

Recommendation:
HOLD (Hold)

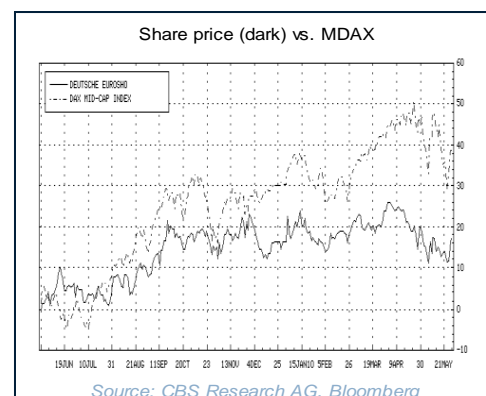
Risk:
Low (Low)

Price Target:
EUR 25.00 (25.00)

31 May 2010

1Q 2010 figures in line

- Deutsche Euroshop AG (DES) recently reported 1Q 2010 figures which were in line with our expectations. Our pre-tax profit figures are different to these DES released as DES excludes minority interests which is somewhat unusual. Pre-tax profit of DES decreased by 48% because of one-off effects in the previous year quarter like measurement gains of EUR 16.8m due to the first time consolidation of the City-Point in Kassel and some bigger currency gains from the Eastern European shopping centres which were offset by currency translation costs that were directly booked in equity. Adjusting the PTP by these one-off effects results in an increase of the 1Q 2010 PTP by 19.9% y-o-y. Revenues were up by 8.8% to EUR 34.6m compared to previous year.
- The increase in revenues and earnings is mainly due to the acquisition of the A10 Centre. The management FY 2010 forecast has been left unchanged. DES expects revenues between EUR 139m to EUR 142m. EBIT forecast is EUR 118m to EUR 121m and an operating EBT of EUR 58m to EUR 60m. The forecasts of the company do not include changes of any properties, the revaluation result and exchange rate factors. The valuation result is included in our EPS forecasts.
- DES increased its capital in February by 6.3m new shares and collected around EUR 123m additional shareholder funds to finance the acquisition of the A10 Center. The acquisition of the A10 Centre in February is the first bigger investment of DES after three years of restrained investment and the company is confident to do another acquisition in 2010.
- The confirmation of the operating targets and the expected positive underlying business development in these difficult times supports our positive view on the company. We recommend to HOLD DES shares. Our price target is EUR 25.00 per share.



Change	2009		2010E		2011E	
	new	old	new	old	new	old
Sales	127.6	-	-	161.4	-	173.9
EBIT	110.7	-	-	137.5	-	149.4
EPS	0.93	-	-	1.37	-	1.55

www.deutsche-euroshop.de Sector: Real Estate
WKN: 748020 ISIN: DE0007480204
Reuters: DEQn.DE Bloomberg: DEQ GY

Share data:

Share price (last closing price):	EUR 23.12
Shares outstanding (m):	44.11
Market capitalisation (EURm):	1,019.93
Enterprise value (EURm):	1,959.74
Ø daily trading volume (3 m., no. of shares):	127,794

Performance data:

High 52 weeks (EUR):	EUR 24.88
Low 52 weeks (EUR):	EUR 19.45
Absolute performance (12 months):	
Relative performance: (vs. MDAX):	
1 month	2.9%
3 months	-7.8%
6 months	-12.0%
12 months	-19.2%

Shareholders:

Otto family	18.0%
Attfund	5.0%
Black Rock	3.0%
Free float	74.0%

Financial calendar:

AGM	17 June 2010
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Key data

FY 12/31, EUR m	2007	2008	2009	2010E	2011E
Total revenues	147.7	153.4	127.6	161.4	173.9
EBITDA	129.5	136.9	110.7	137.8	149.7
EBIT	129.5	136.9	110.7	137.5	149.4
Net result	94.2	68.9	34.4	59.5	68.3
EPS	2.74	2.00	0.93	1.37	1.55
DPS	1.05	1.05	1.05	1.10	1.15
EBITDA margin	87.7%	89.2%	86.8%	85.3%	86.1%
EBIT margin	87.7%	89.2%	86.8%	85.2%	86.1%
EV/EBITDA	12.3	12.4	17.3	14.2	13.1
EV/EBIT	12.3	12.4	17.3	14.3	13.1
P/E	8.5	11.7	24.9	16.9	14.9

Source: Deutsche EuroShop AG, CBS Research AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
8 May 2009	BUY	EUR 22.35	EUR 27.30
14 May 2009	BUY	EUR 21.50	EUR 27.30
10 August 2009	BUY	EUR 21.88	EUR 26.00
13 August 2009	HOLD	EUR 22.25	EUR 24.00
4 November 2009	HOLD	EUR 23.15	EUR 25.00

13 November 2009	HOLD	EUR 24.00	EUR 26.00
8 January 2010	HOLD	EUR 24.00	EUR 26.00
22 February 2010	HOLD	EUR 23.39	EUR 25.00
31 May 2010	HOLD	EUR 23.12	EUR 25.00

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Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

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