

Buy EUR 32.00	Value Indicators: EUR	Warburg ESG Risk Score: 2.3	Description:
	NAV (WRe) 24e: 35.78 FFO-Yield 24e: 28.17	ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Commercial real estate company focused on retail parks in Northern and Eastern Germany
Price: EUR 23.40 Upside: 36.8 %	Market Snapshot: EUR m	Shareholders:	Key Figures (WRe): 2022e
	Market cap: 112.32 No. of shares (m): 4.80 EV: 254.67 Freefloat MC: 80.87 Ø Trad. Vol. (30d): 19.96 th	Freefloat: 72.00 % MSC Invest GmbH: 26.00 % Supervisory board: 2.00 %	LTV: 59.9 % Equity Ratio: 23.4 %

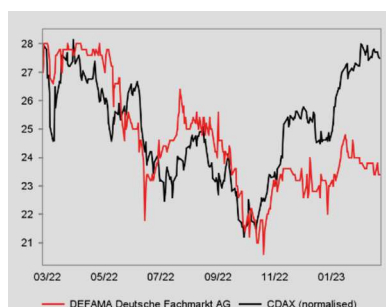
FY 2022 in line; Further growth expected in 2023

Stated Figures FY 2022:

in EUR m	2022	2022e	2021	+/- in %
Revenues	20.4	20.36	17.13	19%
Net profit	5.5	5.57	5.04	9%
EPS (€)	1.17	1.16	1.14	3%
FFO	8.6	8.56	7.06	22%
FFOPS (€)	1.83	1.78	1.60	14%
DPS	0.54	0.55	0.51	6%

Comment on Figures:

- **FY 2022 figures were in line** with our estimates and slightly above DEFAMA's already increased guidance.
 - **Revenue** improvement of 19% to EUR 20.4m due to DEFAMA's excellent track record of acquisitions in the last 24 months and positive indexation effects.
 - As FFO was up by 22% to EUR 8.6m, FFO margin improved slightly to 42% (WRe) in a challenging environment.
 - **Net profit** of EUR 5.5m benefitted from the disposal of two properties in Löwenberg and Sonnefeld with a positive one-off of ~EUR 2m.
 - The dividend per share improved nicely to EUR 0.54 from EUR 0.51. This is a positive development compared to other real-estate companies.
- The new **guidance for 2023** is line with our estimates. Management is expecting an FFO of EUR 9.8m (WRe: 9.7m) or EUR 2.04 per share (WRe: 2.02) which is an increase of ~14%. For the net profit, the company is target **EUR 4m** which is also slightly above our recent estimate of EUR 3.86m but includes no disposals gains which are possible. The annualised FFO is expected to increase to EUR 11m from EUR 10m at end of 2022.
 - DEFAMA's financing profile looks rock-solid with an average fixed interest for 5.8 years for a total bank loan volume of EUR 153m. This adds up to an LTV of 57.3% which remains in line with previous figures. This figure would be reduced steadily and rapidly, if there are no further acquisitions, considering DEFAMA's repayments which start with an average initial payment of 4.42% and increase during the maturity to more than 5%. The company benefitted from its diversified financing structure with regional and savings banks, which are more familiar with the local situation of the properties, and it seems to be well prepared with good access to financing.
 - We confirm our Buy recommendation with an unchanged price target of EUR 32 which is based on our 2024 estimates, a rent multiple of 14% and a fair FFO yield of 7%.

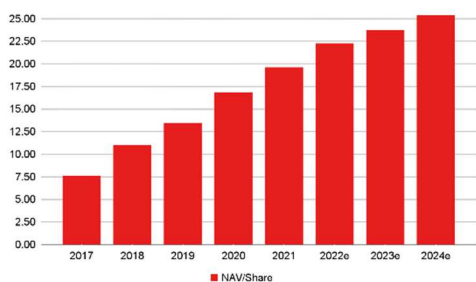


Rel. Performance vs CDAX:	
1 month:	-3.8 %
6 months:	-24.0 %
Year to date:	-10.0 %
Trailing 12 months:	-11.1 %

Company events:
21.07.23 AGM

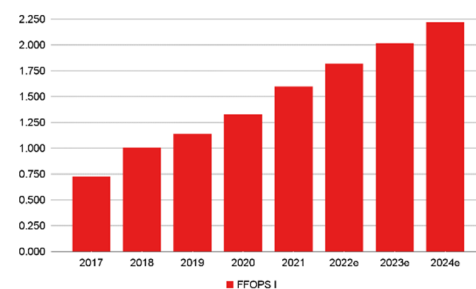
FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.10	20.18	21.88
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	17.5 %	18.0 %	8.4 %
EBIT		3.59	4.50	5.62	9.11	9.90	8.90	9.86
FFO I		3.65	4.62	5.87	7.06	8.56	9.68	10.66
FFO I-margin		47.9 %	48.4 %	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

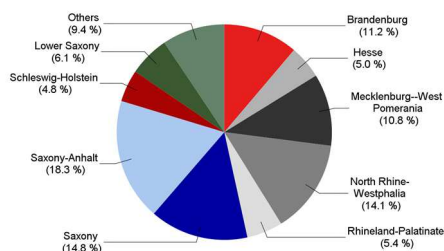
Company Background

- 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

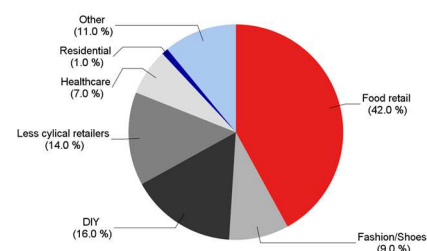
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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>	24.8 %	24.8 %	24.0 %	38.0 %	34.4 %	22.4 %	22.6 %
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>	47.9 %	48.4 %	48.2 %	48.5 %	50.0 %	48.0 %	48.7 %
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

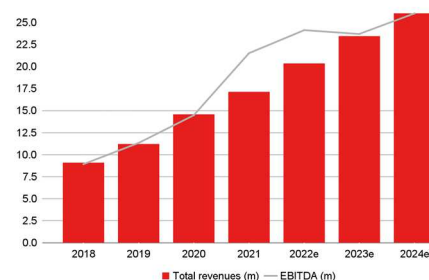
*Adjustments made for:

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

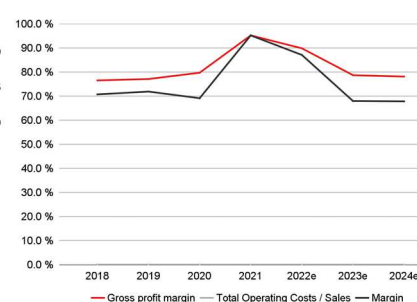
Financial Ratios

	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

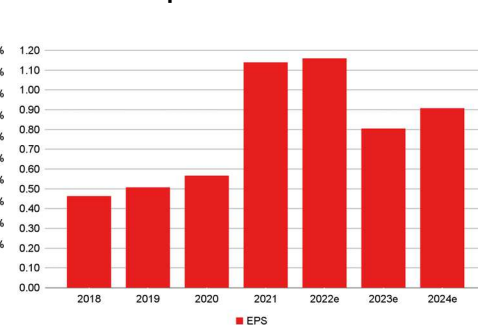
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

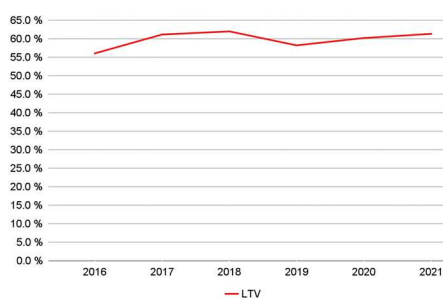
Consolidated balance sheet

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

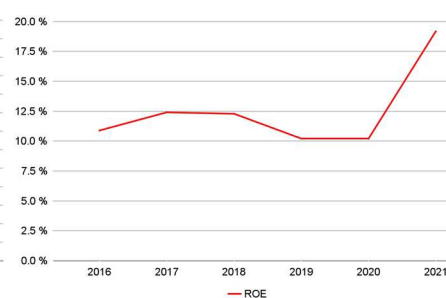
	2018	2019	2020	2021	2022e	2023e	2024e
Return on Capital							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	3.3 %	2.1 %	2.2 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	16.2 %	9.3 %	10.2 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x
Solvency							
Net Debt	65.20	69.75	106.23	123.34	126.87	142.35	157.05
Net Financial 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



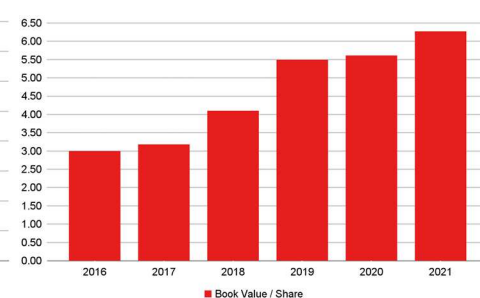
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

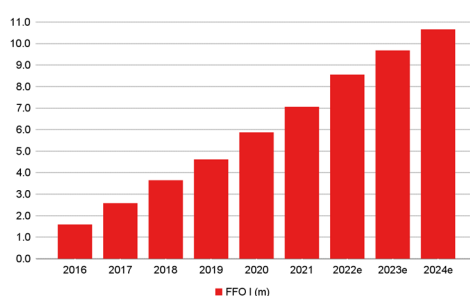
Consolidated cash flow statement

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)
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	162	76
Hold	43	20
Sell	6	3
Rating suspended	3	1
Total	214	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	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 23.02.2023



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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