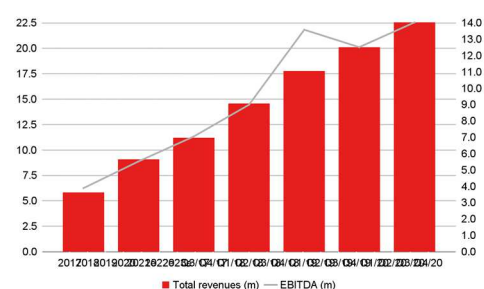
*Adjustments made for:

Guidance: 2021e: FFO of EUR ~7.1m, Net profit (HGB) of EUR >5.0m

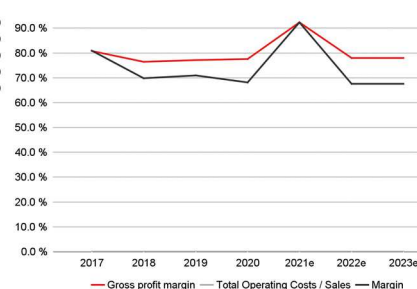
Financial Ratios

	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	5.2 x	5.3 x	5.4 x

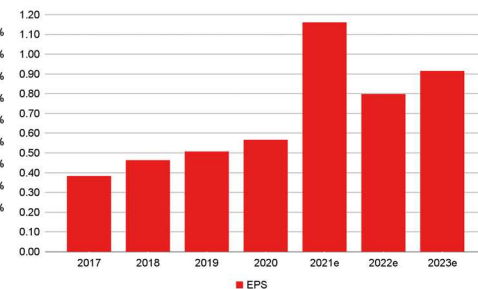
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

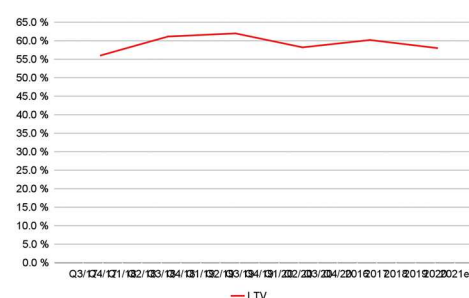
Consolidated balance sheet

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	141.76	156.61	170.85
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	143.64	158.50	172.75
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	11.46	8.07	8.03
Other short-term assets	0.83	0.59	-2.56	-0.66	-7.95	-4.58	-4.56
Current assets	3.17	4.34	9.29	7.38	13.39	10.01	10.01
Total Assets	55.41	85.79	104.28	136.71	157.02	168.51	182.76
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	5.78	6.65	7.83
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	27.51	28.39	29.56
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	127.74	138.35	151.43
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	129.51	140.12	153.20
Total liabilities and shareholders' equity	55.41	85.79	104.28	136.71	157.02	168.51	182.76

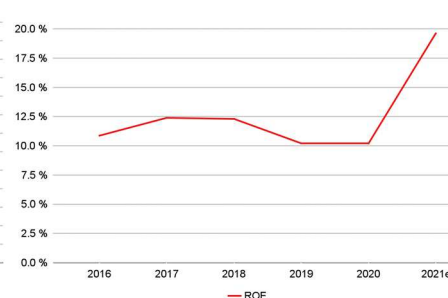
Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Return on Capital							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.5 %	2.2 %	2.3 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.6 %	14.0 %
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	116.53	130.54	143.66
Net Financial Debt	40.58	64.99	69.54	105.98	116.28	130.28	143.41
Net Fin. Debt / EBITDA	10.4 x	11.7 x	9.9 x	11.8 x	8.6 x	10.4 x	10.2 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 %	17.8 %	17.1 %	16.4 %

LTV



ROE
in %



Book Value per Share
in EUR



Source: Warburg Research

Source: Warburg Research

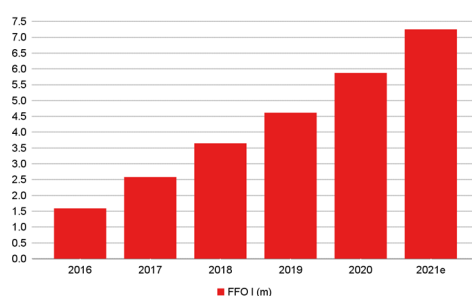
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net cash provided by operating activities [1]	2.76	3.42	3.80	4.96	9.68	8.43	9.53
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	15.34	8.18	10.43
Change in liquid funds [1]+[2]+[3]	1.03	0.31	4.18	-2.70	7.18	-3.39	-0.04
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	11.46	8.07	8.03

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FFO (II)	2.58	3.65	4.62	5.87	7.25	8.36	9.46
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.89	2.14
FFOPS I diluted	0.73	0.94	1.04	1.33	1.64	1.89	2.14
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	6.7 %	7.7 %	8.7 %
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	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 %	47.3 %	75.1 %	70.9 %

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.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

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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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

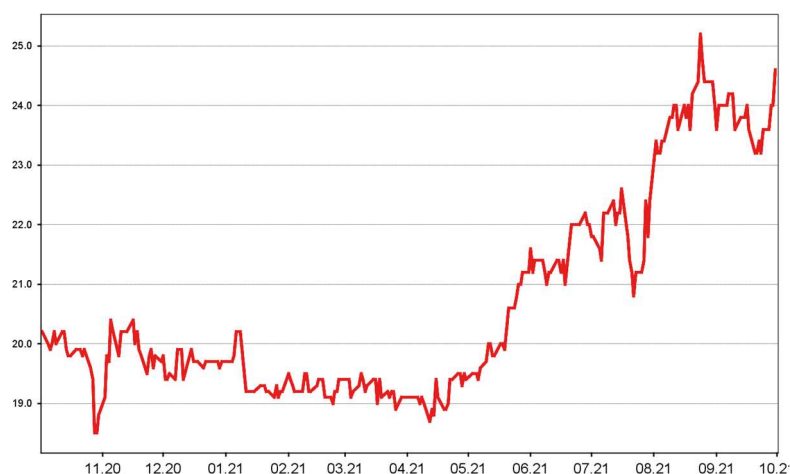
Rating	Number of stocks	% of Universe
Buy	145	67
Hold	60	28
Sell	7	3
Rating suspended	3	1
Total	215	100

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	45	78
Hold	11	19
Sell	0	0
Rating suspended	2	3
Total	58	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 01.10.2021



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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