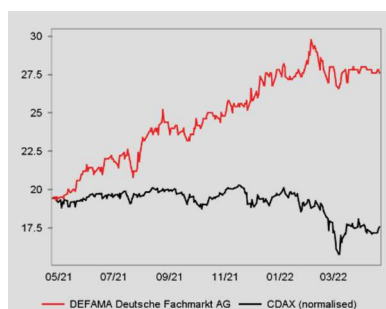


<b>Buy</b> <b>EUR 31.90</b>  Price <b>EUR 27.60</b> Upside <b>15.6 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 23e: 33.40 FFO-Yield 23e: 27.43	<b>Warburg ESG Risk Score: 2.3</b> ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	<b>Description:</b> Commercial real estate company focused on retail parks in Northern and Eastern Germany
	<b>Market Snapshot:</b> EUR m Market cap: 132.48 No. of shares (m): 4.80 Freefloat MC: 95.39 Ø Trad. Vol. (30d): 16.80 th	<b>Shareholders:</b> Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	<b>Key Figures (WRe):</b> 2021e LTV: 60.1 % Equity Ratio: 17.1 %

## Acquisitions announced hot on the heels of successful capital increase

- DEFAMA announced a large transaction with the acquisition of five new properties for a purchase price of EUR ~15m. The properties are located in the federal state of Rhineland-Platine and generate current annual rental income of EUR ~1.3m which leads to an acquisition multiple of 11.5. Financially strong tenants in these properties are e.g. DM, Getränke Hoffmann, Jysk, Tedi, KiK, Matratzen Concord and a Total fuel station, which represent 80% of the rental income.
- The acquisitions have no meaningful vacancy and the estimated vacancy rate should be below the current rate in the total portfolio (~5%). The WALT of rental contracts of these properties should be comparable to the existing portfolio figure of 4.7 years. For these reasons, the acquisition multiple seems to be attractive.
- The transaction is a great step forward within DEFAMA's growth strategy and should reduce the dilution from the recent capital increase to a negligible impact with an estimated FFO contribution of EUR 0.52m (WRe) or EUR 0.11 per share. The annualised FFO improved to EUR 9.1m or EUR 1.91 per share. Therefore, DEFAMA seems to be well on track to achieve its annualised FFO-target of EUR 10m at year-end 2022. The acquisitions will presumably contribute to rental income as of 1 January 2023.
- We confirm our Buy recommendation and our price target of EUR 31.90, which is based on the fair values of our NAV model and FFO-yield (2023e). We will update our model after the release of DEFAMA's annual report expected in the second week of May.

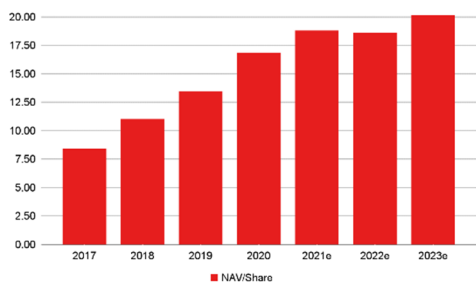


Rel. Performance vs CDAX:	
1 month:	0.4 %
6 months:	21.2 %
Year to date:	9.9 %
Trailing 12 months:	51.9 %

**Company events:**

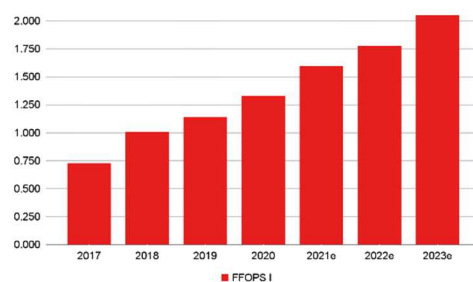
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
<b>Rental income</b>		5.10	7.61	9.53	12.19	14.31	16.76	19.31
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	17.4 %	17.1 %	15.2 %
<b>EBIT</b>		2.67	3.59	4.50	5.62	9.16	7.62	8.69
<b>FFO I</b>		2.58	3.65	4.62	5.87	7.06	8.37	9.85
FFO I-margin		50.6 %	47.9 %	48.4 %	48.2 %	49.3 %	49.9 %	51.0 %
<b>EBT</b>		1.77	2.25	2.78	3.49	6.53	4.80	5.68
<b>Net income</b>		1.36	1.68	2.06	2.51	5.03	3.58	4.26
<b>EPS</b>		0.38	0.46	0.51	0.57	1.14	0.74	0.89
<b>FFOPS I</b>		0.73	1.01	1.14	1.33	1.60	1.78	2.05
<b>DPS</b>		0.34	0.40	0.45	0.48	0.51	0.54	0.58
Dividend Yield		3.8 %	3.4 %	2.9 %	2.7 %	1.8 %	2.0 %	2.1 %
<b>Book Value / Share</b>		3.18	4.10	5.50	5.61	6.24	8.04	8.34
<b>P / E</b>		23.2 x	25.0 x	30.1 x	30.9 x	24.2 x	37.1 x	31.1 x
<b>Price / Book</b>		2.8 x	2.6 x	2.5 x	3.1 x	4.4 x	3.4 x	3.3 x
<b>P / NAVPS</b>		1.1 x	1.2 x	1.3 x	1.2 x	1.6 x	1.6 x	1.5 x
<b>FFO I-Yield</b>		8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.4 %	7.4 %
<b>ROE</b>		12.4 %	12.3 %	10.2 %	10.2 %	19.2 %	10.8 %	10.8 %
<b>LTV</b>		61.1 %	62.0 %	58.2 %	60.2 %	60.1 %	58.0 %	58.8 %
<b>Guidance:</b>		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

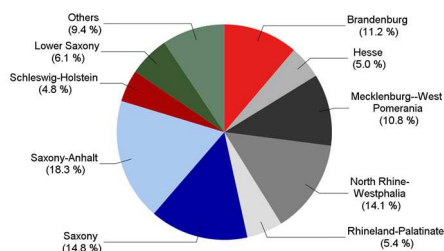
## Company Background

- 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

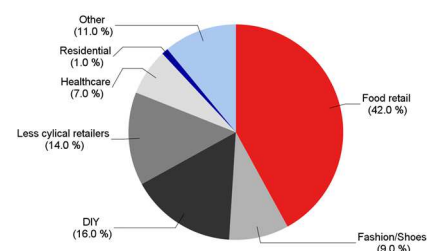
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small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

Geogr. 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	24.2 x	37.1 x	31.1 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.6 x	1.6 x	1.5 x
Price / Book	2.8 x	2.6 x	2.5 x	3.1 x	4.4 x	3.4 x	3.3 x
P / FFOPS I	12.2 x	11.5 x	13.4 x	13.2 x	17.3 x	15.5 x	13.5 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.4 %	7.4 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.2 %	10.8 %	10.8 %
Equity Ratio	21 %	19 %	24 %	18 %	17 %	22 %	21 %

Company Specific Items	2017	2018	2019	2020	2021e	2022e	2023e
NAV/Share	8.42	11.02	13.46	16.86	18.80	18.61	20.15
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
<b>Total revenues</b>	<b>5.83</b>	<b>9.09</b>	<b>11.21</b>	<b>14.58</b>	<b>17.04</b>	<b>19.96</b>	<b>22.98</b>
<b>Rental income</b>	<b>5.10</b>	<b>7.61</b>	<b>9.53</b>	<b>12.19</b>	<b>14.31</b>	<b>16.76</b>	<b>19.31</b>
Change yoy	67.9 %	49.2 %	25.1 %	27.9 %	17.4 %	17.1 %	15.2 %
Property operating costs	1.24	2.21	2.63	3.40	3.83	4.63	5.36
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	13.21	15.33	17.63
<b>Income from property sales</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>0.00</b>
<b>Other revenues</b>	<b>0.12</b>	<b>0.08</b>	<b>0.07</b>	<b>0.12</b>	<b>0.22</b>	<b>0.24</b>	<b>0.28</b>
<b>Gross profit</b>	<b>4.70</b>	<b>6.95</b>	<b>8.64</b>	<b>11.30</b>	<b>16.03</b>	<b>15.57</b>	<b>17.90</b>
Administration expenses	0.35	0.70	0.70	0.81	0.95	1.12	1.29
Personnel expenses	0.47	0.72	1.04	1.50	1.70	2.04	2.34
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>3.89</b>	<b>5.53</b>	<b>7.04</b>	<b>8.99</b>	<b>13.37</b>	<b>12.41</b>	<b>14.27</b>
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	4.21	4.79	5.59
<b>EBITA</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.62</b>	<b>9.16</b>	<b>7.62</b>	<b>8.69</b>
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>2.67</b>	<b>3.59</b>	<b>4.50</b>	<b>5.62</b>	<b>9.16</b>	<b>7.62</b>	<b>8.69</b>
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	2.55	2.82	3.01
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial result</b>	<b>-0.90</b>	<b>-1.34</b>	<b>-1.72</b>	<b>-2.13</b>	<b>-2.63</b>	<b>-2.82</b>	<b>-3.01</b>
<b>EBT</b>	<b>1.77</b>	<b>2.25</b>	<b>2.78</b>	<b>3.49</b>	<b>6.53</b>	<b>4.80</b>	<b>5.68</b>
<i>Margin</i>	30.4 %	24.8 %	24.8 %	24.0 %	38.3 %	24.1 %	24.7 %
Total taxes	-0.41	-0.55	-0.71	-0.71	-0.71	-1.22	-1.41
thereof cash taxes	-0.28	-0.36	-0.42	-0.42	-0.42	-0.73	-0.87
<b>Net income from continuing operations</b>	<b>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>3.58</b>	<b>4.27</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>1.36</b>	<b>1.70</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>3.58</b>	<b>4.27</b>
Minority interest	0.00	0.02	0.01	0.00	0.00	0.00	0.00
<b>Net income</b>	<b>1.36</b>	<b>1.68</b>	<b>2.06</b>	<b>2.51</b>	<b>5.03</b>	<b>3.58</b>	<b>4.26</b>
Number of shares, average	3.55	3.62	4.05	4.42	4.42	4.71	4.80
<b>FFO (II)</b>	<b>2.58</b>	<b>3.65</b>	<b>4.62</b>	<b>5.87</b>	<b>7.06</b>	<b>8.37</b>	<b>9.85</b>
<i>FFO I-margin</i>	50.6 %	47.9 %	48.4 %	48.2 %	49.3 %	49.9 %	51.0 %
<b>FFOPS I</b>	<b>0.73</b>	<b>1.01</b>	<b>1.14</b>	<b>1.33</b>	<b>1.60</b>	<b>1.78</b>	<b>2.05</b>
<b>EPS</b>	<b>0.38</b>	<b>0.46</b>	<b>0.51</b>	<b>0.57</b>	<b>1.14</b>	<b>0.74</b>	<b>0.89</b>
EPS adj.	0.38	0.43	0.47	0.57	1.14	0.74	0.89

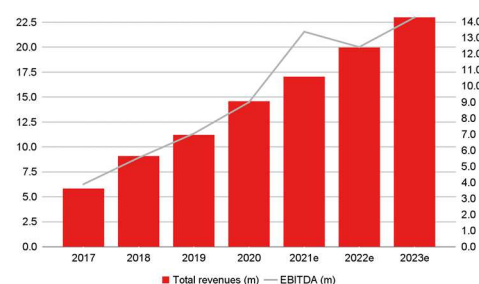
\*Adjustments made for:

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

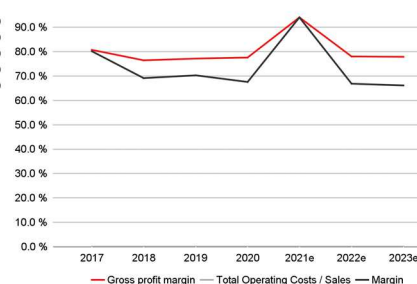
**Financial Ratios**

	2017	2018	2019	2020	2021e	2022e	2023e
Property operating costs / Rental Income	24.4 %	29.1 %	27.6 %	27.9 %	26.8 %	27.6 %	27.7 %
Operating Leverage (Real Estate)	2.4 x	2.9 x	5.0 x	4.6 x	6.9 x	6.9 x	7.8 x
Rental profit / interest expenses	5.1 x	5.1 x	5.0 x	5.2 x	5.2 x	5.4 x	5.9 x

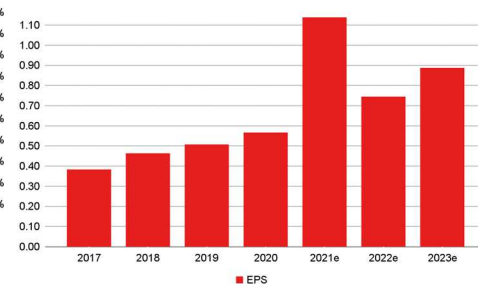
**Revenues, EBITDA**  
in EUR m



**Operating Performance**  
in %



**Performance per Share**



Source: Warburg Research

Source:

Source: Warburg Research

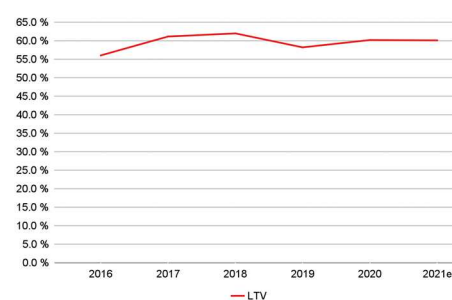
### Consolidated balance sheet

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
<b>Assets</b>							
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	151.90	161.16	177.87
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
<b>Fixed assets</b>	<b>52.24</b>	<b>81.44</b>	<b>94.98</b>	<b>129.33</b>	<b>153.78</b>	<b>163.05</b>	<b>179.78</b>
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	8.26	12.21	10.20
Other short-term assets	0.83	0.59	-2.56	-0.66	-4.75	-8.34	-6.35
<b>Current assets</b>	<b>3.17</b>	<b>4.34</b>	<b>9.29</b>	<b>7.38</b>	<b>10.18</b>	<b>14.16</b>	<b>12.18</b>
<b>Total Assets</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>136.71</b>	<b>163.96</b>	<b>177.21</b>	<b>191.96</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	3.55	3.90	4.42	4.42	4.42	4.80	4.80
Capital reserve	6.15	10.03	17.31	17.31	17.31	26.93	26.93
Retained earnings	1.59	2.06	2.56	3.07	5.85	6.84	8.31
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Shareholders' equity</b>	<b>11.29</b>	<b>15.99</b>	<b>24.29</b>	<b>24.81</b>	<b>27.58</b>	<b>38.57</b>	<b>40.05</b>
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	134.53	136.70	149.87
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
<b>Liabilities</b>	<b>44.13</b>	<b>69.79</b>	<b>79.99</b>	<b>111.91</b>	<b>136.38</b>	<b>138.64</b>	<b>151.91</b>
<b>Total liabilities and shareholders' equity</b>	<b>55.41</b>	<b>85.79</b>	<b>104.28</b>	<b>136.71</b>	<b>163.96</b>	<b>177.21</b>	<b>191.96</b>

### Financial Ratios

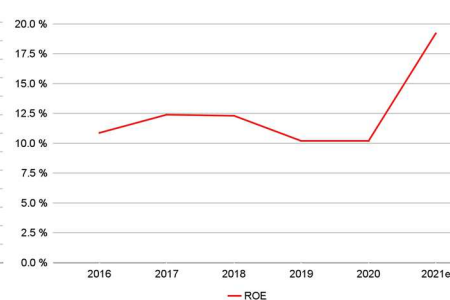
	2017	2018	2019	2020	2021e	2022e	2023e
<b>Return on Capital</b>							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.3 %	2.1 %	2.3 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.2 %	10.8 %	10.8 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x
<b>Solvency</b>							
Net Debt	40.76	65.20	69.75	106.23	126.52	124.74	139.92
Net Financial Debt	40.58	64.99	69.54	105.98	126.27	124.49	139.67
Net Fin. Debt / EBITDA	10.4 x	11.7 x	9.9 x	11.8 x	9.4 x	10.0 x	9.8 x
LTV	61.1 %	62.0 %	58.2 %	60.2 %	60.1 %	58.0 %	58.8 %
Equity Ratio	20.5 %	19.1 %	23.7 %	18.4 %	17.1 %	22.0 %	21.1 %

#### LTV



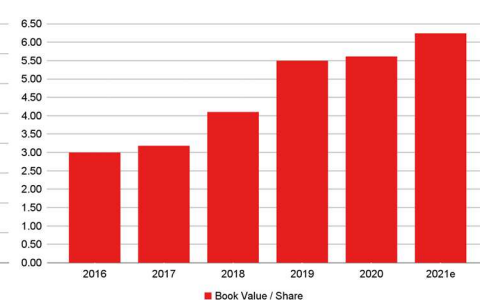
Source: Warburg Research

#### ROE



Source: Warburg Research

#### Book Value per Share



Source: Warburg Research

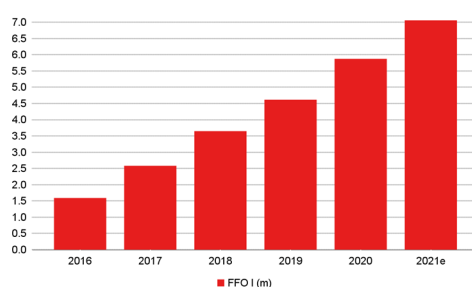
### Consolidated cash flow statement

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
<b>Net cash provided by operating activities [1]</b>	<b>2.76</b>	<b>3.42</b>	<b>3.80</b>	<b>4.96</b>	<b>9.49</b>	<b>8.44</b>	<b>9.92</b>
<b>Net cash provided by investing activities [2]</b>	<b>-21.95</b>	<b>-31.12</b>	<b>-16.09</b>	<b>-37.91</b>	<b>-27.64</b>	<b>-4.40</b>	<b>-22.50</b>
<b>Net cash provided by financing activities [3]</b>	<b>20.23</b>	<b>28.01</b>	<b>16.47</b>	<b>30.25</b>	<b>22.13</b>	<b>-0.08</b>	<b>10.57</b>
Change in liquid funds [1]+[2]+[3]	1.03	0.31	4.18	-2.70	3.98	3.96	-2.01
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>2.49</b>	<b>2.80</b>	<b>6.98</b>	<b>4.28</b>	<b>8.26</b>	<b>12.21</b>	<b>10.20</b>

### Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
<b>Cash Flow</b>							
FFO (II)	2.58	3.65	4.62	5.87	7.06	8.37	9.85
FFOPS I	0.73	1.01	1.14	1.33	1.60	1.78	2.05
FFOPS I diluted	0.73	0.94	1.04	1.33	1.60	1.74	2.05
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	5.8 %	6.4 %	7.4 %
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	49.3 %	49.9 %	51.0 %
Interest Paid / Avg. Debt	2.8 %	2.4 %	2.4 %	2.3 %	2.1 %	2.1 %	2.1 %
<b>Management of Funds</b>							
Capex/Investment Properties	-42.3 %	-38.4 %	-17.3 %	-29.7 %	-18.2 %	-2.7 %	-12.6 %
Avg. Working Capital / Sales	0.7 %	1.4 %	-1.3 %	0.0 %	2.9 %	2.5 %	2.2 %
Dividend Payout Ratio	88.6 %	85.1 %	88.2 %	84.5 %	44.8 %	71.0 %	65.3 %

### FFO



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
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Rating	Number of stocks	% of Universe
Buy	172	81
Hold	35	16
Sell	4	2
Rating suspended	2	1
<b>Total</b>	<b>213</b>	<b>100</b>

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Buy	52	87
Hold	5	8
Sell	1	2
Rating suspended	2	3
<b>Total</b>	<b>60</b>	<b>100</b>

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