



Deutsche EuroShop AG

Below expectations

13/11/2015

Buy
45.00 EUR

Close (12/11/2015) 41.13 EUR

Bloomberg: DEQ WKN: 748020

Sector Real Estate

Share price performance

52 week high 48.00

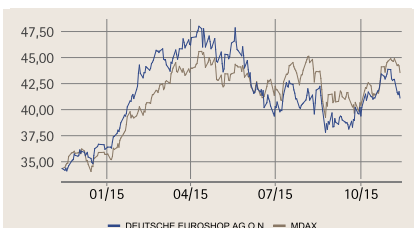
52 week low 34.13

Compared to MDAX

YTD -8.4%

1 month -5.0%

12 months -9.9%



Share data

Market Cap (m EUR) 2,219

No. of shares (m) 54

Free float 82.7%

Trading vol. Ø (m EUR) 4.7

Next event

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Analyst

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See end of document for disclaimer.

Deutsche EuroShop arrived at a lower-than-expected FFO for Q3 and also reduced its guidance for 2016 due to the very low inflation rate, as its rents are fully linked to the CPI trend. For 2015, the company expects still to arrive at the lower end of its guidance generally, but not for EBIT, where the guidance was reduced by € 2 m to € 175 - 178 m.

Deutsche EuroShop [€ m]	BHL				BHL			
	Q3 2015	Q3 2015e	Q3 2014	% yoy	9M 2015	9M 2015e	9M 2014	% yoy
Sales	50.4	50.6	50.2	0.4%	151.0	151.2	149.9	0.8%
EBIT	42.9	44.2	44.2	-3.0%	131.0	132.4	132.5	-1.1%
EBIT margin	85.0%	87.4%	88.0%	-3 PP	86.8%	87.6%	88.4%	-1.6 PP
FFO	29.2	30.6	29.8	-2.1%	90.6	91.9	88.7	2.1%
FFO margin	58.0%	60.5%	59.5%	-1.4 PP	60.0%	60.8%	59.2%	0.8 PP
Net income (after min.)	23.9	25.0	23.0	4.1%	73.6	74.7	69.3	6.1%
FFOpS [€]	0.54	0.57	0.55	-1.8%	1.68	1.70	1.64	2.4%

Source: Company information, Bankhaus Lampe Research

BELOW EXPECTATIONS

- Rental income for the quarter only fell marginally short of our expectations.
- However, property operating costs were higher than expected and thus EBIT, net profit and FFO were below our forecasts.
- Due to the very low inflation, the company reduced its guidance for 2016 as the old guidance was based on an inflation rate of 1%, while the CPI in Germany is now at a level of only 0.3%.
- Revenue expectations were cut by € 2 - 3 m to € 200 - 204 m.
- EBIT expectations for 2016 were reduced by € 3 - 4 m to € 175 - 179 m.
- The EBT (before valuation) guidance was lowered by € 3 m to € 127 - 130 m.
- The FFOpS guidance was cut by € 0.04 to € 2.26 - € 2.30.

DIVIDEND SHOULD NOT BE AFFECTED

- As our estimates are at the upper end of the old guidance, it is likely that we will have to reduce our estimates too.

However, we do not expect the company to change its dividend forecast as the impact is limited and there should still remain a huge gap to the FFOpS.

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%	3.3%	3.4%	3.5%
EV/EBITDA	20.3	20.0	21.2	20.6	20.0
P/NAV	1.0	1.1	1.0	1.0	1.0
P/FFO	15.3	16.2	18.0	17.3	16.6

Source: Company information, Bankhaus Lampe Research estimates

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Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (12/11/2015): 41.13 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
11/09/2015	39.33 EUR	Buy	45.00 EUR
24/04/2015	45.85 EUR	Hold	47.00 EUR
03/02/2015	41.93 EUR	Hold	43.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/10/2015)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	53.3%	37.5%
Hold	40.9%	62.5%
Sell	5,8%	0.0%
Under Review	0.0%	0.0%

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Company	Disclosure
Deutsche EuroShop AG	---

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