

OPPENHEIM COMPANY NEWS

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DEUTSCHE EUROSHOP⁵ DEQGN.DE Price: €0.89

Buy	The (indirect) play on improving consumption climate	Fair value: €1.00			
	Yr. end	2004	2005e	2006e	2007e
	Sales	61.4	71.3	84.6	86.7
	Net Profit	27.7	34.0	43.0	49.8
	adj. EPS	1.78	2.17	2.75	3.19
	PER	19.8	20.1	18.5	16.0
	EV/EBITDA	21.4	22.2	21.6	22.1
	EBIT margin %	82.5	80.6	82.2	80.8
	Yield %	5.5	4.6	3.9	3.9
Under review	Market Cap.: €0.87bn	Free Float: 79.0%	EPS CAGR 03-2007: 27.2%		

Investment case: Deutsche Euroshop (DEQ) is the only German listed pure play retail company with a portfolio of high-quality shopping-centers. Due to the poor private consumption in Germany, the company has been undervalued compared to its European peers. Now expecting a stronger consumption of German households, we reiterate our **buy** rating and increase the fair value to €8.

Facts: DEQ owns and manages a portfolio of 16 malls, with a total volume of €1.2bn in the city centre or in the countryside with good transport connections. The company acts as a financial investor and asset manager; the operational centre management is done by ECE, the leading German private-owned shopping centre company. The letting quota is 99%, there is a sound tenant mix and the rental contracts have an average maturity of 10 years and are linked to the CPI. So there is no risk of decrease in rents (unless a tenant goes bankrupt) but DEQ participates via turnover-based rents if the tenants' businesses develop well. Additionally, DEQ offers an attractive tax-free dividend (2005: €2.00, dividend yield 3.9%) and can already be regarded as GREIT.

Assessment: DEQ was undervalued compared to its European peers because of the poor private consumption in Germany, which is now recovering: at the end of 2005, the index for the German consumption climate with 3.4 reached the highest value in the last four years and is expected to proceed. The assumption regarding the improving economic fundamentals in Germany is backed by the expected increase of the IFO business climate, where the retailers and wholesale sector also have positive expectations.

Valuation: The average premium to NAV of DEQ's European peers is 30%. Compared to a premium of 11 % to NAV2005e, the share price of DEQ offers upside potential. We support DEQ's strategy and clear focus to operate in a profitable niche with mid-size, high quality shopping centres.

Conclusion and performance trigger: We reiterate our buy rating and increase fair value from €1 to €8. Although the German property stocks have already performed well, we regard the DEQ-stock as very attractive.

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The ratings are based on the analysts' expectations for the stock's absolute change in stock price over a period of 6 to 12 months. The change in stock price results from the difference between the current share price and the analysts' performance expectations, which are generally based on a fair value calculation.

Along with the expected high change in value, the STRONG BUY and SELL ratings also reflect the high degree of security which the analyst has in the given fair value.

Rating: Potential for change in stock price % (Difference between share price and performance expectations)

STRONG BUY (> 20%); BUY (> 10%); NEUTRAL (0% to 10%); REDUCE (< 0%); SELL (< -10%)

Time horizon: The ratings are based on the expected change in value of a stock within a time scale of 6 to twelve months

Fair value: The calculation of a stock's fair value is generally based on the following models: 1) Discounted Free Cash Flow Model; 2) by a key comparable analysis

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