

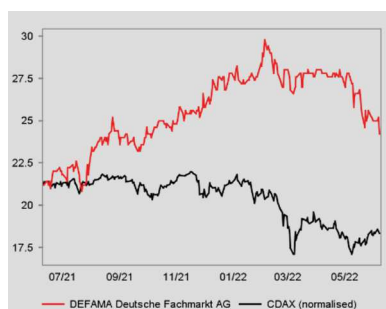
Buy EUR 32.60 (EUR 31.90) Price EUR 24.20 Upside 34.7 %	Value Indicators: EUR NAV (WRe) 24e: 36.52 FFO-Yield 24e: 28.78	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 116.16 No. of shares (m): 4.80 EV: 245.27 Freefloat MC: 83.64 Ø Trad. Vol. (30d): 40.36 th	Shareholders: Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	Key Figures (WRe): 2021e LTV: 61.3 % Equity Ratio: 18.0 %

Good start to 2022 and promising outlook following attractive acquisitions

Stated Figures Q1/2022:					Comment on Figures: <ul style="list-style-type: none"> DEFAMA released sound Q1 figures recently, which showed strong growth of 15% on the top line and for FFO. Revenue growth to EUR 4.64m was mainly driven by DEFAMA's successful acquisition activities and also included some lower contributions owing to redevelopment in Hamm and Rendsburg. Adjusted FFO growth of 19% was somewhat higher, adjusted for one-off effects (costs of capital increase & revenue from prolongation). As expected, the company confirmed the 2022 guidance for FFO of EUR 8.5m and net profit (German GAAP) of EUR 3.5m. The current annualized FFO is expected to grow to EUR 10m which should be partly achieved by further acquisitions but also with letting activities (e.g. Gardelegen). 				
in EUR m	Q1/22	Q1/22e	Q1/21	+/- in %					
Revenues	4,64	4,69	4,05	15%					
EBITDA	2,91	2,87	2,56	14%					
EBIT	1,72	1,70	1,57	10%					
EBT	1,04	1,05	0,95	9%					
Net profit	0,77	0,82	0,70	10%					
EPS (€)	0,17	0,19	0,16	7%					
FFO	1,95	1,96	1,69	15%					
FFO-margin	42%	42%	42%						
FFOPS (€)	0,44	0,44	0,38	15%					

- DEFAMA's successful acquisitions will enable additional growth in the next quarters. In Q2, DEFAMA will benefit from acquired properties in Bergkamen, Wolfsburg-Nordsteimke and Köln-Rondorf which will contribute an additional ~EUR 180k in Q2. Furthermore, successful letting activities partly after some redevelopment as well as positive effects from the indexation of rental contracts will be supportive for DEFAMA's top-line development in 2022 and 2023.
- We confirm our Buy recommendation as DEFAMA's strong track record of acquisitions has continued with the last EUR 15m transaction since its capital increase in March. The pipeline remains promising and higher interest rates might offer some buying opportunities in the market, especially in light of DEFAMA's strong network. Our slightly increased price target of EUR 32.60 is based on our estimates for 2024 and fair values from rent multiple (14.5) and FFO yield (7%). It also considers the standardized increase in the risk-free rate in our models. The possible valuation risk for the NAV from property in Lübbenau due to necessary capex for the fire-prevention measures that were lacking after purchase in 2018 was already included in DEFAMA's published NAVPS.

Changes in Estimates:							Comment on Changes: <ul style="list-style-type: none"> We slightly adjust our numbers for 2022 and 2023 to reflect a) expected acquisition effects, b) mentioned one-off costs and c) impact from redevelopment within the portfolio. We have not included any possible positive impact from disposals (such as Bleicherode in 2021) in our estimates. 						
FY End: 31.12. in EUR m	2022e (old)	+ / -	2023e (old)	+ / -	2024e (old)	+ / -							
FFO I	8.37	0.6 %	9.85	2.4 %	n.a.	n.m.							
FFOPS I	1.78	0.6 %	2.05	2.4 %	n.a.	n.m.							
Net income	3.58	-1.9 %	4.26	0.4 %	n.a.	n.m.							
EPS	0.74	-1.9 %	0.89	0.4 %	n.a.	n.m.							

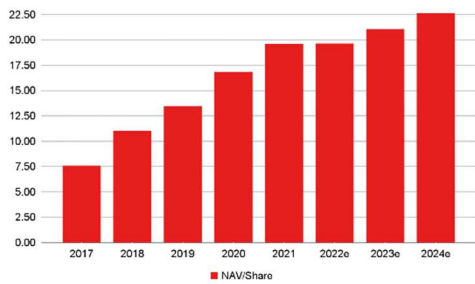


Rel. Performance vs CDAX:	
1 month:	-18.2 %
6 months:	4.0 %
Year to date:	1.1 %
Trailing 12 months:	28.8 %

Company events:	
22.07.22	AGM
Aug.22	Q2
Nov.22	Q3

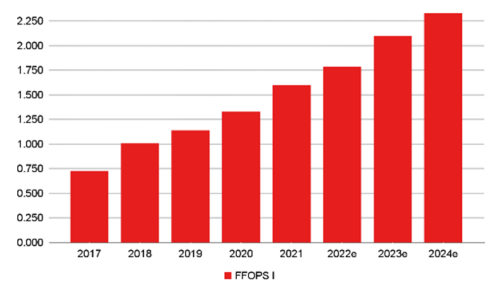
FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.10	20.05	22.17
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	17.2 %	10.6 %
EBIT		3.59	4.50	5.62	9.11	7.64	8.98	9.99
FFO I		3.65	4.62	5.87	7.06	8.41	10.08	11.18
FFO I-margin		47.9 %	48.4 %	48.2 %	48.5 %	49.2 %	50.3 %	50.4 %
EBT		2.25	2.78	3.49	6.51	4.76	5.75	6.42
Net income		1.68	2.06	2.51	5.04	3.51	4.28	4.79
EPS		0.46	0.51	0.57	1.14	0.73	0.89	1.00
FFOPS I		1.01	1.14	1.33	1.60	1.79	2.10	2.33
DPS		0.40	0.45	0.48	0.51	0.54	0.58	0.63
Dividend Yield		3.4 %	2.9 %	2.7 %	2.3 %	2.2 %	2.4 %	2.6 %
Book Value / Share		4.10	5.50	5.61	6.27	8.10	8.42	8.78
P / E		25.0 x	30.1 x	30.9 x	19.5 x	33.1 x	27.1 x	24.2 x
Price / Book		2.6 x	2.5 x	3.1 x	3.5 x	3.0 x	2.9 x	2.8 x
P / NAVPS		1.1 x	1.1 x	1.0 x	1.1 x	1.2 x	1.1 x	1.1 x
FFO I-Yield		8.7 %	7.5 %	7.6 %	7.2 %	7.4 %	8.7 %	9.6 %
ROE		12.3 %	10.2 %	10.2 %	19.2 %	10.5 %	10.8 %	11.6 %
LTV		62.0 %	58.2 %	60.2 %	61.3 %	60.9 %	61.9 %	62.4 %
Guidance:		2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~3.5m						

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

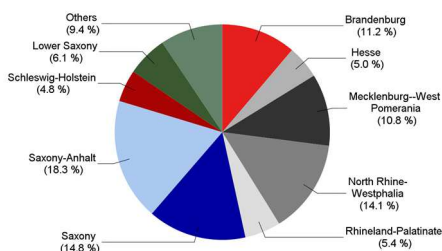
Company Background

- 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

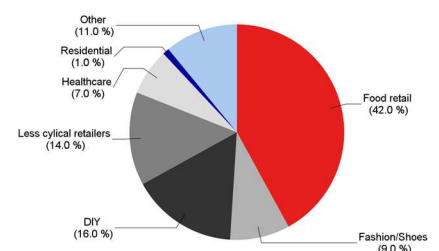
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	2018	2019	2020	2021	2022e	2023e	2024e
P / E	25.0 x	30.1 x	30.9 x	19.5 x	33.1 x	27.1 x	24.2 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.2 x	1.1 x	1.1 x
Price / Book	2.6 x	2.5 x	3.1 x	3.5 x	3.0 x	2.9 x	2.8 x
P / FFOPS I	11.5 x	13.4 x	13.2 x	13.9 x	13.5 x	11.5 x	10.4 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.4 %	8.7 %	9.6 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	10.5 %	10.8 %	11.6 %
Equity Ratio	19 %	24 %	18 %	18 %	23 %	21 %	21 %

Company Specific Items	2018	2019	2020	2021	2022e	2023e	2024e
NAV/Share	11.02	13.46	16.86	19.61	19.65	21.06	22.64
Vacancy Rate	4.3 %	4.0 %	3.7 %	5.0 %	4.0 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Total revenues	9.09	11.21	14.58	17.13	20.36	23.87	26.39
Rental income	7.61	9.53	12.19	14.55	17.10	20.05	22.17
Change yoy	49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	17.2 %	10.6 %
Property operating costs	2.21	2.63	3.08	4.05	4.83	5.68	6.28
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	6.87	8.57	11.49	13.08	15.54	18.19	20.11
Income from property sales	0.00	0.00	0.00	2.60	0.00	0.00	0.00
Other revenues	0.08	0.07	0.12	0.64	0.41	0.48	0.53
Gross profit	6.95	8.64	11.62	16.32	15.94	18.66	20.64
Administration expenses	0.70	0.70	0.81	0.98	1.16	1.36	1.48
Personnel expenses	0.72	1.04	1.50	1.88	2.12	2.41	2.67
Other operating income/expenses	0.00	0.00	-0.31	-0.11	-0.11	-0.11	-0.11
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	5.53	7.04	8.99	13.35	12.55	14.78	16.38
Valuation result	0.00	0.00	0.00	2.60	0.00	0.00	0.00
Depreciation of fixed assets	1.95	2.55	3.36	4.24	4.91	5.80	6.39
EBITA	3.59	4.50	5.62	9.11	7.64	8.98	9.99
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	3.59	4.50	5.62	9.11	7.64	8.98	9.99
Interest income	0.00	0.01	0.01	0.01	0.00	0.00	0.00
Interest expenses	1.34	1.73	2.14	2.61	2.88	3.23	3.57
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-1.34	-1.72	-2.13	-2.60	-2.88	-3.23	-3.57
EBT	2.25	2.78	3.49	6.51	4.76	5.75	6.42
<i>Margin</i>	24.8 %	24.8 %	24.0 %	38.0 %	23.4 %	24.1 %	24.3 %
Total taxes	-0.55	-0.71	-0.71	-0.71	-1.25	-1.47	-1.63
thereof cash taxes	-0.36	-0.42	-0.42	-0.42	-0.72	-0.88	-0.98
Net income from continuing operations	1.70	2.07	2.51	5.04	3.51	4.28	4.79
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	1.70	2.07	2.51	5.04	3.51	4.28	4.79
Minority interest	0.02	0.01	0.00	0.00	0.00	0.00	0.00
Net income	1.68	2.06	2.51	5.04	3.51	4.28	4.79
Number of shares, average	3.62	4.05	4.42	4.42	4.71	4.80	4.80
FFO (II)	3.65	4.62	5.87	7.06	8.41	10.08	11.18
<i>FFO I-margin</i>	47.9 %	48.4 %	48.2 %	48.5 %	49.2 %	50.3 %	50.4 %
FFOPS I	1.01	1.14	1.33	1.60	1.79	2.10	2.33
EPS	0.46	0.51	0.57	1.14	0.73	0.89	1.00
EPS adj.	0.43	0.47	0.57	1.14	0.73	0.89	1.00

*Adjustments made for:

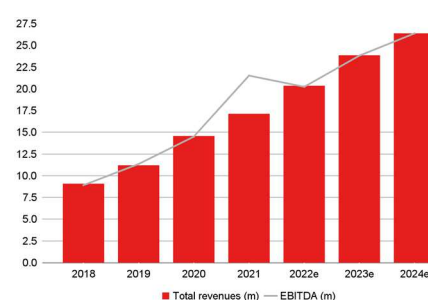
Guidance: 2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~3.5m

Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
Property operating costs / Rental Income	29.1 %	27.6 %	25.3 %	27.8 %	28.2 %	28.3 %	28.3 %
Operating Leverage (Real Estate)	2.9 x	5.0 x	4.6 x	6.2 x	6.8 x	7.0 x	10.5 x
Rental profit / interest expenses	5.1 x	5.0 x	5.4 x	5.0 x	5.4 x	5.6 x	5.6 x

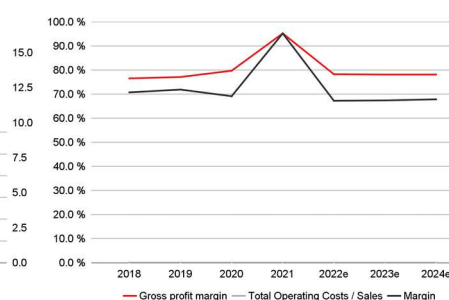
Revenues, EBITDA

in EUR m

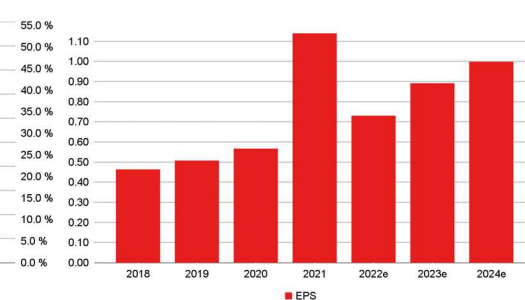


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

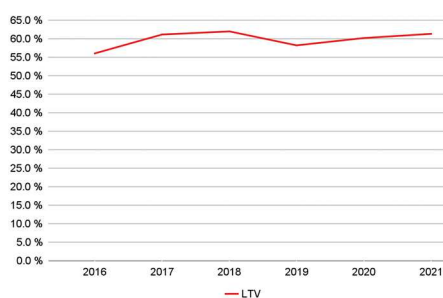
Consolidated balance sheet

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Assets							
Goodwill and other intangible assets	0.01	0.03	0.02	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	0.03	0.02	0.02	0.02	0.02	0.02
Property, plant and equipment	0.08	0.11	1.39	1.29	1.30	1.32	1.33
Investment properties	81.10	93.14	127.79	147.57	165.89	182.39	198.25
Financial assets	0.26	1.70	0.12	1.37	1.37	1.37	1.37
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	81.44	94.98	129.33	150.25	168.58	185.09	200.96
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.51	0.00	0.80	0.96	0.98	1.00	1.02
Liquid assets	2.80	6.98	4.28	1.52	2.67	2.25	2.89
Other short-term assets	0.59	-2.56	-0.66	1.94	1.15	1.55	0.89
Current assets	4.34	9.29	7.38	6.01	5.76	5.41	6.11
Total Assets	85.79	104.28	136.71	156.26	174.34	190.50	207.07
Liabilities and shareholders' equity							
Subscribed capital	3.90	4.42	4.42	4.42	4.80	4.80	4.80
Capital reserve	10.03	17.31	17.31	17.31	27.19	27.19	27.19
Retained earnings	2.06	2.56	3.07	5.99	6.90	8.40	10.17
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	15.99	24.29	24.81	27.72	38.90	40.39	42.16
Minority interest	0.38	0.39	0.40	0.40	0.40	0.40	0.40
Provisions	1.01	0.43	0.51	0.53	0.53	0.53	0.53
thereof provisions for pensions and similar obligations	0.21	0.21	0.25	0.26	0.26	0.26	0.26
Financial liabilities (total)	67.79	76.52	110.25	124.59	131.51	146.19	161.00
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.30	0.51	0.29	0.96	0.96	0.96	0.96
Other liabilities	0.70	2.54	0.86	2.46	2.45	2.43	2.42
Liabilities	69.79	79.99	111.91	128.54	135.44	150.10	164.91
Total liabilities and shareholders' equity	85.79	104.28	136.71	156.26	174.34	190.50	207.07

Financial Ratios

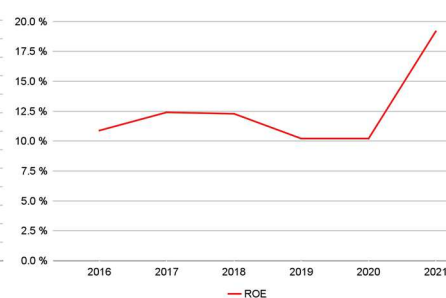
	2018	2019	2020	2021	2022e	2023e	2024e
Return on Capital							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	2.1 %	2.3 %	2.4 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	10.5 %	10.8 %	11.6 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	65.20	69.75	106.23	123.34	129.11	144.20	158.38
Net Financial Debt	64.99	69.54	105.98	123.07	128.85	143.94	158.12
Net Fin. Debt / EBITDA	11.7 x	9.9 x	11.8 x	9.2 x	10.3 x	9.7 x	9.7 x
LTV	62.0 %	58.2 %	60.2 %	61.3 %	60.9 %	61.9 %	62.4 %
Equity Ratio	19.1 %	23.7 %	18.4 %	18.0 %	22.5 %	21.4 %	20.6 %

LTV



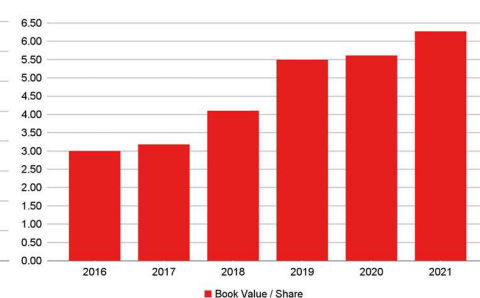
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

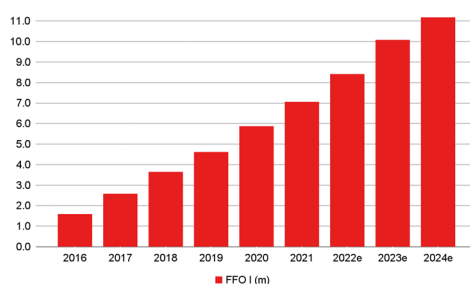
Consolidated cash flow statement

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Net cash provided by operating activities [1]	3.42	3.80	4.96	7.41	8.38	10.00	11.10
Net cash provided by investing activities [2]	-31.12	-16.09	-37.91	-22.39	-11.90	-22.50	-22.50
Net cash provided by financing activities [3]	28.01	16.47	30.25	12.22	4.67	12.08	12.03
Change in liquid funds [1]+[2]+[3]	0.31	4.18	-2.70	-2.76	1.15	-0.41	0.63
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	2.80	6.98	4.28	1.52	2.67	2.25	2.89

Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow							
FFO (II)	3.65	4.62	5.87	7.06	8.41	10.08	11.18
FFOPS I	1.01	1.14	1.33	1.60	1.79	2.10	2.33
FFOPS I diluted	0.94	1.04	1.33	1.60	1.75	2.10	2.33
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.4 %	8.7 %	9.6 %
FFO I-margin	47.9 %	48.4 %	48.2 %	48.5 %	49.2 %	50.3 %	50.4 %
Interest Paid / Avg. Debt	2.4 %	2.4 %	2.3 %	2.2 %	2.3 %	2.3 %	2.3 %
Management of Funds							
Capex/Investment Properties	-38.4 %	-17.3 %	-29.7 %	-15.2 %	-7.2 %	-12.3 %	-11.3 %
Avg. Working Capital / Sales	1.4 %	-1.3 %	0.0 %	1.5 %	0.1 %	0.1 %	0.2 %
Dividend Payout Ratio	85.1 %	88.2 %	84.5 %	44.7 %	72.4 %	65.0 %	63.1 %

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	4, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A13SUL5.htm

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-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.

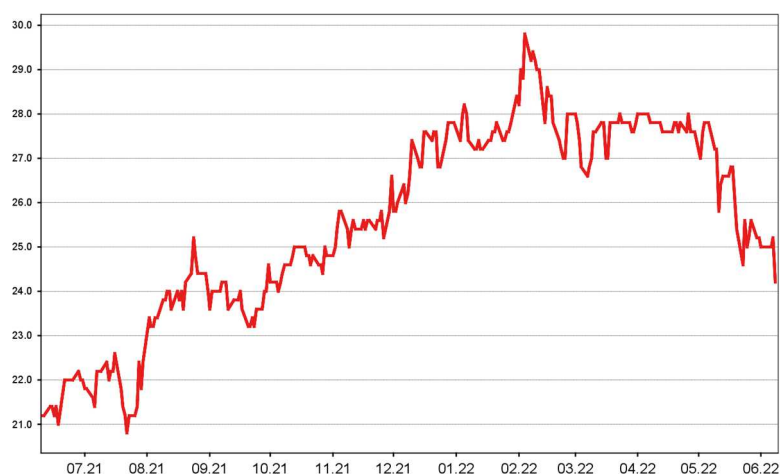
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Rating	Number of stocks	% of Universe
Buy	171	80
Hold	37	17
Sell	3	1
Rating suspended	2	1
Total	213	100

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	51	86
Hold	6	10
Sell	0	0
Rating suspended	2	3
Total	59	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 09.06.2022

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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