

<b>Buy</b> <b>EUR 30.70</b>  Price <b>EUR 20.90</b> Upside <b>46.9 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 24e: 31.56 FFO-Yield 24e: 29.93	<b>Warburg ESG Risk Score: 2.3</b> ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	<b>Description:</b> Commercial real estate company focused on retail parks in Northern and Eastern Germany
	<b>Market Snapshot:</b> EUR m Market cap: 100.32 No. of shares (m): 4.80 EV: 266.96 Freefloat MC: 72.23 Ø Trad. Vol. (30d): 66.92 th	<b>Shareholders:</b> Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	<b>Key Figures (WRe):</b> 2023e LTV: 60.5 % Equity Ratio: 19.7 %

## 9M figures slightly above expectations and well on track to meet 2023 guidance

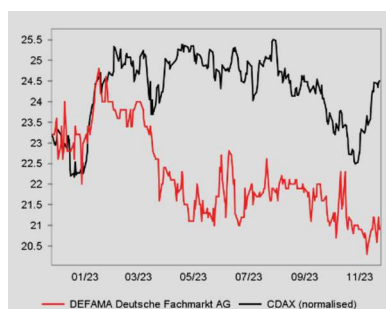
### Stated Figures Q3/2023:

in EUR m	9M/23	9M/23e	9M/22	+/- in %
Revenues	16.94	16.76	14.66	16%
EBITDA	10.77	10.81	9.23	17%
EBIT	6.45	6.51	5.47	18%
EBT	3.83	3.79	3.33	15%
Net profit	2.81	2.77	2.45	14%
EPS (€)	0.58	0.58	0.52	10%
FFO	7.12	7.07	6.21	15%
FFO-margin	42%	42%	42%	
FFOPS (€)	1.48	1.47	1.33	12%
LTV (%)	58.0%	57.5%	56.5%	

### Comment on Figures:

- DEFAMA reported strong 9M figures, slightly ahead of our expectations.
- Revenue** grew by a sound 16% to nearly EUR 17m after 9M. Growth in Q3 was supported by indexation and the acquisitions of Nordhausen and Marktoldendorf. The other acquisitions (Heinsberg-Galerie & Reuter-Center) will contribute from 2024 onwards.
- The **EBITDA and EBIT** improvements showed a slightly higher growth momentum with +17% and +18% respectively.
- FFO** increased noticeably by 15% to EUR 7.12m. The FFO margin was stable at 42%, an impressive development compared to other real estate companies.
- CC** will be at 10 a.m. today.

- In addition to strong 9M figures, DEFAMA announced yesterday evening that it continues to be very successful in its selective acquisition strategy and is further expanding its portfolio. The acquired property is the Reuter-Center in Zell unter Aichelberg with a lettable area of approx. 10,000 sqm. The largest tenants are REWE, AWG Mode and Schuh Mann. The property is centrally located in the town and is the only full-range retailer within a radius of 5 km. The annual net rent contribution is approximately EUR 1.2m.
- Given the positioning of the property, we assume a rent multiple of approx. 10, so that the purchase price is likely to be ~EUR 12m. This is slightly above the transaction multiples of the two previous transactions, but very attractive in our view. DEFAMA's annualised net rent thus increases to EUR 23m. The annualised FFO of EUR 11.1m already exceeds the guidance for the end of the year (EUR 11m).
- In 2023, DEFAMA's acquisition volume amounts to EUR 25m, almost reaching the previous year's figure of EUR 29m. In the current market environment, further transactions seem possible by the end of the year, which could lead to a transaction volume well above EUR 30m. The new acquisition will support DEFAMA's further growth in 2024.
- We strongly reiterate our Buy recommendation based on the positive operating performance of the portfolio and strong support for FFO growth from selective acquisitions in 2024 and 2025. The 2023 guidance should undoubtedly be met.



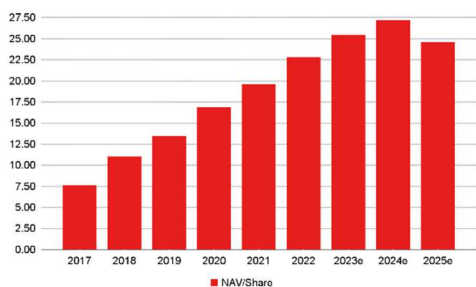
### Rel. Performance vs CDAX:

1 month:	n/a
6 months:	-0.1 %
Year to date:	-19.2 %
Trailing 12 months:	-15.6 %

### Company events:

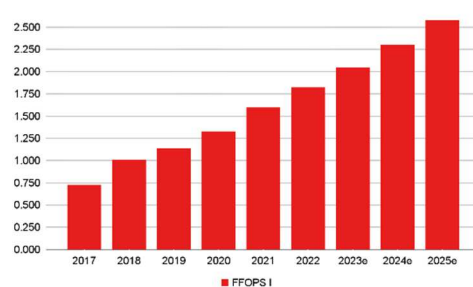
FY End: 31.12. in EUR m	CAGR (22-25e)	2019	2020	2021	2022	2023e	2024e	2025e
<b>Rental income</b>		9.53	12.19	14.55	17.25	21.07	23.05	24.38
Change yoy		25.1 %	27.9 %	19.4 %	18.6 %	22.1 %	9.4 %	5.8 %
<b>EBIT</b>		4.50	5.62	9.11	10.08	9.48	10.52	11.03
<b>FFO I</b>		4.62	5.87	7.06	8.58	9.83	11.05	12.37
FFO I-margin		48.4 %	48.2 %	48.5 %	49.7 %	46.6 %	47.9 %	50.8 %
<b>EBT</b>		2.78	3.49	6.51	7.18	5.31	5.98	7.16
<b>Net income</b>		2.06	2.51	5.04	5.39	3.94	4.40	5.35
<b>EPS</b>		0.51	0.57	1.14	1.15	0.82	0.92	1.11
<b>FFOPS I</b>		1.14	1.33	1.60	1.82	2.05	2.30	2.58
<b>DPS</b>		0.45	0.48	0.51	0.54	0.58	0.63	0.68
Dividend Yield		2.9 %	2.7 %	2.3 %	2.1 %	2.8 %	3.0 %	3.3 %
<b>Book Value / Share</b>		5.50	5.61	6.27	8.53	8.77	9.05	9.39
<b>P / E</b>		30.1 x	30.9 x	19.5 x	22.0 x	25.5 x	22.8 x	18.7 x
<b>Price / Book</b>		2.5 x	3.1 x	3.5 x	2.9 x	2.4 x	2.3 x	2.2 x
<b>P / NAVPS</b>		1.1 x	1.0 x	1.1 x	1.1 x	0.8 x	0.8 x	0.8 x
<b>FFO I-Yield</b>		7.5 %	7.6 %	7.2 %	7.2 %	9.8 %	11.0 %	12.3 %
<b>ROE</b>		10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
<b>LTV</b>		58.2 %	60.2 %	61.3 %	59.7 %	60.5 %	60.8 %	62.1 %
<b>Guidance:</b>	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

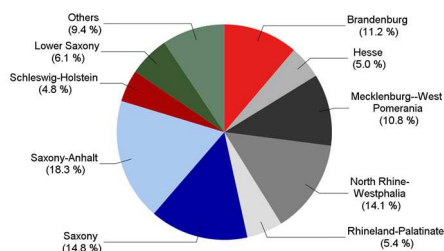
Company Background

- 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

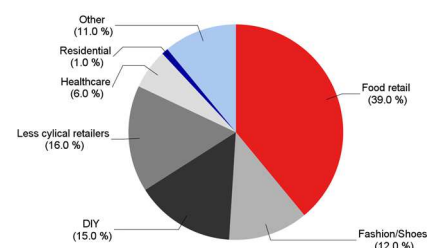
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	25.5 x	22.8 x	18.7 x
P / NAVPS	1.1 x	1.0 x	1.1 x	1.1 x	0.8 x	0.8 x	0.8 x
Price / Book	2.5 x	3.1 x	3.5 x	2.9 x	2.4 x	2.3 x	2.2 x
P / FFOPS I	13.4 x	13.2 x	13.9 x	13.8 x	10.2 x	9.1 x	8.1 x
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	9.8 %	11.0 %	12.3 %
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
<b>Total revenues</b>	<b>11.21</b>	<b>14.58</b>	<b>17.13</b>	<b>20.23</b>	<b>24.50</b>	<b>27.44</b>	<b>29.02</b>
<b>Rental income</b>	<b>9.53</b>	<b>12.19</b>	<b>14.55</b>	<b>17.25</b>	<b>21.07</b>	<b>23.05</b>	<b>24.38</b>
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
<b>Income from property sales</b>	<b>0.00</b>	<b>0.00</b>	<b>2.77</b>	<b>2.26</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other revenues</b>	<b>0.07</b>	<b>0.12</b>	<b>0.47</b>	<b>0.22</b>	<b>0.44</b>	<b>0.55</b>	<b>0.58</b>
<b>Gross profit</b>	<b>8.64</b>	<b>11.62</b>	<b>16.32</b>	<b>18.46</b>	<b>19.18</b>	<b>21.46</b>	<b>22.69</b>
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.
<b>EBITDA</b>	<b>7.04</b>	<b>8.99</b>	<b>13.35</b>	<b>15.18</b>	<b>15.36</b>	<b>17.16</b>	<b>18.05</b>
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
<b>EBITA</b>	<b>4.50</b>	<b>5.62</b>	<b>9.11</b>	<b>10.08</b>	<b>9.48</b>	<b>10.52</b>	<b>11.03</b>
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>4.50</b>	<b>5.62</b>	<b>9.11</b>	<b>10.08</b>	<b>9.48</b>	<b>10.52</b>	<b>11.03</b>
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
<b>Financial result</b>	<b>-1.72</b>	<b>-2.13</b>	<b>-2.60</b>	<b>-2.90</b>	<b>-4.17</b>	<b>-4.54</b>	<b>-3.86</b>
<b>EBT</b>	<b>2.78</b>	<b>3.49</b>	<b>6.51</b>	<b>7.18</b>	<b>5.31</b>	<b>5.98</b>	<b>7.16</b>
<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
<b>Net income from continuing operations</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>5.40</b>	<b>3.95</b>	<b>4.41</b>	<b>5.35</b>
Income from discontinued operations (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income before minorities</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>5.40</b>	<b>3.95</b>	<b>4.41</b>	<b>5.35</b>
Minority interest	0.01	0.00	0.00	0.01	0.01	0.01	0.00
<b>Net income</b>	<b>2.06</b>	<b>2.51</b>	<b>5.04</b>	<b>5.39</b>	<b>3.94</b>	<b>4.40</b>	<b>5.35</b>
Number of shares, average	4.05	4.42	4.42	4.71	4.80	4.80	4.80
<b>FFO (II)</b>	<b>4.62</b>	<b>5.87</b>	<b>7.06</b>	<b>8.58</b>	<b>9.83</b>	<b>11.05</b>	<b>12.37</b>
<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>
<b>FFOPS I</b>	<b>1.14</b>	<b>1.33</b>	<b>1.60</b>	<b>1.82</b>	<b>2.05</b>	<b>2.30</b>	<b>2.58</b>
<b>EPS</b>	<b>0.51</b>	<b>0.57</b>	<b>1.14</b>	<b>1.15</b>	<b>0.82</b>	<b>0.92</b>	<b>1.11</b>
EPS adj.	0.47	0.57	1.14	1.12	0.82	0.92	1.11

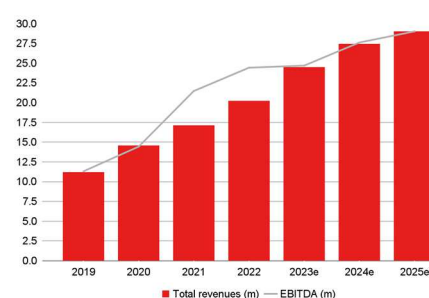
\*Adjustments made for:

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

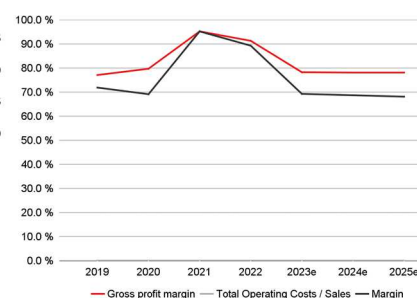
**Financial Ratios**

	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

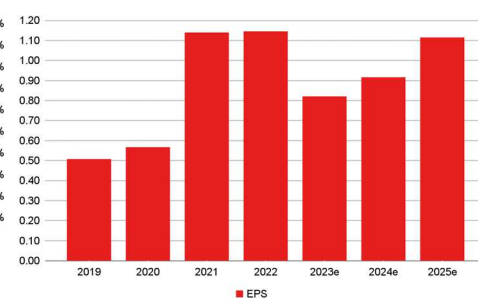
**Revenues, EBITDA**  
in EUR m



**Operating Performance**  
in %



**Performance per Share**



Source: Warburg Research

Source:

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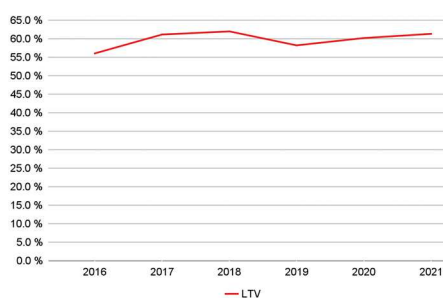
**Consolidated balance sheet**

In EUR m	2019	2020	2021	2022	2023e	2024e	2025e
<b>Assets</b>							
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
<b>Fixed assets</b>	<b>94.98</b>	<b>129.33</b>	<b>150.25</b>	<b>186.03</b>	<b>203.90</b>	<b>219.52</b>	<b>215.96</b>
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
<b>Current assets</b>	<b>9.29</b>	<b>7.38</b>	<b>6.01</b>	<b>13.31</b>	<b>11.66</b>	<b>11.06</b>	<b>8.09</b>
<b>Total Assets</b>	<b>104.28</b>	<b>136.71</b>	<b>156.26</b>	<b>199.33</b>	<b>215.56</b>	<b>230.58</b>	<b>224.05</b>
<b>Liabilities and shareholders' equity</b>							
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
<b>Shareholders' equity</b>	<b>24.29</b>	<b>24.81</b>	<b>27.72</b>	<b>40.92</b>	<b>42.08</b>	<b>43.45</b>	<b>45.08</b>
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
<b>Liabilities</b>	<b>79.99</b>	<b>111.91</b>	<b>128.54</b>	<b>158.41</b>	<b>173.48</b>	<b>187.13</b>	<b>178.97</b>
<b>Total liabilities and shareholders' equity</b>	<b>104.28</b>	<b>136.71</b>	<b>156.26</b>	<b>199.33</b>	<b>215.56</b>	<b>230.58</b>	<b>224.05</b>

**Financial Ratios**

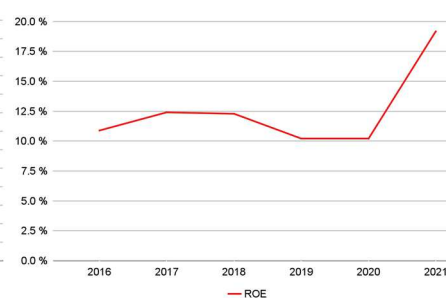
	2019	2020	2021	2022	2023e	2024e	2025e
<b>Return on Capital</b>							
ROA	2.2 %	2.1 %	3.4 %	3.0 %	1.9 %	2.0 %	2.4 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	9.5 %	10.3 %	12.1 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x
<b>Solvency</b>							
Net Debt	69.75	106.23	123.34	151.20	166.64	181.05	170.54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



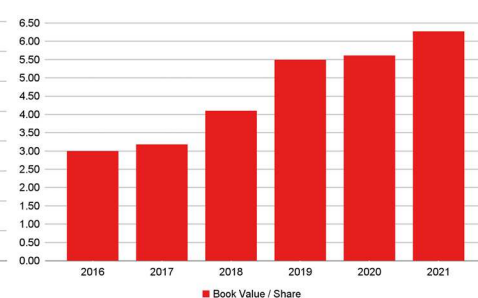
Source: Warburg Research

**ROE**  
in %



Source: Warburg Research

**Book Value per Share**  
in EUR



Source: Warburg Research

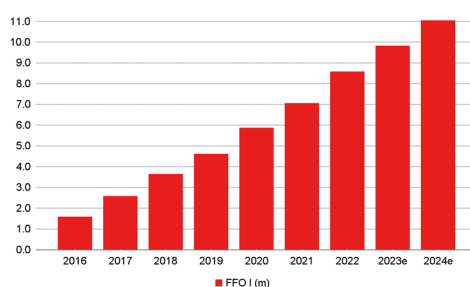
### Consolidated cash flow statement

In EUR m	2019	2020	2021	2022	2023e	2024e	2025e
<b>Net cash provided by operating activities [1]</b>	<b>3.80</b>	<b>4.96</b>	<b>7.41</b>	<b>10.86</b>	<b>9.66</b>	<b>10.87</b>	<b>12.30</b>
<b>Net cash provided by investing activities [2]</b>	<b>-16.09</b>	<b>-37.91</b>	<b>-22.39</b>	<b>-43.56</b>	<b>-22.50</b>	<b>-22.50</b>	<b>-22.50</b>
<b>Net cash provided by financing activities [3]</b>	<b>16.47</b>	<b>30.25</b>	<b>12.22</b>	<b>34.84</b>	<b>12.48</b>	<b>10.86</b>	<b>11.05</b>
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
<b>Cash and cash equivalent at end of period</b>	<b>6.98</b>	<b>4.28</b>	<b>1.52</b>	<b>3.67</b>	<b>3.30</b>	<b>2.53</b>	<b>0.85</b>

### Financial Ratios

	2019	2020	2021	2022	2023e	2024e	2025e
<b>Cash Flow</b>							
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 %	9.8 %	11.0 %	12.3 %
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 %
<b>Management of Funds</b>							
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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-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
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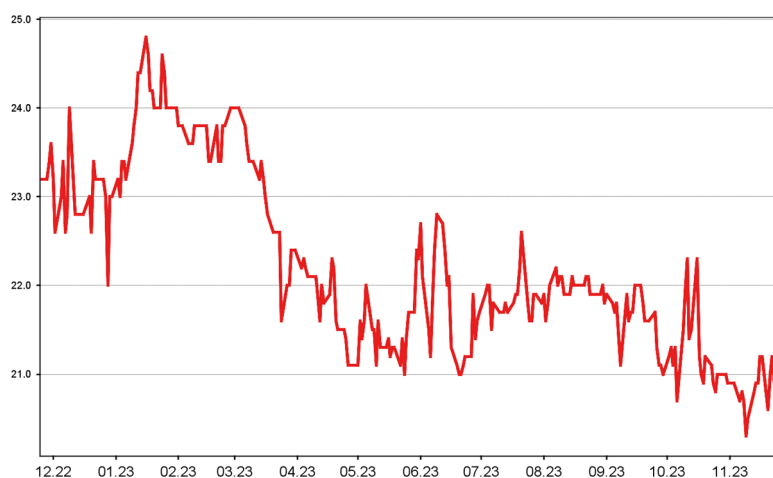
Rating	Number of stocks	% of Universe
Buy	155	73
Hold	46	22
Sell	5	2
Rating suspended	7	3
<b>Total</b>	<b>213</b>	<b>100</b>

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Rating	Number of stocks	% of Universe
Buy	43	81
Hold	7	13
Sell	0	0
Rating suspended	3	6
<b>Total</b>	<b>53</b>	<b>100</b>

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