

Buy EUR 31.60	Value Indicators: EUR NAV (WRe) 25e: 33.03 FFO-Yield 25e: 29.63	Warburg ESG Risk Score: 2.4 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.3 Market Liquidity Score: 1.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 126.72 No. of shares (m): 4.80 EV: 306.05 Freefloat MC: 91.24 Ø Trad. Vol. (30d): 27.64 th	Shareholders: Freefloat: 72.00 % MSC Invest GmbH: 26.00 % Supervisory board: 2.00 %	Key Figures (WRe): 2024e LTV: 62.9 % Equity Ratio: 19.4 %
Price: EUR 26.40 Upside: 19.7 %			

Strong H1 growth rates in line with expectations; Selective growth to continue

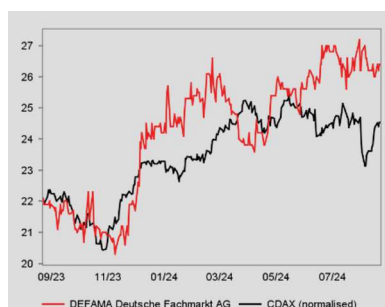
Stated Figures Q2/2024:

in EUR m	H1/24	H1/24e	H1/23	+/- in %
Revenues	13.16	13.25	11.03	19%
EBITDA	9.49	9.49	7.09	34%
EBIT	6.23	6.23	4.26	46%
EBT	3.85	3.76	2.49	55%
Net profit	2.95	2.84	1.81	63%
EPS (€)	0.62	0.59	0.38	64%
FFO	5.09	5.00	4.64	10%
FFO-margin	39%	38%	42%	
FFOPS (€)	1.06	1.04	0.97	10%

Comment on Figures:

- DEFAMA's good half-year figures met our expectations.
- The continuous expansion of the portfolio led to an increase in revenues of 19% to EUR 13.2m and was particularly visible in H1 the two major acquisitions made in 2023 (Reutter Center & Heinsberg Galerie) were included for the first time.
- The above-average growth in earnings figures is attributable to the successful sale of the Búdelsdorf retail centre, which we estimate had a positive pre-tax effect of around EUR 1.45m. The adjusted growth in EBITDA and EBIT was 13% and 12% respectively.
- FFO growth of 10% to EUR 5.1m slightly exceeded our expectations (FFOPS EUR 1.06) and is also adjusted for the effect of the Búdelsdorf sale. In the second half of the year, FFO is expected to continue improving with further rent indexation, successful letting and positive effects from the acquisitions already made, which should bring the company close to achieving the guidance of EUR 10.6m.
- NAV has improved by around 4% to EUR 119m or EUR 24.70 since the end of 2023.

- The growth trajectory continued successfully in H1/24. There was a total of four property acquisitions with an estimated purchase volume of around EUR 10m and additional rental income of around EUR 1m. Based on our assumptions, the purchase-price multiples ranged between 9x and 11x depending on the facilities and locations, but are likely to have been significantly lower than the multiples achievable two years ago. In this challenging market environment, DEFAMA continues to benefit from its excellent access to debt capital and its good cash position. We assume that further purchase agreements will be concluded in the coming months, as the ratio of potential properties being pursued has risen in view of improved selection factors such as quality, location and purchase price.
- The remodelling work is also progressing successfully. In H1, for example, an extended area was handed over to JYSK (Hof) and new areas to tedox (Gardelegen) and TEDI (Lübbenau). According to the company, the difference between the expected and actual costs of the measures implemented has also narrowed which, in our opinion, naturally makes the investment more attractive in terms of risk.
- Currently, there is only one necessary financing measure pending. Following a successful letting, long-term financing will be concluded for the property, for which there are a sufficient number of good offers from banks. According to management, financing conditions have improved slightly and are currently likely to be at the lower end of the 4% to 5% range.
- The guidance for the full year was confirmed in view of the good figures. The company is expecting to achieve FFO of EUR 10.6m (H1: 48% achieved), a net result of more than EUR 5m (~59% achieved in H1) and annualised FFO of EUR 12m (currently EUR 11.6m). The latter target would require acquisitions of around EUR 10m with a stable FFO margin.

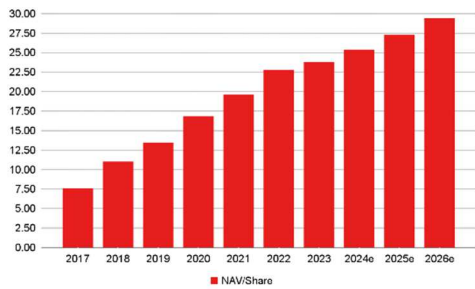


Rel. Performance vs CDAX:	
1 month:	1.2 %
6 months:	-3.3 %
Year to date:	3.7 %
Trailing 12 months:	8.3 %

Company events:

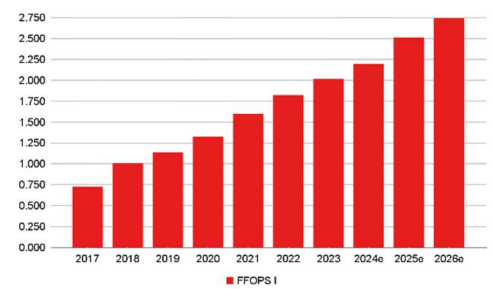
FY End: 31.12. in EUR m	CAGR (23-26e)	2020	2021	2022	2023	2024e	2025e	2026e
Rental income		12.19	14.55	17.25	20.18	22.63	25.29	27.44
Change yoy		27.9 %	19.4 %	18.6 %	16.9 %	12.1 %	11.8 %	8.5 %
EBIT		5.62	9.11	10.08	9.70	11.68	11.57	13.02
FFO I		5.87	7.06	8.58	9.68	10.54	12.05	13.17
FFO I-margin		48.2 %	48.5 %	49.7 %	48.0 %	46.6 %	47.6 %	48.0 %
EBT		3.49	6.51	7.18	5.84	6.82	6.25	7.24
Net income		2.51	5.04	5.39	4.15	5.07	4.55	5.32
EPS		0.57	1.14	1.15	0.87	1.06	0.95	1.11
FFOPS I		1.33	1.60	1.82	2.02	2.19	2.51	2.74
DPS		0.48	0.51	0.54	0.57	0.60	0.63	0.67
Dividend Yield		2.7 %	2.3 %	2.1 %	2.6 %	2.3 %	2.4 %	2.5 %
Book Value / Share		5.61	6.27	8.53	8.85	9.31	9.62	10.06
P / E		30.9 x	19.5 x	22.0 x	25.7 x	25.0 x	27.8 x	23.8 x
Price / Book		3.1 x	3.5 x	2.9 x	2.5 x	2.8 x	2.7 x	2.6 x
P / NAVPS		1.0 x	1.1 x	1.1 x	0.9 x	1.0 x	1.0 x	0.9 x
FFO I-Yield		7.6 %	7.2 %	7.2 %	9.1 %	8.3 %	9.5 %	10.4 %
ROE		10.2 %	19.2 %	15.7 %	10.0 %	11.6 %	10.0 %	11.3 %
LTV		60.2 %	61.3 %	59.7 %	61.1 %	62.9 %	63.0 %	62.7 %
Guidance:		in EUR; 2024: FFO of >10.6m, Net profit (HGB) of >5.0m; 2025: FFO (a) = 13m						

NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

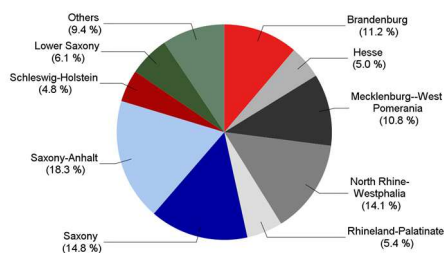
Company Background

- 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

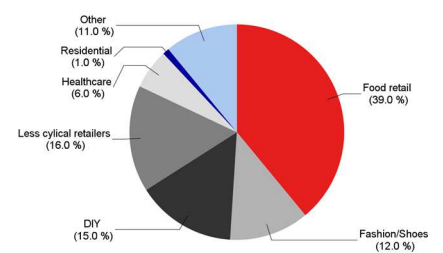
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	2020	2021	2022	2023	2024e	2025e	2026e
P / E	30.9 x	19.5 x	22.0 x	25.7 x	25.0 x	27.8 x	23.8 x
P / NAVPS	1.0 x	1.1 x	1.1 x	0.9 x	1.0 x	1.0 x	0.9 x
Price / Book	3.1 x	3.5 x	2.9 x	2.5 x	2.8 x	2.7 x	2.6 x
P / FFOPS I	13.2 x	13.9 x	13.8 x	11.0 x	12.0 x	10.5 x	9.6 x
FFO I-Yield	7.6 %	7.2 %	7.2 %	9.1 %	8.3 %	9.5 %	10.4 %
ROE	10.2 %	19.2 %	15.7 %	10.0 %	11.6 %	10.0 %	11.3 %
Equity Ratio	18 %	18 %	21 %	20 %	19 %	19 %	19 %

Company Specific Items	2020	2021	2022	2023	2024e	2025e	2026e
NAV/Share	16.86	19.61	22.80	23.79	25.38	27.29	29.42
Vacancy Rate	3.7 %	5.0 %	6.2 %	4.1 %	4.0 %	4.0 %	100.0 %

Consolidated profit and loss

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Total revenues	14.58	17.13	20.23	23.33	26.62	29.93	32.48
Rental income	12.19	14.55	17.25	20.18	22.63	25.29	27.44
Change yoy	27.9 %	19.4 %	18.6 %	16.9 %	12.1 %	11.8 %	8.5 %
Property operating costs	3.08	4.05	4.24	4.85	5.86	6.44	6.98
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	11.49	13.08	15.98	18.49	20.76	23.50	25.50
Income from property sales	0.00	2.77	2.26	0.73	1.45	0.00	0.00
Other revenues	0.12	0.47	0.22	0.45	0.53	0.45	0.65
Gross profit	11.62	16.32	18.46	19.67	22.75	23.95	26.14
Administration expenses	0.81	0.98	1.23	2.29	1.86	1.95	2.11
Personnel expenses	1.50	1.88	1.98	1.73	2.45	2.84	3.09
Other operating income/expenses	-0.31	-0.11	-0.08	-0.10	-0.10	-0.10	-0.10
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	8.99	13.35	15.18	15.54	18.33	19.06	20.85
Valuation result	0.00	n.a.	n.a.	0.73	1.45	0.00	0.00
Depreciation of fixed assets	3.36	4.24	5.10	5.83	6.66	7.48	7.83
EBITA	5.62	9.11	10.08	9.70	11.68	11.57	13.02
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	5.62	9.11	10.08	9.70	11.68	11.57	13.02
Interest income	0.01	0.01	0.01	0.34	0.20	0.00	0.00
Interest expenses	2.14	2.61	2.91	4.21	5.06	5.32	0.00
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-2.13	-2.60	-2.90	-3.87	-4.86	-5.32	-5.78
EBT	3.49	6.51	7.18	5.84	6.82	6.25	7.24
<i>Margin</i>	24.0 %	38.0 %	35.5 %	25.0 %	25.6 %	20.9 %	22.3 %
Total taxes	-0.71	-0.71	-1.78	-1.67	-1.74	-1.68	-1.90
thereof cash taxes	-0.42	-0.42	-1.22	-1.00	-1.04	-0.94	-1.09
Net income from continuing operations	2.51	5.04	5.40	4.17	5.08	4.57	5.34
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	2.51	5.04	5.40	4.17	5.08	4.57	5.34
Minority interest	0.00	0.00	0.01	0.02	0.02	0.02	0.02
Net income	2.51	5.04	5.39	4.15	5.07	4.55	5.32
Number of shares, average	4.42	4.42	4.71	4.80	4.80	4.80	4.80
FFO (II)	5.87	7.06	8.58	9.68	10.54	12.05	13.17
<i>FFO I-margin</i>	48.2 %	48.5 %	49.7 %	48.0 %	46.6 %	47.6 %	48.0 %
FFOPS I	1.33	1.60	1.82	2.02	2.19	2.51	2.74
EPS	0.57	1.14	1.15	0.87	1.06	0.95	1.11
EPS adj.	0.57	1.14	0.73	0.74	1.06	0.95	1.11

*Adjustments made for:

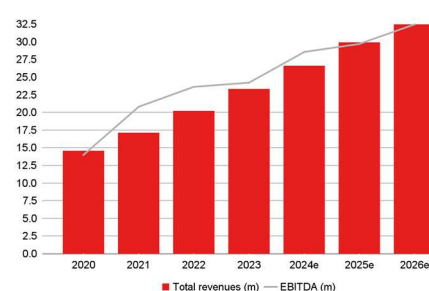
Guidance: in EUR; 2024: FFO of >10.6m, Net profit (HGB) of >5.0m; 2025: FFO (a) = 13m

Financial Ratios

	2020	2021	2022	2023	2024e	2025e	2026e
Property operating costs / Rental Income	25.3 %	27.8 %	24.6 %	24.0 %	25.9 %	25.4 %	25.4 %
Operating Leverage (Real Estate)	4.6 x	6.2 x	6.5 x	6.7 x	9.0 x	9.7 x	12.8 x
Rental profit / interest expenses	5.4 x	5.0 x	5.5 x	4.4 x	4.1 x	4.4 x	n.a.

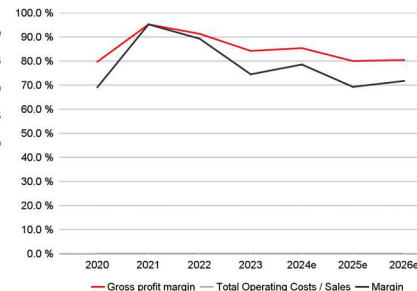
Revenues, EBITDA

in EUR m

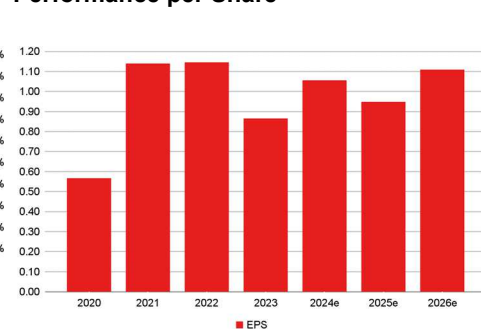


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source:

Source: Warburg Research

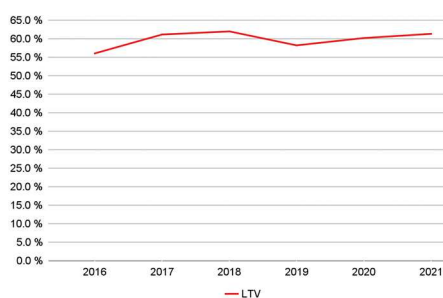
Consolidated balance sheet

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Assets							
Goodwill and other intangible assets	0.02	0.02	0.01	0.07	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	0.02	0.02	0.01	0.07	0.07	0.07	0.07
Property, plant and equipment	1.39	1.29	1.13	0.97	0.98	0.99	1.00
Investment properties	127.79	147.57	183.67	206.04	220.61	235.43	249.86
Financial assets	0.12	1.37	1.22	2.15	2.17	2.22	2.26
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	129.33	150.25	186.03	209.23	223.83	238.71	253.19
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.80	0.96	6.20	3.11	3.17	3.24	3.30
Liquid assets	4.28	1.52	3.67	2.45	4.02	5.23	3.82
Other short-term assets	2.30	3.53	3.44	3.35	1.98	2.02	2.06
Current assets	7.38	6.01	13.31	8.91	9.18	10.49	9.18
Total Assets	136.71	156.26	199.33	218.14	233.01	249.20	262.38
Liabilities and shareholders' equity							
Subscribed capital	4.42	4.42	4.80	4.80	4.80	4.80	4.80
Capital reserve	17.31	17.31	27.19	27.19	27.19	27.19	27.19
Retained earnings	3.07	5.99	8.93	10.49	12.68	14.21	16.31
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	24.81	27.72	40.92	42.48	44.67	46.20	48.31
Minority interest	0.40	0.40	0.41	0.42	0.43	0.43	0.44
Provisions	0.51	0.53	0.68	1.20	1.23	1.23	1.23
thereof provisions for pensions and similar obligations	0.25	0.26	0.34	0.60	0.61	0.61	0.61
Financial liabilities (total)	110.25	124.59	154.53	164.26	182.74	197.39	208.44
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.29	0.96	0.64	1.48	1.51	1.54	1.57
Other liabilities	0.86	2.46	2.56	8.71	2.86	2.84	2.83
Liabilities	111.91	128.54	158.41	175.65	188.34	203.00	214.07
Total liabilities and shareholders' equity	136.71	156.26	199.33	218.14	233.01	249.20	262.38

Financial Ratios

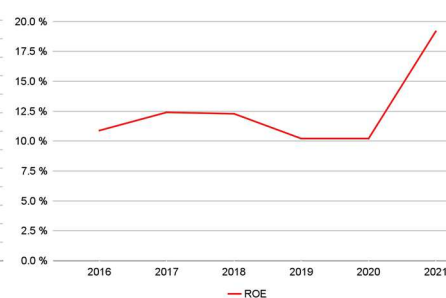
	2020	2021	2022	2023	2024e	2025e	2026e
Return on Capital							
ROA	2.1 %	3.4 %	3.0 %	2.0 %	2.2 %	1.9 %	2.1 %
ROE	10.2 %	19.2 %	15.7 %	10.0 %	11.6 %	10.0 %	11.3 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x	0.3 x	0.3 x
Solvency							
Net Debt	106.23	123.34	151.20	162.42	179.33	192.77	205.24
Net Financial Debt	105.98	123.07	150.86	161.81	178.72	192.16	204.63
Net Fin. Debt / EBITDA	11.8 x	9.2 x	9.9 x	10.4 x	9.7 x	10.1 x	9.8 x
LTV	60.2 %	61.3 %	59.7 %	61.1 %	62.9 %	63.0 %	62.7 %
Equity Ratio	18.4 %	18.0 %	20.7 %	19.7 %	19.4 %	18.7 %	18.6 %

LTV



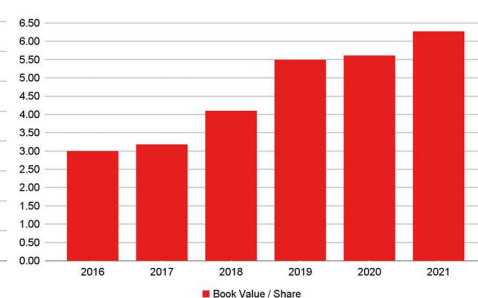
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

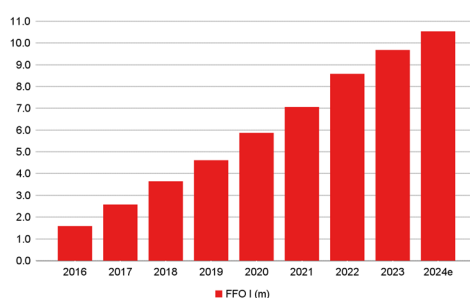
Consolidated cash flow statement

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Net cash provided by operating activities [1]	4.96	7.41	10.86	12.95	5.83	11.94	13.06
Net cash provided by investing activities [2]	-37.91	-22.39	-43.56	-17.40	-20.00	-22.50	-22.50
Net cash provided by financing activities [3]	30.25	12.22	34.84	3.23	15.75	11.77	8.03
Change in liquid funds [1]+[2]+[3]	-2.70	-2.76	2.15	-1.22	1.58	1.21	-1.42
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	4.28	1.52	3.67	2.45	4.02	1.21	-1.42

Financial Ratios

	2020	2021	2022	2023	2024e	2025e	2026e
Cash Flow							
FFO (II)	5.87	7.06	8.58	9.68	10.54	12.05	13.17
FFOPS I	1.33	1.60	1.82	2.02	2.19	2.51	2.74
FFOPS I diluted	1.33	1.60	1.82	2.02	2.19	2.51	2.74
FFO I-Yield	7.6 %	7.2 %	7.2 %	9.1 %	8.3 %	9.5 %	10.4 %
FFO I-margin	48.2 %	48.5 %	49.7 %	48.0 %	46.6 %	47.6 %	48.0 %
Interest Paid / Avg. Debt	2.3 %	2.2 %	2.1 %	2.6 %	2.9 %	2.8 %	0.0 %
Management of Funds							
Capex/Investment Properties	-29.7 %	-15.2 %	-23.7 %	-8.4 %	-9.1 %	-9.6 %	-9.0 %
Avg. Working Capital / Sales	0.0 %	1.5 %	13.8 %	15.4 %	6.2 %	5.6 %	5.3 %
Dividend Payout Ratio	84.5 %	44.7 %	47.1 %	65.6 %	56.7 %	66.2 %	60.2 %

FFO



Source: Warburg Research

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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.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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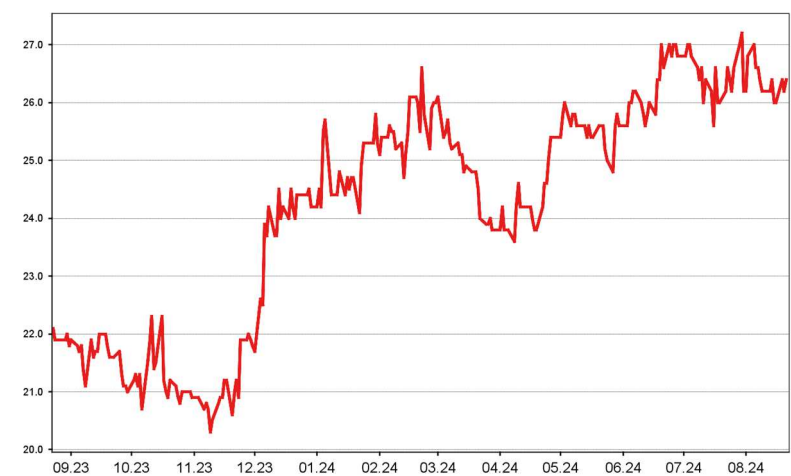
Rating	Number of stocks	% of Universe
Buy	141	70
Hold	43	21
Sell	11	5
Rating suspended	6	3
Total	201	100

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	41	75
Hold	10	18
Sell	2	4
Rating suspended	2	4
Total	55	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 22.08.2024



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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