

<b>Buy</b> <b>EUR 31.60</b>  Price EUR 25.90 Upside <b>22.0 %</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: 124.32 No. of shares (m): 4.80 EV: 303.94 Freefloat MC: 89.51 Ø Trad. Vol. (30d): 37.21 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 %

## Impressive selective growth; Focus on operating development of properties

Stated Figures Q4/2023:					Comment on Figures:
in EUR m	2023	2023e	2022	+/- in %	
Revenues	23.4	23.52	20.23	16%	Comment on Figures: ■ DEFAMA's strong top-line growth of 16% with revenues of EUR 23.4m was in line with our estimates. ■ The operating improvement is reflected in a sound FFO-increase of 13% to EUR 9.7m which is slightly below guidance but nearly in line with our estimate. This minor shortfall was mainly driven by a later contribution of acquired properties to rental income and reflects a generally longer negotiation period between buyers and sellers in the current commercial property markets while larger purchases like Heinsberg and Zell unter Aichelberg (Reutter-Center) will only contribute from 2024 onwards (combined net rent of ~>EUR 2m).
Net profit	4.4	4.35	5.39	-18%	
EPS (€)	0.91	0.91	1.15	-21%	
FFO	9.7	9.77	8.58	13%	
FFO-margin	41%	42%	42%		
FFOPS (€)	2.01	2.03	1.82	10%	

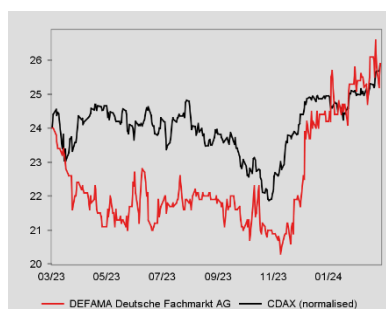
■ The reported net income of EUR 4.4m exceeded the guidance of EUR 4m, as expected. The result included a positive effect of EUR ~500k from the disposal of a property in Höhn. The adjusted net-profit growth, excluding disposal effects in 2022 and 2023, should be ~12-13% (WRe) and, as anticipated, lower than the growth in revenue and FFO due to the annual depreciation of properties (German GAAP).

■ **Outlook:** DEFAMA's 2024 FFO guidance of EUR 10.6m (FFOPS 2.50) is below our FY estimate of nearly EUR 11m. Nevertheless, in our view, this guidance is probably considering planned investment in the portfolio with a) cautious assumptions regarding vacancy periods, b) longer negotiation periods for expected acquisitions with a possible acceleration of transactions in H2 and c) the expectation of rising personnel costs due to the portfolio growth.

The guidance for the net profit of >EUR 5m (WRe: 5.28m) considers the mentioned effects and the disposal gain of Búdelsdorf. The annualised FFO target of EUR 12m meets our estimate and should be achieved considering the still attractive investment opportunities and DEFAMA's excellent access to financing and proceeds from disposals.

The dividend will be increased to EUR 0.57 and is in line with our estimate. A further increase is planned for 2024.

■ We reiterate our Buy recommendation with an unchanged price target of 31.60 based on our 2025 estimates which offers upside of more than 20%.

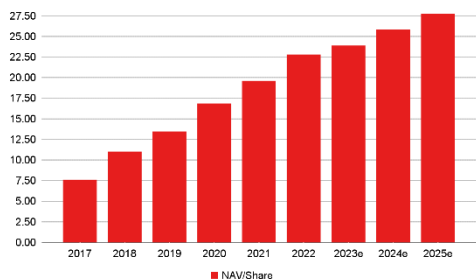


Rel. Performance vs CDAX:	
1 month:	-0.7 %
6 months:	9.2 %
Year to date:	3.3 %
Trailing 12 months:	0.4 %

**Company events:**  
05.07.24 AGM

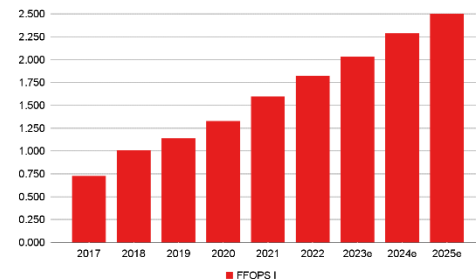
FY End: 31.12. in EUR m	CAGR (22-25e)	2019	2020	2021	2022	2023e	2024e	2025e
<b>Rental income</b>		9.53	12.19	14.55	17.25	20.11	22.85	24.85
Change yoy		25.1 %	27.9 %	19.4 %	18.6 %	16.6 %	13.6 %	8.8 %
<b>EBIT</b>		4.50	5.62	9.11	10.08	9.61	11.58	11.34
<b>FFO I</b>		4.62	5.87	7.06	8.58	9.77	10.99	12.01
FFO I-margin		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
Dividend Yield		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	28.6 x	23.6 x	25.5 x
<b>Price / Book</b>		2.5 x	3.1 x	3.5 x	2.9 x	2.9 x	2.8 x	2.7 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 %	8.8 %	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

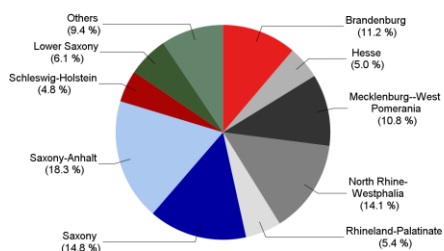
**Company Background**

- 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**

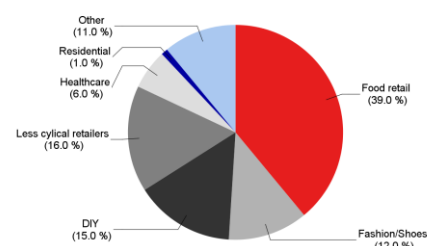
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	28.6 x	23.6 x	25.5 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	2.7 x
P / FFOPS I	13.4 x	13.2 x	13.9 x	13.8 x	12.7 x	11.3 x	10.4 x
FFO I-Yield	7.5 %	7.6 %	7.2 %	7.2 %	7.9 %	8.8 %	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:

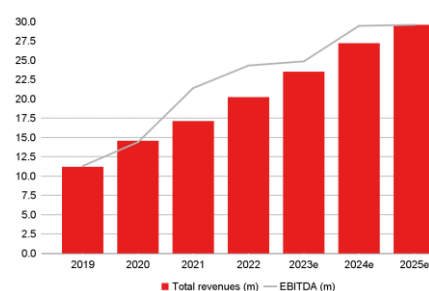
**Guidance: in EUR; 2023: FFO of ~9.8m, Net profit (HGB) of ~4.0m; 2025: FFO (a) = 13m**

**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

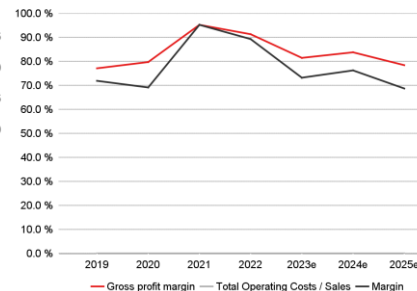
**Revenues, EBITDA**

in EUR m



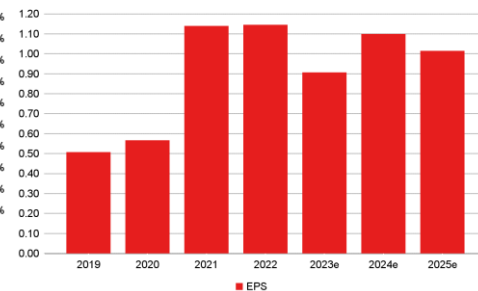
**Operating Performance**

in %



**Performance per Share**

in EUR



Source: Warburg Research

Source:

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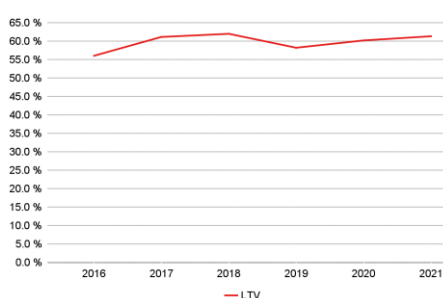
**Consolidated balance sheet**

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**

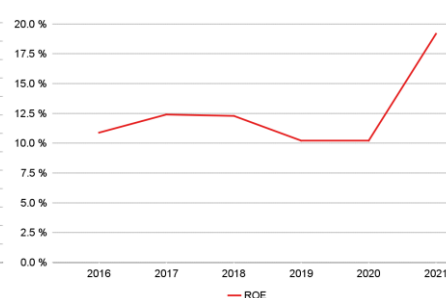
	2019	2020	2021	2022	2023e	2024e	2025e
<b>Return on Capital</b>							
ROA	2.2 %	2.1 %	3.4 %	3.0 %	2.1 %	2.4 %	2.0 %
ROE	10.2 %	10.2 %	19.2 %	15.7 %	10.4 %	12.1 %	10.6 %
FFO I / Equity	0.2 x	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x	0.3 x
<b>Solvency</b>							
Net Debt	69.75	106.23	123.34	151.20	168.80	179.62	193.17
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**



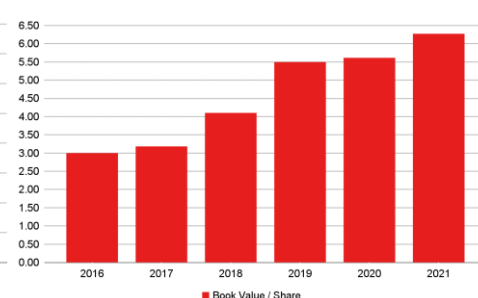
Source: Warburg Research

**ROE**  
in %



Source: Warburg Research

**Book Value per Share**  
in EUR



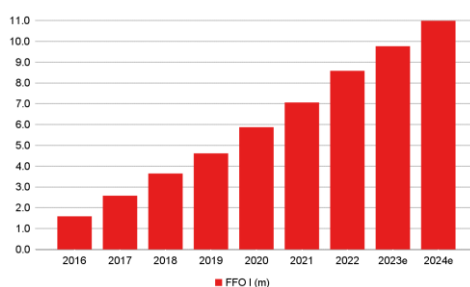
Source: Warburg Research

**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 %	8.8 %	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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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-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
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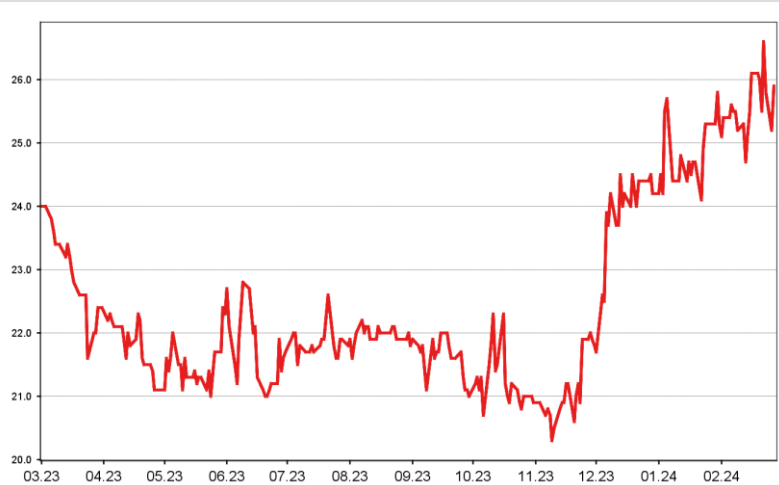
Rating	Number of stocks	% of Universe
Buy	148	70
Hold	49	23
Sell	7	3
Rating suspended	7	3
<b>Total</b>	<b>211</b>	<b>100</b>

**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 28.02.2024**



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