

Buy EUR 31.90 Price EUR 28.00 Upside 13.9 %	Value Indicators: EUR NAV (WRe) 23e: 34.53 FFO-Yield 23e: 29.52	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: 123.76 No. of shares (m): 4.42 Freefloat MC: 80.44 Ø Trad. Vol. (30d): 51.01 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 %

2021 guidance fulfilled; Growth expected to continue in 2022

in EUR m	2021	2021e	2020	+/- in %
Revenues	17,0	17,77	14,58	17%
Net profit	5,0	5,13	2,51	101%
EPS (€)	1,14	1,16	0,57	101%
FFO	7,1	7,25	5,87	20%
FFO-margin	42%	41%	40%	
FFOPS (€)	1,60	1,64	1,33	20%
DPS	0,51	0,55	0,48	6%

Stated Figures Q4/2021:

Comment on Figures:

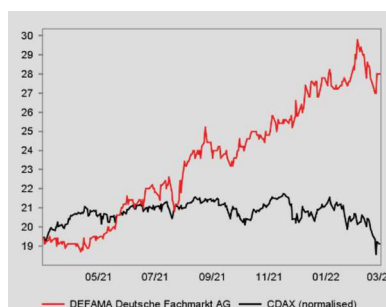
- Preliminary figures show that DEFAMA has met its 2021 guidance with an FFO figure of EUR 7.1m and net profit of EUR 5m.
- Even though the doubling of net profit and EPS includes a positive one-off impact of EUR ~2m (net) from the property sale in Bleicherode, the adjusted growth of nearly 20% was impressive. The FFO also improved by 20% while the FFO margin of 42% (WRe) showed a slight increase.
- Our estimates were slightly higher due to temporary differences in the revenue contributions of acquisitions and properties undergoing refurbishment.
- 2021 FFO yield stands at 5.6% and at 6.7% on achieved annualized FFO of EUR 8.5m which provides a good base to reach the FY 22 target of EUR 8.5m.
- The dividend proposal leads to a current dividend yield of nearly 2%.

DEFAMA's 2022 guidance for FFO of EUR 8.5m (WRe: EUR 8.41m) and net profit of EUR 3.5m (WRe: EUR 3.56m) is in line with our expectations. The targeted annualised FFO of EUR 10m at year-end 2022 is ambitious but achievable given the expected contribution from the company's own investments in the portfolio (2022 ~EUR 4m) and new acquisitions (target >previous level of 15-20m; 2021: EUR 29.7m). The FFO guidance might be affected by the possibility of attractive disposals (at higher multiples) which would strengthen the cash position and enable a higher gross acquisition volume.

Against the background of a potentially higher acquisition volume and ongoing attractive investments in the existing portfolio, management is considering a small capital increase of 5-10% in the event of successful negotiations with sellers (acquisitions) and tenants (rental contracts). Considering the following possible positive effects from these investments, no dilution effect should be expected after the achievement of full positive effects.

Guidance	2021	WRe 2021	Guidance 2022	2022	WRe 2022
FFO	7,1	7,25	FFO	8,5	8,41
FFOPS	1,60	1,64	FFOPS	1,92	1,90
Net profit (HGB)	>5	5,13	Net profit (HGB)	3,5	3,56
EPS	>1.13	1,16	Annualised FFO	10,0	Current figure 8,5

We confirm our Buy recommendation with an unchanged price target of EUR 31.90 as we see ongoing improvements for the FFO and the possibility of attractive disposals after quality improvements in DEFAMA's properties.



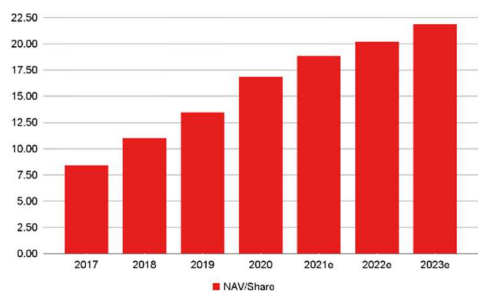
Rel. Performance vs CDAX:

1 month:	6.9 %
6 months:	29.2 %
Year to date:	10.0 %
Trailing 12 months:	45.8 %

Company events:

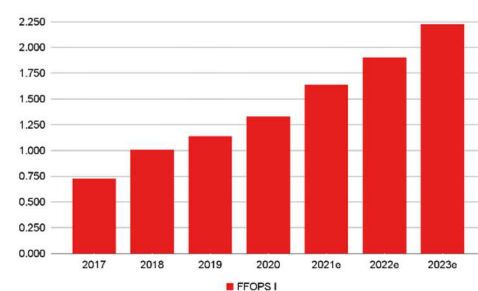
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Rental income		5.10	7.61	9.53	12.19	14.93	16.98	19.52
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.7 %	15.0 %
EBIT		2.67	3.59	4.50	5.62	9.28	7.72	8.88
FFO I		2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFO I-margin		50.6 %	47.9 %	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	24.1 x	34.8 x	29.0 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	1.6 x	1.5 x	1.4 x
FFO I-Yield		8.2 %	8.7 %	7.5 %	7.6 %	5.9 %	6.8 %	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:		2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~3.5m						

EPRA-NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

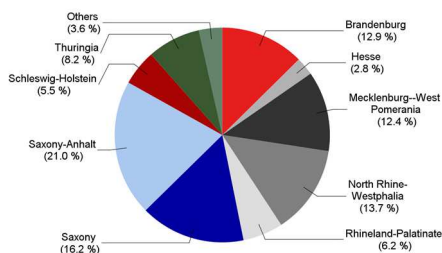
Company Background

- 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.

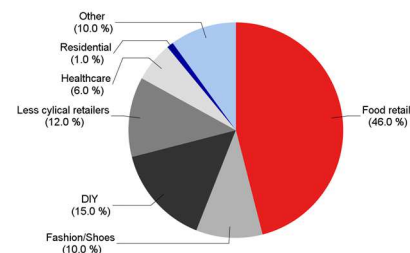
Competitive Quality

- 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

Valuation	2017	2018	2019	2020	2021e	2022e	2023e
P / E	23.2 x	25.0 x	30.1 x	30.9 x	24.1 x	34.8 x	29.0 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.6 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	17.1 x	14.7 x	12.6 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	5.9 %	6.8 %	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>	30.4 %	24.8 %	24.8 %	24.0 %	37.5 %	23.7 %	24.5 %
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>	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
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

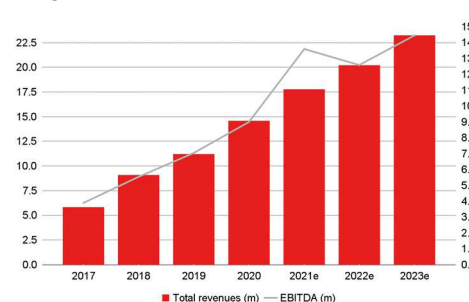
*Adjustments made for:

Guidance: 2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~3.5m

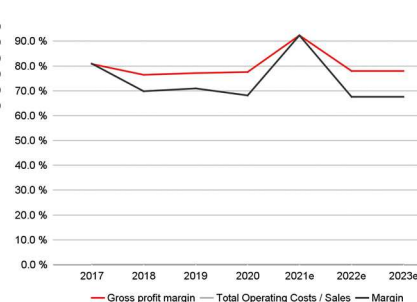
Financial Ratios

	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

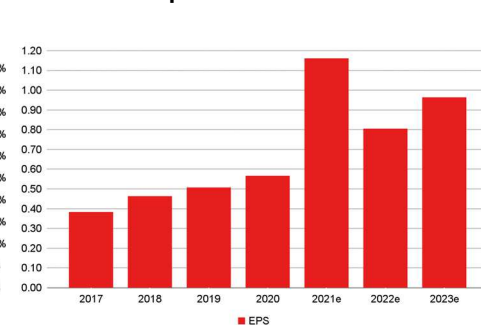
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

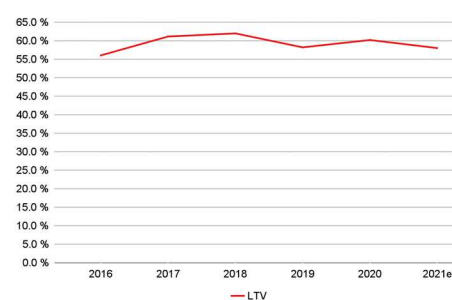
Consolidated balance sheet

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

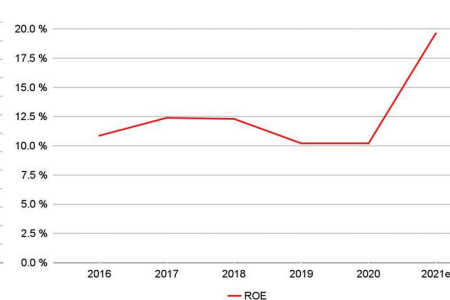
	2017	2018	2019	2020	2021e	2022e	2023e
Return on Capital							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.5 %	2.2 %	2.4 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x	0.3 x
Solvency							
Net Debt	40.76	65.20	69.75	106.23	116.53	130.48	143.23
Net Financial 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



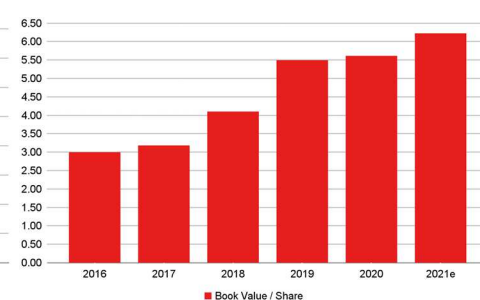
Source: Warburg Research

ROE



Source: Warburg Research

Book Value per Share



Source: Warburg Research

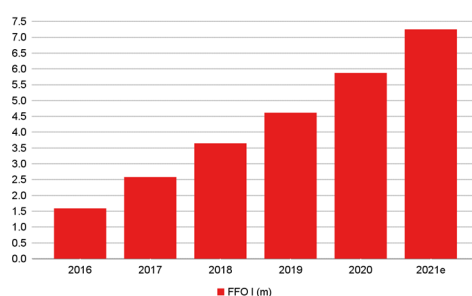
Consolidated cash flow statement

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 %	5.9 %	6.8 %	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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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	166	78
Hold	40	19
Sell	4	2
Rating suspended	3	1
Total	213	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	52	88
Hold	4	7
Sell	1	2
Rating suspended	2	3
Total	59	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 01.03.2022

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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