

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: 105.60 No. of shares (m): 4.80 EV: 272.24 Freefloat MC: 76.03 Ø Trad. Vol. (30d): 29.98 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 22.00 Upside: 39.5 %			

Q2 result in line; Focus on further M&A activities to strengthen growth

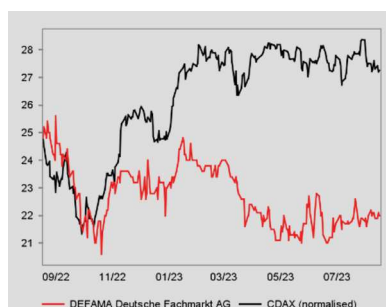
Stated Figures Q2/2023:

in EUR m	H1/23	H1/23e	H1/22	+/- in %
Revenues	11.03	11.00	9.49	16%
EBITDA	7.09	7.23	5.98	19%
EBIT	4.26	4.35	3.51	21%
EBT	2.49	2.42	2.10	18%
Net profit	1.81	1.78	1.54	17%
EPS (€)	0.38	0.37	0.34	13%
FFO	4.64	4.61	4.01	16%
FFOPS (€)	0.97	0.96	0.87	12%

Comment on Figures:

- Revenue improved by a satisfactory 16% to EUR 11.03m, in line with expectations (WRe: +15%). Strong growth was driven by a sound track record of acquisitions but also by positive indexation effects. The positive growth will continue as, in Q3, the two new acquisitions in Nordhausen and Marktoldendorf will contribute to DEFAMA's figures.
- EBT was up by 18% to EUR 2.49m, exceeding expectations due lower financing expenses than expected.
- The FFO margin was stable at 42% as FFO also increased by 16% to EUR 4.64m which is approx. 47% of DEFAMA's FY target. We welcome this stable FFO margin as it shows that the underlying operating FFO contribution of DEFAMA's properties is very solid despite headwind from interest rates and inflationary cost effects.
- NAV improved 4.9% to EUR 23.92 in H1 considering FFO and the positive effect of new acquisitions.
- CC will be held today at 9.30.

- Financing: no meaningful financing needs in 2023 as the company has a high average fixed interest rate maturity of 5.7 years. The average interest rate was 2.43% after 2.32% at the end of 2022. Financing is focused on local players in the cooperative and savings bank sector which generally have strong local expertise.
- Guidance for 2023 was confirmed for FFO of EUR 9.8m and net profit of EUR 4m. Both targets are well within reach. Management is focusing on attractive acquisition opportunities and is optimistic of increasing the portfolio volume. As pressure on possible sellers might increase in H2, we see additional portfolio growth opportunities with attractive FFO margins in the next quarters.
- The annualised FFO was up to EUR 10.5m. A further increase should be expected given the current acquisition opportunities and the FY target of EUR 11m remains achievable. The company is therefore is well on track to achieve considerable growth again in 2024 which is already reflected in our FFO estimate for 2024 of EUR 11.05m.
- We reiterate our Buy recommendation as the company has delivered in terms of portfolio growth without dilution of its acquisition criteria.

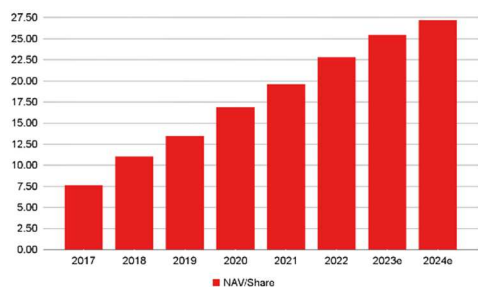


Rel. Performance vs CDAX:	
1 month:	2.4 %
6 months:	-3.7 %
Year to date:	-14.4 %
Trailing 12 months:	-23.7 %

Company events:

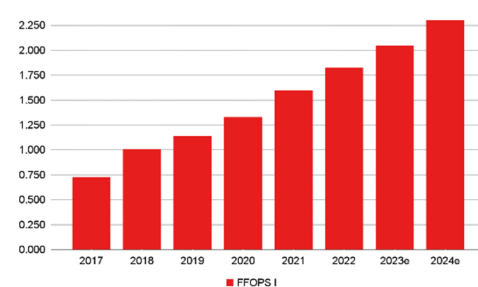
FY End: 31.12. in EUR m	CAGR (22-25e)	2019	2020	2021	2022	2023e	2024e	2025e
Rental income		9.53	12.19	14.55	17.25	21.07	23.05	24.38
Change yoy		25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %	5.8 %
EBIT		4.50	5.62	9.11	10.08	9.48	10.52	11.03
FFO I		4.62	5.87	7.06	8.58	9.83	11.05	12.37
FFO I-margin		48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %	50.8 %
EBT		2.78	3.49	6.51	7.18	5.31	5.98	7.16
Net income		2.06	2.51	5.04	5.39	3.94	4.40	5.35
EPS		0.51	0.57	1.14	1.15	0.82	0.92	1.11
FFOPS I		1.14	1.33	1.60	1.82	2.05	2.30	2.58
DPS		0.45	0.48	0.51	0.54	0.58	0.63	0.68
Dividend Yield		2.9 %	2.7 %	2.3 %	2.1 %	2.6 %	2.9 %	3.2 %
Book Value / Share		5.50	5.61	6.27	8.53	8.77	9.05	9.39
P / E		30.1 x	30.9 x	19.5 x	22.0 x	26.8 x	24.0 x	19.3 x
Price / Book		2.5 x	3.1 x	3.5 x	2.9 x	2.5 x	2.4 x	2.3 x
P / NAVPS		1.1 x	1.0 x	1.1 x	1.1 x	0.9 x	0.8 x	0.9 x
FFO I-Yield		7.5 %	7.6 %	7.2 %	7.2 %	9.3 %	10.5 %	12.0 %
ROE		10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
LTV		58.2 %	60.2 %	61.3 %	59.7 %	60.5 %	60.8 %	62.1 %
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

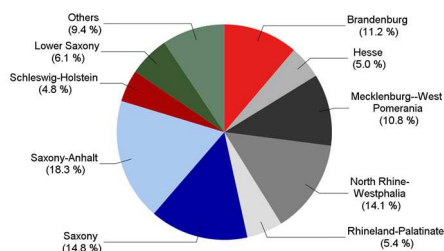
Company Background

- 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

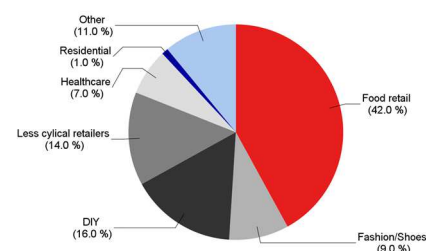
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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							
	2019	2020	2021	2022	2023e	2024e	2025e
P / E	30.1 x	30.9 x	19.5 x	22.0 x	26.8 x	24.0 x	19.3 x
P / NAVPS	1.1 x	1.0 x	1.1 x	1.1 x	0.9 x	0.8 x	0.9 x
Price / Book	2.5 x	3.1 x	3.5 x	2.9 x	2.5 x	2.4 x	2.3 x
P / FFOPS I	13.4 x	13.2 x	13.9 x	13.8 x	10.7 x	9.6 x	8.3 x
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	9.3 %	10.5 %	12.0 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
Equity Ratio	24 %	18 %	18 %	21 %	20 %	19 %	20 %

Company Specific Items							
	2019	2020	2021	2022	2023e	2024e	2025e
NAV/Share	13.46	16.86	19.61	22.80	25.47	27.19	24.60
Vacancy Rate	4.0 %	3.7 %	5.0 %	6.2 %	5.0 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2019	2020	2021	2022	2023e	2024e	2025e
Total revenues	11.21	14.58	17.13	20.23	24.50	27.44	29.02
Rental income	9.53	12.19	14.55	17.25	21.07	23.05	24.38
Change yoy	25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %	5.8 %
Property operating costs	2.63	3.08	4.05	4.24	5.76	6.53	6.91
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	8.57	11.49	13.08	15.98	18.74	20.91	22.11
Income from property sales	0.00	0.00	2.77	2.26	0.00	0.00	0.00
Other revenues	0.07	0.12	0.47	0.22	0.44	0.55	0.58
Gross profit	8.64	11.62	16.32	18.46	19.18	21.46	22.69
Administration expenses	0.70	0.81	0.98	1.23	2.03	2.31	1.63
Personnel expenses	1.04	1.50	1.88	1.98	1.71	1.92	2.96
Other operating income/expenses	0.00	-0.31	-0.11	-0.08	-0.08	-0.08	-0.06
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	7.04	8.99	13.35	15.18	15.36	17.16	18.05
Valuation result	0.00	0.00	n.a.	n.a.	0.00	0.00	0.00
Depreciation of fixed assets	2.55	3.36	4.24	5.10	5.88	6.64	7.02
EBITA	4.50	5.62	9.11	10.08	9.48	10.52	11.03
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	4.50	5.62	9.11	10.08	9.48	10.52	11.03
Interest income	0.01	0.01	0.01	0.01	0.00	0.00	0.00
Interest expenses	1.73	2.14	2.61	2.91	4.17	4.54	3.86
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-1.72	-2.13	-2.60	-2.90	-4.17	-4.54	-3.86
EBT	2.78	3.49	6.51	7.18	5.31	5.98	7.16
<i>Margin</i>	24.8 %	24.0 %	38.0 %	35.5 %	21.7 %	21.8 %	24.7 %
Total taxes	-0.71	-0.71	-0.71	-1.78	-1.36	-1.58	-1.81
thereof cash taxes	-0.42	-0.42	-0.42	-1.22	-0.75	-0.90	-1.10
Net income from continuing operations	2.07	2.51	5.04	5.40	3.95	4.41	5.35
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	2.07	2.51	5.04	5.40	3.95	4.41	5.35
Minority interest	0.01	0.00	0.00	0.01	0.01	0.01	0.00
Net income	2.06	2.51	5.04	5.39	3.94	4.40	5.35
Number of shares, average	4.05	4.42	4.42	4.71	4.80	4.80	4.80
FFO (II)	4.62	5.87	7.06	8.58	9.83	11.05	12.37
<i>FFO I-margin</i>	48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %	50.8 %
FFOPS I	1.14	1.33	1.60	1.82	2.05	2.30	2.58
EPS	0.51	0.57	1.14	1.15	0.82	0.92	1.11
EPS adj.	0.47	0.57	1.14	1.12	0.82	0.92	1.11

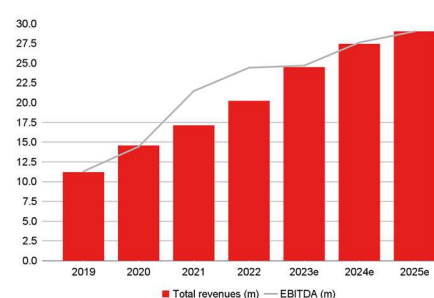
*Adjustments made for:

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

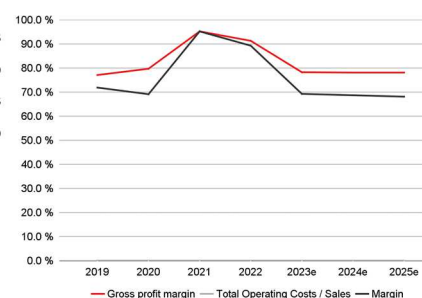
Financial Ratios

	2019	2020	2021	2022	2023e	2024e	2025e
Property operating costs / Rental Income	27.6 %	25.3 %	27.8 %	24.6 %	27.3 %	28.3 %	28.3 %
Operating Leverage (Real Estate)	5.0 x	4.6 x	6.2 x	6.5 x	5.2 x	11.9 x	19.5 x
Rental profit / interest expenses	5.0 x	5.4 x	5.0 x	5.5 x	4.5 x	4.6 x	5.7 x

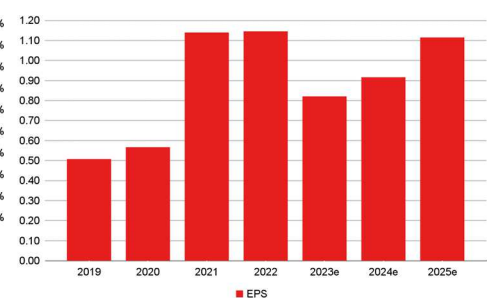
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

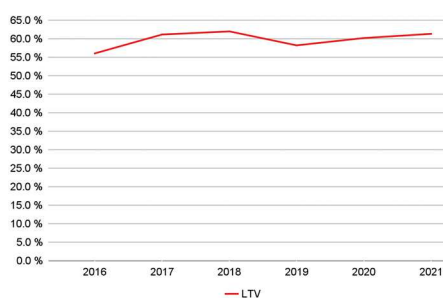
Consolidated balance sheet

In EUR m	2019	2020	2021	2022	2023e	2024e	2025e
Assets							
Goodwill and other intangible assets	0.03	0.02	0.02	0.01	0.01	0.01	0.02
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.03	0.02	0.02	0.01	0.01	0.01	0.02
Property, plant and equipment	0.11	1.39	1.29	1.13	1.14	1.15	1.34
Investment properties	93.14	127.79	147.57	183.67	201.53	217.14	213.23
Financial assets	1.70	0.12	1.37	1.22	1.22	1.22	1.37
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	94.98	129.33	150.25	186.03	203.90	219.52	215.96
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	0.80	0.96	6.20	6.32	6.45	1.04
Liquid assets	6.98	4.28	1.52	3.67	3.30	2.53	4.81
Other short-term assets	2.31	2.30	3.53	3.44	2.04	2.08	-1.05
Current assets	9.29	7.38	6.01	13.31	11.66	11.06	8.09
Total Assets	104.28	136.71	156.26	199.33	215.56	230.58	224.05
Liabilities and shareholders' equity							
Subscribed capital	4.42	4.42	4.42	4.80	4.80	4.80	4.80
Capital reserve	17.31	17.31	17.31	27.19	27.19	27.19	27.19
Retained earnings	2.56	3.07	5.99	8.93	10.09	11.46	13.09
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	24.29	24.81	27.72	40.92	42.08	43.45	45.08
Minority interest	0.39	0.40	0.40	0.41	0.41	0.41	0.40
Provisions	0.43	0.51	0.53	0.68	0.68	0.68	0.53
thereof provisions for pensions and similar obligations	0.21	0.25	0.26	0.34	0.34	0.34	0.26
Financial liabilities (total)	76.52	110.25	124.59	154.53	169.60	183.24	175.08
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.51	0.29	0.96	0.64	0.64	0.64	0.96
Other liabilities	2.54	0.86	2.46	2.56	2.57	2.57	2.41
Liabilities	79.99	111.91	128.54	158.41	173.48	187.13	178.97
Total liabilities and shareholders' equity	104.28	136.71	156.26	199.33	215.56	230.58	224.05

Financial Ratios

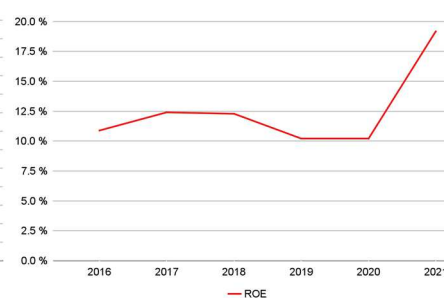
	2019	2020	2021	2022	2023e	2024e	2025e
Return on Capital							
ROA	2.2 %	2.1 %	3.4 %	3.0 %	1.9 %	2.0 %	2.4 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	69.75	106.23	123.34	151.20	166.64	181.05	170.54
Net Financial Debt	69.54	105.98	123.07	150.86	166.30	180.71	170.27
Net Fin. Debt / EBITDA	9.9 x	11.8 x	9.2 x	9.9 x	10.8 x	10.5 x	9.4 x
LTV	58.2 %	60.2 %	61.3 %	59.7 %	60.5 %	60.8 %	62.1 %
Equity Ratio	23.7 %	18.4 %	18.0 %	20.7 %	19.7 %	19.0 %	20.3 %

LTV



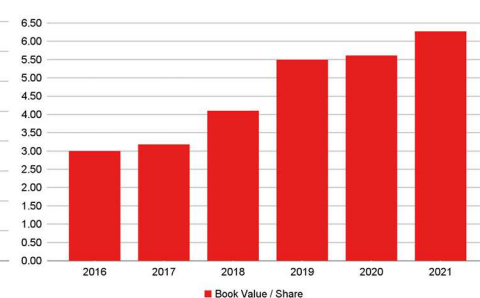
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

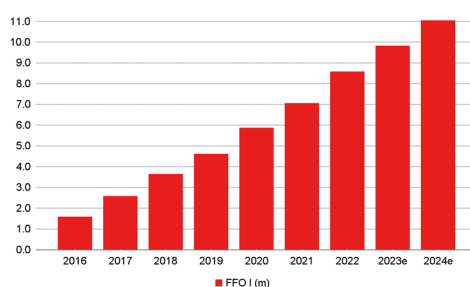
Consolidated cash flow statement

In EUR m	2019	2020	2021	2022	2023e	2024e	2025e
Net cash provided by operating activities [1]	3.80	4.96	7.41	10.86	9.66	10.87	12.30
Net cash provided by investing activities [2]	-16.09	-37.91	-22.39	-43.56	-22.50	-22.50	-22.50
Net cash provided by financing activities [3]	16.47	30.25	12.22	34.84	12.48	10.86	11.05
Change in liquid funds [1]+[2]+[3]	4.18	-2.70	-2.76	2.15	-0.37	-0.77	0.85
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	6.98	4.28	1.52	3.67	3.30	2.53	0.85

Financial Ratios

	2019	2020	2021	2022	2023e	2024e	2025e
Cash Flow							
FFO (II)	4.62	5.87	7.06	8.58	9.83	11.05	12.37
FFOPS I	1.14	1.33	1.60	1.82	2.05	2.30	2.58
FFOPS I diluted	1.04	1.33	1.60	1.82	2.09	2.35	2.58
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	9.3 %	10.5 %	12.0 %
FFO I-margin	48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %	50.8 %
Interest Paid / Avg. Debt	2.4 %	2.3 %	2.2 %	2.1 %	2.6 %	2.6 %	2.2 %
Management of Funds							
Capex/Investment Properties	-17.3 %	-29.7 %	-15.2 %	-23.7 %	-11.2 %	-10.4 %	-10.6 %
Avg. Working Capital / Sales	-1.3 %	0.0 %	1.5 %	13.8 %	23.0 %	20.9 %	10.2 %
Dividend Payout Ratio	88.2 %	84.5 %	44.7 %	47.1 %	70.5 %	68.6 %	61.0 %

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	https://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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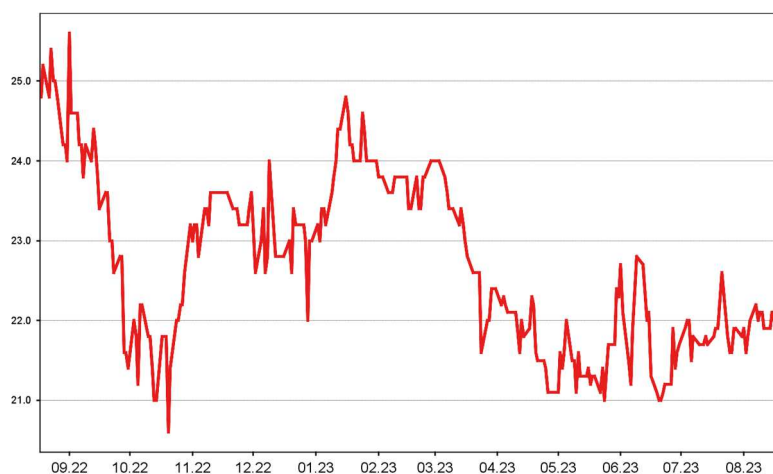
Rating	Number of stocks	% of Universe
Buy	152	73
Hold	44	21
Sell	7	3
Rating suspended	4	2
Total	207	100

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	42	86
Hold	5	10
Sell	0	0
Rating suspended	2	4
Total	49	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 17.08.2023



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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