



# Deutsche EuroShop AG

## Attractive properties

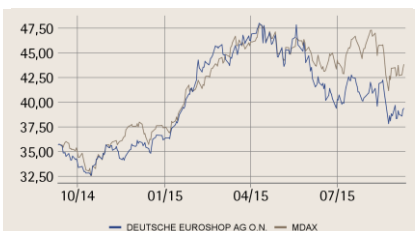
11/09/2015

**Buy** (Hold)  
**45.00 EUR** (47.00 EUR)

Close 09/09/2015 39.38 EUR  
 Bloomberg: DEQ GY WKN: 748020  
 Sector Real Estate

### Share price performance

52 week high 48.00 EUR  
 52 week low 32.59 EUR  
 Compared to MDAX  
 YTD -8.2%  
 1 month 1.9%  
 12 months -11.8%



### Share data

EV (m EUR; 2015) 3,672  
 Market Cap (m EUR) 2,124  
 No. of shares (m) 54  
 Free float 82.7%

### Next event

Quarterly Results 12/11/2015

### Change in model

	Sales	FFO	EPS
2015e	-0.5%	0.9%	183.7%
2016e	-0.6%	0.9%	6.9%
2017e	-0.6%	0.7%	9.2%

### Analyst

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See end of document for disclaimer.

We have upgraded Deutsche EuroShop from Hold to BUY as the share has clearly underperformed the MDAX in the last five months. And yet the company delivered on its promises with operating profit and dividend likely to grow in the next few years even without acquisitions, in our view.

### INVESTMENT CASE

Deutsche EuroShop is a perfectly solid real estate stock, in our view, with investments in the asset class of shopping centres, which are in strong demand (16 larger shopping centres in Germany and one each in Poland, Austria and Hungary). Its lease agreements are long-term by principle, and they are fully indexed. The tenant structure is highly diversified, and the company is conservative in its property valuation and its refinancing structure. Lower interest costs currently hold more earnings potential than rent increases (lower inflation rate) as comparatively expensive financing arrangements are running out.

### CATALYSTS

Deutsche EuroShop will be switching property appraisers (Jones Lang LaSalle to replace Feri/GfK Geomarketing). We hope to see this translate into a considerable valuation gain in 2015, which we estimate will be high enough (BHL€ 284 m) to eliminate the stock's current premium to the NAV. We expect the company's quarterly results to show a slightly positive trend.

### VALUATION

With the new estimates, Deutsche EuroShop is no longer trading at a premium to the NAV (based on 2015). At the same time, the company has a solid refinancing structure and owns larger shopping centres, which are high in demand. The dividend is very safe, in our view, and we expect it to keep rising by € 0.05 per year. Due to the dividend payout, we have slightly lowered our price target.

in m EUR	2013	2014	2015e	2016e	2017e
Sales	188	201	203	206	209
FFO	112	121	123	128	133
FFO margin	59.6%	60.0%	60.8%	62.4%	63.7%
Net financial debt	1,443	1,372	1,304	1,233	1,159
Net asset value per share	30.59	33.17	39.40	40.76	42.01
FFOPS (in EUR)	2.08	2.23	2.29	2.38	2.47
DPS (in EUR)	1.25	1.30	1.35	1.40	1.45
Dividend yield	3.9%	3.6%	3.4%	3.6%	3.7%
EV/EBITDA	20.3	20.0	20.7	20.1	19.4
P/NAV	1.0	1.1	1.0	1.0	0.9
P/FFO	15.3	16.2	17.2	16.5	15.9

Source: Company information, Bankhaus Lampe Research estimates

# Company Overview

## SWOT

### Strengths/Opportunities

- Clear focus on shopping centres
- Low vacancy rate
- High equity ratio/conservative property valuation
- Long-term rental contracts that are fully linked to inflation
- Reduction in financing costs and excellent access to equity and debt financing

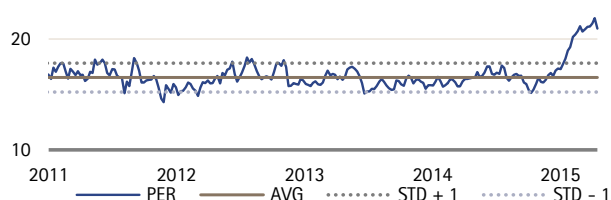
## MANAGEMENT

- Wilhelm Wellner (CEO)
- Olaf Borkers (CFO)

## SHORT-TERM GUIDANCE

- Planned dividend: € 1.35
- In 2015, rental income rising to € 201-204 m, EBIT to € 177-180 m
- FFO per share to increase to € 2.24-2.28

## HISTORICAL P/E



## COMPANY EVENTS

Next event: 12/11/2015 Quarterly Results

## KEY RATIOS

	2013	2014	2015e	2016e	2017e
ROCE	5.3%	5.6%	5.2%	5.3%	5.4%
Gross Yield	6.3%	6.6%	6.1%	6.1%	6.2%
EBITDA margin	88.2%	88.4%	87.6%	87.6%	87.7%
FFO-Marge	59.6%	60.0%	60.8%	62.4%	63.7%
FFO-Yield	6.8%	6.7%	5.8%	5.8%	5.9%
Equity ratio	48.4%	50.1%	53.1%	54.1%	55.1%
Net gearing	0.9	0.8	0.6	0.6	0.5
Net debt / EBITDA	8.7	7.7	7.3	6.8	6.3
Interest cover	> 10	> 10	> 10	> 10	> 10

### Weaknesses/Threats (Risks)

- Dependent on ECE
- Higher tax rate
- Dividend with an increasing taxable share
- High prices for shopping centres limiting growth potential
- Online retailing threatens some of its tenants' business models

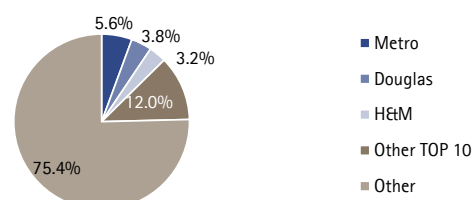
## COMPANY BACKGROUND

Deutsche EuroShop AG is a real estate company with an investment strategy focused exclusively on shopping centres. The company holds 19 participations in shopping centres in inner city or established locations. 16 centres are in Germany and one each in Austria, Hungary and Poland. ECE provides centre management. Thus, the company has only 6 employees (incl. management).

## MEDIUM-TERM GUIDANCE

- Commitment to raise dividend by € 0.05 each year to € 1.40 by 2017
- Rental income to increase 2016 to € 203-206 m, EBIT to € 179-182 m
- FFO per share to increase 2016 to € 2.30-2.34

## KEY TENANTS 2014 (IN %)



## MAJOR SHAREHOLDERS (%)

Alexander Otto	17.3
BlackRock	4.2
-	-

## BHL VS. CONSENSUS

	2015e	2016e	2017e
Sales (in m EUR)			
BHL	203	206	209
Consensus	203	206	210
EBITDA (in m EUR)			
BHL	178	180	183
Consensus	178	181	183
EPS (EUR)			
BHL	5.80	2.13	2.10
Consensus	2.24	2.32	2.40

Source: Company information, FactSet, BHL estimates

# Investment Case

Attractive properties with long-term, fully index-linked lease agreements

## ATTRACTIVE PROPERTIES

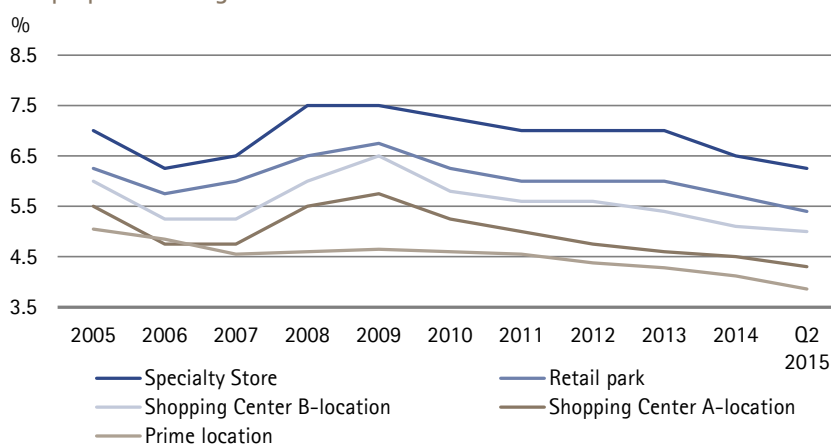
With its shopping centres offering at least 25,000 sqm of rental space, Deutsche EuroShop has a very attractive property portfolio. For example, the company owns the Main-Taunus-Zentrum near Frankfurt and the Altmarktgalerie in Dresden. The shopping centres owned by Deutsche EuroShop generated revenues of € 4,450 per square meter in 2014, which is more than 10% above the sector average (German shopping centres € 3,972 per sqm). The company's lease agreements are long-term (10 years) and fully index-linked. The average remaining term of the lease agreements for its shopping centres is 6.4 years.

Demand for investment properties curbing initial yield

## POTENTIAL FOR VALUATION GAINS

As a result, shopping centres are much sought-after investment properties, and initial yields even for malls in less attractive locations have decreased to roughly 5%. The initial yield for top locations has even fallen to only 4.3%.

### Retail properties in high demand



Source: CBRE, as per Q2 2015

Against this backdrop, the shopping centres of Deutsche EuroShop are very conservatively valued at an initial yield of 5.87%.

Overly conservative valuation approach of the past leaves room for valuation gains

We also believe that their appraisal was too conservative, which previously led us to adjust our valuation model. But now the company has switched property appraisers. Jones Lang Lasalle is replacing Feri/GfK Geomarketing as the company's property appraiser. We assume that the international real estate firm will more closely follow market prices than Feri, whose valuation approach was more geared towards the long-term market average. We therefore expect the reported real estate value to move back toward current market levels in future.

Expecting higher NAV of € 39.40

As a result, we have raised our estimates for the 2015 net valuation result by roughly € 270 m. This leads us to an increase in the NAV of roughly € 5 per share. Our new NAV estimate of € 39.40 now also translates into a discount to the NAV in our valuation overviews.

#### OPERATING PROFITS TO IMPROVE SLIGHTLY

##### Expansion in Gdansk

Shopping centre expansion expected to increase yields

Deutsche EuroShop has significant expansion plans for Galeria Baltycka in Gdansk with floor space expected to be increased by roughly 13,800 sqm to 62,500 sqm. The required land plots have been secured, and potential tenants have made serious enquiries. However, the project is pending approval by environmental authorities. The company expects to get the green light and start construction by the spring of 2016, and the new wing is scheduled to be opened in 2018. With an estimated total investment of between € 70 m and € 75 m, Deutsche EuroShop (74% stake) expects to realise a higher yield than would be achievable by acquisitions in the current market.

Galeria Baltycka well positioned

Although two larger shopping centres are being built in Gdansk, we believe Galeria Baltycka is in a good position. In terms of revenue per square metre, the shopping centre is closer to EuroShop's portfolio average (2013: 2% below) and therefore quite appreciably above the Polish average of roughly € 2,500 per square metre. The fact that current tenants have asked for additional space confirms the strong position, in our view. For example, H&M and Inditex (Zara and other brands) intend to expand their floor space in this shopping centre. Poland's leading fashion chain LPP (Reverse and other brands) has even asked to increase its floor space in Galeria Baltycka by 50%.

##### ... and in Hamburg and Kassel

The Phoenix-Center shopping mall in Hamburg-Harburg is also being expanded. The expansion of the basement will increase the mall's rental space by some 9% and add a food court with seating for 300 guests. Deutsche EuroShop will contribute roughly € 15 m to the investment. The yield is expected to come to about 6%.

At the City-Point in Kassel, a food court with seating for 200 guests is expected to be built before the end of the year. In this case, however, the required investment of € 4.5 m is manageable.

#### INTEREST EXPENSES EASING OFF

Low-interest environment reduces interest load by about € 4.4 m

However, growth in FFO will not be driven by expansion, but rather by lower interest expenses. Liabilities of nearly € 80 m with a coupon of 4.92% are maturing in 2016. In addition, the fixed-interest period for loans associated with participations worth € 144.9 m (Klagenfurt and Phoenix-Center) is expiring (average interest 4.94%). We believe the company should be able to refinance these loans at a maximum interest of about 2%. These two items alone could reduce the interest expenses by about € 4.4 m p.a. Moreover, regular debt repayments (2016 € 18.4 m, 2017 € 16.5 m, 2018 € 18.7 m) will also lower the interest expenses.

While the loans maturing in 2017 (€ 96.1 m at 1.75%) will hardly bring any savings, credit agreements with interest rates above the 4.5% mark are running out in 2018 and 2019 (total volume of around € 190 m).

# Company Valuation

## In line with the group of real estate stocks in our coverage

Based on the four main valuation metrics under observation, Deutsche EuroShop is performing in line with the sector average. In terms of P/NAV and implicit valuation reserves, the valuation is somewhat better than the sector average, while the company's dividend yield and P/FFO are slightly below average.

Our price target of € 45.00 stems from a valuation model based on implicit valuation reserves. In view of the low interest phase, we have supplemented this with a special dividend valuation component. Deutsche EuroShop strongly benefits from this component thanks to the good quality of its assets and balance sheet, which in turn makes for a safe dividend.

Our previous price target of € 47.00 (rounded) still included the dividend of € 1.30 that was paid out in June. Our higher estimates for the NAV do not affect our valuation as we previously adjusted it accordingly. This adjustment obviously no longer applies.

## Slight discount to the NAV

With a slight discount to the NAV, Deutsche EuroShop is slightly cheaper than the average for the group of real estate stocks in our coverage, and it also fares better in terms of implicit valuation reserves.

Company	Price € 09.09.15	P/NAV			NAV		
		2015E	2016E	2017E	2015E	2016E	2017E
Deutsche EuroShop	39.38	1.00	0.97	0.94	39.40	40.76	42.01
DIC Asset	8.19	0.62	0.61	0.59	13.12	13.42	13.76
VIB Vermögen	17.00	1.10	1.05	0.99	15.45	16.26	17.20
Hamborner REIT	8.76	1.00	0.97	0.94	8.80	9.05	9.34
TLG Immobilien	16.80	0.99	0.96	0.94	17.00	17.51	17.92
Alstria Office REIT	11.74	1.07	1.04	1.01	10.98	11.32	11.68
Deutsche Office	4.42	0.95	0.91	0.88	4.63	4.85	5.03
Patrizia	21.09	2.40	2.10	1.93	8.80	10.03	10.92
Deutsche Wohnen	23.84	1.23	1.16	1.11	19.46	20.54	21.40
TAG Immobilien	9.96	1.11	1.06	1.03	9.01	9.41	9.70
LEG Immobilien	66.52	1.22	1.15	1.10	54.49	57.86	60.70
Vonovia	29.65	1.26	1.19	1.12	23.58	24.88	26.47
Grand City Prop.	16.68	1.46	1.19	1.00	11.44	13.98	16.69
Average Residential		1.25	1.15	1.07			
Average without Patrizia		1.08	1.02	0.97			

Source: Bankhaus Lampe Research

Company	Price €	P/NAV			Implied reserves on		
	09.09.15	2015E	2016E	2017E	NAV 15E	NAV 16E	NAV 17E
Deutsche EuroShop	39.38	1.00	0.97	0.94	0.0%	2.3%	4.4%
DIC Asset	8.19	0.62	0.61	0.59	15.1%	16.1%	17.1%
VIB Vermögen	17.00	1.10	1.05	0.99	-4.8%	-2.3%	0.6%
Hamborner REIT	8.76	1.00	0.97	0.94	0.3%	2.1%	4.1%
TLG Immobilien	16.80	0.99	0.96	0.94	0.7%	2.6%	4.1%
Alstria Office REIT	11.74	1.07	1.04	1.01	-3.3%	-1.8%	-0.3%
Deutsche Office	4.42	0.95	0.91	0.88	2.1%	4.2%	6.0%
Patrizia	21.09	2.40	2.10	1.93	-520.9%	-468.7%	-431.0%
Deutsche Wohnen	23.84	1.23	1.16	1.11	-13.2%	-10.0%	-7.4%
TAG Immobilien	9.96	1.11	1.06	1.03	-3.4%	-2.0%	-0.9%
LEG Immobilien	66.52	1.22	1.15	1.10	-11.4%	-8.2%	-5.5%
Vonovia	29.65	1.26	1.19	1.12	-12.4%	-9.8%	-6.5%
Grand City Prop.	16.68	1.46	1.19	1.00	-34.5%	-17.8%	0.1%
Average Residential		1.25	1.15	1.07	-15.0%	-9.5%	-4.1%
Average without Patrizia		1.08	1.02	0.97	-5.4%	-2.0%	1.3%

Source: Bankhaus Lampe Research

Dividend advantage not beyond 2015

Deutsche EuroShop slightly exceeds the average dividend yield for 2015. For 2016 onwards, we arrive at a dividend yield that is slightly below average. However, the dividend prospects are relatively safe, in our view.

Company	Price €	Dividend				Dividend yield			
	09.09.15	2014	2015E	2016E	2017E	2014	2015E	2016E	2017E
Deutsche EuroShop	39.38	1.30	1.35	1.40	1.45	3.3%	3.4%	3.6%	3.7%
DIC Asset	8.19	0.35	0.35	0.35	0.35	4.3%	4.3%	4.3%	4.3%
VIB Vermögen	17.00	0.48	0.51	0.55	0.60	2.8%	3.0%	3.2%	3.5%
Hamborner REIT	8.76	0.40	0.40	0.42	0.46	4.6%	4.6%	4.8%	5.3%
TLG Immobilien	16.80	0.25	0.25	0.25	0.25	1.5%	1.5%	1.5%	1.5%
Alstria Office REIT	11.74	0.50	0.50	0.52	0.56	4.3%	4.3%	4.4%	4.8%
Deutsche Office	4.42	0.15	0.16	0.19	0.20	3.4%	3.6%	4.3%	4.5%
Patrizia	21.09	0.00	0.00	0.00	0.50	0.0%	0.0%	0.0%	2.4%
Deutsche Wohnen	23.84	0.45	0.55	0.61	0.64	1.9%	2.3%	2.6%	2.7%
TAG Immobilien	9.96	0.50	0.55	0.60	0.65	5.0%	5.5%	6.0%	6.5%
LEG	66.52	1.96	2.35	2.68	2.88	2.9%	3.5%	4.0%	4.3%
Vonovia	29.65	0.78	0.94	1.10	1.28	2.6%	3.2%	3.7%	4.3%
Grand City	16.68	0.20	0.25	0.30	0.35	1.2%	1.5%	1.8%	2.1%
Average Residential						2.7%	3.2%	3.6%	4.0%
Average						2.9%	3.4%	3.7%	4.1%

Source: Bankhaus Lampe Research

P/FFO slightly below average

In terms of the P/FFO, Deutsche EuroShop fares slightly below average.

Company	Price €	FFO				P/FFO			
	09.09.15	2014	2015E	2016E	2017E	2014	2015E	2016E	2017E
Deutsche EuroShop	39.38	2.23	2.29	2.38	2.47	17.7	17.2	16.5	15.9
DIC Asset	8.19	0.70	0.70	0.72	0.73	11.7	11.7	11.4	11.2
VIB Vermögen	17.00	1.27	1.24	1.35	1.39	13.4	13.7	12.6	12.2
Hamborner REIT	8.76	0.54	0.51	0.58	0.65	16.2	17.2	15.1	13.5
TLG Immobilien	16.80	0.97	1.03	1.12	1.18	17.3	16.3	15.0	14.2
Alstria Office REIT	11.74	0.60	0.61	0.80	0.83	19.6	19.2	14.7	14.1
Deutsche Office	4.42	0.27	0.29	0.36	0.36	16.4	15.2	12.3	12.3
Deutsche Wohnen	23.84	0.74	0.93	1.02	1.07	32.2	25.6	23.4	22.3
TAG Immobilien	9.96	0.59	0.69	0.72	0.77	16.9	14.4	13.8	12.9
LEG	66.52	3.04	3.62	4.13	4.43	21.9	18.4	16.1	15.0
Vonovia	29.65	1.19	1.25	1.48	1.74	24.9	23.7	20.0	17.0
Grand City	16.68	0.61	0.73	0.84	0.99	27.3	22.8	19.9	16.8
Average Residential						24.6	21.0	18.6	16.8
Average						19.6	16.7	15.9	13.8

Source: Bankhaus Lampe Research

Our "fair value" calculation is based on our NAV estimate for 2017 (€ 42.01). However, the expected dividend payouts reduce the future NAV. We therefore add our estimated dividend pay-outs for the period 2014-2017 (€ 4.20) to the expected NAV.

In terms of the 2017 NAV estimate, the current share price exhibits an implicit valuation reserve of 4.4%. The dividend-adjusted NAV for 2017 comes to € 46.21, which suggests dividend-adjusted "implicit valuation reserves" of 9.9%.

	Price or price target (in €) 09/09/2015	Price or price target/NAV 2017e	NAV or NAV adj. 2017e	Implicit valuation reserves 2017e
Deutsche EuroShop	39.38	0.94	42.01	4.4%
Dt. EuroShop NAV adj.	39.38	0.85	46.21	9.9%
Dt. EuroShop NAV adj.	43.15	0.93	46.21	4.5%

Source: BHL Research

**Implicit valuation reserves:**  
Fair value of € 43.15

Given the risk profile in particular of the large shopping centre asset class, the solid refinancing structure and the considerable growth potential, we consider a risk premium of about 4.5% to be adequate (implicit valuation reserves arising from the adjusted NAV based on current real estate assets). Applying this risk premium to our model, which is based on implicit valuation reserves, we arrive at a fair value of € 43.15.

#### ADJUSTING TO REFLECT LOW-INTEREST ENVIRONMENT

In view of the currently low interest rates, we have augmented our traditional valuation with a dividend component. The starting point for our deliberations was to determine a necessary dividend yield as solid dividend stocks are increasingly being considered as an alternative investment for investors more interested in security.

We calculate the "necessary" dividend yield by applying a discount of up to 225 basis points to our required basic yield of 4.5%. We use a scoring model to determine the size of the company-specific discount. Dividing the expected dividend for 2016 by the calculated specific "required" dividend yield leads us to our fair value.

Deutsche EuroShop offers an attractive portfolio including 16 larger shopping centres as well as solid balance sheet ratios. With a market capitalisation of more than € 2 bn, the company is listed on the MDAX. Germany's largest residential property company has a high free float. However, its (external) growth prospects are relatively weak, in our view, due to strong demand for larger shopping centres. Overall, we arrive at a score of 8.5, which is around 68% of the maximum achievable score (12.5 points).

## Scoring-Factors

Size/liquidity	2.00
Asset class/region	2.50
Liabilities	3.00
Growth	1.00
Total	8.50

Source: Bankhaus Lampe Research

Pure dividend view:  
Fair value of € 47.14

In our view, this means that the required dividend yield for Deutsche EuroShop is around 2.97% ( $4.5\% - 0.68 * 2.25\%$ ). Based on this method (2016 dividend estimate of € 1.40), we arrive at a price target of € 47.14 ( $€ 1.40 / 2.97\%$ ).

The company's pay-out ratio of close to 60% means that a comparable calculation based on 60% of the FFO results in a similar figure (€ 47.61).

**PRICE TARGET OF € 45.00**

We calculate our price target by taking the average of the dividend valuation component and the fair value from our valuation model, which is based on implicit valuation reserves. Based on a risk premium of 4.5% (implicit reserves as a percentage of the real-estate assets), we arrive at a value of € 43.15).

FairValue	Value €/share	Weighting	€/share
from dividend	47.14	25.0%	11.79
from 60% FFO	47.60	25.0%	11.90
Implied valuation reserves	43.15	50.0%	21.58
FairValue			45.26

Quelle: Bankhaus Lampe Research

Price target € 45.00 - BUY

We round this figure down to € 45.00 to arrive at our price target. We therefore see double-digit upside potential for this solid dividend stock. We upgrade Deutsche EuroShop to BUY.



# Key figures

## Deutsche EuroShop AG – Income statement

in m EUR	2013	2014	2015e	2016e	2017e
Sales	188	201	203	206	209
Cost of Sales	0	0	0	0	0
Gross profit	188	201	203	206	209
Sales and marketing	-8	-9	-8	-8	-9
General and administration	-9	-10	-10	-10	-10
Research and development	0	0	0	0	0
Other operating result	-4	-4	-7	-7	-7
EBITDA	166	178	178	180	183
Depreciation	0	0	0	0	0
EBITA	166	178	178	180	183
Amortisation of goodwill	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0
EBIT	166	178	178	180	183
Financial result	-34	-40	-49	-46	-44
Income on ordinary activities	132	138	128	134	140
Extraordinary income/loss	56	77	284	19	11
EBT	188	215	412	153	151
Taxes	-17	-37	-100	-38	-38
Net income from cont. operations	171	177	313	115	113
Net income from discount. operations	0	0	0	0	0
Minority interest	0	0	0	0	0
Net income (adj.)	171	177	313	115	113
No. of shares	54	54	54	54	54
EPS (in EUR)	3.17	3.29	5.80	2.13	2.10

Source: Company information, Bankhaus Lampe Research estimates

	2013	2014	2015e	2016e	2017e
Gross margin	-	-	-	-	-
EBITDA margin	88.2%	88.4%	87.6%	87.6%	87.7%
EBITA margin	88.2%	88.4%	87.6%	87.6%	87.7%
EBIT margin	88.2%	88.4%	87.6%	87.6%	87.7%
EBT margin	99.8%	106.9%	203.3%	74.2%	72.2%
Net profit margin	91.0%	88.4%	154.2%	55.9%	54.1%
Tax rate	8.8%	17.4%	24.2%	24.8%	25.1%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2013	2014	2015e	2016e	2017e
Sales	-11.0%	6.8%	1.0%	1.5%	1.6%
EBITDA	-8.4%	7.1%	0.1%	1.5%	1.6%
EBIT	-8.4%	7.1%	0.1%	0.1%	1.6%
EBT	80.2%	14.4%	92.1%	-62.9%	-1.3%
Net income (adj.)	39.0%	3.7%	76.3%	-63.2%	-1.7%
EPS	33.7%	3.7%	76.3%	-63.2%	-1.7%

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Balance sheet

Assets (in m EUR)	2013	2014	2015e	2016e	2017e
<b>Fixed assets</b>	<b>3,339</b>	<b>3,420</b>	<b>3,705</b>	<b>3,725</b>	<b>3,737</b>
Property, plant and equipment	2,963	3,061	3,345	3,363	3,374
Intangible assets	0	0	0	0	0
Financial assets	377	360	361	362	363
Other long-term assets	0	0	0	0	0
<b>Current assets</b>	<b>56</b>	<b>72</b>	<b>85</b>	<b>100</b>	<b>118</b>
Inventories	0	0	0	0	0
Accounts receivable	6	5	5	5	5
Other current assets	6	9	9	9	9
Securities	3	0	0	0	0
Cash	41	58	71	87	105
<b>Total assets</b>	<b>3,395</b>	<b>3,492</b>	<b>3,790</b>	<b>3,825</b>	<b>3,855</b>
Equity and liabilities (in m EUR)					
<b>Shareholders' equity</b>	<b>1,642</b>	<b>1,751</b>	<b>2,011</b>	<b>2,071</b>	<b>2,126</b>
Shareholders' equity (before minority)	1,429	1,524	1,767	1,809	1,847
Minorities	213	227	244	262	279
<b>Non-current liabilities</b>	<b>1,629</b>	<b>1,661</b>	<b>1,705</b>	<b>1,686</b>	<b>1,666</b>
Pension provisions	0	0	0	0	0
Other provisions	0	0	0	0	0
Long-term financial debt	1,390	1,375	1,325	1,275	1,225
Other long-term debt	240	286	380	411	441
<b>Current liabilities</b>	<b>123</b>	<b>80</b>	<b>74</b>	<b>69</b>	<b>63</b>
Short-term debt	97	55	50	44	39
Other accruals short-term	8	11	11	11	11
Accounts payable	3	1	1	1	1
Other liabilities	15	13	13	13	13
<b>Total equity and liabilities</b>	<b>3,395</b>	<b>3,492</b>	<b>3,790</b>	<b>3,825</b>	<b>3,855</b>

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Balance sheet structure

Assets	2013	2014	2015e	2016e	2017e
<b>Fixed assets</b>	<b>98.4%</b>	<b>97.9%</b>	<b>97.8%</b>	<b>97.4%</b>	<b>96.9%</b>
Property, plant and equipment	87.3%	87.6%	88.2%	87.9%	87.5%
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Current assets</b>	<b>1.6%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>3.1%</b>
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.2%	0.1%	0.1%	0.1%	0.1%
Cash	1.2%	1.7%	1.9%	2.3%	2.7%
Equity and liabilities					
<b>Shareholders' equity</b>	<b>48.4%</b>	<b>50.1%</b>	<b>53.1%</b>	<b>54.1%</b>	<b>55.1%</b>
<b>Non-current liabilities</b>	<b>48.0%</b>	<b>47.6%</b>	<b>45.0%</b>	<b>44.1%</b>	<b>43.2%</b>
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	40.9%	39.4%	35.0%	33.3%	31.8%
<b>Current liabilities</b>	<b>3.6%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.6%</b>
Short-term debt	2.9%	1.6%	1.3%	1.2%	1.0%
Accounts payable	0.1%	0.0%	0.0%	0.0%	0.0%

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Cash flow statement

in mEUR	2013	2014	2015e	2016e	2017e
Net income (adj.)	171	177	313	115	113
Depreciation	0	0	0	0	0
Amortisation of goodwill & intangible assets	0	0	0	0	0
Change of provisions	-29	2	0	0	0
Other	-66	-78	-267	-1	7
Operating Cash-flow before changes in w/c	76	102	46	114	120
Change in inventory	0	0	0	0	0
Change in accounts receivable	-1	1	0	0	0
Change in accounts payable	1	-2	0	0	0
Change in other working capital positions	3	-2	0	0	0
Operating Cash-flow	79	99	46	114	120
Capex, excluding maintenance	424	-21	0	0	0
Payments for acquisitions	0	0	0	0	0
Financial investments	-342	17	-1	-1	-1
Income from asset disposals	0	0	0	0	0
Income from financial investments	0	0	0	0	0
Cash-flow from investing activities	82	-4	-1	-1	-1
Free cash-flow	161	95	45	113	119
Capital measures	0	0	0	0	0
Increase/decrease in debt position	-170	-57	-56	-56	-56
Purchase of own shares	0	0	0	0	0
Other financing Cash-flow	8	47	94	31	30
Dividend paid	-65	-67	-70	-73	-76
Cash-flow from financing activities	-227	-77	-32	-97	-101
Increase/ decrease in liquid assets	-67	17	13	15	18
Effects of exchange rate changes	-47	0	0	0	0
Cash at beginning of period	154	41	58	71	87
Change in total cash and cash equivalents	-113	17	13	15	18
Cash at end of period	41	58	71	87	105

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Ratios

	2013	2014	2015e	2016e	2017e
<b>Per Share Data</b>					
EPS	3.17	3.29	5.80	2.13	2.10
Book value per share	30.44	32.46	37.28	38.38	39.41
Free Cash-flow per share	2.98	1.76	0.83	2.09	2.20
Dividend per share	1.25	1.30	1.35	1.40	1.45
<b>Valuation ratios</b>					
EV/Sales	17.9	17.7	18.1	17.6	17.0
EV/EBITDA	20.3	20.0	20.7	20.1	19.4
EV/EBIT	20.3	20.0	20.7	20.1	19.4
Price Earnings ratio (P/E)	10.0	11.0	6.8	18.5	18.8
Price to book (total equity)	1.0	1.1	1.1	1.0	1.0
Dividend yield	3.9%	3.6%	3.4%	3.6%	3.7%
<b>Profitability ratios</b>					
EBITDA margin	88.2%	88.4%	87.6%	87.6%	87.7%
EBIT margin	88.2%	88.4%	87.6%	87.6%	87.7%
Net return on sales	91.0%	88.4%	154.2%	55.9%	54.1%
Return on capital employed (ROCE)	5.3%	5.6%	5.2%	5.3%	5.4%
<b>Productivity ratios</b>					
Capital turnover	1,777.5%	1,705.1%	1,828.8%	1,811.1%	1,789.1%
Operating leverage	0.8	1.0	0.1	1.0	1.0
Sales per employee	31,331,167	33,464,167	33,798,456	34,308,297	34,844,607
EBIT per employee	27,627,333	29,584,333	29,615,673	30,067,502	30,546,641
Number of employees (in thousands)	0.0	0.0	0.0	0.0	0.0
<b>Financial ratios</b>					
Equity ratio	48.4%	50.1%	53.1%	54.1%	55.1%
Net financial debt (in m EUR)	1,443	1,372	1,304	1,233	1,159
Net debt / Equity	87.9%	78.3%	64.8%	59.5%	54.5%
Interest cover	> 10	> 10	> 10	> 10	> 10
Net debt / EBITDA	8.70	7.73	7.33	6.83	6.32
Working Capital (in m EUR)	2	3	3	3	3
Change Working Capital (in m EUR)	0	1	0	0	0
WC /sales	1.2%	1.7%	1.7%	1.7%	1.6%
Stocks in days of sales	0	0	0	0	0
Trade debtors in days of sales	11	8	8	8	8
Trade creditors in days of COGS/Material cost	7	2	2	2	2
Cash conversion cycle	4	6	6	6	6
Invest. (property/plant/equity) / Depreciation	-2118975.0%	105195.0%	100.0%	100.0%	100.0%
<b>Others</b>					
Sales CAGR (last 3 years)	9.2%	1.9%	-1.4%	3.1%	1.4%
EBIT CAGR (last 3 years)	10.2%	2.3%	-0.6%	2.9%	1.1%
Net income CAGR (last 3 years)	27.9%	23.9%	36.5%	-12.4%	-13.9%
Pay out ratio	39.4%	39.5%	23.3%	65.7%	69.2%
Free cash-flow (in m EUR)	161	95	45	113	119
Free cash flow yield	9.4%	4.9%	2.1%	5.3%	5.6%

Source: Company information, Bankhaus Lampe Research estimates

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Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (09/09/2015): 39.38 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
24/04/2015	45.85 EUR	Hold	47.00 EUR
03/02/2015	41.93 EUR	Hold	43.00 EUR
10/11/2014	35.13 EUR	Hold	37.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/07/2015)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
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Company	Disclosure
Deutsche EuroShop AG	---

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