

Buy EUR 32.00 (EUR 32.60) Price EUR 23.40 Upside 36.8 %	Value Indicators: EUR NAV (WRe) 24e: 35.78 FFO-Yield 24e: 28.17	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: 112.32 No. of shares (m): 4.80 EV: 254.67 Freefloat MC: 80.87 Ø Trad. Vol. (30d): 22.13 th	Shareholders: Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	Key Figures (WRe): 2022e LTV: 59.9 % Equity Ratio: 23.4 %

Preview FY22: Increased guidance within reach

Expected Figures FY 2022:			
in EUR m	2022e	2021	+/- in %
Revenues	20.36	17.13	19%
EBITDA	14.99	13.35	12%
EBIT	9.90	9.11	9%
EBIT (adjusted)	7.60	6.51	17%
EBT	7.01	6.51	8%
EBT (adjusted)	4.71	3.91	21%
Net profit	5.57	5.04	11%
EPS (€)	1.16	1.14	2%
FFO	8.56	7.06	21%
FFO-margin	42%	41%	
FFOPS (€)	1.78	1.60	12%
NAV/share (€)	22.25	19.61	13%

Comment on Figures:

- We expect strong top-line growth of 19% to EUR 20.4m in FY22 as the company benefitted from the positive effects of an acquisition volume of EUR 29m and indexation (89% of rental income is protected by indexation clauses).
- Estimated FFO of EUR 8.56m (+21%) should slightly exceed DEFAMA's FY guidance. The target for annualized FFO of EUR 10m should nearly be reached despite two disposals with a rental income of EUR 400k.
- Expected net profit of EUR 5.57m should beat guidance and includes two disposals with an estimated impact of ~EUR 2m after tax (pre-tax EUR 2.3m).
- Outlook for 2023 should remain promising but portfolio growth in 2023 could be somewhat lower as there are fewer market transactions.

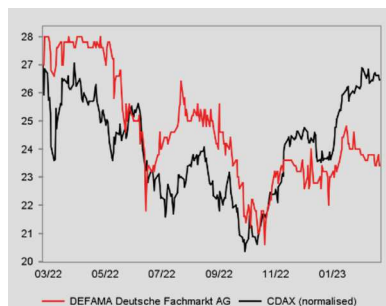
The headwind from financing costs for DEFAMA's FFO should be less pronounced than for other real-estate companies. Firstly, the company has an average fixed interest rate of ~6.0 years (WRe). In 2023 and 2024, we estimate a loan volume of EUR 5m p.a. for prolongation or repayment (e.g. Löwenberg) which is clearly manageable. Secondly, the company repays ~5% of the notional amount (WRe: ~ EUR 8m) annually. The estimated interest-cost savings of EUR ~160k p.a. should more than compensate for the rising cost of debt, assuming a 2%-increase in credit costs.

We reiterate our Buy recommendation with a slightly lower price target of EUR 32 (2024e) based on the expectation of a strong 2022 result, extremely robust financing, and ongoing acquisition discipline which should help stabilise margins despite some headwind from inflationary effects and higher interest rates for prolongation and new financing.

Changes in Estimates:						
FY End: 31.12. in EUR m	2022e (old)	+ / -	2023e (old)	+ / -	2024e (old)	+ / -
FFO I	8.56	0.0 %	10.17	-4.8 %	11.31	-5.8 %
FFOPS I	1.82	0.0 %	2.12	-4.8 %	2.36	-5.8 %
Net income	4.17	33.6 %	4.35	-11.2 %	4.89	-10.9 %
EPS	0.87	33.6 %	0.91	-11.2 %	1.02	-10.9 %

Comment on Changes:

- Increase in net profit 2022e reflects successful disposals of properties in Löwenberg and Sonnefeld. The positive effect expected to sum up to EUR 2.3m before taxes.
- Decrease in our FFO estimates 2023e and 2024e on expectation of lower transaction volumes in the market in H1 2023, higher estimates for the average cost of debt and disposal effects. As DEFAMA's conservative acquisition policy should continue, we would expect lower closed volume in H1. For H2, we are more positive and an acceleration is possible but should not compensate for the lower contribution in H1.



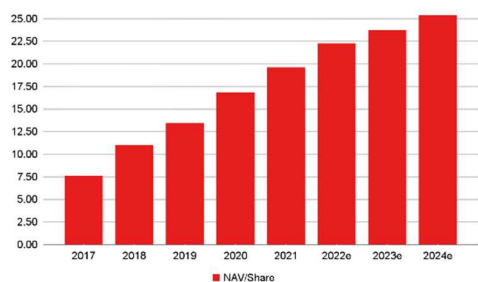
Rel. Performance vs CDAX:

1 month:	-4.6 %
6 months:	-21.8 %
Year to date:	-10.2 %
Trailing 12 months:	-11.4 %

Company events:
21.07.23 AGM

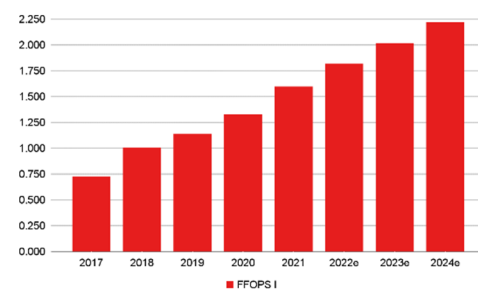
FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.10	20.18	21.88
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	18.0 %	8.4 %
EBIT		3.59	4.50	5.62	9.11	9.90	8.90	9.86
FFO I		3.65	4.62	5.87	7.06	8.56	9.68	10.66
FFO I-margin		47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	48.0 %	48.7 %
EBT		2.25	2.78	3.49	6.51	7.01	5.25	5.90
Net income		1.68	2.06	2.51	5.04	5.57	3.86	4.36
EPS		0.46	0.51	0.57	1.14	1.16	0.81	0.91
FFOPS I		1.01	1.14	1.33	1.60	1.82	2.02	2.22
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 %	2.3 %	2.5 %	2.7 %
Book Value / Share		4.10	5.50	5.61	6.27	8.53	8.76	9.04
P / E		25.0 x	30.1 x	30.9 x	19.5 x	20.2 x	29.1 x	25.8 x
Price / Book		2.6 x	2.5 x	3.1 x	3.5 x	2.7 x	2.7 x	2.6 x
P / NAVPS		1.1 x	1.1 x	1.0 x	1.1 x	1.1 x	1.0 x	0.9 x
FFO I-Yield		8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	8.6 %	9.5 %
ROE		12.3 %	10.2 %	10.2 %	19.2 %	16.2 %	9.3 %	10.2 %
LTV		62.0 %	58.2 %	60.2 %	61.3 %	59.9 %	61.1 %	61.9 %
Guidance:		in EUR; 2022: FFO of ~8.5m, Net profit (HGB) of ~5.5m; 2025: FFO= 13m						

NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

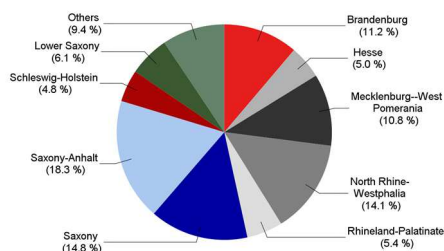
Company Background

- 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

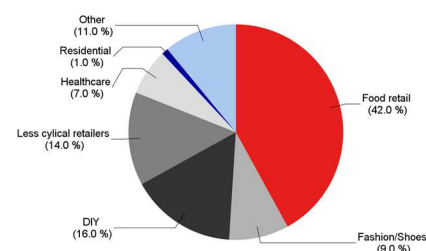
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	20.2 x	29.1 x	25.8 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.1 x	1.0 x	0.9 x
Price / Book	2.6 x	2.5 x	3.1 x	3.5 x	2.7 x	2.7 x	2.6 x
P / FFOPS I	11.5 x	13.4 x	13.2 x	13.9 x	12.9 x	11.6 x	10.5 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	8.6 %	9.5 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	16.2 %	9.3 %	10.2 %
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	22.25	23.73	25.38
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	23.46	26.05
Rental income	7.61	9.53	12.19	14.55	17.10	20.18	21.88
Change yoy	49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	18.0 %	8.4 %
Property operating costs	2.21	2.63	3.08	4.05	4.76	5.51	6.20
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	17.95	19.85
Income from property sales	0.00	0.00	0.00	2.60	2.30	0.00	0.00
Other revenues	0.08	0.07	0.12	0.64	0.41	0.52	0.52
Gross profit	6.95	8.64	11.62	16.32	18.30	18.46	20.37
Administration expenses	0.70	0.70	0.81	0.98	1.26	1.95	2.19
Personnel expenses	0.72	1.04	1.50	1.88	2.00	1.74	1.95
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.
EBITDA	5.53	7.04	8.99	13.35	14.99	14.72	16.17
Valuation result	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation of fixed assets	1.95	2.55	3.36	4.24	5.09	5.82	6.30
EBITA	3.59	4.50	5.62	9.11	9.90	8.90	9.86
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	9.90	8.90	9.86
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	3.66	3.96
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	-3.66	-3.96
EBT	2.25	2.78	3.49	6.51	7.01	5.25	5.90
<i>Margin</i>	<i>24.8 %</i>	<i>24.8 %</i>	<i>24.0 %</i>	<i>38.0 %</i>	<i>34.4 %</i>	<i>22.4 %</i>	<i>22.6 %</i>
Total taxes	-0.55	-0.71	-0.71	-0.71	-1.45	-1.38	-1.54
thereof cash taxes	-0.36	-0.42	-0.42	-0.42	-0.91	-0.79	-0.89
Net income from continuing operations	1.70	2.07	2.51	5.04	5.57	3.86	4.36
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	5.57	3.86	4.36
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	5.57	3.86	4.36
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	8.56	9.68	10.66
<i>FFO I-margin</i>	<i>47.9 %</i>	<i>48.4 %</i>	<i>48.2 %</i>	<i>48.5 %</i>	<i>50.0 %</i>	<i>48.0 %</i>	<i>48.7 %</i>
FFOPS I	1.01	1.14	1.33	1.60	1.82	2.02	2.22
EPS	0.46	0.51	0.57	1.14	1.16	0.81	0.91
EPS adj.	0.43	0.47	0.57	1.14	1.16	0.81	0.91

*Adjustments made for:

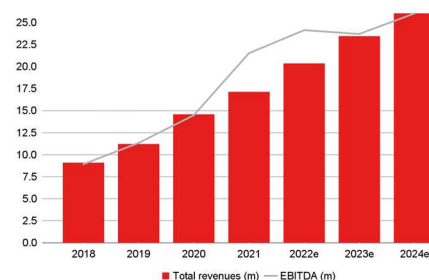
Guidance: in EUR; 2022: FFO of ~8.5m, Net profit (HGB) of ~5.5m; 2025: FFO= 13m

Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
Property operating costs / Rental Income	29.1 %	27.6 %	25.3 %	27.8 %	27.9 %	27.3 %	28.3 %
Operating Leverage (Real Estate)	2.9 x	5.0 x	4.6 x	6.2 x	6.9 x	6.3 x	13.1 x
Rental profit / interest expenses	5.1 x	5.0 x	5.4 x	5.0 x	5.4 x	4.9 x	5.0 x

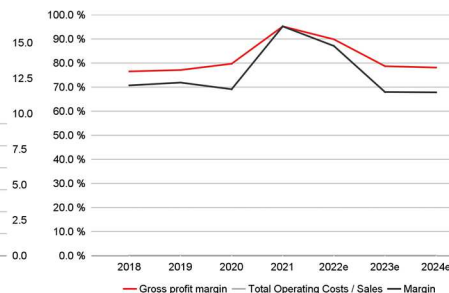
Revenues, EBITDA

in EUR m

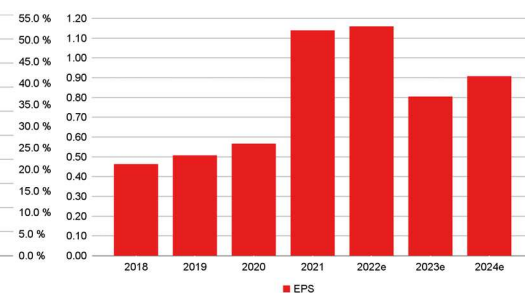


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

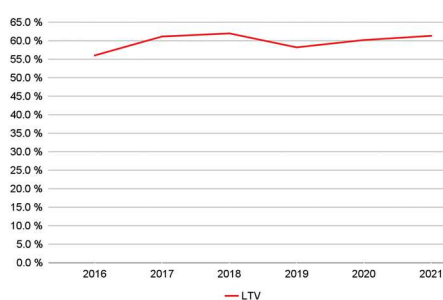
Consolidated balance sheet

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	165.71	182.18	198.13
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	168.40	184.89	200.84
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	4.91	4.10	4.21
Other short-term assets	0.59	-2.56	-0.66	1.94	-1.09	-0.30	-0.43
Current assets	4.34	9.29	7.38	6.01	8.00	7.26	7.43
Total Assets	85.79	104.28	136.71	156.26	176.40	192.14	208.28
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	8.96	10.04	11.38
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	40.96	42.04	43.37
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	176.40	192.14	208.28

Financial Ratios

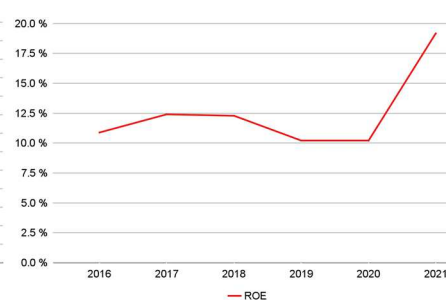
	2018	2019	2020	2021	2022e	2023e	2024e
Return on Capital							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	3.3 %	2.1 %	2.2 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	16.2 %	9.3 %	10.2 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x
Solvency							
Net Debt	65.20	69.75	106.23	123.34	126.87	142.35	157.05
Net Financial Debt	64.99	69.54	105.98	123.07	126.61	142.09	156.79
Net Fin. Debt / EBITDA	11.7 x	9.9 x	11.8 x	9.2 x	8.4 x	9.7 x	9.7 x
LTV	62.0 %	58.2 %	60.2 %	61.3 %	59.9 %	61.1 %	61.9 %
Equity Ratio	19.1 %	23.7 %	18.4 %	18.0 %	23.4 %	22.1 %	21.0 %

LTV



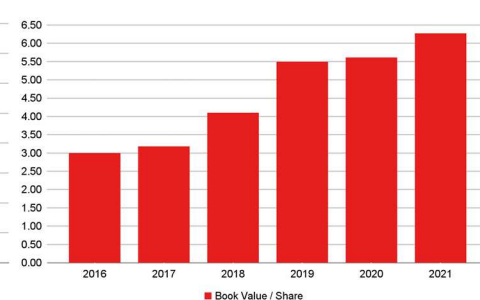
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

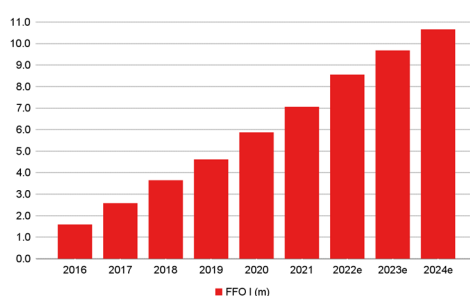
Consolidated cash flow statement

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	10.62	9.61	10.58
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	3.39	-0.81	0.12
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	4.91	4.10	4.21

Financial Ratios

	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow							
FFO (II)	3.65	4.62	5.87	7.06	8.56	9.68	10.66
FFOPS I	1.01	1.14	1.33	1.60	1.82	2.02	2.22
FFOPS I diluted	0.94	1.04	1.33	1.60	1.78	2.02	2.22
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.8 %	8.6 %	9.5 %
FFO I-margin	47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	48.0 %	48.7 %
Interest Paid / Avg. Debt	2.4 %	2.4 %	2.3 %	2.2 %	2.3 %	2.6 %	2.6 %
Management of Funds							
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 %	45.6 %	72.0 %	69.4 %

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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-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.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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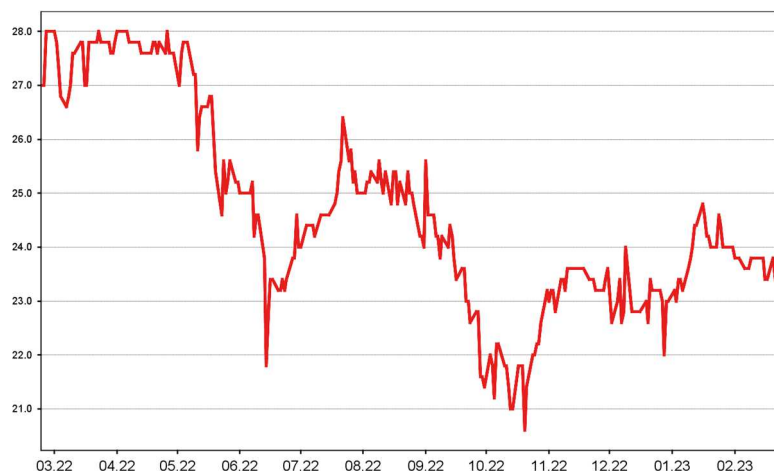
Rating	Number of stocks	% of Universe
Buy	162	76
Hold	43	20
Sell	6	3
Rating suspended	3	1
Total	214	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

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Rating	Number of stocks	% of Universe
Buy	44	86
Hold	6	12
Sell	0	0
Rating suspended	1	2
Total	51	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 22.02.2023



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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