

Deutsche Euroshop

Real Estate

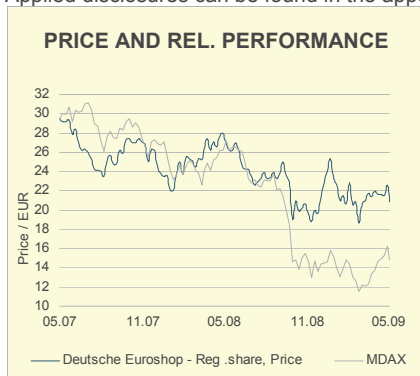
2009-05-14

Applied disclosures can be found in the appendix

Buy

Fair Value EUR24.00

Price EUR20.86 (Closing price as of 2009-05-13)



Q1: SOUND AND DULL – JUST AS WE LIKE IT

- Deutsche Euroshop published Q1 results in line with market expectations. Revenues amounted to €31.8m (+18% y-o-y). This substantially higher top-line resulted from the full consolidation of the Kassel centre and the two centres opened in Hameln and Passau in 2008. On a comparable basis, i.e. on the basis of existing properties revenues rose by 2.0% (y-o-y). The higher top-line was also reflected in a 19% increase of Deutsche Euroshop's EBIT. EBIT rose to €27.1m from €22.7m.
- The only significant extraordinary effect came from the unrealised currency gains of €14.6m because of the depreciation in the Polish zloty and Hungarian forint. A slight positive fair value adjustment of €1.2m could be booked because of first-time full consolidation of the City-Point Kassel. Due to the afore-mentioned consolidation effects, net finance costs also went up by €2.6m and totalled €14.2m. Moreover interest income declined, mirroring the decline in capital market rates.
- Management also confirmed its expansion plans of the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum this year. Subsequently, the sales area in the Altmarkt-Galerie will increase by approx. 18,000 m² (currently approx. 26,000 m²), with some 90 new shops, and Main-Taunus-Zentrum by approx. 12,000 m² (i.e. around 60 new shops).
- Moreover management reiterated FY 2009 targets, with revenues to increase to €125-128m and an EBIT of €105-108m this year. Pre-tax profit before fair value adjustments are expected to amount to €50-52m, leading to an FFO of between €1.45 and €1.50 per share.

MARKET DATA

Reuters	DEQGr.DE
Bloomberg	DEQ GR
Market cap EURbn	0,7
Free float %	81,0

KEY DATA

Yr.end 12/31	2007	2008e	2009e
NNAVPS	26,22	27,13	27,41
FFOPS	1,63	1,20	1,37
EPS	2,74	2,00	1,56
P/NNAV	1,0	0,9	0,8
FFO yield %	6,0	5,0	6,6
RONNAV %	4,4	4,5	5,0
FFOPS CAGR: 07-10 %			-4,6

NEXT EVENTS

VALUATION

- As a result of these favourable figures, the FFO increased by €0.05 from €0.32 to €0.37 (+ 16% y-o-y). We consider the company's financing structure to be reasonable with an LTV ratio of 47%. The average interest rate on its €868m financial liabilities is 5.4%, with a weighted maturity of 7 years. €126m of this is maturing in 2009 to 2012. €50m of this amount will be redeemed and €76m will have to be rolled over. We expect the company to have no problems with its prolongations.

CONCLUSION

Deutsche Euroshop remains one of our favored stocks in the sector as it has a relatively defensive business model, which appears appropriate in the current environment. In particular, we like the fact that the company is focused and comparatively cautious about pursuing new projects.

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Deutsche Euroshop - P&L					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Rental income	92,9	95,8	115,3	125,0	130,0
Revaluation of investment properties	72,3	50,8	36,7	8,7	9,0
Other income	16,4	1,3	1,5	2,2	2,4
Total income	181,6	147,8	153,5	135,9	141,4
Real estate operating expenses	16,2	15,4	14,3	14,7	15,0
Other operating expenses	6,3	4,2	4,3	4,5	4,7
Total operating expenses	22,5	19,6	18,6	19,2	19,8
EBITDA	159,1	128,1	134,9	116,7	121,6
EBITDA (excl. revaluation)	86,8	77,4	98,2	108,0	112,6
EBIT	159,1	128,1	134,9	116,7	121,6
Interest income	2,3	2,7	2,3	2,3	2,4
Interest expenses	38,9	40,2	45,3	48,5	50,9
Other financial income	-4,4	-12,6	-5,2	-5,4	-5,7
EBT	118,1	78,0	86,7	65,2	67,4
Taxes	17,4	-16,3	18,0	11,6	12,0
Adjusted net profit	100,7	94,4	68,7	53,6	55,5
Net profit	100,7	94,4	68,7	53,6	55,5
Net profit after minorities	100,7	94,4	68,7	53,6	55,5
Total operating income	109,3	97,0	116,8	127,2	132,4
Operating costs	22,5	19,6	18,6	19,2	19,8
Key ratios and figures					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Number of total shares	17,2	34,4	34,4	34,4	34,4
EPS (reported)	5,84	2,74	2,00	1,56	1,61
FFOPS	2,71	1,63	1,20	1,37	1,42
DPS	2,10	1,05	1,05	1,05	1,10
NNAVPS	48,64	26,22	27,13	27,41	27,79
Growth rates %					
Revenues	46,0	-18,6	3,9	-11,5	4,0
EBITDA	48,0	-19,4	5,3	-13,5	4,2
EBIT	48,0	-19,4	5,3	-13,5	4,2
EBT	73,3	-33,9	11,1	-24,8	3,5
Net profit after minorities	106,8	-6,3	-27,2	-22,0	3,5
FFO	313,4	-39,7	-26,6	14,3	3,6
Margins and ratios %					
Cost/income ratio	-12,4	-13,3	-12,1	-14,1	-14,0
Property expens./gross rental inc.	-17,4	-16,1	-12,4	-11,7	-11,6
EBITDA/total income (excl. revaluation)	87,6	86,7	87,9	85,9	86,0
EBIT/total income (excl. revaluation)	87,6	86,7	87,9	85,9	86,0
EBT/total income	65,0	52,8	56,5	48,0	47,7
Net profit margin	55,5	63,9	44,8	39,4	39,2
RONNAV	5,8	4,4	4,5	5,0	5,1
Other ratios					
Interest cover	-2,2	-1,9	-2,2	-2,2	-2,2
Equity ratio %	44,3	43,6	43,1	41,7	41,5
LTV	53,8	54,0	55,0	56,8	57,0
Gearing %	86,0	91,4	99,6	104,7	105,9

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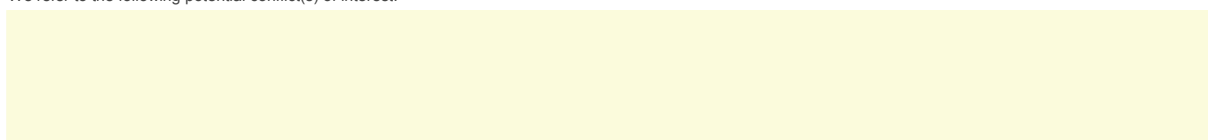
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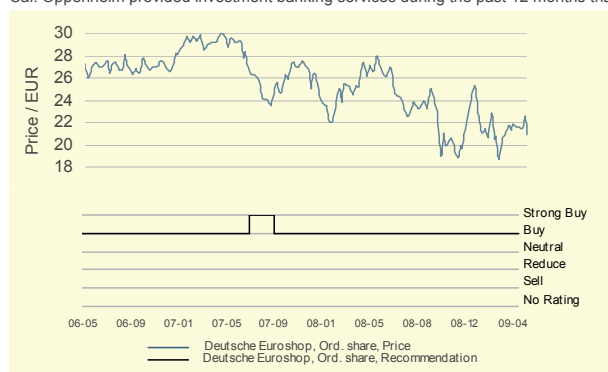
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Sell	4	1.0	0	0
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