

Buy EUR 32.60	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: 119.04 No. of shares (m): 4.80 EV: 248.15 Freefloat MC: 85.71 Ø Trad. Vol. (30d): 8.80 th	Shareholders: Freefloat: 72.00 % MSC Invest GmbH: 26.00 % Supervisory board: 2.00 %	Key Figures (WRe): 2022e LTV: 60.9 % Equity Ratio: 22.5 %
Price: EUR 24.80 Upside: 31.5 %			

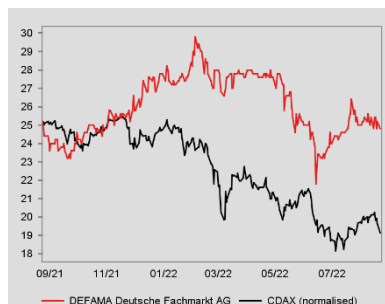
Good Q2-result confirms our growth case

Stated Figures Q2/2022:				
in EUR m	H1/22	H1/22e	H1/21	+/- in %
Revenues	9.49	9.47	8.46	12%
EBITDA	5.98	6.00	8.00	-25%
EBIT	3.51	3.58	5.93	-41%
EBIT (adjusted)	3.51	3.58	3.33	5%
EBT	2.10	2.18	4.58	-54%
EBT (adjusted)	2.10	2.18	1.98	6%
Net profit	1.54	1.59	3.61	-57%
EPS (€)	0.34	0.35	0.82	-58%
FFO	4.01	3.98	3.50	15%
FFO-margin	42%	42%	41%	
FFOPS (€)	0.87	0.86	0.79	10%

Comment on Figures:

- DEFAMA remained on its impressive growth path with a 12%-increase in revenues following an acquisition volume of nearly EUR 30m with an annualized rental income of ~EUR 2.6m in 2021.
- Somewhat lower earnings growth was due to the costs of the capital increase in Q1 and was slightly below our estimates. Adjusted EBIT and adjusted EBT improvement (w/o disposal gain of Bleicherode in H1/21) stood at 5% and 6% respectively.
- Favourable FFO growth of 15% exceeded our estimate. As a consequence, DEFAMA is well on track to nearly fulfil its FY guidance of EUR 8.5m (EUR 8.41m).

- The FY guidance was confirmed with an FFO of EUR 8.5m and a net profit of EUR 3.5m but company will give an update in the next weeks considering adjustments related to its impressive acquisition activities. We are expecting DEFAMA to increase its guidance for 2025 owing to faster acquisition growth and positive effects of redevelopments. The target for the annualised FFO is still EUR 10m.
- The pipeline appears to be well filled and company is also in negotiations about possible disposals (one small transaction is already signed).
- The NAV per share increased 23% to EUR 21.62 in the last 12 months thanks to positive earnings contributions and the effects of the capital increase.
- We confirm our Buy recommendation and will update our estimates but, at first glance, we are not expecting to make meaningful adjustments.

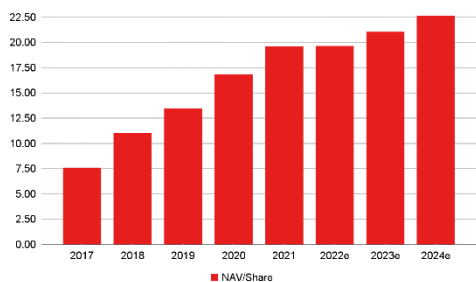


Rel. Performance vs CDAX:	
1 month:	-5.0 %
6 months:	7.5 %
Year to date:	11.8 %
Trailing 12 months:	25.3 %

Company events:	
Nov.22	Q3

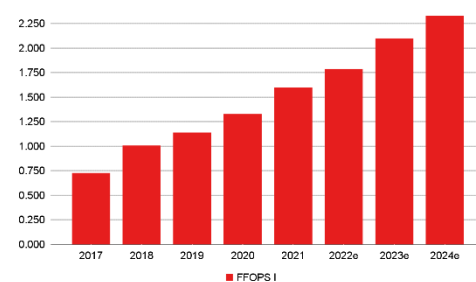
FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.10	20.05	22.17
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	17.2 %	10.6 %
EBIT		3.59	4.50	5.62	9.11	7.64	8.98	9.99
FFO I		3.65	4.62	5.87	7.06	8.41	10.08	11.18
FFO I-margin		47.9 %	48.4 %	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 %	2.3 %	2.5 %
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	33.9 x	27.8 x	24.8 x
Price / Book		2.6 x	2.5 x	3.1 x	3.5 x	3.1 x	2.9 x	2.8 x
P / NAVPS		1.1 x	1.1 x	1.0 x	1.1 x	1.3 x	1.2 x	1.1 x
FFO I-Yield		8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	8.5 %	9.4 %
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

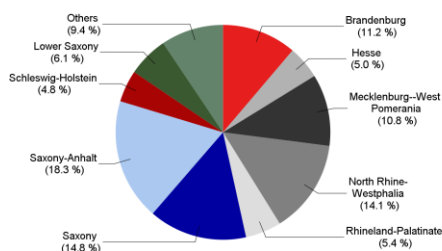
Company Background

- 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

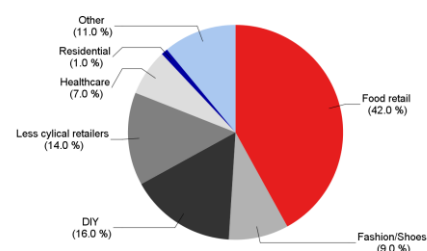
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	33.9 x	27.8 x	24.8 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.3 x	1.2 x	1.1 x
Price / Book	2.6 x	2.5 x	3.1 x	3.5 x	3.1 x	2.9 x	2.8 x
P / FFOPS I	11.5 x	13.4 x	13.2 x	13.9 x	13.9 x	11.8 x	10.6 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	8.5 %	9.4 %
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:

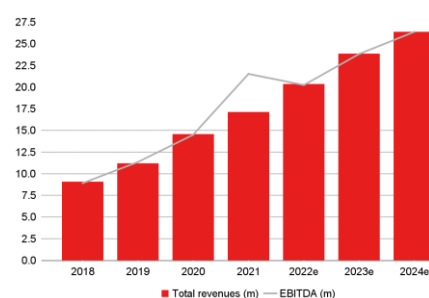
Guidance: 2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~3.5m

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

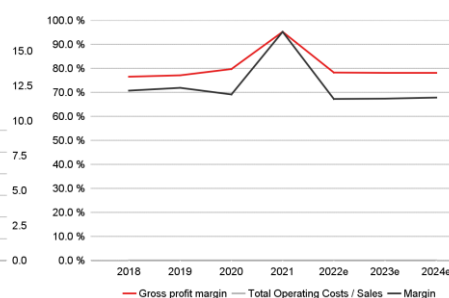
Revenues, EBITDA

in EUR m

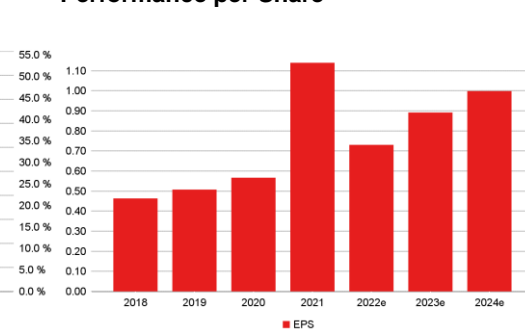


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

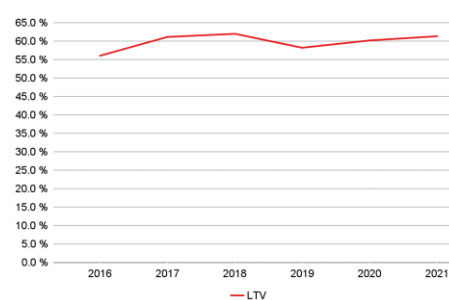
Consolidated balance sheet

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

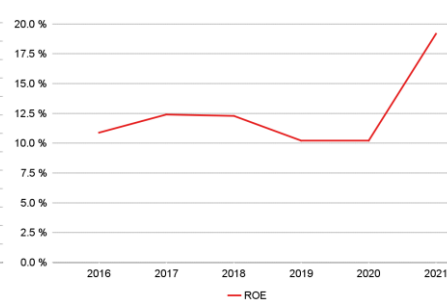
Financial Ratios

	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 %

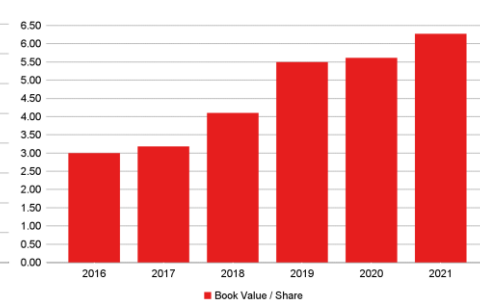
LTV



Source: Warburg Research

ROE
in %

Source: Warburg Research

Book Value per Share
in EUR

Source: Warburg Research

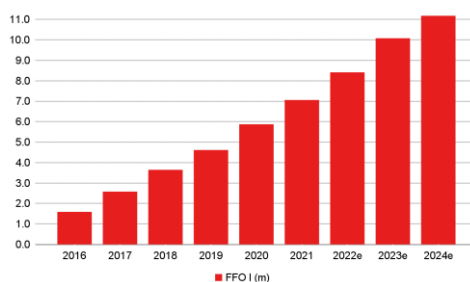
Consolidated cash flow statement

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 %	7.2 %	8.5 %	9.4 %
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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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.

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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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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.

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-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	4	2
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	48	83
Hold	8	14
Sell	0	0
Rating suspended	2	3
Total	58	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 23.08.2022



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.

EQUITIES

Matthias Rode +49 40 3282-2678
Head of Equities mrode@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschmeier +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Stefan Augustin +49 40 309537-168
Cap. Goods, Engineering saugustin@warburg-research.com

Jan Bauer +49 40 309537-155
Renewables jbauer@warburg-research.com

Jonas Blum +49 40 309537-240
Telco, Media, Construction jblum@warburg-research.com

Christian Cohrs +49 40 309537-175
Industrials & Transportation ccohrs@warburg-research.com

Dr. Christian Ehmann +49 40 309537-167
BioTech, Life Science cehmann@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Financial Services mfuhrberg@warburg-research.com

Mustafa Hidir +49 40 309537-230
Automobiles, Car Suppliers mhidir@warburg-research.com

Thor Höfs +49 40 309537-255
Software, IT thoefs@warburg-research.com

Philipp Kaiser +49 40 309537-260
Real Estate pkaiser@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Simon Stippig +49 40 309537-265
Real Estate sstippig@warburg-research.com

Cansu Tatar +49 40 309537-248
Cap. Goods, Engineering ctatar@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Robert-Jan van der Horst +49 40 309537-290
Technology rvanderhorst@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Marc Niemann +49 40 3282-2660
Head of Equity Sales, Germany mniemann@mmwarburg.com

Klaus Schilling +49 69 5050-7400
Head of Equity Sales, Germany kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lea Bogdanova +49 69 5050-7411
United Kingdom, Ireland lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Alexander Eschweiler +49 40 3282-2669
Germany, Luxembourg aeschweiler@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Maximilian Martin +49 69 5050-7413
Austria, Poland mmartin@mmwarburg.com

Christopher Seedorf +49 40 3282-2695
Switzerland cseedorf@mmwarburg.com

Sophie Hauer +49 69 5050-7417
Roadshow/Marketing shauer@mmwarburg.com

Juliane Niemann +49 40 3282-2694
Roadshow/Marketing jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Marcel Magiera +49 40 3282-2662
Sales Trading mmagiera@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg RESP MMWA GO
FactSet www.factset.com

Refinitiv www.refinitiv.com
Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com