

Buy EUR 30.70	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: 103.20 No. of shares (m): 4.80 EV: 269.84 Freefloat MC: 74.30 Ø Trad. Vol. (30d): 34.89 th	Shareholders: Freefloat: 72.00 % MSC Invest GmbH: 26.00 % Supervisory board: 2.00 %	Key Figures (WRe): 2023e LTV: 60.5 % Equity Ratio: 19.7 %
Price: EUR 21.50 Upside: 42.8 %			

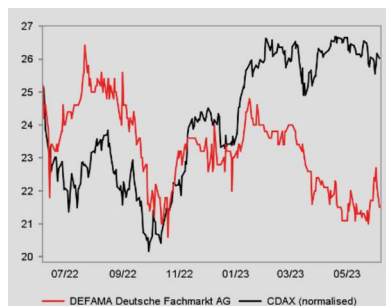
Growth path well on track

in EUR m	Q1/23	Q1/23e	Q1/22	+/- in %
Revenues	5.42	5.43	4.64	17%
EBITDA	3.56	3.45	2.91	22%
EBIT	2.14	2.07	1.72	24%
EBT	1.19	1.24	1.04	15%
Net profit	0.87	0.92	0.76	15%
EPS (€)	0.18	0.19	0.17	4%
FFO	2.29	2.30	1.95	18%
FFOPS (€)	0.49	0.48	0.44	10%

Comment on Figures:

- DEFAMA released strong Q1 figures last week. Revenue growth of 17% to EUR 5.4m met our expectation as the company benefitted from positive acquisitions and indexation effects.
- Impressive EBITDA and EBIT growth of 22% and 24% respectively slightly beat our estimates because admin expenses were lower.
- EBT and net profit growth was somewhat below our estimate due to higher regular depreciation (German GAAP) on increased acquisition cost base driven by recently acquired properties. Nevertheless, the company is well on track to meet its FY net profit target of EUR 4m.
- The operating performance measured by FFO growth of 18% was in line with our estimate as the higher top line compensated for rising financing costs mainly driven by increased loan volume.

- After the successful transaction of a retail park in Nordhausen, DEFAMA acquired a local supplier in Markoldendorf (Lower Saxony) for a purchase price of EUR 1.26m. The FFO-contribution is expected to start in July. The paid multiple of less than 10 (net rental income EUR 130k) reflects decreasing acquisition prices. Furthermore, DEFAMA has successfully negotiated several new rental contracts e.g. in Hof, Gardelegen, Harzgerode and Lübbenau. The necessary refurbishments or expansions should take place in the next quarters. The vacancy rate in the properties in Gardelegen should decrease substantially to less than 15% (40% at acquisition) and in Lübbenau to below 10%. The annualised rental income improved to nearly EUR 21m and FFO to EUR 10.4m.
- Management confirmed its FY guidance for net profit of EUR 4m and FFO of EUR 9.8m. Additionally, we get the impression that CEO is somewhat more optimistic in terms of acquisition opportunities in the course of the year especially in Q4.
- We stick to our Buy recommendation and our PT of EUR 30.70.

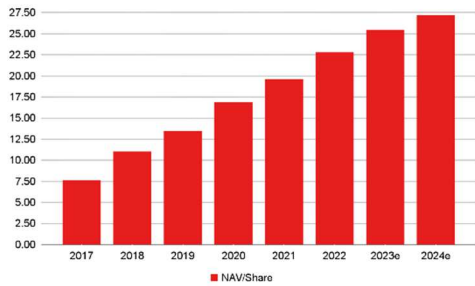


Rel. Performance vs CDAX:	
1 month:	-0.7 %
6 months:	-15.9 %
Year to date:	-17.7 %
Trailing 12 months:	-16.6 %

Company events:
21.07.23 AGM

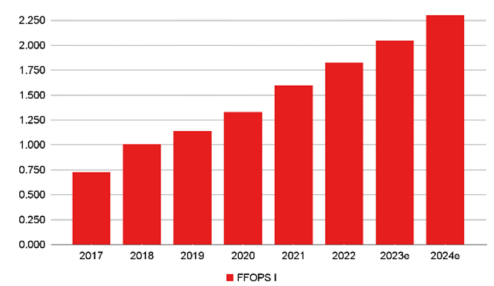
FY End: 31.12. in EUR m	CAGR (22-24e)	2018	2019	2020	2021	2022	2023e	2024e
Rental income		7.61	9.53	12.19	14.55	17.25	21.07	23.05
Change yoy		49.2 %	25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %
EBIT		3.59	4.50	5.62	9.11	10.08	9.48	10.52
FFO I		3.65	4.62	5.87	7.06	8.58	9.83	11.05
FFO I-margin		47.9 %	48.4 %	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	26.2 x	23.5 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	0.8 x	0.8 x
FFO I-Yield		8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	9.5 %	10.7 %
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

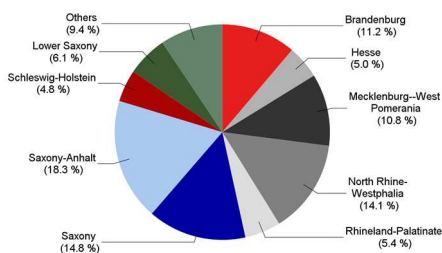
Company Background

- 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

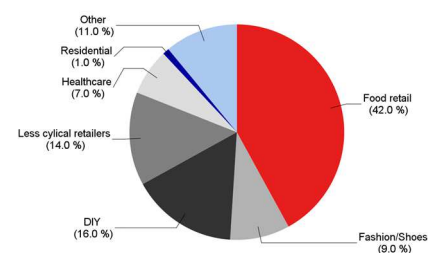
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small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

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	26.2 x	23.5 x
P / NAVPS	1.1 x	1.1 x	1.0 x	1.1 x	1.1 x	0.8 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	10.5 x	9.3 x
FFO I-Yield	8.7 %	7.5 %	7.6 %	7.2 %	7.2 %	9.5 %	10.7 %
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:

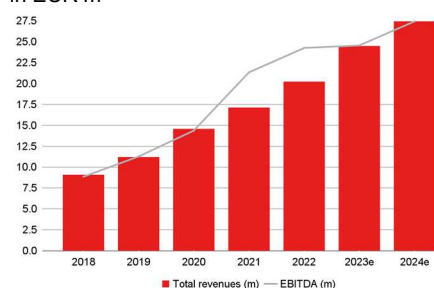
Guidance: in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO= 13m

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

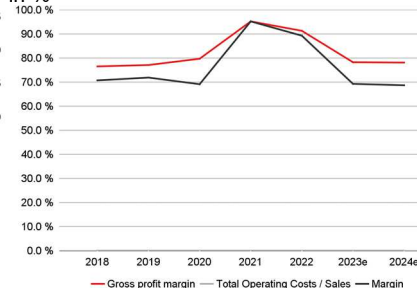
in EUR m



Source: Warburg Research

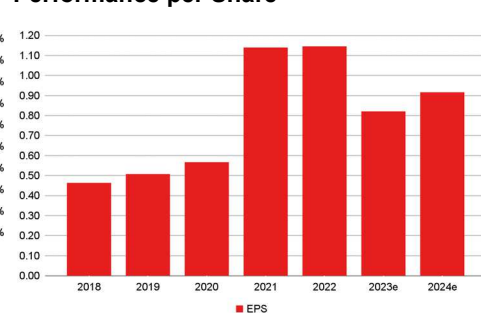
Operating Performance

in %



Source:

Performance per Share



Source: Warburg Research

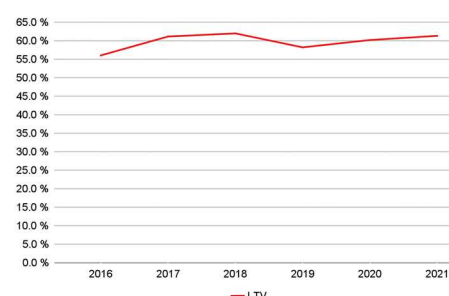
Consolidated balance sheet

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

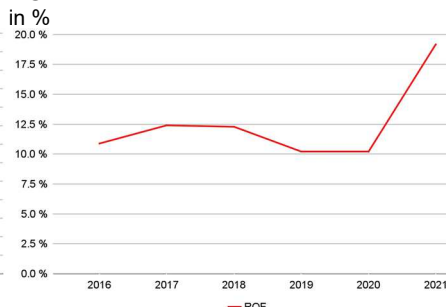
	2018	2019	2020	2021	2022	2023e	2024e
Return on Capital							
ROA	2.4 %	2.2 %	2.1 %	3.4 %	3.0 %	1.9 %	2.0 %
ROE	12.3 %	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %
FFO I / Equity	0.3 x	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x
Solvency							
Net Debt	65.20	69.75	106.23	123.34	151.20	166.64	181.05
Net Financial 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



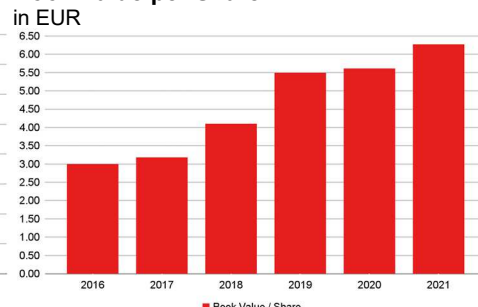
Source: Warburg Research

ROE



Source: Warburg Research

Book Value per Share



Source: Warburg Research

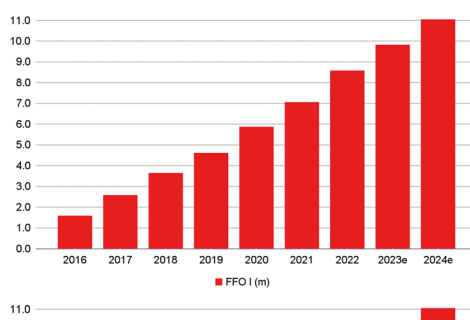
Consolidated cash flow statement

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 %	9.5 %	10.7 %
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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SOURCES

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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.
-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.

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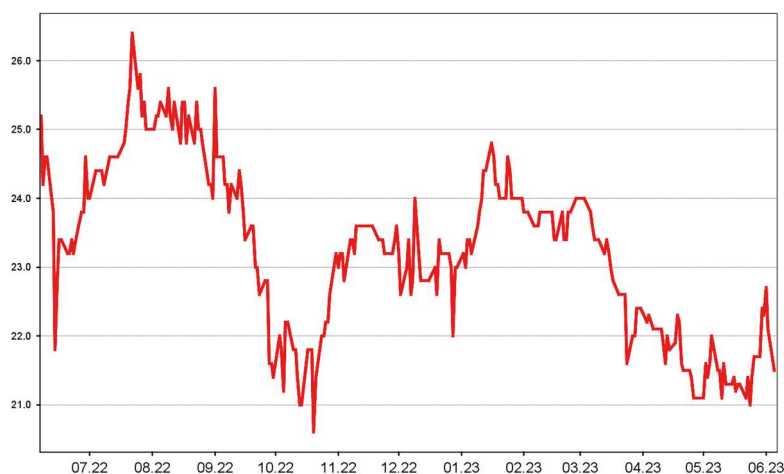
Rating	Number of stocks	% of Universe
Buy	159	75
Hold	43	20
Sell	7	3
Rating suspended	3	1
Total	212	100

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

... 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	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 06.06.2023



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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