

Buy

Current €23.75

Target **€27.00**

Previous €30.00

Current price equivalent

\$34.77

Market cap

€816.4m

\$1,195m

52-week high/low

€28.40/€21.67

Price perf.	1M	3M	12M
Price (€)	23.0	26.2	25.6
Absolute (%)	2.2	-9.2	-7.2
Rel market (%)	-3.4	1.9	10.6
Rel sector (%)	7.1	20.0	25.7

Source: DKIB, Thomson IBES

DEQn.DE DEQ GR

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Deutsche Euroshop

Probably not part of consolidation in Europe

Within the European retail property stocks markets currently focus on a potential takeover-battle for the UK-based Liberty International. We would expect that Deutsche Euroshop (DEQ) could lose some attention as it does not seem to be a primary target. As we do not expect an immediate positive surprise we lower our target price to €27 but confirm our buy-rating.

Deutsche Euroshop forecasts

Year	Sales EUR m	EBITDA EUR m	Net income EUR m	Funds from operations EUR m	Act EPS incl except EUR	EV/ EBITDA x	P/E x	Yield %	P/NAV x
Dec-2006A	93	87	100	48	5.84	12.6	4.1	4.4	0.5
Dec-2007A	96	77	94	52	2.74	20.8	8.7	4.4	0.9
Dec-2008E	113	92	63	28	1.84	19.6	12.9	4.6	0.9
Dec-2009E	121	102	65	35	1.88	19.5	12.6	4.6	0.8
Dec-2010E	125	104	68	35	1.99	19.9	11.9	4.8	0.8

Source: Company data, Dresdner Kleinwort Research estimates

- ▶ DEQ remains one of our preferred stocks. We prefer its predictable earnings momentum and defensive profile in particular in current markets' environment. The stable H1-results have shown again that the company's focus on shopping centers pays off as it is less affected by the decrease of the German retail sales and consumer confidence. The new mall in Passau to be opened on 10 Sep has been fully rented already for a while and reflects the high demand for this kind of retail type.
- ▶ Within the European retail property sector we have seen an unexpected move by Westfield and Simon Property buying both reasonable stakes in Liberty International. Both have indicated to focus on Europe so a takeover-bid is rather realistic. Despite of its high-quality portfolio any takeover scenarios for DEQ have not materialised yet. The Otto-family as largest shareholder with 19% has neither indicated to sell its stake nor seems DEQ currently part of any consolidation scenarios so far.
- ▶ We would appreciate when DEQ buys a new shopping-center development or an existing mall which need to be upgraded soon. The company has currently a fire power of about €150m and should not need a capital increase immediately for an acquisition. However, markets already expect that DEQ will ask for fresh equity at the beginning of 2009 after the release of the FY2008-figures. This is also the main reason why the stock is going sidelong more or less for several weeks in our view.

Online research:

www.dresdnerkleinwort.com/research

Bloomberg:

DKIB1<GO>

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- ▶ DEQ's confirmed guidance with EBIT of €90-92m for 2008 which is not based on any disposals but coming solely from stable rental income and is therewith very realistic. A tax-free dividend yield of 4.8% and 20% discount to NAV2008E still justifies a Buy-rating which we explicitly confirm. However, as short-term momentum might slowdown we lower our target price to €27.
Our valuation is based on DDM, EVA-valuation and ROE.

Disclosure appendix

Disclosures under US regulations

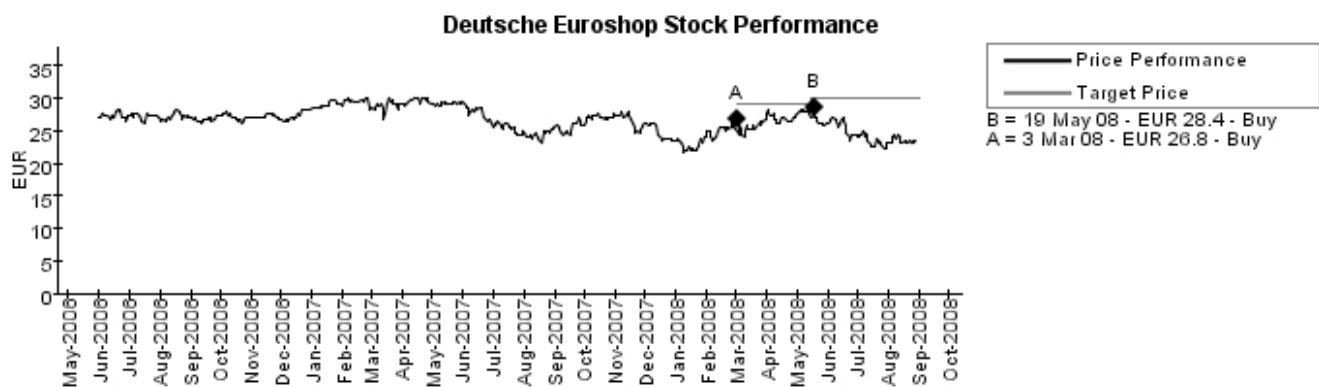
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Past performance is not an indicator of future performance.



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Buy:	10% or greater increase in share price	Sell:	10% or more decrease in share price
Add:	5-10% increase in share price	Reduce:	5-10% decrease in share price
Hold:	+5%/-5% variation in share price		

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	All covered companies		Companies where a Dresdner Kleinwort company has provided investment banking services (in the last 12 months)	
Buy/Add	358	62%	47	13%
Hold	152	26%	314	9%
Sell/Reduce	64	11%	11	17%
Total	574		72	

Source: Dresdner Kleinwort

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