

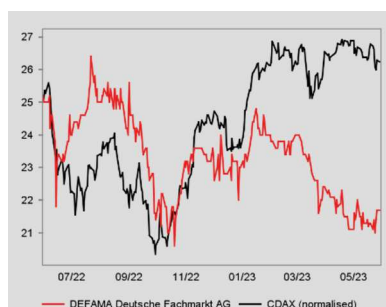
Buy EUR 30.70 (EUR 32.00) Price EUR 21.70 Upside 41.5 %	Value Indicators: EUR NAV (WRe) 24e: 31.56 FFO-Yield 24e: 29.93	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 104.16 No. of shares (m): 4.80 EV: 270.80 Freefloat MC: 75.00 Ø Trad. Vol. (30d): 18.20 th	Shareholders: Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	Key Figures (WRe): 2022e LTV: 59.7 % Equity Ratio: 20.7 %

Preview: Indexation and acquisitions expected to have driven growth in Q1

Expected Figures Q1/2023:				Comment on Figures: <ul style="list-style-type: none"> DEFAMA will release its Q1 figures on May 31. We expect strong top-line growth of 17% to EUR 5.43m based on successful acquisitions in 2022 and positive indexation effects. In turn, FFO should increase by 21% to EUR 2.4m which should compensate for modestly rising costs (property & admin). The company is expected to have benefitted from a high share of loan repayments (4-5%) as the interest payment saved should offset the effects of the rising costs of prolongation.
in EUR m	Q1/23e	Q1/22	+/- in %	
Revenues	5.43	4.64	17%	
EBITDA	3.45	2.91	19%	
EBIT	2.07	1.72	20%	
EBT	1.24	1.04	20%	
Net profit	0.98	0.76	28%	
EPS (€)	0.22	0.17	28%	
FFO	2.36	1.95	21%	
FFO-margin	43%	42%		
FFOPS (€)	0.53	0.44	21%	

- The property transaction market was very weak in Q1 in Germany and, given the remaining uncertainties regarding interest-rate development in the coming quarters, only a very slow recovery should be expected. The ECB is still signaling further increases and, often, sellers and buyers are unable to agree on a new price level. Even in this challenging environment, DEFAMA announced the acquisition of a retail park in Nordhausen (Thuringia) with a lettable space of 6.8k sqm. This location should benefit from the city's sizable number of 42k inhabitants. Core tenants are the non-food discounter Action, Carglass, Hammer and JYK and the property is located next to the food-discounter Lidl.
- We assume that the company did not pay more than 11 times rent or EUR 5.5m for the net cold rent of EUR 500k. With this transaction, the annualized rent increases to EUR 20.7m (2022: 20.06m) and annualized FFO to EUR 10.3m (from EUR 10m) or EUR 2.14 per share. We believe the company is well on track to achieve its target of EUR 11m at year-end considering that possible fire sales could provide for a higher transaction volume in the property market in Q4.
- We stick to Buy and slightly increase our estimates. Our new price of EUR 30.70 is driven by lower rent multiple estimates (13.5) in our NAV calculation.

Changes in Estimates:		Comment on Changes: <ul style="list-style-type: none"> Slight increase in our FFO estimates due to published rental development of each property within the portfolio. Further upside is possible depending on timing of possible acquisitions. Company remains flexible in its acquisition policy and should benefit from the tougher financing conditions and more attractive rent multiples. 			
FY End: 31.12. in EUR m		2023e (old)	+ / -	2024e (old)	+ / -
FFO I		9.68	1.5 %	10.66	3.6 %
FFOPS I		2.02	1.5 %	2.22	3.6 %
Net income		3.86	1.9 %	4.36	0.9 %
EPS		0.81	1.9 %	0.91	0.9 %

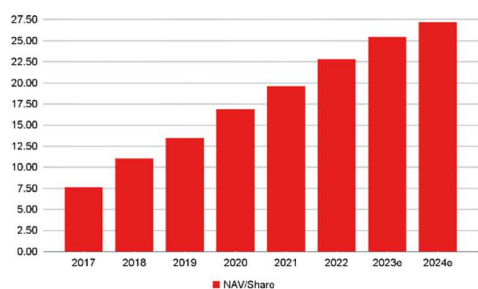


Rel. Performance vs CDAX:	
1 month:	5.2 %
6 months:	-15.3 %
Year to date:	-16.8 %
Trailing 12 months:	-16.8 %

Company events:
21.07.23 AGM

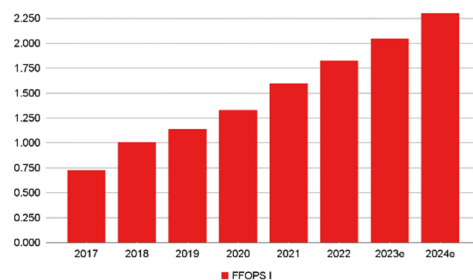
FY End: 31.12. in EUR m	CAGR (22-24e)	2018	2019	2020	2021	2022	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.25	21.07	23.05
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %
EBIT		3.59	4.50	5.62	9.11	10.08	9.48	10.52
FFO I		3.65	4.62	5.87	7.06	8.58	9.83	11.05
FFO I-margin		47.9 %	48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %
EBT		2.25	2.78	3.49	6.51	7.18	5.31	5.98
Net income		1.68	2.06	2.51	5.04	5.39	3.94	4.40
EPS		0.46	0.51	0.57	1.14	1.15	0.82	0.92
FFOPS I		1.01	1.14	1.33	1.60	1.82	2.05	2.30
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 %	2.1 %	2.7 %	2.9 %
Book Value / Share		4.10	5.50	5.61	6.27	8.53	8.77	9.05
P / E		25.0 x	30.1 x	30.9 x	19.5 x	22.0 x	26.4 x	23.7 x
Price / Book		2.6 x	2.5 x	3.1 x	3.5 x	2.9 x	2.5 x	2.4 x
P / NAVPS		1.1 x	1.1 x	1.0 x	1.1 x	1.1 x	0.9 x	0.8 x
FFO I-Yield		8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	9.4 %	10.6 %
ROE		12.3 %	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %
LTV		62.0 %	58.2 %	60.2 %	61.3 %	59.7 %	60.5 %	60.8 %
Guidance:	in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO= 13m							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

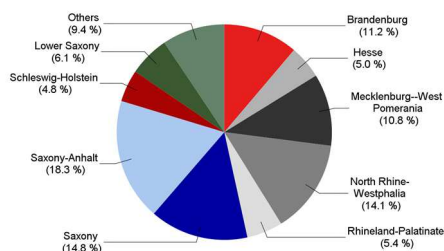
Company Background

- 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

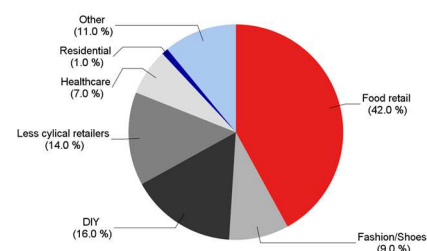
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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

NAV	12.0	12.5	13.0	13.5	14.0	14.5	15.0
Investment Properties	322.6	336.0	349.4	362.9	376.3	403.2	403.2
Cash	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other assets	11.1	11.1	11.1	11.1	11.1	11.1	11.1
Total assets	335.5	348.9	362.4	375.8	389.3	416.1	416.1
- Liabilities	199.3	199.3	199.3	199.3	199.3	199.3	199.3
- Minority interest	0.4	0.4	0.4	0.4	0.4	0.4	0.4
NAV	135.8	149.3	162.7	176.1	189.6	216.5	216.5
NAV per share	28.29	31.09	33.89	36.69	39.49	45.09	45.09
Fair value (12 months)				31.33			

Valuation	2018	2019	2020	2021	2022	2023e	2024e
P / E	25.0 x	30.1 x	30.9 x	19.5 x	22.0 x	26.4 x	23.7 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.1 x	0.9 x	0.8 x
Price / Book	2.6 x	2.5 x	3.1 x	3.5 x	2.9 x	2.5 x	2.4 x
P / FFOPS I	11.5 x	13.4 x	13.2 x	13.9 x	13.8 x	10.6 x	9.4 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	9.4 %	10.6 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %
Equity Ratio	19 %	24 %	18 %	18 %	21 %	20 %	19 %

Company Specific Items	2018	2019	2020	2021	2022	2023e	2024e
NAV/Share	11.02	13.46	16.86	19.61	22.80	25.47	27.19
Vacancy Rate	4.3 %	4.0 %	3.7 %	5.0 %	6.2 %	5.0 %	4.0 %

Consolidated profit and loss

In EUR m	2018	2019	2020	2021	2022	2023e	2024e
Total revenues	9.09	11.21	14.58	17.13	20.23	24.50	27.44
Rental income	7.61	9.53	12.19	14.55	17.25	21.07	23.05
Change yoy	49.2 %	25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %
Property operating costs	2.21	2.63	3.08	4.05	4.24	5.76	6.53
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	15.98	18.74	20.91
Income from property sales	0.00	0.00	0.00	2.77	2.26	0.00	0.00
Other revenues	0.08	0.07	0.12	0.47	0.22	0.44	0.55
Gross profit	6.95	8.64	11.62	16.32	18.46	19.18	21.46
Administration expenses	0.70	0.70	0.81	0.98	1.23	2.03	2.31
Personnel expenses	0.72	1.04	1.50	1.88	1.98	1.71	1.92
Other operating income/expenses	0.00	0.00	-0.31	-0.11	-0.08	-0.08	-0.08
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	15.18	15.36	17.16
Valuation result	0.00	0.00	0.00	n.a.	n.a.	0.00	0.00
Depreciation of fixed assets	1.95	2.55	3.36	4.24	5.10	5.88	6.64
EBITA	3.59	4.50	5.62	9.11	10.08	9.48	10.52
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	10.08	9.48	10.52
Interest income	0.00	0.01	0.01	0.01	0.01	0.00	0.00
Interest expenses	1.34	1.73	2.14	2.61	2.91	4.17	4.54
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	-2.90	-4.17	-4.54
EBT	2.25	2.78	3.49	6.51	7.18	5.31	5.98
<i>Margin</i>	<i>24.8 %</i>	<i>24.8 %</i>	<i>24.0 %</i>	<i>38.0 %</i>	<i>35.5 %</i>	<i>21.7 %</i>	<i>21.8 %</i>
Total taxes	-0.55	-0.71	-0.71	-0.71	-1.78	-1.36	-1.58
thereof cash taxes	-0.36	-0.42	-0.42	-0.42	-1.22	-0.75	-0.90
Net income from continuing operations	1.70	2.07	2.51	5.04	5.40	3.95	4.41
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	5.40	3.95	4.41
Minority interest	0.02	0.01	0.00	0.00	0.01	0.01	0.01
Net income	1.68	2.06	2.51	5.04	5.39	3.94	4.40
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	8.58	9.83	11.05
<i>FFO I-margin</i>	<i>47.9 %</i>	<i>48.4 %</i>	<i>48.2 %</i>	<i>48.5 %</i>	<i>49.7 %</i>	<i>46.6 %</i>	<i>47.9 %</i>
FFOPS I	1.01	1.14	1.33	1.60	1.82	2.05	2.30
EPS	0.46	0.51	0.57	1.14	1.15	0.82	0.92
EPS adj.	0.43	0.47	0.57	1.14	1.12	0.82	0.92

*Adjustments made for:

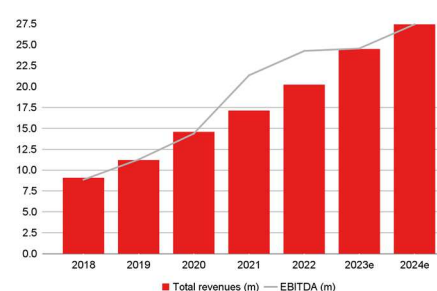
Guidance: in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO= 13m

Financial Ratios

	2018	2019	2020	2021	2022	2023e	2024e
Property operating costs / Rental Income	29.1 %	27.6 %	25.3 %	27.8 %	24.6 %	27.3 %	28.3 %
Operating Leverage (Real Estate)	2.9 x	5.0 x	4.6 x	6.2 x	6.5 x	5.2 x	11.9 x
Rental profit / interest expenses	5.1 x	5.0 x	5.4 x	5.0 x	5.5 x	4.5 x	4.6 x

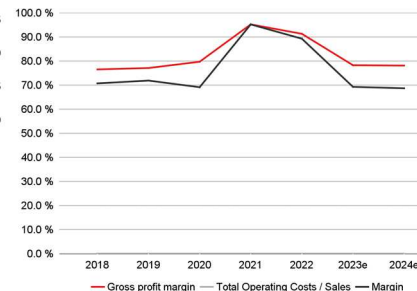
Revenues, EBITDA

in EUR m

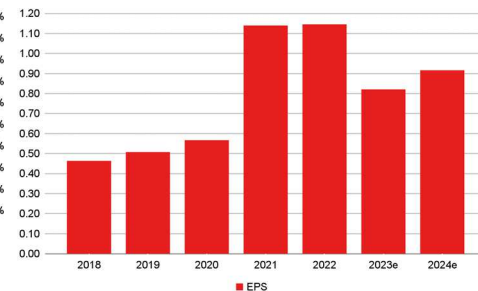


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

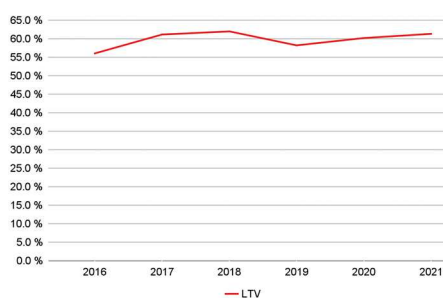
Consolidated balance sheet

In EUR m	2018	2019	2020	2021	2022	2023e	2024e
Assets							
Goodwill and other intangible assets	0.01	0.03	0.02	0.02	0.01	0.01	0.01
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	0.01	0.01	0.01
Property, plant and equipment	0.08	0.11	1.39	1.29	1.13	1.14	1.15
Investment properties	81.10	93.14	127.79	147.57	183.67	201.53	217.14
Financial assets	0.26	1.70	0.12	1.37	1.22	1.22	1.22
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	186.03	203.90	219.52
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	6.20	6.32	6.45
Liquid assets	2.80	6.98	4.28	1.52	3.67	3.30	2.53
Other short-term assets	1.04	2.31	2.30	3.53	3.44	2.04	2.08
Current assets	4.34	9.29	7.38	6.01	13.31	11.66	11.06
Total Assets	85.79	104.28	136.71	156.26	199.33	215.56	230.58
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	8.93	10.09	11.46
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	40.92	42.08	43.45
Minority interest	0.38	0.39	0.40	0.40	0.41	0.41	0.41
Provisions	1.01	0.43	0.51	0.53	0.68	0.68	0.68
thereof provisions for pensions and similar obligations	0.21	0.21	0.25	0.26	0.34	0.34	0.34
Financial liabilities (total)	67.79	76.52	110.25	124.59	154.53	169.60	183.24
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	0.64	0.64	0.64
Other liabilities	0.70	2.54	0.86	2.46	2.56	2.57	2.57
Liabilities	69.79	79.99	111.91	128.54	158.41	173.48	187.13
Total liabilities and shareholders' equity	85.79	104.28	136.71	156.26	199.33	215.56	230.58

Financial Ratios

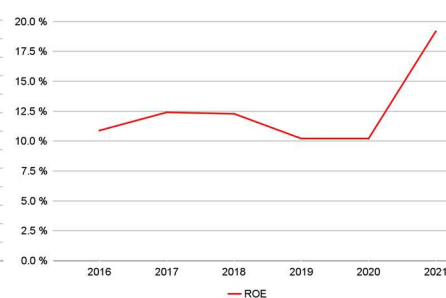
	2018	2019	2020	2021	2022	2023e	2024e
Return on Capital							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	3.0 %	1.9 %	2.0 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x
Solvency							
Net Debt	65.20	69.75	106.23	123.34	151.20	166.64	181.05
Net Financial Debt	64.99	69.54	105.98	123.07	150.86	166.30	180.71
Net Fin. Debt / EBITDA	11.7 x	9.9 x	11.8 x	9.2 x	9.9 x	10.8 x	10.5 x
LTV	62.0 %	58.2 %	60.2 %	61.3 %	59.7 %	60.5 %	60.8 %
Equity Ratio	19.1 %	23.7 %	18.4 %	18.0 %	20.7 %	19.7 %	19.0 %

LTV



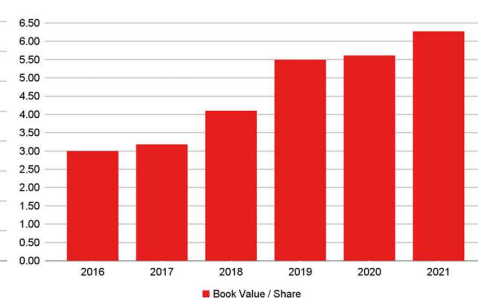
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

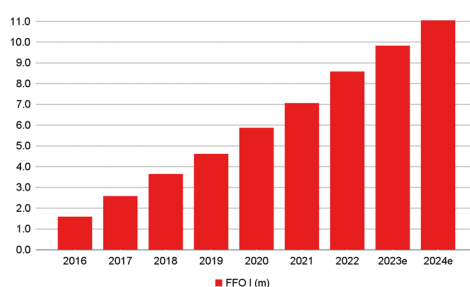
Consolidated cash flow statement

In EUR m	2018	2019	2020	2021	2022	2023e	2024e
Net cash provided by operating activities [1]	3.42	3.80	4.96	7.41	10.86	9.66	10.87
Net cash provided by investing activities [2]	-31.12	-16.09	-37.91	-22.39	-43.56	-22.50	-22.50
Net cash provided by financing activities [3]	28.01	16.47	30.25	12.22	34.84	12.48	10.86
Change in liquid funds [1]+[2]+[3]	0.31	4.18	-2.70	-2.76	2.15	-0.37	-0.77
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	3.67	3.30	2.53

Financial Ratios

	2018	2019	2020	2021	2022	2023e	2024e
Cash Flow							
FFO (II)	3.65	4.62	5.87	7.06	8.58	9.83	11.05
FFOPS I	1.01	1.14	1.33	1.60	1.82	2.05	2.30
FFOPS I diluted	0.94	1.04	1.33	1.60	1.82	2.09	2.35
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	9.4 %	10.6 %
FFO I-margin	47.9 %	48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %
Interest Paid / Avg. Debt	2.4 %	2.4 %	2.3 %	2.2 %	2.1 %	2.6 %	2.6 %
Management of Funds							
Capex/Investment Properties	-38.4 %	-17.3 %	-29.7 %	-15.2 %	-23.7 %	-11.2 %	-10.4 %
Avg. Working Capital / Sales	1.4 %	-1.3 %	0.0 %	1.5 %	13.8 %	23.0 %	20.9 %
Dividend Payout Ratio	85.1 %	88.2 %	84.5 %	44.7 %	47.1 %	70.5 %	68.6 %

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

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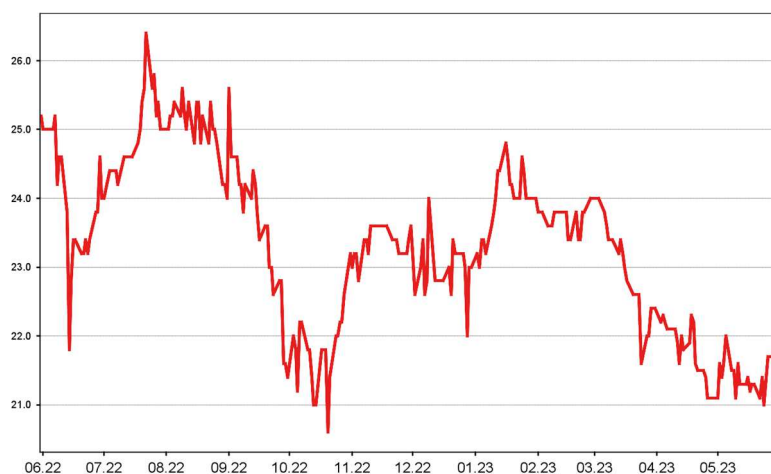
Rating	Number of stocks	% of Universe
Buy	159	75
Hold	43	20
Sell	7	3
Rating suspended	3	1
Total	212	100

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

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Rating	Number of stocks	% of Universe
Buy	45	88
Hold	5	10
Sell	0	0
Rating suspended	1	2
Total	51	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 30.05.2023



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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