

<b>Buy</b> <b>EUR 31.60</b> (EUR 31.30)  Price EUR 25.80 Upside <b>22.5 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 25e: 34.39 FFO-Yield 25e: 28.75	<b>Warburg ESG Risk Score: 2.4</b> ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.3 Market Liquidity Score: 1.0	<b>Description:</b> Commercial real estate company focused on retail parks in Northern and Eastern Germany
	<b>Market Snapshot:</b> EUR m Market cap: 123.84 No. of shares (m): 4.80 EV: 303.46 Freefloat MC: 89.16 Ø Trad. Vol. (30d): 34.68 th	<b>Shareholders:</b> Freefloat 72.00 % MSC Invest GmbH 26.00 % Supervisory board 2.00 %	<b>Key Figures (WRe):</b> 2023e LTV: 60.7 % Equity Ratio: 19.9 %

## Preview FY23: Model update ahead of FY figures

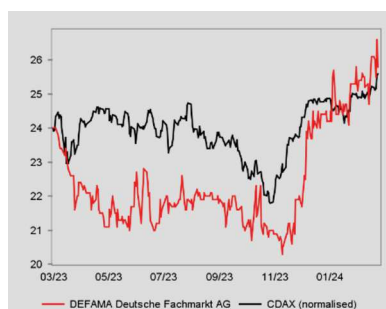
Expected Figures FY2023:			
in EUR m	2023e	2022	+/- in %
Revenues	23.52	20.23	16%
EBITDA	15.52	15.18	2%
EBIT	9.61	10.08	-5%
EBT	5.83	7.18	-19%
<b>Net profit</b>	<b>4.35</b>	<b>5.39</b>	<b>-19%</b>
EPS (€)	0.91	1.15	-21%
<b>FFO</b>	<b>9.77</b>	<b>8.58</b>	<b>14%</b>
FFO-margin	42%	42%	
<b>FFOPS (€)</b>	<b>2.03</b>	<b>1.82</b>	<b>12%</b>

**Comment on Figures:**

- DEFAMA will release its FY figures on 28 February. CC at 10 a.m.
- We expect strong top-line growth of 16% to EUR 23.5m, which reflects an excellent acquisition track record over the last 18 months. In 2023, DEFAMA acquired properties for a total of EUR 28m.
- FFO for FY 2023 could be slightly below the guidance of EUR 9.8m due to later contributions from successful acquisitions during 2023.
- The **annualised FFO** target of EUR 11m was achieved with EUR 11.3m. After successful letting activities (e.g. in Gardelegen) and the disposal in Büdelsdorf, the current figure should be nearly unchanged. At the end of 2024, we expect an annualised FFO of at least EUR ~12m.
- Net profit** is expected to exceed the FY guidance of EUR 4m following the disposal of a vacant property in Höhn with an estimated impact of ~EUR 400-500k.

- DEFAMA recently announced the sale of the Büdelsdorf retail centre for EUR 6.7m. The most recent annual net rent was around EUR 550k, resulting in a multiple of 12.2x, which is above the current average portfolio multiple of approximately 11.7x.
- The pre-tax effect will be around EUR 1.5m, although the property is being sold slightly below the 2022 appraisal value of EUR 6.89m.
- We view the sale positively as the property sold has only a small proportion of branch tenants and is therefore generally more labour-intensive for DEFAMA in terms of administration and management. In addition, the vacancy rate, which was still at 22% in 2019, has been successfully reduced step by step and, in our opinion, does not offer any further major upside in terms of contractual rents.
- DEFAMA's liquidity will increase by around EUR 3m after the repayment of the bank financing, which can be reinvested in the expansion of the portfolio. By way of comparison: In 2023, an equity share of only EUR 2.5m was required for portfolio growth in order to increase rents by a total of EUR 3m.

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2023e (old)	+ / -	2024e (old)	+ / -	2025e (old)	+ / -	
<b>FFO I</b>	9.79	-0.3 %	11.23	-2.1 %	12.45	-3.6 %	<ul style="list-style-type: none"> <li>We reduce our FFO estimates for 2024 and 2025 following the recent successful disposal of Büdelsdorf. The sale of Löwenberg will also be visible in the current year - the property still contributed to the 2023 figures.</li> <li>We increase our net profit estimate for 2024 to take the sale of Büdelsdorf into account but raise financing and personnel costs as portfolio expands.</li> </ul>
<b>FFOPS I</b>	2.04	0.0 %	2.34	0.0 %	2.59	0.0 %	
<b>Net income</b>	4.35	0.0 %	4.53	16.5 %	5.19	-6.1 %	
<b>EPS</b>	0.91	0.0 %	0.94	16.5 %	1.08	-6.1 %	



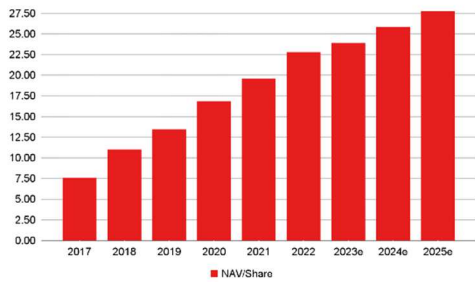
**Rel. Performance vs CDAX:**

1 month:	-0.4 %
6 months:	8.5 %
Year to date:	3.6 %
Trailing 12 months:	0.6 %

**Company events:**  
 28.02.24 Prel. FY 2023  
 05.07.24 AGM

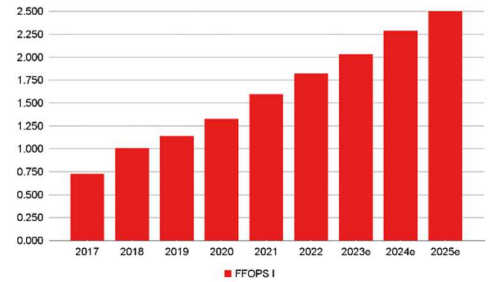
FY End: 31.12. in EUR m	CAGR (22-25e)	2019	2020	2021	2022	2023e	2024e	2025e
<b>Rental income</b>		9.53	12.19	14.55	17.25	20.11	22.85	24.85
<b>Change yoy</b>		25.1 %	27.9 %	19.4 %	18.6 %	16.6 %	13.6 %	8.8 %
<b>EBIT</b>		4.50	5.62	9.11	10.08	9.61	11.58	11.34
<b>FFO I</b>		4.62	5.87	7.06	8.58	9.77	10.99	12.01
<b>FFO I-margin</b>		48.4 %	48.2 %	48.5 %	49.7 %	48.6 %	48.1 %	48.3 %
<b>EBT</b>		2.78	3.49	6.51	7.18	5.83	7.04	6.60
<b>Net income</b>		2.06	2.51	5.04	5.39	4.35	5.28	4.87
<b>EPS</b>		0.51	0.57	1.14	1.15	0.91	1.10	1.01
<b>FFOPS I</b>		1.14	1.33	1.60	1.82	2.03	2.29	2.50
<b>DPS</b>		0.45	0.48	0.51	0.54	0.57	0.60	0.64
<b>Dividend Yield</b>		2.9 %	2.7 %	2.3 %	2.1 %	2.2 %	2.3 %	2.5 %
<b>Book Value / Share</b>		5.50	5.61	6.27	8.53	8.86	9.36	9.74
<b>P / E</b>		30.1 x	30.9 x	19.5 x	22.0 x	28.5 x	23.5 x	25.4 x
<b>Price / Book</b>		2.5 x	3.1 x	3.5 x	2.9 x	2.9 x	2.8 x	2.6 x
<b>P / NAVPS</b>		1.1 x	1.0 x	1.1 x	1.1 x	1.1 x	1.0 x	0.9 x
<b>FFO I-Yield</b>		7.5 %	7.6 %	7.2 %	7.2 %	7.9 %	8.9 %	9.7 %
<b>ROE</b>		10.2 %	10.2 %	19.2 %	15.7 %	10.4 %	12.1 %	10.6 %
<b>LTV</b>		58.2 %	60.2 %	61.3 %	59.7 %	60.7 %	60.4 %	60.4 %
<b>Guidance:</b>	in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO (a) = 13m							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

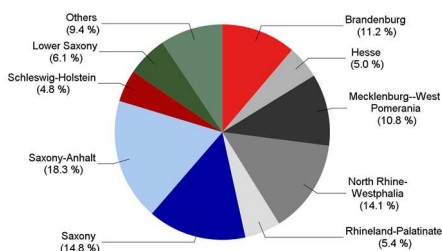
Company Background

- 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

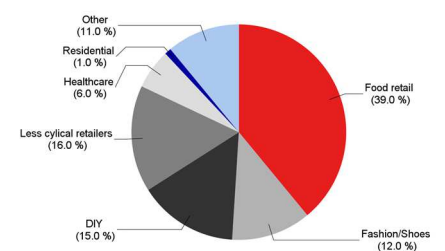
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	28.5 x	23.5 x	25.4 x
P / NAVPS	1.1 x	1.0 x	1.1 x	1.1 x	1.1 x	1.0 x	0.9 x
Price / Book	2.5 x	3.1 x	3.5 x	2.9 x	2.9 x	2.8 x	2.6 x
P / FFOPS I	13.4 x	13.2 x	13.9 x	13.8 x	12.7 x	11.3 x	10.3 x
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	7.9 %	8.9 %	9.7 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	10.4 %	12.1 %	10.6 %
Equity Ratio	24 %	18 %	18 %	21 %	20 %	20 %	19 %

Company Specific Items							
	2019	2020	2021	2022	2023e	2024e	2025e
NAV/Share	13.46	16.86	19.61	22.80	23.90	25.85	27.75
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>23.52</b>	<b>27.20</b>	<b>29.59</b>
<b>Rental income</b>	<b>9.53</b>	<b>12.19</b>	<b>14.55</b>	<b>17.25</b>	<b>20.11</b>	<b>22.85</b>	<b>24.85</b>
Change yoy	25.1 %	27.9 %	19.4 %	18.6 %	16.6 %	13.6 %	8.8 %
Property operating costs	2.63	3.08	4.05	4.24	5.17	6.39	6.95
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	18.34	20.81	22.63
<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>1.45</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>0.84</b>	<b>0.54</b>	<b>0.59</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>22.81</b>	<b>23.23</b>
Administration expenses	0.70	0.81	0.98	1.23	1.87	2.29	2.46
Personnel expenses	1.04	1.50	1.88	1.98	1.72	2.07	2.22
Other operating income/expenses	0.00	-0.31	-0.11	-0.08	-0.08	-0.08	-0.08
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>15.52</b>	<b>18.38</b>	<b>18.48</b>
Valuation result	0.00	0.00	n.a.	n.a.	0.00	1.45	0.00
Depreciation of fixed assets	2.55	3.36	4.24	5.10	5.90	6.80	7.13
<b>EBITA</b>	<b>4.50</b>	<b>5.62</b>	<b>9.11</b>	<b>10.08</b>	<b>9.61</b>	<b>11.58</b>	<b>11.34</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>9.61</b>	<b>11.58</b>	<b>11.34</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	3.78	4.54	4.74
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>-3.78</b>	<b>-4.54</b>	<b>-4.74</b>
<b>EBT</b>	<b>2.78</b>	<b>3.49</b>	<b>6.51</b>	<b>7.18</b>	<b>5.83</b>	<b>7.04</b>	<b>6.60</b>
<i>Margin</i>	24.8 %	24.0 %	38.0 %	35.5 %	24.8 %	25.9 %	22.3 %
Total taxes	-0.71	-0.71	-0.71	-1.78	-1.47	-1.75	-1.72
thereof cash taxes	-0.42	-0.42	-0.42	-1.22	-0.83	-1.08	-1.00
<b>Net income from continuing operations</b>	<b>2.07</b>	<b>2.51</b>	<b>5.04</b>	<b>5.40</b>	<b>4.36</b>	<b>5.29</b>	<b>4.88</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>4.36</b>	<b>5.29</b>	<b>4.88</b>
Minority interest	0.01	0.00	0.00	0.01	0.01	0.01	0.01
<b>Net income</b>	<b>2.06</b>	<b>2.51</b>	<b>5.04</b>	<b>5.39</b>	<b>4.35</b>	<b>5.28</b>	<b>4.87</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>9.77</b>	<b>10.99</b>	<b>12.01</b>
<i>FFO I-margin</i>	48.4 %	48.2 %	48.5 %	49.7 %	48.6 %	48.1 %	48.3 %
<b>FFOPS I</b>	<b>1.14</b>	<b>1.33</b>	<b>1.60</b>	<b>1.82</b>	<b>2.03</b>	<b>2.29</b>	<b>2.50</b>
<b>EPS</b>	<b>0.51</b>	<b>0.57</b>	<b>1.14</b>	<b>1.15</b>	<b>0.91</b>	<b>1.10</b>	<b>1.01</b>
EPS adj.	0.47	0.57	1.14	1.12	0.80	1.10	1.01

\*Adjustments made for:

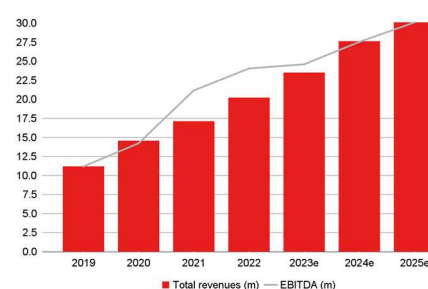
**Guidance: in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO (a) = 13m**

**Financial Ratios**

	2019	2020	2021	2022	2023e	2024e	2025e
Property operating costs / Rental Income	27.6 %	25.3 %	27.8 %	24.6 %	25.7 %	28.0 %	28.0 %
Operating Leverage (Real Estate)	5.0 x	4.6 x	6.2 x	6.5 x	6.9 x	8.2 x	12.5 x
Rental profit / interest expenses	5.0 x	5.4 x	5.0 x	5.5 x	4.9 x	4.6 x	4.8 x

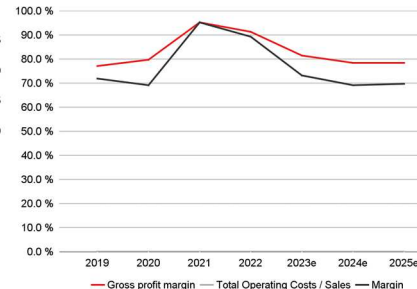
**Revenues, EBITDA**

in EUR m

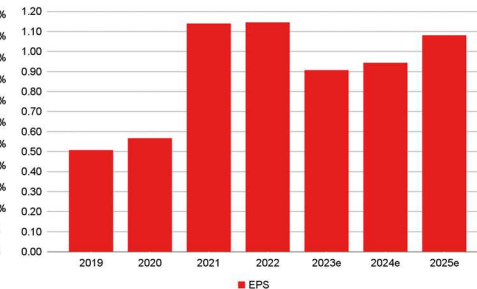


**Operating Performance**

in %



**Performance per Share**



Source: Warburg Research

Source:

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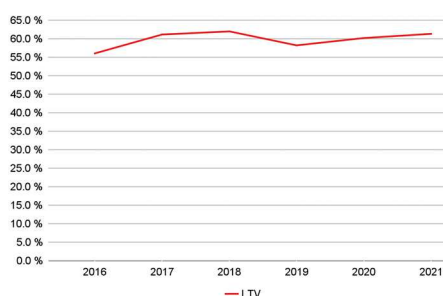
**Consolidated balance sheet**

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	0.07	0.07	0.07
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	0.07	0.07	0.07
Property, plant and equipment	0.11	1.39	1.29	1.13	1.02	1.03	1.04
Investment properties	93.14	127.79	147.57	183.67	203.21	216.25	231.42
Financial assets	1.70	0.12	1.37	1.22	2.12	2.12	2.12
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>206.42</b>	<b>219.48</b>	<b>234.66</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	6.06	6.18	6.30
Liquid assets	6.98	4.28	1.52	3.67	1.14	3.96	3.38
Other short-term assets	2.31	2.30	3.53	3.44	2.04	2.08	2.12
<b>Current assets</b>	<b>9.29</b>	<b>7.38</b>	<b>6.01</b>	<b>13.31</b>	<b>9.23</b>	<b>12.22</b>	<b>11.80</b>
<b>Total Assets</b>	<b>104.28</b>	<b>136.71</b>	<b>156.26</b>	<b>199.33</b>	<b>215.66</b>	<b>231.70</b>	<b>246.46</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	10.55	12.94	14.74
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>42.54</b>	<b>44.94</b>	<b>46.74</b>
Minority interest	0.39	0.40	0.40	0.41	0.41	0.41	0.41
Provisions	0.43	0.51	0.53	0.68	0.68	0.68	0.68
thereof provisions for pensions and similar obligations	0.21	0.25	0.26	0.34	0.34	0.34	0.34
Financial liabilities (total)	76.52	110.25	124.59	154.53	169.60	183.24	196.21
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	0.64
Other liabilities	2.54	0.86	2.46	2.56	2.20	2.20	2.20
<b>Liabilities</b>	<b>79.99</b>	<b>111.91</b>	<b>128.54</b>	<b>158.41</b>	<b>173.12</b>	<b>186.76</b>	<b>199.72</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>215.66</b>	<b>231.70</b>	<b>246.46</b>

**Financial Ratios**

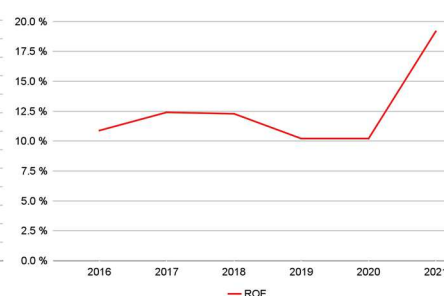
	2019	2020	2021	2022	2023e	2024e	2025e
<b>Return on Capital</b>							
ROA	2.2 %	2.1 %	3.4 %	3.0 %	2.1 %	2.4 %	2.0 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	10.4 %	12.1 %	10.6 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x	0.3 x
<b>Solvency</b>							
Net Debt	69.75	106.23	123.34	151.20	168.80	179.62	193.17
Net Financial Debt	69.54	105.98	123.07	150.86	168.46	179.28	192.82
Net Fin. Debt / EBITDA	9.9 x	11.8 x	9.2 x	9.9 x	10.9 x	9.8 x	10.4 x
LTV	58.2 %	60.2 %	61.3 %	59.7 %	60.7 %	60.4 %	60.4 %
Equity Ratio	23.7 %	18.4 %	18.0 %	20.7 %	19.9 %	19.6 %	19.1 %

**LTV**



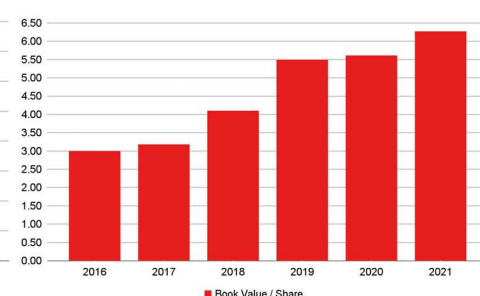
Source: Warburg Research

**ROE**  
in %



Source: Warburg Research

**Book Value per Share**  
in EUR



Source: Warburg Research

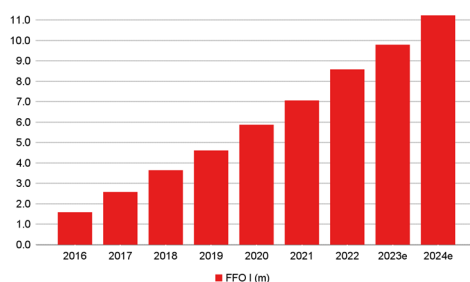
### Consolidated cash flow statement

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>10.00</b>	<b>11.92</b>	<b>11.84</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>-25.00</b>	<b>-20.00</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>10.91</b>	<b>10.08</b>
Change in liquid funds [1]+[2]+[3]	4.18	-2.70	-2.76	2.15	-2.53	2.82	-0.58
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>1.14</b>	<b>3.96</b>	<b>-0.58</b>

### Financial Ratios

	2019	2020	2021	2022	2023e	2024e	2025e
<b>Cash Flow</b>							
FFO (II)	4.62	5.87	7.06	8.58	9.77	10.99	12.01
FFOPS I	1.14	1.33	1.60	1.82	2.03	2.29	2.50
FFOPS I diluted	1.04	1.33	1.60	1.82	2.03	2.29	2.50
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	7.9 %	8.9 %	9.7 %
FFO I-margin	48.4 %	48.2 %	48.5 %	49.7 %	48.6 %	48.1 %	48.3 %
Interest Paid / Avg. Debt	2.4 %	2.3 %	2.2 %	2.1 %	2.3 %	2.6 %	2.5 %
<b>Management of Funds</b>							
Capex/Investment Properties	-17.3 %	-29.7 %	-15.2 %	-23.7 %	-12.3 %	-9.2 %	-9.7 %
Avg. Working Capital / Sales	-1.3 %	0.0 %	1.5 %	13.8 %	23.3 %	20.1 %	18.9 %
Dividend Payout Ratio	88.2 %	84.5 %	44.7 %	47.1 %	62.7 %	54.5 %	62.9 %

### FFO



Source: Warburg Research

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Rating	Number of stocks	% of Universe
Buy	148	70
Hold	50	24
Sell	7	3
Rating suspended	7	3
<b>Total</b>	<b>212</b>	<b>100</b>

**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	48	83
Hold	7	12
Sell	0	0
Rating suspended	3	5
<b>Total</b>	<b>58</b>	<b>100</b>

**PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 26.02.2024**



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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