DEFAMA Deutsche Fachmarkt AG

(CDAX, Real Estate, DEF GR)

WARBURG RESEARCH / A Münchmeyer Petersen Capital Markets Company

Buy	
EUR 29.20	(EUR 32.70)
Price	EUR 20.50
Upside	42.4 %

Value Indicators:	EUR
NAV (WRe) 28e:	31.71
FFO-Yield 28e:	26.77

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:	98.40
No. of shares (m):	4.80
Freefloat MC:	70.85
Ø Trad. Vol. (30d):	63.81 th

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

Key Figures (WRe):	2026e
LTV:	57.7 %
Equity Ratio:	17.3 %

Guidance cut for 2026 due to operating headwind

- DEFAMA **reported preliminary H1 figures** (18.08.2026) with FFO of EUR 5.0-5.1m and group net income of approximately EUR 1.2m. Q2 came in slightly below Q1 rather than slightly above, as management had expected, implying Q2 FFO of only EUR 2.4-2.5m (Q1: EUR 2.60m). Management now guides for FY 2026 FFO to decline by 4-6% yoy instead of FFO at least at the prior-year level of EUR 10.8m, equating to roughly EUR 10.2-10.4m.
- **The operational headwinds are broad-based rather than attributable to a single factor:** rent shortfalls, re-lettings completed later than planned, higher personnel costs and effects from service charge settlements. In our view, the FFO target of EUR 10.8m is therefore no longer achievable, and the implied H2 FFO of approximately EUR 5.2m based on the new guidance also requires the full contribution from the acquisitions first consolidated in Q2/Q3 (Elsenfeld, Ochsenhausen, Vöhringen; Adelsdorf, Freiberg, Hersbruck) as well as the ZooRoyal handover in Osnabrück.
- **A More Cautious Outlook in our view:** We expect several factors - such as a) a higher level of personnel costs, b) an elevated risk of rent shortfalls given the economic environment and c) less room to negotiate higher rents - to continue to play a role over the coming two years.
- **Net income target cut significantly as disposal gains shift into 2027:** The previous net income target of at least EUR 5m had factored in disposal gains at least at the prior-year level (FY 2025: EUR 2.2m) on the back of concrete ongoing negotiations. Management continues to expect to notarise one or more property disposals in the current year at seven-digit disposal gains. As DEFAMA reports under HGB, however, these disposals would only be recognised in the P&L upon receipt of the purchase price, which would shift the earnings impact into 2027. Group net income for 2026 is now guided at EUR 2-3m without meaningful disposal gains. We expect the contribution from the strategic disposals notarised to date - Sangerhausen, Schwarmstedt and the vacant partial building in Dinslaken - to be close to book value. The effect of the potential shift in the expected disposal proceeds is therefore not offset by the transactions already announced.
- **Impact on our estimates:** Our FFO estimate of EUR 10.78m was already slightly below guidance, so the direction is not new - the extent of the operational deterioration, however, is. The new guidance range (EUR 10.15-10.4m) is some 4-5% below our previous estimate and corresponds to FFOPS of approximately EUR 2.11-2.16 (WRe old: EUR 2.25). The deviation at the net income level is considerably more significant. We had modelled EUR 5.05m for 2026, including a positive disposal effect of EUR 2.4m from property

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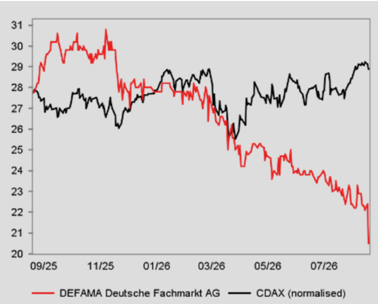
Changes in Estimates:

FY End: 31.12. in EUR m	2026e (old)	+ / -	2027e (old)	+ / -	2028e (old)	+ / -
FFO I	10.78	-3.9 %	11.96	-7.0 %	13.21	-8.4 %
FFOPS I	2.25	-3.9 %	2.49	-7.0 %	2.75	-8.4 %
Net income	5.05	-56.8 %	2.94	33.2 %	3.40	-25.8 %
EPS	1.05	-56.8 %	0.61	33.2 %	0.71	-25.8 %

Comment on Changes:

- We have significantly reduced our FFO estimates on the back of a higher cost base (Real Estate expenses, personnel), higher rent shortfalls, a higher interest rate level and a somewhat slower acquisition pace.
- Our net income estimates include a disposal effect of EUR 2m in 2027.



Rel. Performance vs CDAX:

1 month:	-16.1 %
6 months:	-25.6 %
Year to date:	-29.9 %
Trailing 12 months:	-29.7 %

Company events:

FY End: 31.12. in EUR m	CAGR (25-28e)	2022	2023	2024	2025	2026e	2027e	2028e
Rental income		17.25	20.18	23.19	26.85	28.03	30.08	32.55
Change yoy		18.6 %	16.9 %	14.9 %	15.8 %	4.4 %	7.3 %	8.2 %
EBIT		10.08	9.70	11.18	13.71	10.11	13.06	12.00
FFO I		8.58	9.68	10.04	10.82	10.36	11.12	12.10
FFO I-margin		*49.7 %*	*48.0 %*	*43.3 %*	*40.3 %*	*37.0 %*	*37.0 %*	*37.2 %*
EBT		7.18	5.84	6.24	7.22	3.07	5.20	3.57
Net income		5.39	4.15	4.56	5.58	2.18	3.92	2.53
EPS		1.15	0.87	0.95	1.16	0.46	0.82	0.53
FFOPS I		1.82	2.02	2.09	2.25	2.16	2.32	2.52
DPS		0.54	0.57	0.60	0.63	0.66	0.69	0.72
Dividend Yield		2.1 %	2.6 %	2.3 %	2.2 %	3.2 %	3.4 %	3.5 %
Book Value / Share		8.53	8.85	9.23	9.79	9.59	9.72	9.52
P / E		22.0 x	25.7 x	27.7 x	24.1 x	45.0 x	25.1 x	39.0 x
Price / Book		2.9 x	2.5 x	2.9 x	2.9 x	2.1 x	2.1 x	2.2 x
P / NAVPS		1.1 x	0.9 x	1.0 x	0.9 x	0.6 x	0.6 x	0.6 x
FFO I-Yield		7.2 %	9.1 %	7.9 %	8.0 %	10.5 %	11.3 %	12.3 %
ROE		15.7 %	10.0 %	10.5 %	12.2 %	4.7 %	8.5 %	5.5 %
LTV		59.7 %	61.1 %	59.1 %	57.2 %	57.7 %	57.5 %	57.6 %

Guidance: in EUR; 2026: FFO of >=10.8m, Net profit (HGB) of >=5.0m;

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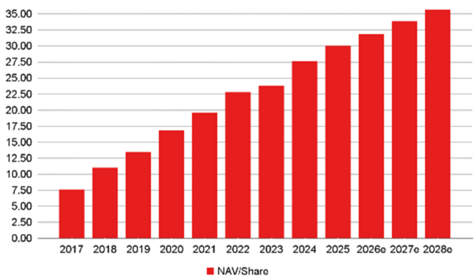
sales yet to be named. Disregarding the disposal and additionally taking into account the weaker operational development described above, net income comes to approximately EUR 2.2-2.5m - a figure that falls within the new guidance range of EUR 2-3m. The marked decline in net income is therefore very largely attributable to the timing of the disposal under HGB and is compounded by the weaker operational development. According to management, however, it remains realistic to generate a significant disposal gain.

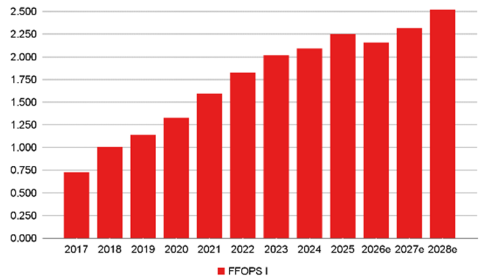
- **Occupancy and dividend targets confirmed; strategy update in autumn:** DEFAMA remains committed to its targets of lifting the occupancy rate to 96% in 2026 and raising the dividend again for the current financial year. In addition, the Managing Board has decided, in coordination with the Supervisory Board, to conduct a strategy update in the autumn in order to adjust the mid-term targets issued in December 2024 ("DEFAMA 2030") in light of current market developments. In our view, this is necessary, as the previous 2030 guidance was still based on different assumptions regarding disposals and acquisitions. We currently expect the banks' more cautious lending to also weigh on DEFAMA's acquisition pace. The existing 2030 targets should therefore be revised downwards, not least on the back of the disposals already completed.
- **Conclusion:** We have significantly reduced our estimates, as in our view the higher trajectory in personnel costs, a higher level of rent shortfalls and higher property management costs could continue in the coming years and weigh on the FFO margin. We assume a reduction of 3 percentage points to 37% (2026-2028e) versus 2025. In addition, the financing environment appears to us to have become more restrictive on the lending side (regulator), which could lead both to lower LTVs on new loans and to reduced scope to re-leverage existing loans. This could dampen portfolio growth. Nevertheless, based on a rent multiple of 12x (previously 12.5x) and a fair FFO yield of 8.25% (previously 8.0%), our new price target of EUR 29.20 still implies upside of more than 30%. Against this backdrop, we reiterate our Buy recommendation but, as mentioned, expect a significant adjustment to the mid-term guidance through 2030.

NAV per share development
in EUR



Source: Warburg Research

FFO per share development
in EUR



Source: Warburg Research

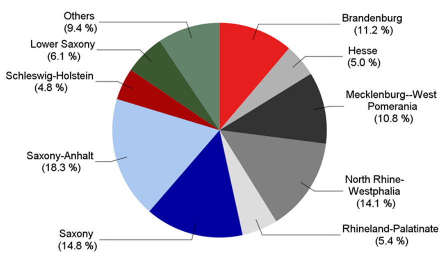
Company Background

- 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

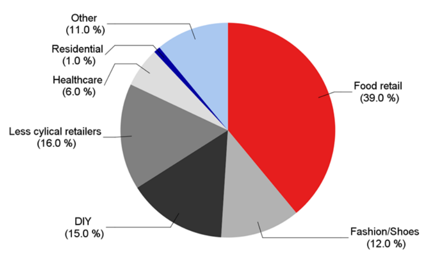
- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small 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

	2022	2023	2024	2025	2026e	2027e	2028e
P / E	22.0 x	25.7 x	27.7 x	24.1 x	45.0 x	25.1 x	39.0 x
P / NAVPS	1.1 x	0.9 x	1.0 x	0.9 x	0.6 x	0.6 x	0.6 x
Price / Book	2.9 x	2.5 x	2.9 x	2.9 x	2.1 x	2.1 x	2.2 x
P / FFOPS I	13.8 x	11.0 x	12.6 x	12.4 x	9.5 x	8.9 x	8.1 x
FFO I-Yield	7.2 %	9.1 %	7.9 %	8.0 %	10.5 %	11.3 %	12.3 %
ROE	15.7 %	10.0 %	10.5 %	12.2 %	4.7 %	8.5 %	5.5 %
Equity Ratio	21 %	20 %	19 %	18 %	17 %	17 %	16 %

Company Specific Items

	2022	**2023**	**2024**	**2025**	**2026e**	**2027e**	**2028e**
NAV/Share	22.80	23.79	27.64	30.04	31.88	33.87	35.68
Vacancy Rate	6.2 %	4.1 %	3.4 %	7.1 %	5.0 %	5.0 %	5.0 %

Consolidated profit and loss

In EUR m	2022	2023	2024	2025	2026e	2027e	2028e
Total revenues	**20.23**	**23.33**	**27.33**	**31.44**	**32.97**	**34.98**	**37.85**
Rental income	**17.25**	**20.18**	**23.19**	**26.85**	**28.03**	**30.08**	**32.55**
Change yoy	18.6 %	16.9 %	14.9 %	15.8 %	4.4 %	7.3 %	8.2 %
Property operating costs	4.24	4.85	6.28	7.24	8.05	8.32	9.01
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	15.98	18.49	21.05	24.20	24.93	26.65	28.84
Income from property sales	**2.26**	**0.73**	**1.45**	**2.80**	**0.00**	**2.00**	**0.00**
Other revenues	**0.22**	**0.45**	**0.63**	**1.25**	**1.10**	**1.21**	**1.33**
Gross profit	**18.46**	**19.67**	**23.13**	**28.25**	**26.03**	**29.86**	**30.17**
Administration expenses	1.23	2.29	2.47	2.60	2.97	2.94	3.18
Personnel expenses	1.98	1.73	2.60	3.90	4.35	4.62	5.00
Other operating income/expenses	-0.08	-0.10	-0.28	-0.41	-0.52	-0.54	-0.57
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	**15.18**	**15.54**	**17.78**	**21.33**	**18.19**	**21.77**	**21.43**
Valuation result	n.a.	0.73	1.45	2.80	0.00	2.00	0.00
Depreciation of fixed assets	5.10	5.83	6.60	7.62	8.08	8.71	9.42
EBITA	**10.08**	**9.70**	**11.18**	**13.71**	**10.11**	**13.06**	**12.00**
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	**10.08**	**9.70**	**11.18**	**13.71**	**10.11**	**13.06**	**12.00**
Interest income	0.01	0.34	0.30	0.05	0.00	0.00	0.00
Interest expenses	2.91	4.21	5.24	6.54	7.04	7.86	8.43
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	**-2.90**	**-3.87**	**-4.94**	**-6.49**	**-7.04**	**-7.86**	**-8.43**
EBT	**7.18**	**5.84**	**6.24**	**7.22**	**3.07**	**5.20**	**3.57**
Margin	*35.5 %*	*25.0 %*	*22.8 %*	*22.9 %*	*9.3 %*	*14.9 %*	*9.4 %*
Total taxes	-1.78	-1.67	-1.67	-1.63	-0.88	-1.28	-1.04
thereof cash taxes	-1.22	-1.00	-0.97	-1.25	-0.45	-0.80	-0.52
Net income from continuing operations	**5.40**	**4.17**	**4.57**	**5.58**	**2.19**	**3.92**	**2.53**
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	**5.40**	**4.17**	**4.57**	**5.58**	**2.19**	**3.92**	**2.53**
Minority interest	0.01	0.02	0.01	0.00	0.00	0.00	0.00
Net income	**5.39**	**4.15**	**4.56**	**5.58**	**2.18**	**3.92**	**2.53**
Number of shares, average	4.71	4.80	4.80	4.80	4.80	4.80	4.80
FFO (II)	**8.58**	**9.68**	**10.04**	**10.82**	**10.36**	**11.12**	**12.10**
FFO I-margin	*49.7 %*	*48.0 %*	*43.3 %*	*40.3 %*	*37.0 %*	*37.0 %*	*37.2 %*
FFOPS I	**1.82**	**2.02**	**2.09**	**2.25**	**2.16**	**2.32**	**2.52**
EPS	**1.15**	**0.87**	**0.95**	**1.16**	**0.46**	**0.82**	**0.53**
EPS adj.	0.73	0.74	0.95	1.16	0.46	0.82	0.53

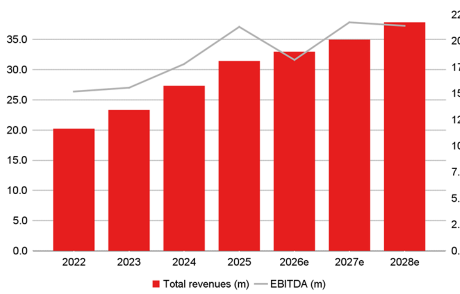
*Adjustments made for:

Guidance: in EUR; 2026: FFO of >=10.8m, Net profit (HGB) of >=5.0m;

Financial Ratios

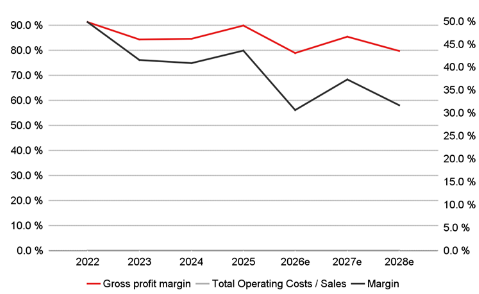
	2022	2023	2024	2025	2026e	2027e	2028e
Property operating costs / Rental Income	24.6 %	24.0 %	27.1 %	27.0 %	28.7 %	27.7 %	27.7 %
Operating Leverage (Real Estate)	6.5 x	6.7 x	6.9 x	6.8 x	21.9 x	14.6 x	13.3 x
Rental profit / interest expenses	5.5 x	4.4 x	4.0 x	3.7 x	3.5 x	3.4 x	3.4 x

Revenues, EBITDA
in EUR m



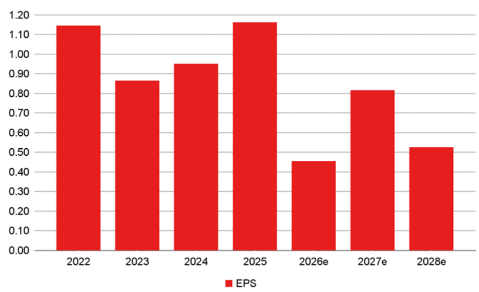
Source: Warburg Research

Operating Performance
in %



Source:

Performance per Share



Source: Warburg Research

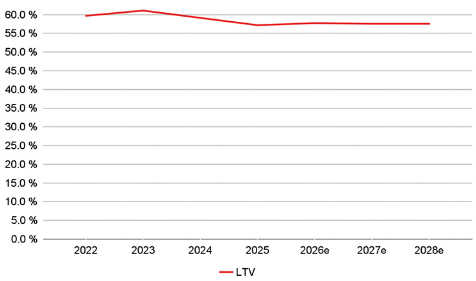
Consolidated balance sheet

In EUR m	2022	2023	2024	2025	2026e	2027e	2028e
Assets							
Goodwill and other intangible assets	0.01	0.07	0.10	0.08	0.08	0.08	0.08
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.01	0.07	0.10	0.08	0.08	0.08	0.08
Property, plant and equipment	1.13	0.97	0.86	0.99	1.00	1.01	1.02
Investment properties	183.67	206.04	231.35	247.30	257.13	269.69	280.05
Financial assets	1.22	2.15	1.08	3.66	3.30	3.36	3.43
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	**186.03**	**209.23**	**233.39**	**252.04**	**261.51**	**274.14**	**284.58**
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	6.20	3.11	1.74	1.65	1.68	1.71	1.75
Liquid assets	3.67	2.45	1.32	1.00	2.75	5.34	6.56
Other short-term assets	3.44	3.35	3.09	2.65	3.39	1.94	1.98
Current assets	**13.31**	**8.91**	**6.16**	**5.30**	**7.82**	**9.00**	**10.29**
Total Assets	**199.33**	**218.14**	**239.54**	**257.33**	**269.33**	**283.14**	**294.87**
Liabilities and shareholders' equity							
Subscribed capital	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Capital reserve	27.19	27.19	27.19	27.19	27.19	27.19	27.19
Retained earnings	8.93	10.49	12.32	15.02	14.04	14.64	13.71
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	**40.92**	**42.48**	**44.31**	**47.01**	**46.03**	**46.64**	**45.71**
Minority interest	0.41	0.42	0.43	0.43	0.44	0.44	0.45
Provisions	0.68	1.20	2.27	2.64	2.64	2.64	2.64
thereof provisions for pensions and similar obligations	0.34	0.60	1.13	1.32	1.32	1.32	1.32
Financial liabilities (total)	154.53	164.26	189.90	199.71	214.66	227.88	240.56
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.64	1.48	1.51	1.53	1.56	1.59	1.62
Other liabilities	2.56	8.71	1.55	6.45	4.44	4.39	4.34
Liabilities	**158.41**	**175.65**	**195.23**	**210.32**	**223.30**	**236.50**	**249.16**
Total liabilities and shareholders' equity	**199.33**	**218.14**	**239.54**	**257.33**	**269.33**	**283.14**	**294.87**

Financial Ratios

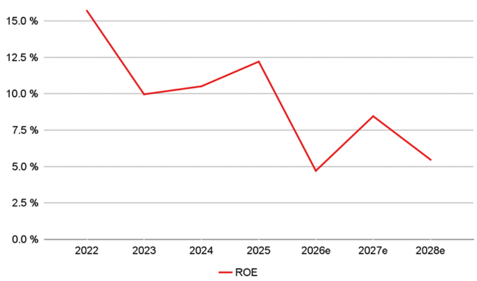
	2022	2023	2024	2025	2026e	2027e	2028e
Return on Capital							
ROA	3.0 %	2.0 %	2.0 %	2.2 %	0.8 %	1.4 %	0.9 %
ROE	15.7 %	10.0 %	10.5 %	12.2 %	4.7 %	8.5 %	5.5 %
FFO I / Equity	0.2 x	0.2 x	0.2 x	0.2 x	0.2 x	0.2 x	0.3 x
Solvency							
Net Debt	151.20	162.42	189.72	200.03	213.23	223.86	235.32
Net Financial Debt	150.86	161.81	188.58	198.71	211.91	222.54	234.00
Net Fin. Debt / EBITDA	9.9 x	10.4 x	10.6 x	9.3 x	11.6 x	10.2 x	10.9 x
LTV	59.7 %	61.1 %	59.1 %	57.2 %	57.7 %	57.5 %	57.6 %
Equity Ratio	20.7 %	19.7 %	18.7 %	18.4 %	17.3 %	16.6 %	15.7 %

LTV



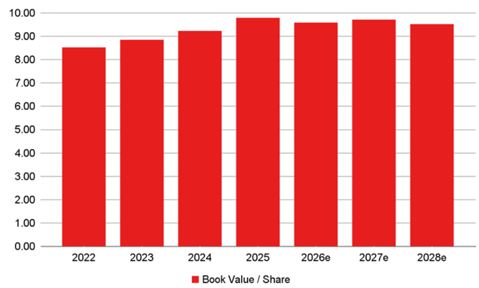
Source: Warburg Research

ROE
in %



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

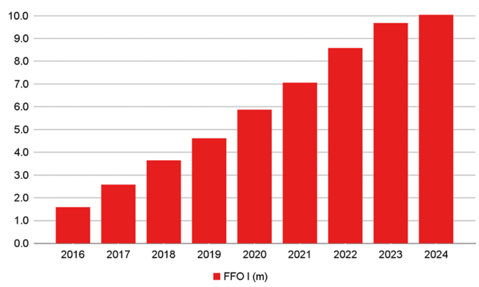
Consolidated cash flow statement

In EUR m	2022	2023	2024	2025	2026e	2027e	2028e
Net cash provided by operating activities [1]	**10.86**	**12.95**	**16.39**	**17.49**	**9.82**	**12.53**	**11.86**
Net cash provided by investing activities [2]	**-43.56**	**-17.40**	**-35.18**	**-21.18**	**-20.00**	**-20.00**	**-20.00**
Net cash provided by financing activities [3]	**34.84**	**3.23**	**17.67**	**3.36**	**11.93**	**10.05**	**9.37**
Change in liquid funds [1]+[2]+[3]	2.15	-1.22	-1.12	-0.32	1.76	2.59	1.22
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	**3.67**	**2.45**	**1.32**	**-0.32**	**1.76**	**2.59**	**1.22**

Financial Ratios

	2022	2023	2024	2025	2026e	2027e	2028e
Cash Flow							
FFO (II)	8.58	9.68	10.04	10.82	10.36	11.12	12.10
FFOPS I	1.82	2.02	2.09	2.25	2.16	2.32	2.52
FFOPS I diluted	1.82	2.02	2.09	2.25	2.16	2.32	2.52
FFO I-Yield	7.2 %	9.1 %	7.9 %	8.0 %	10.5 %	11.3 %	12.3 %
FFO I-margin	49.7 %	48.0 %	43.3 %	40.3 %	37.0 %	37.0 %	37.2 %
Interest Paid / Avg. Debt	2.1 %	2.6 %	3.0 %	3.4 %	3.4 %	3.6 %	3.6 %
Management of Funds							
Capex/Investment Properties	-23.7 %	-8.4 %	-15.2 %	-8.6 %	-7.8 %	-7.4 %	-7.1 %
Avg. Working Capital / Sales	13.8 %	15.4 %	3.4 %	0.6 %	0.4 %	0.3 %	0.3 %
Dividend Payout Ratio	47.1 %	65.6 %	63.0 %	54.2 %	144.7 %	84.4 %	136.6 %

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://disclaimer.mp-capitalmarkets.com/disclaimer_en/DE000A13SUL5.htm

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-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

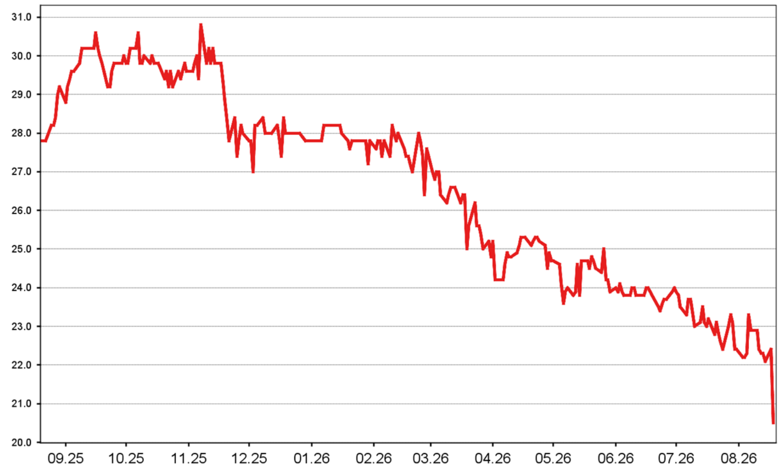
Rating	Number of stocks	% of Universe
Buy	134	74
Hold	37	20
Sell	4	2
Rating suspended	6	3
Total	**181**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies for which affiliated companies provided major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	4	100
Hold	0	0
Sell	0	0
Rating suspended	0	0
Total	**4**	**100**

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 19.08.2026



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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