

<b>Buy</b> <b>EUR 32.60</b>  Price <b>EUR 23.20</b> Upside <b>40.5 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 24e: 37.74 FFO-Yield 24e: 29.93	<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: 111.36 No. of shares (m): 4.80 EV: 239.63 Freefloat MC: 80.18 Ø Trad. Vol. (30d): 17.27 th	<b>Shareholders:</b> Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	<b>Key Figures (WRe):</b> 2022e LTV: 60.5 % Equity Ratio: 22.8 %

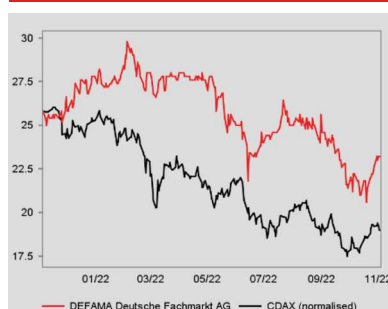
## Attractive growth continued in Q3; Guidance within reach

Stated Figures Q3/2022:				
in EUR m	9M/22	9M/22e	9M/21	+/- in %
Revenues	14.66	14.52	12.62	16%
EBITDA	9.23	9.25	10.66	-13%
EBIT	5.47	5.42	7.52	-27%
EBIT (adjusted)	5.47	5.42	4.92	11%
EBT	3.33	3.25	5.52	-40%
EBT (adjusted)	3.33	3.25	2.92	14%
Net profit	2.45	2.36	4.27	-43%
EPS (€)	0.53	0.51	0.97	-45%
FFO	6.21	6.12	5.23	19%
FFO-margin	42%	42%	41%	
FFOPS (€)	1.33	1.31	1.18	13%

**Comment on Figures:**

- DEFAMA released strong Q3 figures which slightly beat our estimates.
- Revenues** were up by an impressive 16% to EUR 14.7m (WRe: EUR 14.5m) reflecting selective acquisitions and positive effects from the indexation of rental contracts and ongoing investments in the existing portfolio. Since Q1, the number of contributing properties has increased from 48 to 57 which also lays the basis for further growth in 2023.
- Adjusted EBITDA and EBIT (w/o disposal gain) increased 11% and 14% showing slightly lower momentum owing to higher expenses for refurbishment which will enable further rental growth in the future.
- FFO** improved by an impressive 19% to EUR 6.2m and already represents 73% of DEFAMA's FY target, which is within reach given expected positive effects from acquisitions, redevelopment and indexation. FFO margin remains stable at ~42%.

- DEFAMA's recent decision to outsource its property management to HEICO Property Partners is positive in our view. This should strengthen management's focus on active asset management in terms of redevelopment and M&A activities. HEICO Group is an established player with more than 20 years' experience and more than EUR 6bn in assets under administration. This step should also support management's capacity to carry out a higher number of M&A transactions which is possible with this process. The recent increase in the portfolio volume targeted for 2025 of EUR 350m (up from 250-300m) already includes this change in the operating processes.
- The guidance for 2022** was confirmed after the recent increase in its net profit target for 2022 as well as DEFAMA's mid-term target for 2025. For 2022, management expects FFO of EUR 8.5m (73% already reached after 9M) and an annualised FFO of EUR 10m (9M: EUR 9.7m). Both targets are clearly within reach. The net profit target of EUR 4.2m includes a positive effect from a disposal.
- The financing conditions have deteriorated, as expected. In the higher interest-rate environment, financing costs should be >4% compared to an average interest rate of existing loans of 2.07%. As a consequence, management remains price-sensitive and still sees good growth opportunities in the more challenging environment due to its business focus and financial strength.
- We reiterate our Buy recommendation with an unchanged price target of EUR 32.60.

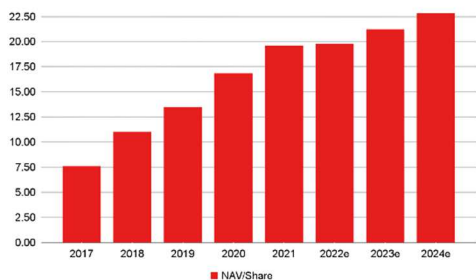


Rel. Performance vs CDAX:	
1 month:	4.2 %
6 months:	-5.1 %
Year to date:	8.4 %
Trailing 12 months:	16.5 %

### Company events:

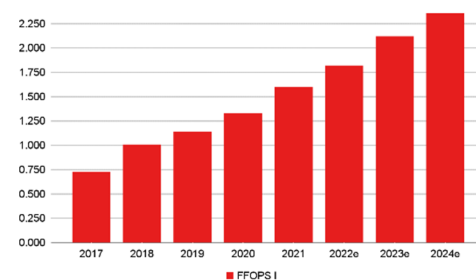
FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
<b>Rental income</b>		7.61	9.53	12.19	14.55	17.10	20.12	22.30
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	17.6 %	10.8 %
<b>EBIT</b>		3.59	4.50	5.62	9.11	8.30	9.07	10.11
<b>FFO I</b>		3.65	4.62	5.87	7.06	8.56	10.17	11.31
<b>FFO I-margin</b>		47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	50.6 %	50.7 %
<b>EBT</b>		2.25	2.78	3.49	6.51	5.41	5.83	6.54
<b>Net income</b>		1.68	2.06	2.51	5.04	4.17	4.35	4.89
<b>EPS</b>		0.46	0.51	0.57	1.14	0.87	0.91	1.02
<b>FFOPS I</b>		1.01	1.14	1.33	1.60	1.82	2.12	2.36
<b>DPS</b>		0.40	0.45	0.48	0.51	0.54	0.58	0.63
<b>Dividend Yield</b>		3.4 %	2.9 %	2.7 %	2.3 %	2.3 %	2.5 %	2.7 %
<b>Book Value / Share</b>		4.10	5.50	5.61	6.27	8.24	8.57	8.96
<b>P / E</b>		25.0 x	30.1 x	30.9 x	19.5 x	26.7 x	25.6 x	22.8 x
<b>Price / Book</b>		2.6 x	2.5 x	3.1 x	3.5 x	2.8 x	2.7 x	2.6 x
<b>P / NAVPS</b>		1.1 x	1.1 x	1.0 x	1.1 x	1.2 x	1.1 x	1.0 x
<b>FFO I-Yield</b>		8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	9.1 %	10.2 %
<b>ROE</b>		12.3 %	10.2 %	10.2 %	19.2 %	12.4 %	10.8 %	11.6 %
<b>LTV</b>		62.0 %	58.2 %	60.2 %	61.3 %	60.5 %	61.5 %	62.0 %
<b>Guidance:</b>		2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~4.2m						

**NAV per share development**  
in EUR



Source: Warburg Research

**FFO per share development**  
in EUR



Source: Warburg Research

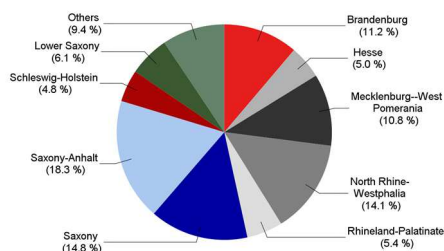
**Company Background**

- 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**

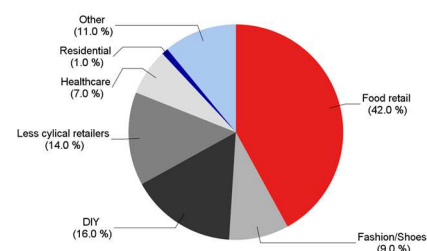
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	26.7 x	25.6 x	22.8 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.2 x	1.1 x	1.0 x
Price / Book	2.6 x	2.5 x	3.1 x	3.5 x	2.8 x	2.7 x	2.6 x
P / FFOPS I	11.5 x	13.4 x	13.2 x	13.9 x	12.8 x	10.9 x	9.8 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	9.1 %	10.2 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	12.4 %	10.8 %	11.6 %
Equity Ratio	19 %	24 %	18 %	18 %	23 %	22 %	21 %

Company Specific Items	2018	2019	2020	2021	2022e	2023e	2024e
NAV/Share	11.02	13.46	16.86	19.61	19.80	21.23	22.84
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
<b>Total revenues</b>	<b>9.09</b>	<b>11.21</b>	<b>14.58</b>	<b>17.13</b>	<b>20.36</b>	<b>23.95</b>	<b>26.55</b>
<b>Rental income</b>	<b>7.61</b>	<b>9.53</b>	<b>12.19</b>	<b>14.55</b>	<b>17.10</b>	<b>20.12</b>	<b>22.30</b>
Change yoy	49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	17.6 %	10.8 %
Property operating costs	2.21	2.63	3.08	4.05	4.76	5.70	6.32
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	15.60	18.25	20.23
<b>Income from property sales</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.60</b>	<b>0.70</b>	<b>0.00</b>	<b>0.00</b>
<b>Other revenues</b>	<b>0.08</b>	<b>0.07</b>	<b>0.12</b>	<b>0.64</b>	<b>0.41</b>	<b>0.48</b>	<b>0.53</b>
<b>Gross profit</b>	<b>6.95</b>	<b>8.64</b>	<b>11.62</b>	<b>16.32</b>	<b>16.70</b>	<b>18.73</b>	<b>20.76</b>
Administration expenses	0.70	0.70	0.81	0.98	1.26	1.37	1.49
Personnel expenses	0.72	1.04	1.50	1.88	2.00	2.42	2.68
Other operating income/expenses	0.00	0.00	-0.31	-0.11	-0.06	-0.06	-0.06
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>EBITDA</b>	<b>5.53</b>	<b>7.04</b>	<b>8.99</b>	<b>13.35</b>	<b>13.39</b>	<b>14.89</b>	<b>16.53</b>
Valuation result	0.00	0.00	0.00	2.60	0.70	0.00	0.00
Depreciation of fixed assets	1.95	2.55	3.36	4.24	5.09	5.82	6.42
<b>EBITA</b>	<b>3.59</b>	<b>4.50</b>	<b>5.62</b>	<b>9.11</b>	<b>8.30</b>	<b>9.07</b>	<b>10.11</b>
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>3.59</b>	<b>4.50</b>	<b>5.62</b>	<b>9.11</b>	<b>8.30</b>	<b>9.07</b>	<b>10.11</b>
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
<b>Financial result</b>	<b>-1.34</b>	<b>-1.72</b>	<b>-2.13</b>	<b>-2.60</b>	<b>-2.88</b>	<b>-3.23</b>	<b>-3.57</b>
<b>EBT</b>	<b>2.25</b>	<b>2.78</b>	<b>3.49</b>	<b>6.51</b>	<b>5.41</b>	<b>5.83</b>	<b>6.54</b>
<i>Margin</i>	24.8 %	24.8 %	24.0 %	38.0 %	26.6 %	24.4 %	24.6 %
Total taxes	-0.55	-0.71	-0.71	-0.71	-1.25	-1.48	-1.65
thereof cash taxes	-0.36	-0.42	-0.42	-0.42	-0.71	-0.89	-1.00
<b>Net income from continuing operations</b>	<b>1.70</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>4.17</b>	<b>4.35</b>	<b>4.89</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>1.70</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>4.17</b>	<b>4.35</b>	<b>4.89</b>
Minority interest	0.02	0.01	0.00	0.00	0.00	0.00	0.00
<b>Net income</b>	<b>1.68</b>	<b>2.06</b>	<b>2.51</b>	<b>5.04</b>	<b>4.17</b>	<b>4.35</b>	<b>4.89</b>
Number of shares, average	3.62	4.05	4.42	4.42	4.71	4.80	4.80
<b>FFO (II)</b>	<b>3.65</b>	<b>4.62</b>	<b>5.87</b>	<b>7.06</b>	<b>8.56</b>	<b>10.17</b>	<b>11.31</b>
<i>FFO I-margin</i>	47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	50.6 %	50.7 %
<b>FFOPS I</b>	<b>1.01</b>	<b>1.14</b>	<b>1.33</b>	<b>1.60</b>	<b>1.82</b>	<b>2.12</b>	<b>2.36</b>
<b>EPS</b>	<b>0.46</b>	<b>0.51</b>	<b>0.57</b>	<b>1.14</b>	<b>0.87</b>	<b>0.91</b>	<b>1.02</b>
EPS adj.	0.43	0.47	0.57	1.14	0.87	0.91	1.02

\*Adjustments made for:

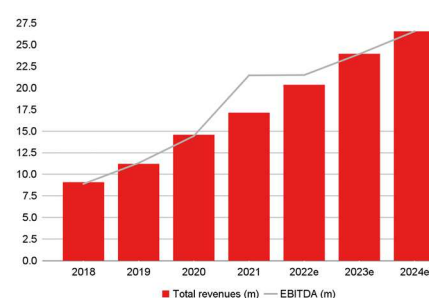
**Guidance: 2022e: FFO of EUR ~8.5m, Net profit (HGB) of EUR ~4.2m**

**Financial Ratios**

	2018	2019	2020	2021	2022e	2023e	2024e
Property operating costs / Rental Income	29.1 %	27.6 %	25.3 %	27.8 %	27.9 %	28.3 %	28.3 %
Operating Leverage (Real Estate)	2.9 x	5.0 x	4.6 x	6.2 x	6.9 x	6.7 x	10.3 x
Rental profit / interest expenses	5.1 x	5.0 x	5.4 x	5.0 x	5.4 x	5.6 x	5.7 x

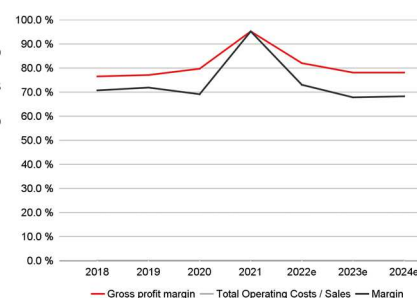
**Revenues, EBITDA**

in EUR m



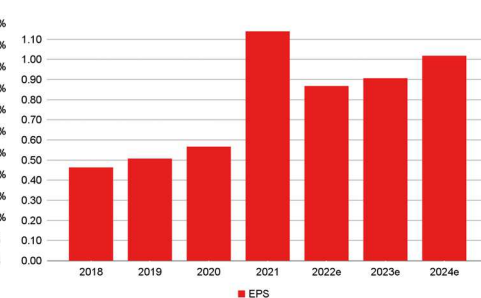
**Operating Performance**

in %



**Performance per Share**

in EUR



Source: Warburg Research

Source:

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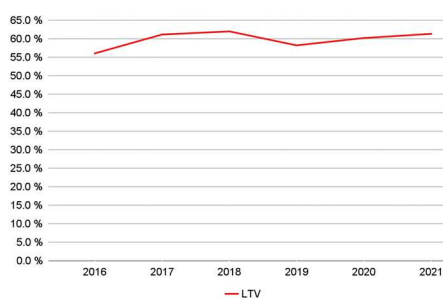
**Consolidated balance sheet**

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
<b>Assets</b>							
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	165.71	182.18	198.01
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
<b>Fixed assets</b>	<b>81.44</b>	<b>94.98</b>	<b>129.33</b>	<b>150.25</b>	<b>168.40</b>	<b>184.88</b>	<b>200.72</b>
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	3.51	3.19	3.96
Other short-term assets	0.59	-2.56	-0.66	1.94	0.31	0.61	-0.18
<b>Current assets</b>	<b>4.34</b>	<b>9.29</b>	<b>7.38</b>	<b>6.01</b>	<b>6.60</b>	<b>6.35</b>	<b>7.18</b>
<b>Total Assets</b>	<b>85.79</b>	<b>104.28</b>	<b>136.71</b>	<b>156.26</b>	<b>175.00</b>	<b>191.23</b>	<b>207.90</b>
<b>Liabilities and shareholders' equity</b>							
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	7.56	9.13	11.00
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Shareholders' equity</b>	<b>15.99</b>	<b>24.29</b>	<b>24.81</b>	<b>27.72</b>	<b>39.56</b>	<b>41.13</b>	<b>42.99</b>
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
<b>Liabilities</b>	<b>69.79</b>	<b>79.99</b>	<b>111.91</b>	<b>128.54</b>	<b>135.44</b>	<b>150.10</b>	<b>164.91</b>
<b>Total liabilities and shareholders' equity</b>	<b>85.79</b>	<b>104.28</b>	<b>136.71</b>	<b>156.26</b>	<b>175.00</b>	<b>191.23</b>	<b>207.90</b>

**Financial Ratios**

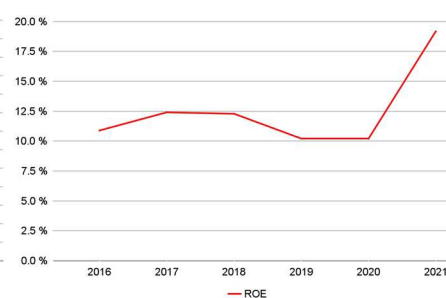
	2018	2019	2020	2021	2022e	2023e	2024e
<b>Return on Capital</b>							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	2.5 %	2.4 %	2.4 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	12.4 %	10.8 %	11.6 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x	0.2 x	0.3 x
<b>Solvency</b>							
Net Debt	65.20	69.75	106.23	123.34	128.27	143.26	157.31
Net Financial Debt	64.99	69.54	105.98	123.07	128.01	143.00	157.05
Net Fin. Debt / EBITDA	11.7 x	9.9 x	11.8 x	9.2 x	9.6 x	9.6 x	9.5 x
LTV	62.0 %	58.2 %	60.2 %	61.3 %	60.5 %	61.5 %	62.0 %
Equity Ratio	19.1 %	23.7 %	18.4 %	18.0 %	22.8 %	21.7 %	20.9 %

**LTV**



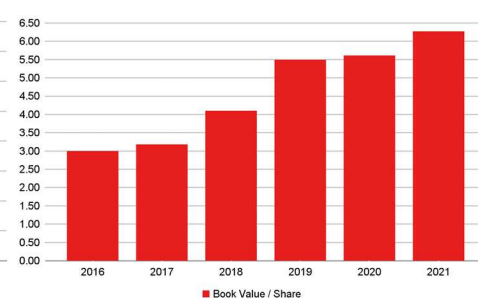
Source: Warburg Research

**ROE**  
in %



Source: Warburg Research

**Book Value per Share**  
in EUR



Source: Warburg Research

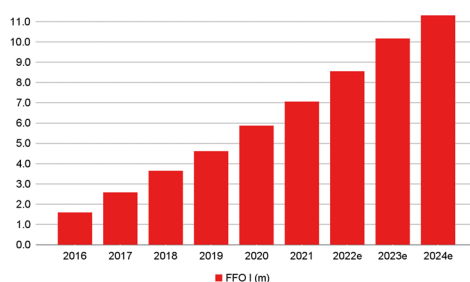
### Consolidated cash flow statement

In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
<b>Net cash provided by operating activities [1]</b>	<b>3.42</b>	<b>3.80</b>	<b>4.96</b>	<b>7.41</b>	<b>9.22</b>	<b>10.10</b>	<b>11.24</b>
<b>Net cash provided by investing activities [2]</b>	<b>-31.12</b>	<b>-16.09</b>	<b>-37.91</b>	<b>-22.39</b>	<b>-11.90</b>	<b>-22.50</b>	<b>-22.50</b>
<b>Net cash provided by financing activities [3]</b>	<b>28.01</b>	<b>16.47</b>	<b>30.25</b>	<b>12.22</b>	<b>4.67</b>	<b>12.08</b>	<b>12.03</b>
Change in liquid funds [1]+[2]+[3]	0.31	4.18	-2.70	-2.76	1.99	-0.32	0.77
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>2.80</b>	<b>6.98</b>	<b>4.28</b>	<b>1.52</b>	<b>3.51</b>	<b>3.19</b>	<b>3.96</b>

### Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
<b>Cash Flow</b>							
FFO (II)	3.65	4.62	5.87	7.06	8.56	10.17	11.31
FFOPS I	1.01	1.14	1.33	1.60	1.82	2.12	2.36
FFOPS I diluted	0.94	1.04	1.33	1.60	1.78	2.12	2.36
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	9.1 %	10.2 %
FFO I-margin	47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	50.6 %	50.7 %
Interest Paid / Avg. Debt	2.4 %	2.4 %	2.3 %	2.2 %	2.3 %	2.3 %	2.3 %
<b>Management of Funds</b>							
Capex/Investment Properties	-38.4 %	-17.3 %	-29.7 %	-15.2 %	-7.2 %	-12.4 %	-11.4 %
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 %	61.0 %	63.9 %	61.8 %

### FFO



Source: Warburg Research

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-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
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Rating	Number of stocks	% of Universe
Buy	162	75
Hold	44	20
Sell	6	3
Rating suspended	4	2
<b>Total</b>	<b>216</b>	<b>100</b>

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Buy	45	80
Hold	8	14
Sell	1	2
Rating suspended	2	4
<b>Total</b>	<b>56</b>	<b>100</b>

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