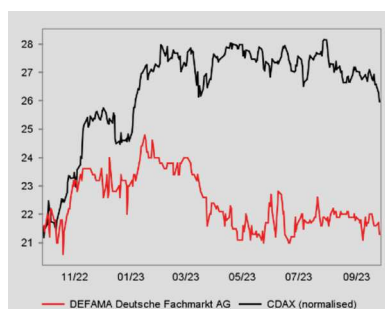


Buy EUR 30.70	Value Indicators: EUR	Warburg ESG Risk Score: 2.3	Description:
	NAV (WRe) 24e: 31.56 FFO-Yield 24e: 29.93	ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Commercial real estate company focused on retail parks in Northern and Eastern Germany
Price: EUR 21.30 Upside: 44.1 %	Market Snapshot: EUR m	Shareholders:	Key Figures (WRe): 2023e
	Market cap: 102.24 No. of shares (m): 4.80 EV: 268.88 Freefloat MC: 73.61 Ø Trad. Vol. (30d): 37.51 th	Freefloat: 72.00 % MSC Invest GmbH: 26.00 % Supervisory board: 2.00 %	LTV: 60.5 % Equity Ratio: 19.7 %

Selective acquisition strengthens portfolio growth

- DEFAMA has again successfully advanced its portfolio growth with the acquisition of Heinsberg Galerie. The core tenants of the property with a leasable area of approx. 10,500sqm in the centre of Heinsberg in North Rhine-Westphalia are Edeka, Rossmann, Deichmann, Action and Woolworth. In addition to this attractive core tenant mix, the property also includes a restaurant, two fashion stores, other smaller stores and a total of 19 apartments. In our opinion, the central location by the Heinsberg terminus station and the central bus station should ensure the necessary attractiveness for tenants and visitors.
- The property has an annual net rent of around EUR 1 million. The purchase price multiplier in relation to the income adjusted for the non-allocable costs is ~9.8. If the ground rent is considered as a transitory item, the KP multiplier amounts to 8.5 according to company information or an absolute purchase price of approx. EUR 6.5 million, which results in adjusted rental income of approx. EUR 760k.
- With this acquisition, DEFAMA achieves an annualized net rental income of more than EUR 22m. Annualized FFO increases to EUR 10.8m or EUR 2.24 per share, which we believe is a prudent calculation. The FY target of EUR 11m is within reach. The other 2023 targets remain unaffected for FFO and annualized net income as the property is expected to contribute purchase price to earnings from January 1, 2024. The FFO yield (based on annualised FFO) is in the double digits at just over 10%.
- We reiterate our Buy recommendation with a PT of EUR 30.70, which offers an attractive upside of over 40%. We expect selective acquisitions to further exploit attractive market opportunities in the coming quarters as the company has a solid financing base (s. table below) and no constraints. The 2023 guidance should be well achievable and the transactions executed should continue to deliver attractive FFO growth.

Financing	2019	2020	2021	2022	Q1/23	H1/23
No. of banks	26	32	35	36	36	36
Banking liabilities in EUR m	76.5	110	123	153	152	149
Ø interest rate	2.40%	2.12%	2.08%	2.32%	2.43%	2.45%
Ø first redemption	4.73	4.60	4.49	4.20	4.17	4.16
Ø maturity in years	7.6	7.8	7.1	5.8	5.7	5.4
Debt-ratio (LTV)	56.2%	60.2%	59.8%	59.7%	58.7%	58.0%

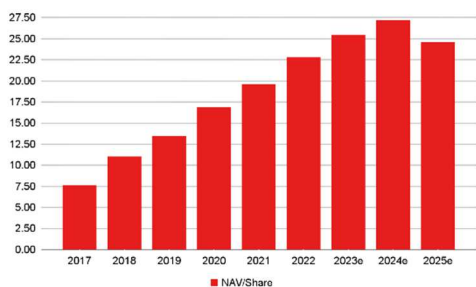


Rel. Performance vs CDAX:	
1 month:	-0.1 %
6 months:	-0.3 %
Year to date:	-13.1 %
Trailing 12 months:	-27.2 %

Company events:

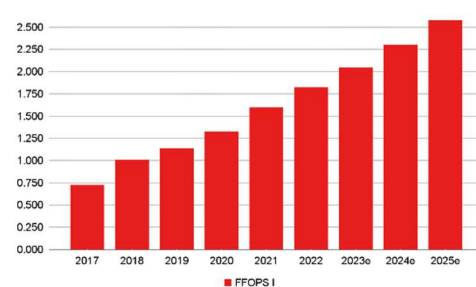
FY End: 31.12. in EUR m	CAGR (22-25e)	2019	2020	2021	2022	2023e	2024e	2025e
Rental income		9.53	12.19	14.55	17.25	21.07	23.05	24.38
Change yoy		25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %	5.8 %
EBIT		4.50	5.62	9.11	10.08	9.48	10.52	11.03
FFO I		4.62	5.87	7.06	8.58	9.83	11.05	12.37
FFO I-margin		48.4 %	48.2 %	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 %	2.7 %	3.0 %	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	26.0 x	23.3 x	19.3 x
Price / Book		2.5 x	3.1 x	3.5 x	2.9 x	2.4 x	2.4 x	2.3 x
P / NAVPS		1.1 x	1.0 x	1.1 x	1.1 x	0.8 x	0.8 x	0.9 x
FFO I-Yield		7.5 %	7.6 %	7.2 %	7.2 %	9.6 %	10.8 %	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

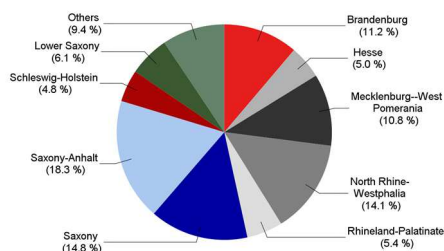
Company Background

- 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

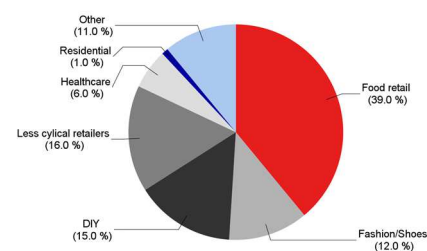
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	26.0 x	23.3 x	19.3 x
P / NAVPS	1.1 x	1.0 x	1.1 x	1.1 x	0.8 x	0.8 x	0.9 x
Price / Book	2.5 x	3.1 x	3.5 x	2.9 x	2.4 x	2.4 x	2.3 x
P / FFOPS I	13.4 x	13.2 x	13.9 x	13.8 x	10.4 x	9.3 x	8.3 x
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	9.6 %	10.8 %	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>	<i>24.8 %</i>	<i>24.0 %</i>	<i>38.0 %</i>	<i>35.5 %</i>	<i>21.7 %</i>	<i>21.8 %</i>	<i>24.7 %</i>
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>	<i>48.4 %</i>	<i>48.2 %</i>	<i>48.5 %</i>	<i>49.7 %</i>	<i>46.6 %</i>	<i>47.9 %</i>	<i>50.8 %</i>
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

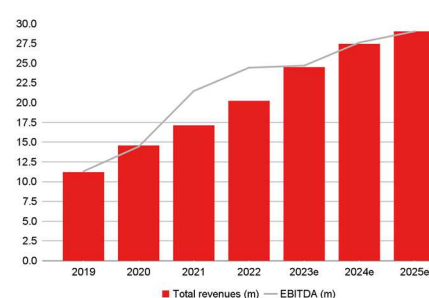
*Adjustments made for:

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

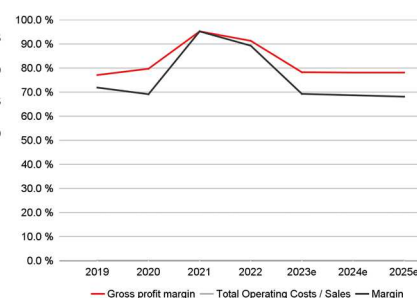
Financial Ratios

	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

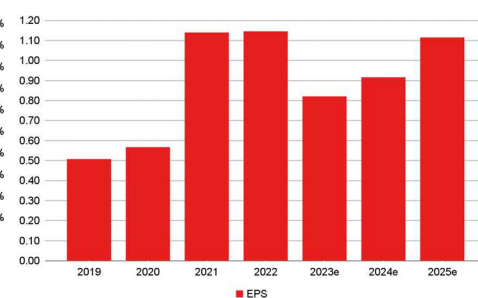
Revenues, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

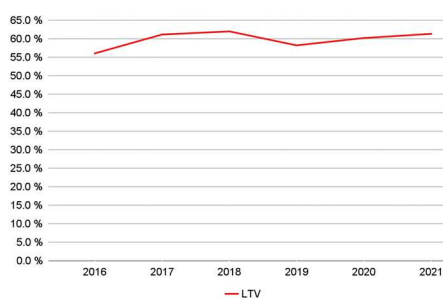
Consolidated balance sheet

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

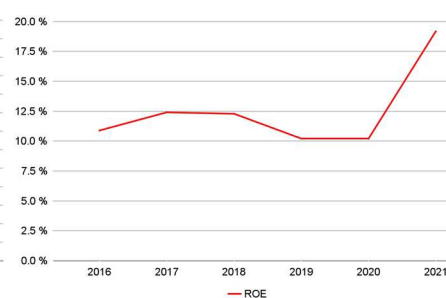
	2019	2020	2021	2022	2023e	2024e	2025e
Return on Capital							
ROA	2.2 %	2.1 %	3.4 %	3.0 %	1.9 %	2.0 %	2.4 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	69.75	106.23	123.34	151.20	166.64	181.05	170.54
Net Financial 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



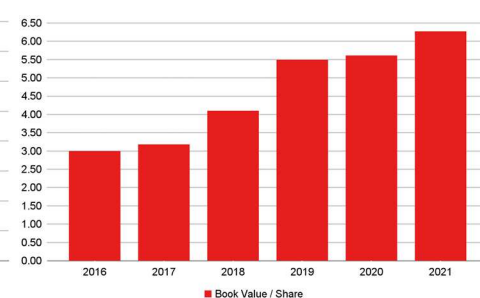
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

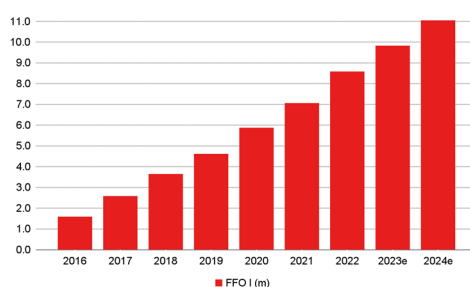
Consolidated cash flow statement

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 %	9.6 %	10.8 %	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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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.

-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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

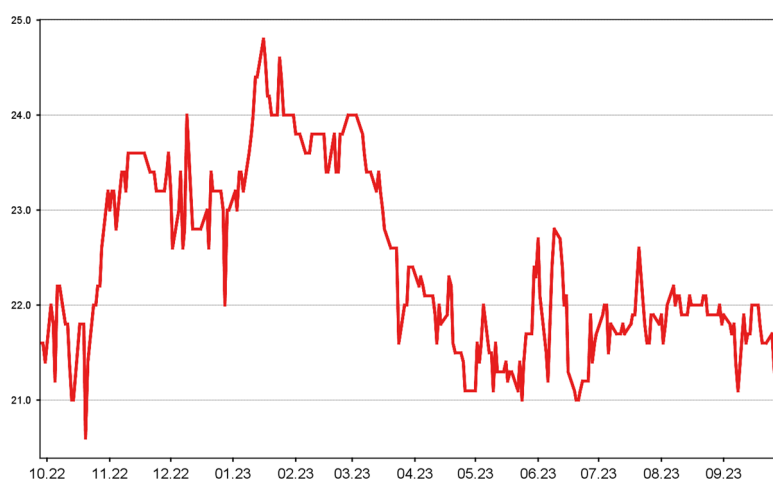
Rating	Number of stocks	% of Universe
Buy	157	74
Hold	45	21
Sell	6	3
Rating suspended	3	1
Total	211	100

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	5	10
Sell	0	0
Rating suspended	2	4
Total	51	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 27.09.2023



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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