



Deutsche EuroShop

Hold (previous: Buy) Price target: € 30.00

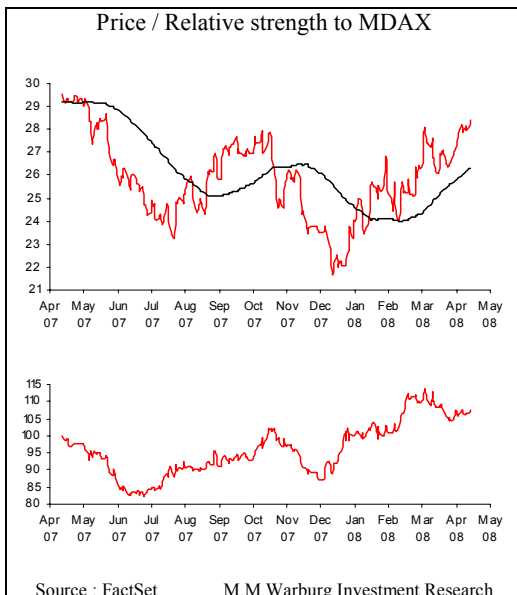
Real Estate

Bullet Points

Bloomberg Code: DEQ GY Equity
ISIN: DE0007480204

Price on 13 May 2008: € 28.40
High/Low 12 month: € 29.49/21.67

Capital	Ownership structure	Upcoming events
Market capitalization € 976.2 m	widely spread ord 80.7%	19 Jun 2008 : AGM
Number of shares 34.4 m	Otto family ord 19.3%	14 Aug 2008 : Result Q2 2008
Subscribed capital € 22.0 m		14 Nov 2008 : Result Q3 2008



in €	2007	2008e	2009e	2010e
EPS (current)	2.74	2.05	1.89	1.90
EPS (previous)	2.74	2.03	1.87	1.88
CFPS	0.79	1.29	1.51	1.52
Dividend	1.05	1.15	1.20	1.25

in € m	2007	2008e	2009e	2010e
Sales	95.8	112.1	121.0	127.4
EBITDA	77.2	90.9	101.1	103.8
EBIT	77.2	90.9	101.1	103.8
Net income	94.2	70.5	65.0	65.3
Cash flow	27.1	44.5	51.9	52.2
ROCE (EBIT/CE)	4.2%	4.6%	4.8%	4.7%

	2007	2008e	2009e	2010e
PER	10.0	13.8	15.0	15.0
PCFR	34.6	21.9	18.8	18.7
Div. Yield	3.9%	4.0%	4.2%	4.4%
EV/Sales	19.63	18.09	17.60	17.69
EV/EBITDA	24.4	22.3	21.1	21.7

We are downgrading the Stock to Hold

- Target price confirmed at €30, rating reduced to buy:** the stock of Deutschen Euroshop performed significantly better in past months than the Peergroup companies. While, for example, the EPRA is still in the middle of May 2008 at the level of the 2007 year-end, the stock of Deutschen Euroshop increased by 18% during this period. At the current level, the stock is trading with a slight premium at the NAV per share which we anticipated at the end of 2008 (MMWe: €27.90, 2007: €26.91). In view of the very stable business model and the qualitatively high-calibre portfolio, we consider Deutsche Euroshop to still be one of the most attractive real estate companies in Europe, which is also reflected in the company valuation. Notwithstanding, we are downgrading the stock from Buy to Hold because we believe it is improbable that investors are ready to pay a much higher premium to the NAV in the current environment.
- Q1 sales and earnings within expectations:** the figures presented for the 1st quarter 2008 were in line with expectations. At €26.9m, sales were 19% above the corresponding level of the previous year. At €3.8m, growth resulted from the first-time consolidation of new centres in Gdansk and Hameln and, at €0.5m, from rental increases (+2.2%). The solid organic increase confirms the quality of the portfolio in our opinion and increase the likelihood of further revaluation of real estate during the course of the year. As a result of the effects of first-time consolidation and lower costs, the EBIT rose by 20% to €22.5m. In view of the earnings before and after taxes, the DES recorded significant growth over Q1 2007 of 46% to €12.3m or 61% to €10.2m. The reasons for this disproportionate increase were a currency-induced valuation effect in the amount of €1.8m and a lower tax rate. With a shareholder equity ratio of 50.7%, the balance sheet is still very solid. The LTV is 46%.
- Outlook unchanged – significant growth in sales and earnings:** Management confirmed previous guidance for the current year: sales €110-113m, EBIT: €90-92m, EBT: €43-45m (excl. valuation result). Further growth is projected for 2009 (sales +8%, EBIT + 11%, EBT +14%). In addition, management appears confident that it can expand the portfolio by a further €150-200m in 2008. Other traditional late stage shopping centre investments are of particular relevance in this regard and perhaps 1-2 development projects.

RALF DIBBERN
Senior Analyst

Tel.: +49 (0) 40 / 3282 -2486
rdibbern@mmwarburg.com

	2005	2006	2007	2008e	2009e	2010e	
Income statement (in € m)							
Sales	72.1	92.9	95.8	112.1	121.0	127.4	
Cost of goods	-7.9	-10.4	-9.4	-11.2	-11.4	-11.9	
Gross profit	64.3	82.4	86.4	100.9	109.6	115.5	
SG&A expenses	-4.5	-5.8	-6.1	-6.8	-7.0	-7.3	
R&D expenses	---	---	---	---	---	---	
Other oper. income/expenses	-2.3	9.7	-3.2	-3.2	-1.5	-4.4	
EBITDA	57.5	86.3	77.2	90.9	101.1	103.8	
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	57.5	86.3	77.2	90.9	101.1	103.8	
Operating profit (company definition)	---	45.4	27.1	44.5	51.9	52.2	
Financial income	-39.3	-41.0	-50.1	-46.4	-49.2	-51.6	
Pre-tax profit	68.1	117.7	77.8	84.0	77.4	77.7	
Income taxes	-19.4	-17.4	16.3	-13.4	-12.4	-12.4	
(Tax rate in %)	28.5	14.8	-21.0	16.0	16.0	16.0	
Net income	48.7	100.3	94.2	70.5	65.0	65.3	
Net income after minorities	48.7	100.3	94.2	70.5	65.0	65.3	
EPS ord.	1.42	2.92	2.74	2.05	1.89	1.90	
Growth (in %)	CAGR (05/10)						
Sales	12.1 %	17.4	28.7	3.1	17.1	7.9	5.3
EBITDA	12.5 %	15.6	50.2	-10.6	17.8	11.2	2.7
EBIT	12.5 %	15.6	50.2	-10.6	17.8	11.2	2.7
Net income	6.0 %	75.6	105.9	-6.1	-25.1	-7.8	0.4
Cost ratios (in % of sales)							
Cost of goods / sales	10.9	11.2	9.8	10.0	9.4	9.3	
SG&A / sales	6.2	6.2	6.4	6.1	5.8	5.8	
R&D / sales	---	---	---	---	---	---	
Cash flow (in € m)							
Gross cash flow	---	45.4	27.1	44.5	51.9	52.2	
Operating cash flow	---	45.4	27.1	44.5	51.9	52.2	
Cash flow from investing activities	---	-70.5	-70.5	-100.0	-100.0	-100.0	
Free cash flow	---	-25.1	-43.4	-55.5	-48.1	-47.8	
Cash earnings	---	45.4	27.1	44.5	51.9	52.2	
Productivity (in € ts.)							
Sales / employee	14,424.2	18,570.8	19,152.4	22,418.2	24,192.6	25,480.4	
Personnel expense / employee	---	---	---	---	---	---	
EBIT / employee	11,499.4	17,268.2	15,434.2	18,178.3	20,215.3	20,757.8	
Returns (in %)							
EBITDA / sales	79.7	93.0	80.6	81.1	83.6	81.5	
EBIT / sales	79.7	93.0	80.6	81.1	83.6	81.5	
Pre-tax profit / sales	94.5	126.7	81.3	74.9	64.0	61.0	
Net income / sales	67.5	108.0	98.3	62.9	53.7	51.2	
Return on equity	6.7	12.6	10.9	7.9	7.1	6.9	
Return on total capital	3.2	5.6	4.8	3.4	3.0	2.9	
ROCE	4.7	5.2	4.2	4.6	4.8	4.7	
Balance sheet (in € m)							
Property, plant and equipment	1,210.2	1,623.8	1,806.4	1,945.9	2,071.4	2,196.9	
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	
Working capital	-4.4	-4.2	-5.5	-6.6	-8.5	-16.3	
Current assets	216.6	143.3	137.1	83.2	50.8	0.0	
Capital employed (CE)	1,223.1	1,663.7	1,825.8	1,964.3	2,087.9	2,205.6	
Equity	724.7	796.3	860.8	891.8	915.6	943.1	
Equity ratio in %	46.9	44.3	43.6	43.3	42.5	41.3	
Net financial debt (+), liquidity (-)	467.1	683.7	787.0	894.4	993.1	1,083.0	
Total net debt (+), liquidity (-)	467.1	683.7	787.0	894.4	993.1	1,083.0	
Gearing in %	64.5	85.9	91.4	100.3	108.5	114.8	
Price ord. on 13 May 2008: € 28.40							
Valuation							
EPS ord. (€)	1.42	2.92	2.74	2.05	1.89	1.90	
CFPS (€)	0.00	1.32	0.79	1.29	1.51	1.52	
Number of shares ord., (m)	34.4	34.4	34.4	34.4	34.4	34.4	
P/E ord.	15.5	9.3	10.0	13.8	15.0	15.0	
P/CF	high	20.5	34.6	21.9	18.8	18.7	
EV / Sales	---	18.85	19.63	18.09	17.60	17.69	
EV / EBITDA	---	20.3	24.4	22.3	21.1	21.7	
EV / EBIT	---	20.3	24.4	22.3	21.1	21.7	

Disclaimer: The legal disclaimer as well as updated disclosures according to Section 34b of the German Securities Trading Act and German FinAnV on the security/securities analysed in this report can be found on our internet pages at : <http://www.mmwarburg.com/research/disclaimer/disclaimer.htm>
The disclaimer and disclosures provided are considered a part of this report and should be taken into account when making investment decisions based on this report.

Copyright: This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.