DEFAMA Deutsche Fachmarkt AG

(CDAX, Real Estate, DEF GR)

Buy	
EUR 33.70	(EUR 32.40)
Price	EUR 27.40
Upside	23.0 %

Value Indicators:	EUR
NAV (WRe) 26e:	37.04
FFO-Yield 26e:	30.36

Warburg Risk Score:	2.0
Balance Sheet Score:	3.5
Market Liquidity Score:	0.5

Description:

Commercial real estate company focused on retail parks in Northern and Eastern Germany

Market Snapshot:	EUR m
Market cap:	131.52
No. of shares (m):	4.80
Freefloat MC:	94.69
Ø Trad. Vol. (30d):	29.26 th

Shareholders:	
Freefloat	72.00 %
MSC Invest GmbH	26.00 %
Supervisory board	2.00 %

Key Figures (WRe):	2024e
LTV:	63.1 %
Equity Ratio:	19.1 %

FY figures below guidance as expenses rise to keep pace with growth

Stated Figures Q4/2024:

in EUR m	2024	2024e	2023	+/- in %
Revenues	27.3	26.62	23.33	17%
Net profit	4.6	4.82	4.15	10%
EPS (€)	0.96	1.01	0.87	10%
FFO	10.0	10.29	9.68	3%
FFO-margin	37%	39%	41%	
FFOPS (€)	2.08	2.14	2.02	3%

Comment on Figures:

- Even with robust growth of 3% in FFO to EUR 10m and 10% in net income to EUR 4.6m (HGB), DEFAMA's figures still fell short of the guidance given in November 2024 and our estimates of EUR 10.3m and EUR 4.8m respectively.
- The reason for this shortfall of EUR 300k or 3% in FFO is a stronger increase in personnel costs due to the insourcing of property management, one-off higher refinancing costs for properties and the more dynamic increase in personnel to avail of the growth opportunities that have arisen. These costs will be partly amortised in the coming quarters through the transfer of encumbrances and benefits of the properties acquired in Q4. The measures implemented form the basis for stronger FFO growth rates again in 2025 and 2026.

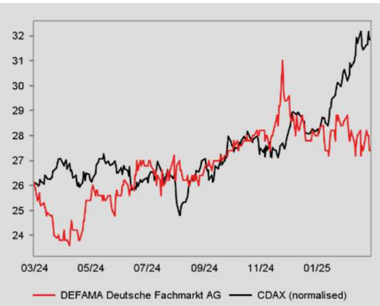
- Annualised FFO was EUR 12m at the end of the year (WRe: EUR 12.2m) and therefore below the forecast, which was raised from EUR 12m to EUR 12.3m in November. We assume that the new management software now in use will make it possible to calculate the property accounting data more accurately and enable more reliable forecasts for operating cost accounting in the current dynamic growth process.
- Based on the good business performance, the dividend will be increased once again by three cents to EUR 0.60 per share.
- The 2025 guidance for FFO of EUR 11m and a net result of over EUR 5m considers the sale of a property that has already been notarised but is still subject to a condition precedent. Excluding sales, the company expects a stable net profit (HGB) of around EUR 3.5m in 2025 due to a higher depreciation and amortisation base as a result of the acquisitions.
- We confirm our Buy recommendation with a slightly increased PT of 33.70 which is based on 2026e estimates and reflects higher annualised rent assumptions.

Changes in Estimates:

FY End: 31.12. in EUR m	2024e (old)	+ / -	2025e (old)	+ / -	2026e (old)	+ / -
FFO I	10.54	-4.9 %	12.05	-7.7 %	13.17	-3.7 %
FFOPS I	2.19	-4.9 %	2.51	-7.7 %	2.74	-3.7 %
Net income	5.07	-13.6 %	4.55	9.3 %	5.32	-11.8 %
EPS	1.06	-13.6 %	0.95	9.3 %	1.11	-11.8 %

Comment on Changes:

- The reduction in FFO is the result of possible effects from the sale of a property that has already been notarised and higher personnel costs.
- The sale of a property is likely to have a noticeable effect on net income in 2025. On the other hand, the higher personnel costs are likely to have an impact on earnings in 2026.



Rel. Performance vs CDAX:	
1 month:	-9.1 %
6 months:	-15.2 %
Year to date:	-15.3 %
Trailing 12 months:	-17.7 %

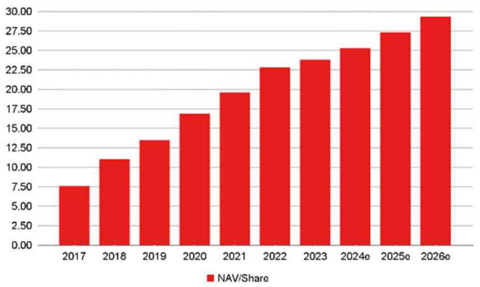
Company events:	
18.07.25	AGM

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	23.21	25.95	27.93
Change yoy		27.9 %	19.4 %	18.6 %	16.9 %	15.0 %	11.8 %	7.6 %
EBIT		5.62	9.11	10.08	9.70	10.95	12.08	12.26
FFO I		5.87	7.06	8.58	9.68	10.02	11.13	12.67
FFO I-margin		*48.2 %*	*48.5 %*	*49.7 %*	*48.0 %*	*43.2 %*	*42.9 %*	*45.4 %*
EBT		3.49	6.51	7.18	5.84	5.99	6.76	6.48
Net income		2.51	5.04	5.39	4.15	4.38	4.98	4.69
EPS		0.57	1.14	1.15	0.87	0.91	1.04	0.98
FFOPS I		1.33	1.60	1.82	2.02	2.09	2.32	2.64
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 %	2.2 %	2.3 %	2.4 %
Book Value / Share		5.61	6.27	8.53	8.85	9.16	9.57	9.88
P / E		30.9 x	19.5 x	22.0 x	25.7 x	30.0 x	26.4 x	28.0 x
Price / Book		3.1 x	3.5 x	2.9 x	2.5 x	3.0 x	2.9 x	2.8 x
P / NAVPS		1.0 x	1.1 x	1.1 x	0.9 x	1.1 x	1.0 x	0.9 x
FFO I-Yield		7.6 %	7.2 %	7.2 %	9.1 %	7.6 %	8.5 %	9.6 %
ROE		10.2 %	19.2 %	15.7 %	10.0 %	10.1 %	11.1 %	10.1 %
LTV		60.2 %	61.3 %	59.7 %	61.1 %	63.1 %	62.6 %	62.3 %

Guidance: in EUR; 2025: FFO of 11m, Net profit (HGB) of >5.0m;

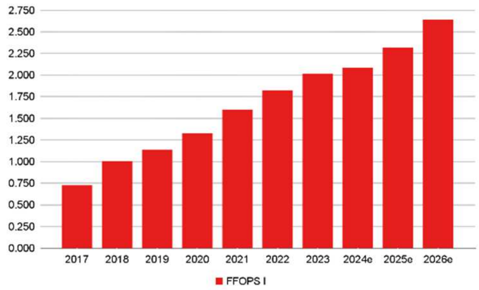
Analyst
Andreas Pläsier
aplaesier@warburg-research.com
+49 40 309537-246

NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

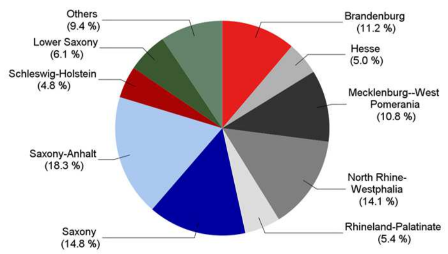
Company Background

- 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

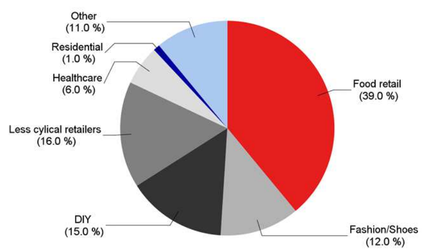
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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	30.0 x	26.4 x	28.0 x
P / NAVPS	1.0 x	1.1 x	1.1 x	0.9 x	1.1 x	1.0 x	0.9 x
Price / Book	3.1 x	3.5 x	2.9 x	2.5 x	3.0 x	2.9 x	2.8 x
P / FFOPS I	13.2 x	13.9 x	13.8 x	11.0 x	13.1 x	11.8 x	10.4 x
FFO I-Yield	7.6 %	7.2 %	7.2 %	9.1 %	7.6 %	8.5 %	9.6 %
ROE	10.2 %	19.2 %	15.7 %	10.0 %	10.1 %	11.1 %	10.1 %
Equity Ratio	18 %	18 %	21 %	20 %	19 %	19 %	18 %

Company Specific Items

	2020	2021	2022	2023	2024e	2025e	2026e
NAV/Share	16.86	19.61	22.80	23.79	25.27	27.31	29.32
Vacancy Rate	3.7 %	5.0 %	6.2 %	4.1 %	4.0 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Total revenues	**14.58**	**17.13**	**20.23**	**23.33**	**27.30**	**30.53**	**33.05**
Rental income	**12.19**	**14.55**	**17.25**	**20.18**	**23.21**	**25.95**	**27.93**
Change yoy	27.9 %	19.4 %	18.6 %	16.9 %	15.0 %	11.8 %	7.6 %
Property operating costs	3.08	4.05	4.24	4.85	6.31	6.87	6.94
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	20.99	23.66	26.11
Income from property sales	**0.00**	**2.77**	**2.26**	**0.73**	**1.45**	**1.50**	**0.00**
Other revenues	**0.12**	**0.47**	**0.22**	**0.45**	**0.55**	**0.46**	**0.50**
Gross profit	**11.62**	**16.32**	**18.46**	**19.67**	**22.99**	**25.62**	**26.61**
Administration expenses	0.81	0.98	1.23	2.29	2.51	2.29	2.48
Personnel expenses	1.50	1.88	1.98	1.73	2.60	3.51	3.80
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**	**17.77**	**19.72**	**20.23**
Valuation result	0.00	n.a.	n.a.	0.73	1.45	1.50	0.00
Depreciation of fixed assets	3.36	4.24	5.10	5.83	6.83	7.63	7.97
EBITA	**5.62**	**9.11**	**10.08**	**9.70**	**10.95**	**12.08**	**12.26**
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**	**10.95**	**12.08**	**12.26**
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	5.16	5.32	5.78
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**	**-4.96**	**-5.32**	**-5.78**
EBT	**3.49**	**6.51**	**7.18**	**5.84**	**5.99**	**6.76**	**6.48**
Margin	*24.0 %*	*38.0 %*	*35.5 %*	*25.0 %*	*21.9 %*	*22.2 %*	*19.6 %*
Total taxes	-0.71	-0.71	-1.78	-1.67	-1.60	-1.77	-1.77
thereof cash taxes	-0.42	-0.42	-1.22	-1.00	-0.90	-1.02	-0.96
Net income from continuing operations	**2.51**	**5.04**	**5.40**	**4.17**	**4.40**	**4.99**	**4.71**
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**	**4.40**	**4.99**	**4.71**
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**	**4.38**	**4.98**	**4.69**
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**	**10.02**	**11.13**	**12.67**
FFO I-margin	*48.2 %*	*48.5 %*	*49.7 %*	*48.0 %*	*43.2 %*	*42.9 %*	*45.4 %*
FFOPS I	**1.33**	**1.60**	**1.82**	**2.02**	**2.09**	**2.32**	**2.64**
EPS	**0.57**	**1.14**	**1.15**	**0.87**	**0.91**	**1.04**	**0.98**
EPS adj.	0.57	1.14	0.73	0.74	0.91	1.04	0.98

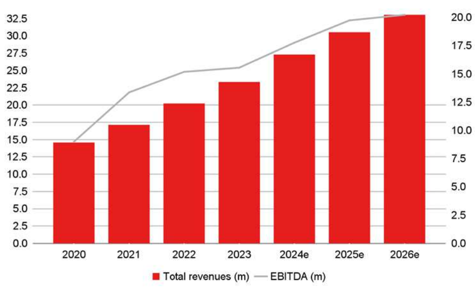
*Adjustments made for:

Guidance: in EUR; 2025: FFO of 11m, Net profit (HGB) of >5.0m;

Financial Ratios

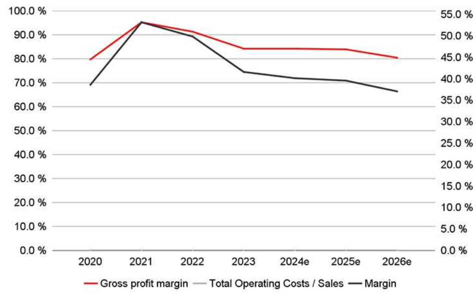
	2020	2021	2022	2023	2024e	2025e	2026e
Property operating costs / Rental Income	25.3 %	27.8 %	24.6 %	24.0 %	27.2 %	26.5 %	24.9 %
Operating Leverage (Real Estate)	4.6 x	6.2 x	6.5 x	6.7 x	6.9 x	9.4 x	14.9 x
Rental profit / interest expenses	5.4 x	5.0 x	5.5 x	4.4 x	4.1 x	4.4 x	4.5 x

Revenues, EBITDA
in EUR m



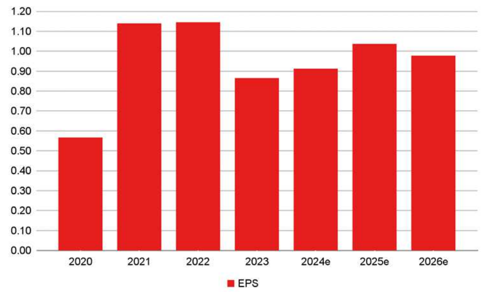
Source: Warburg Research

Operating Performance
in %



Source:

Performance per Share



Source: Warburg Research

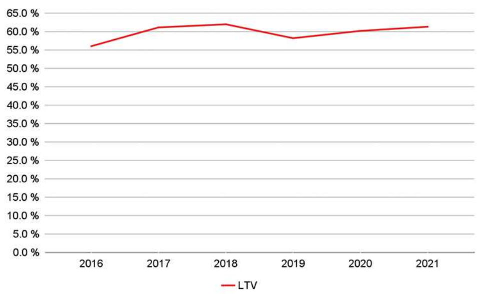
Consolidated balance sheet

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	220.44	232.61	244.40
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**	**223.66**	**235.89**	**247.73**
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	3.50	7.79	8.38
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**	**8.66**	**13.05**	**13.75**
Total Assets	**136.71**	**156.26**	**199.33**	**218.14**	**232.32**	**248.94**	**261.48**
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	11.99	13.94	15.42
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**	**43.98**	**45.93**	**47.41**
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**	**232.32**	**248.94**	**261.48**

Financial Ratios

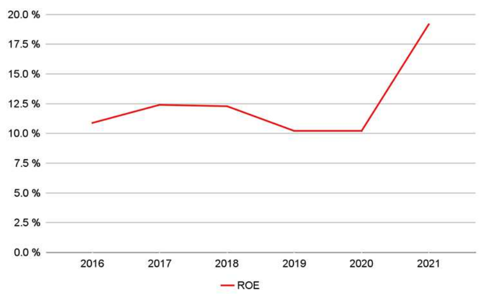
	2020	2021	2022	2023	2024e	2025e	2026e
Return on Capital							
ROA	2.1 %	3.4 %	3.0 %	2.0 %	1.9 %	2.1 %	1.8 %
ROE	10.2 %	19.2 %	15.7 %	10.0 %	10.1 %	11.1 %	10.1 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.2 x	0.2 x	0.3 x
Solvency							
Net Debt	106.23	123.34	151.20	162.42	179.85	190.22	200.68
Net Financial Debt	105.98	123.07	150.86	161.81	179.24	189.60	200.06
Net Fin. Debt / EBITDA	11.8 x	9.2 x	9.9 x	10.4 x	10.1 x	9.6 x	9.9 x
LTV	60.2 %	61.3 %	59.7 %	61.1 %	63.1 %	62.6 %	62.3 %
Equity Ratio	18.4 %	18.0 %	20.7 %	19.7 %	19.1 %	18.6 %	18.3 %

LTV



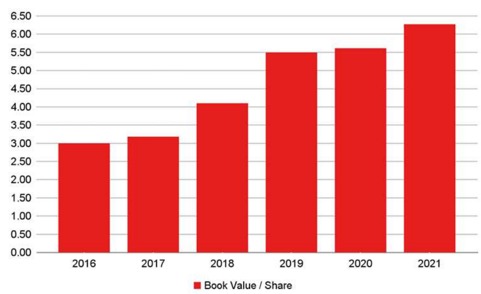
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

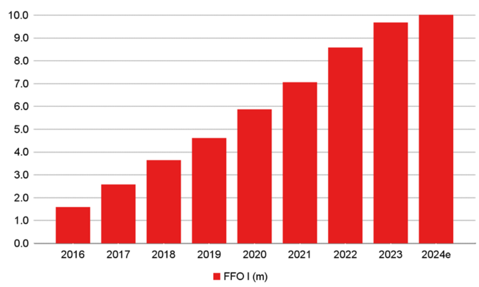
Consolidated cash flow statement

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Net cash provided by operating activities [1]	**4.96**	**7.41**	**10.86**	**12.95**	**5.31**	**12.52**	**12.56**
Net cash provided by investing activities [2]	**-37.91**	**-22.39**	**-43.56**	**-17.40**	**-20.00**	**-20.00**	**-20.00**
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	1.06	4.29	0.59
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**	**3.50**	**4.29**	**0.59**

Financial Ratios

	2020	2021	2022	2023	2024e	2025e	2026e
Cash Flow							
FFO (II)	5.87	7.06	8.58	9.68	10.02	11.13	12.67
FFOPS I	1.33	1.60	1.82	2.02	2.09	2.32	2.64
FFOPS I diluted	1.33	1.60	1.82	2.02	2.09	2.32	2.64
FFO I-Yield	7.6 %	7.2 %	7.2 %	9.1 %	7.6 %	8.5 %	9.6 %
FFO I-margin	48.2 %	48.5 %	49.7 %	48.0 %	43.2 %	42.9 %	45.4 %
Interest Paid / Avg. Debt	2.3 %	2.2 %	2.1 %	2.6 %	3.0 %	2.8 %	2.9 %
Management of Funds							
Capex/Investment Properties	-29.7 %	-15.2 %	-23.7 %	-8.4 %	-9.1 %	-8.6 %	-8.2 %
Avg. Working Capital / Sales	0.0 %	1.5 %	13.8 %	15.4 %	6.0 %	5.5 %	5.2 %
Dividend Payout Ratio	84.5 %	44.7 %	47.1 %	65.6 %	65.5 %	60.6 %	68.3 %

FFO



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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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Rating	Number of stocks	% of Universe
Buy	146	72
Hold	42	21
Sell	9	4
Rating suspended	6	3
Total	**203**	**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.

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Buy	40	75
Hold	8	15
Sell	2	4
Rating suspended	3	6
Total	**53**	**100**

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 28.02.2025

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EQUITIES

Matthias Rode Head of Equities	+49 40 3282-2678 mrode@mmwarburg.com

RESEARCH

Michael Heider Head of Research	+49 40 309537-280 mheider@warburg-research.com	**Hannes Müller** Software, IT	+49 40 309537-255 hmueller@warburg-research.com
Henner Rüschmeier Head of Research	+49 40 309537-270 hrueschmeier@warburg-research.com	**Andreas Pläsier** Banks, Financial Services	+49 40 309537-246 aplaesier@warburg-research.com
Stefan Augustin Cap. Goods, Engineering	+49 40 309537-168 saugustin@warburg-research.com	**Malte Schaumann** Technology	+49 40 309537-170 mschaumann@warburg-research.com
Jan Bauer Renewables	+49 40 309537-155 jbauer@warburg-research.com	**Oliver Schwarz** Chemicals, Agriculture	+49 40 309537-250 oschwarz@warburg-research.com
Christian Cohrs Industrials & Transportation	+49 40 309537-175 ccohrs@warburg-research.com	**Simon Stippig** Real Estate, Telco	+49 40 309537-265 sstippig@warburg-research.com
Dr. Christian Ehmann BioTech, Life Science	+49 40 309537-167 cehmann@warburg-research.com	**Marc-René Tonn** Automobiles, Car Suppliers	+49 40 309537-259 mtonn@warburg-research.com
Felix Ellmann Software, IT	+49 40 309537-120 fellmann@warburg-research.com	**Robert-Jan van der Horst** Technology	+49 40 309537-290 rvanderhorst@warburg-research.com
Jörg Philipp Frey Retail, Consumer Goods	+49 40 309537-258 jfrey@warburg-research.com	**Andreas Wolf** Software, IT	+49 40 309537-140 awolf@warburg-research.com
Marius Fuhrberg Financial Services	+49 40 309537-185 mfuhrberg@warburg-research.com		
Fabio Hölscher Automobiles, Car Suppliers	+49 40 309537-240 fhoelscher@warburg-research.com		
Philipp Kaiser Real Estate, Construction	+49 40 309537-260 pkaiser@warburg-research.com		
Thilo Kleibauer Retail, Consumer Goods	+49 40 309537-257 tkleibauer@warburg-research.com		

INSTITUTIONAL EQUITY SALES

Klaus Schilling Head of Equity Sales, Germany	+49 69 5050-7400 kschilling@mmwarburg.com	**Sascha Propp** France	+49 40 3282-2656 spropp@mmwarburg.com
Tim Beckmann United Kingdom	+49 40 3282-2665 tbeckmann@mmwarburg.com		
Jens Buchmüller Scandinavia, Austria	+49 69 5050-7415 jbuchmueller@mmwarburg.com		
Matthias Fritsch United Kingdom, Ireland	+49 40 3282-2696 mfritsch@mmwarburg.com	**Leyan Ilkbahar** Roadshow/Marketing	+49 40 3282-2695 lilkbahar@mmwarburg.com
Rudolf Alexander Michaelis Germany	+49 40 3282-2649 rmichaelis@mmwarburg.com	**Antonia Möller** Roadshow/Marketing	+49 69 5050-7417 amoeller@mmwarburg.com
Roman Alexander Niklas Switzerland, Poland, Italy	+49 69 5050-7412 rniklas@mmwarburg.com	**Juliane Niemann** Roadshow/Marketing	+49 40 3282-2694 jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com
Bastian Quast Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com
Christian Salomon Sales Trading	+49 40 3282-2685 csalomon@mmwarburg.com

DESIGNATED SPONSORING

Marcel Magiera Designated Sponsoring	+49 40 3282-2662 mmagiera@mmwarburg.com
Sebastian Schulz Designated Sponsoring	+49 40 3282-2631 sschulz@mmwarburg.com
Jörg Treptow Designated Sponsoring	+49 40 3282-2658 jtreptow@mmwarburg.com

MACRO RESEARCH

Carsten Klude Macro Research	+49 40 3282-2572 cklude@mmwarburg.com	**Dr. Christian Jasperneite** Investment Strategy	+49 40 3282-2439 cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research	research.mmwarburg.com/en/index.html	LSEG	www.lseg.com
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For access please contact:

Andrea Schaper Sales Assistance	+49 40 3282-2632 aschaper@mmwarburg.com	**Kerstin Muthig** Sales Assistance	+49 40 3282-2703 kmuthig@mmwarburg.com