



Deutsche EuroShop

Buy (previous: Buy) Price target: € 68.00

Real Estate

Bullet Points

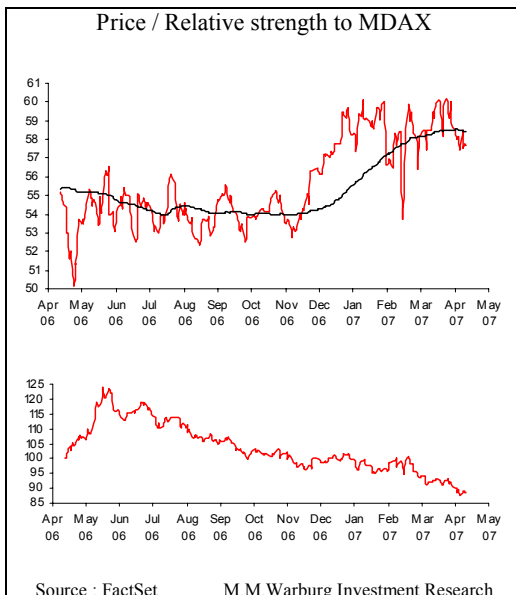
Reuters symbol: DEQn.DE
ISIN: DE0007480204

Price on 10 May 2007: € 57.65
High/Low 12 month: € 60.18/50.20

Capital	
Market capitalization	€ 990.9 m
Number of shares	17.2 m
Subscribed capital	€ 22.0 m

Ownership structure	
widely spread	ord 80.7%
Otto family	ord 19.3%

Upcoming events	
11 May 2007 :	Result Q1 2007
21 Jun 2007 :	AGM 2007
14 Aug 2007 :	Result Q2 2007
9 Nov 2007 :	Result Q3 2007



Unspectacular Q1 2007

- Rating remains a "buy", price target of € 68:** After an expected unspectacular Q1 2007 the management of Deutsche Euroshop (DES) has confirmed its targets for the full year (sales of € 92-94 m, EBIT: € 71-73 m and EBT of € 30-32 m - all excluding currency and valuation effects). We confirm our price target of € 68, based on a peer group comparison and a discounting model. With regard to the Price/NAV ratio important to real estate companies, DES at 1.15 currently lists at the average level of the peer group, but we believe 1.3 (upper end of the valuation range) is fundamentally justified in view of the clear corporate strategy and the expected continued rise of the NAV. Furthermore, the yield on the portfolio of Deutsche Euroshop is currently 5.4%, which is thus well above the market ratios. In view of the high demand for property investments initial yields of 4-4.5% are often accepted at present. Consequently, Deutsche Euroshop's portfolio is likely to still comprise a significant valuation reserve.
- Unspectacular Q1:** In the first quarter of 2007 DES's sales decreased by 1% to € 22.6 m (MMWe: € 22.6 m) due to deconsolidation effects (sale of the shopping centre in Italy and France). For the existing portfolio, however, sales increased by 2.8%, which is a very good development in our opinion. EBIT fell by 2% to € 18.7 m (MMWe € 18.6 m) for the same reason and due to continued high investment activity. At € 8.5 m (MMWe: 8.5 m) EBT sank by 47% below the level of Q1 2006, although a non-recurring valuation profit of € 8 m was entered in the previous year. Furthermore, the company incurred slightly higher financing costs due to further expansion of the portfolio. Net income also fell by 45% to € 6.3 m (MMWe: 6.4 m), EPS totalled € 0.37 (MMWe: € 0.37).
- Strong growth again in 2008:** DES plans to open three new shopping centres at the end of 2007 and in 2008 (Danzig, Hameln, Passau), which should generate significant sales and earnings growth. Even if there are few attractive investment opportunities at present, we are optimistic that Deutsche Euroshop will continue this positive performance in the coming years too.

in €	2006	2007e	2008e	2009e
EPS (current)	5.84	2.36	3.36	3.28
EPS (previous)	5.84	2.35	2.94	---
CFPS	1.40	1.02	1.42	1.86
Dividend	2.10	2.10	2.30	2.30

in € m	2006	2007e	2008e	2009e
Sales	92.9	92.7	111.8	120.8
EBITDA	86.3	72.3	88.9	98.4
EBIT	86.3	72.3	88.9	98.4
Net income	100.3	40.5	57.8	0.0
Cash flow	24.0	17.5	24.3	32.0
ROCE (EBIT/CE)	5.2%	4.1%	4.8%	5.0%

	2006	2007e	2008e	2009e
PER	9.3	24.5	17.1	17.6
PCFR	38.7	56.6	40.7	31.0
Div. Yield	3.9%	3.6%	4.0%	4.0%
EV/Sales	18.85	20.28	17.43	16.96
EV/EBITDA	20.3	26.0	21.9	20.8

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	2004	2005	2006	2007e	2008e	2009e	
Income statement (in € m)							
Sales	61.4	72.1	92.9	92.7	111.8	120.8	
Cost of goods	-11.4	-7.9	-10.4	-10.4	-12.4	-11.4	
Gross profit	50.0	64.3	82.4	82.3	99.4	109.4	
SG&A expenses	-4.3	-4.5	-5.8	-5.8	-6.5	-7.0	
R&D expenses	---	---	---	---	---	---	
Other oper. income/expenses	4.1	-2.3	9.7	-4.2	-4.0	-4.0	
EBITDA	49.8	57.5	86.3	72.3	88.9	98.4	
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	
EBIT	49.8	57.5	86.3	72.3	88.9	98.4	
Operating profit (company definition)	49.8	57.5	86.3	72.3	88.9	98.4	
Financial income	4.8	5.0	1.9	2.2	2.3	2.4	
Extraordinary income/expenses	8.0	49.9	72.3	23.0	33.5	24.5	
Pre-tax profit	42.1	68.1	117.7	54.0	77.1	75.3	
Income taxes	-10.8	-19.4	-17.4	-13.5	-19.3	-18.8	
(Tax rate in %)	25.8	28.5	14.8	25.0	25.0	25.0	
Net income	27.7	48.7	100.3	40.5	57.8	0.0	
EPS ord.	1.78	2.83	5.84	2.36	3.36	3.28	
Growth (in %)	CAGR (04/09)						
Sales	14.5 %	6.1	17.4	28.7	-0.2	20.6	8.0
EBITDA	14.6 %	22.7	15.6	50.2	-16.2	22.9	10.7
EBIT	14.6 %	22.7	15.6	50.2	-16.2	22.9	10.7
Net income	R- %	45.8	75.6	105.9	-59.6	42.8	---
Cost ratios (in % of sales)							
Cost of goods / sales	18.6	10.9	11.2	11.2	11.1	9.4	
SG&A / sales	7.0	6.2	6.2	6.2	5.8	5.8	
R&D / sales	---	---	---	---	---	---	
Cash flow (in € m)							
Gross cash flow	21.7	17.2	49.3	25.5	36.1	40.5	
Operating cash flow	21.6	19.9	49.1	25.8	36.3	40.5	
Cash flow from investing activities	-74.2	-70.5	-70.5	-70.5	-70.5	-69.5	
Free cash flow	-52.6	-50.6	-21.4	-44.7	-34.2	-29.0	
Cash earnings	13.6	-1.2	24.0	17.5	24.3	32.0	
Productivity (in € ts.)							
Sales / employee	12,284.2	14,424.2	18,570.8	18,534.0	22,359.2	24,155.2	
Personnel expense / employee	---	---	---	---	---	---	
EBIT / employee	9,951.6	11,499.4	17,268.2	14,467.8	17,781.0	19,683.6	
Returns (in %)							
EBITDA / sales	81.0	79.7	93.0	78.1	79.5	81.5	
EBIT / sales	81.0	79.7	93.0	78.1	79.5	81.5	
Pre-tax profit / sales	68.5	94.5	126.7	58.3	69.0	62.3	
Net income / sales	45.2	67.5	108.0	43.7	51.7	0.0	
Return on equity	4.1	6.7	12.6	5.0	6.9	0.0	
Return on total capital	2.0	3.2	5.6	2.3	3.1	0.0	
ROCE	4.5	4.7	5.2	4.1	4.8	5.0	
Balance sheet (in € m)							
Property, plant and equipment	1,101.6	1,210.2	1,623.8	1,716.8	1,850.3	1,974.8	
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	
Working capital	-1.7	-4.4	-4.2	-4.4	-4.6	-4.9	
Current assets	166.9	216.6	143.3	32.0	0.8	37.8	
Capital employed (CE)	1,114.6	1,223.1	1,663.7	1,758.7	1,861.7	1,985.9	
Equity	684.4	724.7	796.3	817.7	842.0	866.6	
Equity ratio in %	49.9	46.9	44.3	46.0	44.8	42.4	
Net financial debt (+), liquidity (-)	454.1	467.1	683.7	843.8	909.8	1,007.9	
Total net debt (+), liquidity (-)	435.9	467.1	683.7	836.8	901.8	999.9	
Gearing in %	66.4	64.5	85.9	103.2	108.1	116.3	
Price ord. on 10 May 2007: € 57.65							
Valuation							
EPS ord. (€)	1.78	2.83	5.84	2.36	3.36	3.28	
CFPS (€)	0.87	-0.07	1.40	1.02	1.42	1.86	
Number of shares ord., (m)	15.6	17.2	17.2	17.2	17.2	17.2	
P/E ord.	19.8	15.5	9.3	24.5	17.1	17.6	
P/CF	40.4	-605.6	38.7	56.6	40.7	31.0	
EV / Sales	17.63	18.09	18.85	20.28	17.43	16.96	
EV / EBITDA	21.8	22.7	20.3	26.0	21.9	20.8	
EV / EBIT	21.8	22.7	20.3	26.0	21.9	20.8	

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