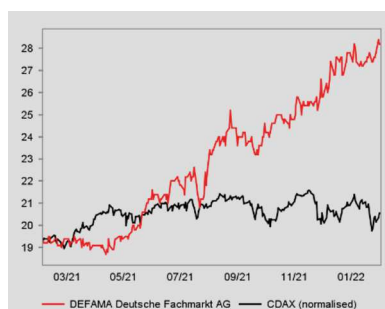


Buy EUR 31.90 (EUR 28.60) Price EUR 28.20 Upside 13.1 %	Value Indicators: EUR NAV (WRe) 23e: 34.34 FFO-Yield 23e: 29.36	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 124.64 No. of shares (m): 4.42 Freefloat MC: 81.02 Ø Trad. Vol. (30d): 35.73 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 %

Good start to 2022 with attractive acquisitions

- DEFAMA has had a good start to 2022 as it announced the acquisition of two properties, one in Wolfsburg/Lower Saxony and another in Schneeberg/Saxony. These acquisitions with a lettable space of 8.7k sqm would contribute a rental income of EUR 700k in the case of a full letting. We assume that the company will stick to its target acquisition multiple of ~10-12 depending on the quality and the upside potential of the property.
- The acquisition in Schneeberg with Aldi as the main tenant is rather small with net rental income of EUR 110k and a published purchase of EUR 1.1m (multiple of 10). The significantly larger retail park in Nordsteimke/Wolfsburg has a very favourable tenant mix (Aldi, Rossmann, KiK, ABC Schuhe, Fressnapf). Furthermore, DEFAMA's property in Wolfsburg should benefit from rising customer footfall due to a) possible plans by EDEKA to build its new centre opposite and b) the planned construction of ~3000 residential properties/units nearby. This offers potential for higher turnover for DEFAMA's tenants and enables some upside for the rents, in our view.
- DEFAMA's annualised FFO increased to EUR 8.5m from EUR 8.3m which leads to a current FFO yield of 6.8%. The guidance for the annualised FFO at the end of 2021 was EUR 8m but this target has already been exceeded due to higher growth momentum in 2021.
- We stick to our Buy recommendation and increase our price target to EUR 31.90. This is driven by a higher rent multiple for the portfolio (15 from 14) due to ongoing investment plans (~>EUR 8m) within the existing portfolio (e.g. Löwenberg, Büdelsdorf, Hamm, Lübbenau, Gardelegen, Rendsberg, Sonnefeld) which will lead to a quality improvement and increase the attractiveness of properties in terms of rent and WALT. As a consequence, DEFAMA might use more opportunistic disposals to strengthen the balance sheet and support the target of modestly higher acquisition volume annually.

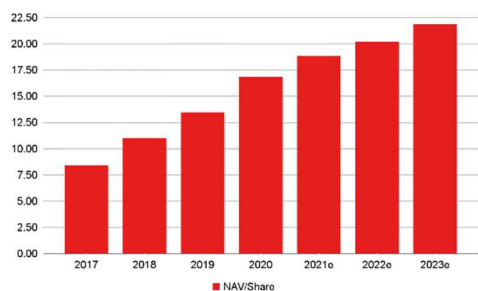


Rel. Performance vs CDAX:	
1 month:	3.2 %
6 months:	22.1 %
Year to date:	3.2 %
Trailing 12 months:	38.1 %

Company events:

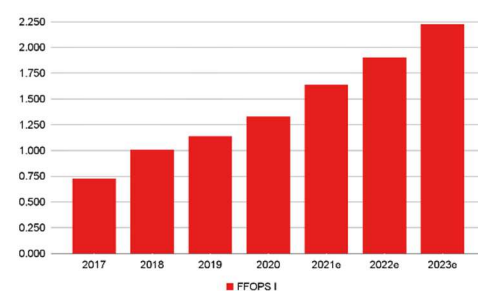
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Rental income		5.10	7.61	9.53	12.19	14.93	16.98	19.52
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.7 %	15.0 %
EBIT		2.67	3.59	4.50	5.62	9.28	7.72	8.88
FFO I		2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFO I-margin		50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
EBT		1.77	2.25	2.78	3.49	6.67	4.79	5.69
Net income		1.36	1.68	2.06	2.51	5.13	3.56	4.26
EPS		0.38	0.46	0.51	0.57	1.16	0.81	0.96
FFOPS I		0.73	1.01	1.14	1.33	1.64	1.90	2.23
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 %	2.0 %	2.1 %	2.3 %
Book Value / Share		3.18	4.10	5.50	5.61	6.22	6.43	6.74
P / E		23.2 x	25.0 x	30.1 x	30.9 x	24.3 x	35.0 x	29.3 x
Price / Book		2.8 x	2.6 x	2.5 x	3.1 x	4.5 x	4.4 x	4.2 x
P / NAVPS		1.1 x	1.2 x	1.3 x	1.2 x	1.7 x	1.5 x	1.4 x
FFO I-Yield		8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.7 %	7.9 %
ROE		12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
LTV		61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.0 %	59.4 %
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

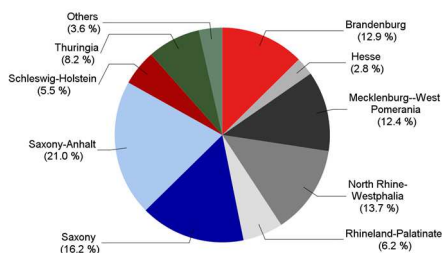
Company Background

- 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.

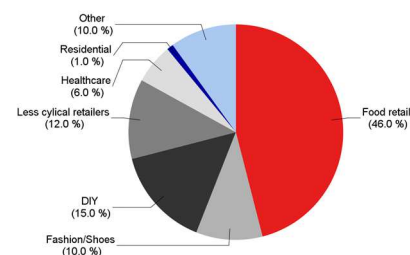
Competitive Quality

- 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	24.3 x	35.0 x	29.3 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.7 x	1.5 x	1.4 x
Price / Book	2.8 x	2.6 x	2.5 x	3.1 x	4.5 x	4.4 x	4.2 x
P / FFOPS I	12.2 x	11.5 x	13.4 x	13.2 x	17.2 x	14.8 x	12.7 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.7 %	7.9 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
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	20.22	21.88
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	20.21	23.24
Rental income	5.10	7.61	9.53	12.19	14.93	16.98	19.52
Change yoy	67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.7 %	15.0 %
Property operating costs	1.24	2.21	2.63	3.40	4.21	4.69	5.39
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	15.52	17.84
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	0.28
Gross profit	4.70	6.95	8.64	11.30	16.41	15.76	18.12
Administration expenses	0.35	0.70	0.70	0.81	1.00	1.13	1.30
Personnel expenses	0.47	0.72	1.04	1.50	1.83	2.06	2.37
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	12.57	14.45
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	4.85	5.58
EBITA	2.67	3.59	4.50	5.62	9.28	7.72	8.88
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	7.72	8.88
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	4.79	5.69
<i>Margin</i>	<i>30.4 %</i>	<i>24.8 %</i>	<i>24.8 %</i>	<i>24.0 %</i>	<i>37.5 %</i>	<i>23.7 %</i>	<i>24.5 %</i>
Total taxes	-0.41	-0.55	-0.71	-0.71	-0.71	-1.23	-1.42
thereof cash taxes	-0.28	-0.36	-0.42	-0.42	-0.42	-0.73	-0.87
Net income from continuing operations	1.36	1.70	2.07	2.51	5.14	3.56	4.27
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	3.56	4.27
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	3.56	4.26
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	8.41	9.84
<i>FFO I-margin</i>	<i>50.6 %</i>	<i>47.9 %</i>	<i>48.4 %</i>	<i>48.2 %</i>	<i>48.6 %</i>	<i>49.5 %</i>	<i>50.4 %</i>
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.23
EPS	0.38	0.46	0.51	0.57	1.16	0.81	0.96
EPS adj.	0.38	0.43	0.47	0.57	1.16	0.81	0.96

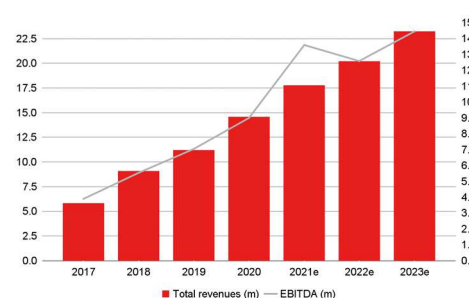
*Adjustments made for:

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

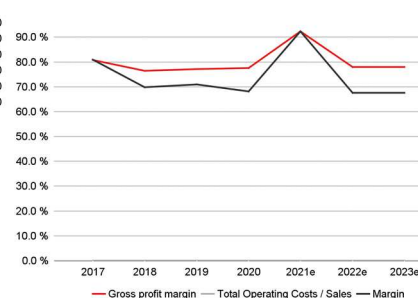
Financial Ratios

	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	8.5 x	7.8 x
Rental profit / interest expenses	5.1 x	5.1 x	5.0 x	5.2 x	5.2 x	5.3 x	5.6 x

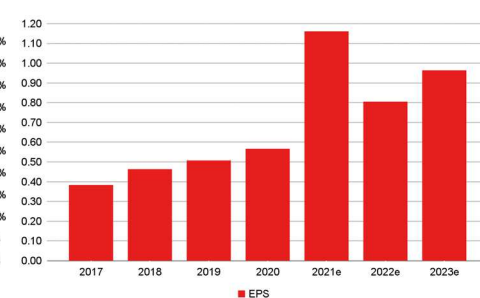
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

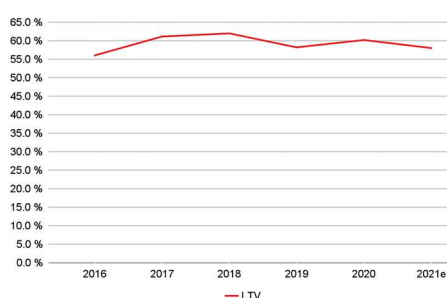
Consolidated balance sheet

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	141.83	156.75	170.94
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	143.71	158.64	172.84
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	8.12	8.46
Other short-term assets	0.83	0.59	-2.56	-0.66	-7.95	-4.63	-4.99
Current assets	3.17	4.34	9.29	7.38	13.39	10.07	10.44
Total Assets	55.41	85.79	104.28	136.71	157.10	168.70	183.28
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	6.68	8.07
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	28.42	29.80
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	0.92	1.01	1.12
Liabilities	44.13	69.79	79.99	111.91	129.59	140.29	153.48
Total liabilities and shareholders' equity	55.41	85.79	104.28	136.71	157.10	168.70	183.28

Financial Ratios

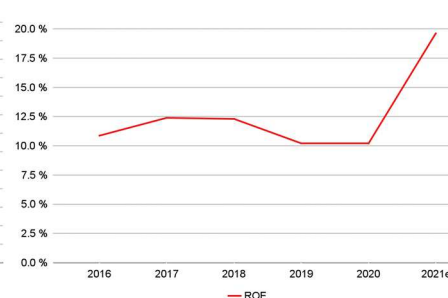
	2017	2018	2019	2020	2021e	2022e	2023e
Return on Capital							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.5 %	2.2 %	2.4 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x	0.3 x
Solvency							
Net Debt	40.76	65.20	69.75	106.23	116.53	130.48	143.23
Net Financial Debt	40.58	64.99	69.54	105.98	116.28	130.23	142.97
Net Fin. Debt / EBITDA	10.4 x	11.7 x	9.9 x	11.8 x	8.6 x	10.4 x	9.9 x
LTV	61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.0 %	59.4 %
Equity Ratio	20.5 %	19.1 %	23.7 %	18.4 %	17.8 %	17.1 %	16.5 %

LTV



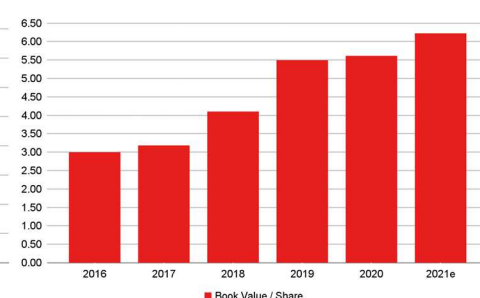
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

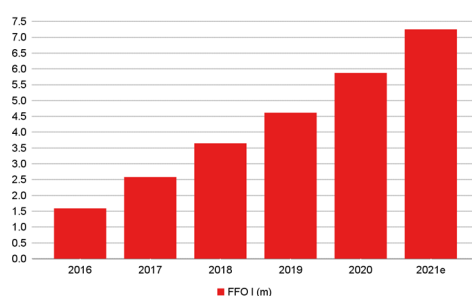
Consolidated cash flow statement

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	9.68	8.48	9.91
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	-3.34	0.34
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	8.12	8.46

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FFO (II)	2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.23
FFOPS I diluted	0.73	0.94	1.04	1.33	1.64	1.90	2.23
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.7 %	7.9 %
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
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 %	2.2 %
Dividend Payout Ratio	88.6 %	85.1 %	88.2 %	84.5 %	47.3 %	74.4 %	67.4 %

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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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	161	75
Hold	46	21
Sell	4	2
Rating suspended	3	1
Total	214	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	53	87
Hold	5	8
Sell	1	2
Rating suspended	2	3
Total	61	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 02.02.2022



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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