

Deutsche Euroshop

Feedback from US-road show: It's time to buy (again)

Buy

Current €27.13

Target €29.00

Previous Unchanged

Current price equivalent

\$42.29

Market cap

€932.6m

\$1,454m

52-week high/low

€29.53/€21.67

Price perf.	1M	3M	12M
Price (€)	26.3	23.3	29.5
Absolute (%)	3.2	12.9	-7.9
Rel market (%)	-4.1	5.1	4.7
Rel sector (%)	11.5	34.5	6.5

EPS change	1M	3M	12M
EPS FY1 (%)	0.0	N/A	N/A
IBES EPS (%)	4.5	22.2	64.7
Sector EPS (%)	-2.5	9.5	30.0
Market EPS (%)	6.2	9.6	-4.3

Source: DKIB Research, Thomson IBES

Reuters **Bloomberg**
DEQn.DE DEQ GR
Equity

Detailed **estimates, valuations** and additional **research** can be accessed directly from the links below

[Deutsche Euroshop Property Germany](#)

Research Analysts

Kai Klose

+44 (0)20 7475 2436

kai.klose@dkib.com

- ▶ Target price combined DDM/ EVA/ peer group.

In current markets Deutsche Euroshop sees an increasing attention as value stock due to its highly predictable income stream and the tax-free dividend. Following the US-road show in the last week we had the impression that 2008 can be a year of much higher activity for Deutsche Euroshop which strengthens the business case further. We reiterate our buy-rating.

Deutsche Euroshop forecasts

Year	Sales EUR m	EBITDA EUR m	Net income EUR m	Funds from operations EUR m	Act EPS incl except EUR	EV/ EBITDA x	P/E x	Yield %	P/NAV x
Dec-2005A	72	58	49	0	2.83	16.6	9.6	7.4	0.6
Dec-2006A	93	87	100	48	5.84	13.3	4.6	7.7	0.6
Dec-2007E	96	75	66	31	1.92	23.0	14.1	3.9	1.1
Dec-2008E	112	89	60	26	1.75	21.3	15.5	4.0	1.0
Dec-2009E	122	98	92	37	2.67	20.9	10.1	4.0	1.0

Source: Company data, Dresdner Kleinwort Research estimates

- ▶ In 2007, the portfolio of DEQ has shown an average turnover / sqm of €4,700 p.a. what was a significant outperformance compared to the average turnover / sqm within the German retail markets of €3,270 p.a. This reflects the high acceptance of inner-city malls by the German consumers.
- ▶ The LTV comes out at only at 47% and more than 85% of the existing debt has a maturity of more than five years at an average interest rate of 5.4%. We have understood that 1/3 of the €75m which has to be prolonged in 2009 have already been pre-negotiated.
- ▶ We do not expect a write-down for DEQ's existing portfolio given the high quality and the solid tenant mix with an average duration of the rental contracts of more than 8 years. Due to the CPI-indexation of the rental contracts DEQ could even benefit on rising inflation rates.
- ▶ A moderate yield expansion is a buying opportunity for DEQ. The company was optimistic to close a transaction of €150-200m in this year financed by the existing equity and bank loans. We therewith regard the guidance with EBIT of €90-92m for 2008 and €100-102m for 2009 as rather conservative.

Online research:

www.dresdnerkleinwort.com/research

Bloomberg:

DKIB1<GO>

A member of Allianz 

Please refer to the Disclosure Appendix for all relevant disclosures and our disclaimer. In respect of any compendium report covering six or more companies, all relevant disclosures are available on our website www.dresdnerkleinwort.com/research/disclosures or by contacting the Dresdner Kleinwort Research Department at the address below.

Dresdner Kleinwort Securities Limited, authorised and regulated by the Financial Services Authority and a Member Firm of the London Stock Exchange. PO Box 52715, 30 Gresham Street, London EC2P 2XY. Telephone: +44 20 7623 8000 Telex: 916486. Registered in England No. 1767419. Registered Office: 30 Gresham Street, London EC2P 2XY. A Member of the Dresdner Bank Group.

Disclosure appendix

Disclosures under US regulations

Dresdner Kleinwort or an affiliate has received compensation from Deutsche Euroshop for non-investment banking securities services in the past 12 months. Dresdner Kleinwort or an affiliate has received compensation from Deutsche Euroshop for non securities services in the past 12 months. Dresdner Kleinwort or an affiliate has received compensation from Deutsche Euroshop for investment banking services in the past 12 months.

The relevant research analyst(s), as named on the front cover of this report, certify that (a) the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this report; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this report.

Any forecasts or price targets shown for companies and/or securities discussed in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Dresdner Kleinwort or by other sources relied upon in the report were inapposite.

Recommendation history charts

Past performance is not an indicator of future performance.



Dresdner Kleinwort Research - Recommendation definition

(Except as otherwise noted, expected performance over next 12 months)

Buy:	10% or greater increase in share price	Sell:	10% or more decrease in share price
Add:	5-10% increase in share price	Reduce:	5-10% decrease in share price
Hold:	+5%/-5% variation in share price		

Distribution of Dresdner Kleinwort equity recommendations as of 31 Mar 2008

	All covered companies		Companies where a Dresdner Kleinwort company has provided investment banking services (in the last 12 months)	
Buy/Add	422	64%	154	36%
Hold	157	24%	30	19%
Sell/Reduce	76	12%	12	16%
Total	655		196	

Source: Dresdner Kleinwort

Additional disclosures under other non-US regulations

Dresdner Kleinwort or an affiliate regularly holds trading positions in the shares of Deutsche Euroshop.

In respect of any compendium report covering six or more listed companies, please refer to the following website for all relevant disclosures: <http://www.dresdnerkleinwort.com/disclosures/>

Unless otherwise specified, any security prices mentioned in this report are the prices prevailing in the home market at the time the report was issued. Certain compiled publications refer to securities previously priced and

dated.

Disclaimer

This report has been prepared by Dresdner Kleinwort, by the specific legal entity named above.

United Kingdom: This report is a communication made, or approved for communication in the UK, by Dresdner Kleinwort Securities Limited (authorised and regulated by the Financial Services Authority and a Member Firm of the London Stock Exchange). It is directed exclusively to eligible counterparties and professional clients. It is not directed at retail clients and any investments or services to which the report may relate are not available to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this report. Dresdner Kleinwort Securities Limited does not deal for, or advise or otherwise offer any investment services to retail clients.

European Economic Area: Where this report has been produced by a legal entity outside of the EEA, the report has been re-issued by Dresdner Kleinwort Securities Limited for distribution into the EEA. Dresdner Kleinwort Research GmbH is regulated by the Federal Financial Supervisory Authority ('BaFin') by the laws of Germany.

United States: Where this report has been approved for distribution in the US, such distribution is by either: (i) Dresdner Kleinwort Securities LLC; or (ii) other Dresdner Kleinwort companies to US Institutional Investors and Major US Institutional Investors only ; or (iii) if the report relates to non-US exchange traded futures, Dresdner Kleinwort Limited. Dresdner Kleinwort Securities LLC, or in case (iii) Dresdner Kleinwort Limited, accepts responsibility for this report in the US. Any US persons wishing to effect a transaction through Dresdner Kleinwort (a) in any security mentioned in this report may only do so through Dresdner Kleinwort Securities LLC, telephone: (+1 212) 429 2000; or (b) in a non-US exchange traded future may only do so through Dresdner Kleinwort Securities LLC, telephone: (+ 11 44) 20 7623 8000; or (c) in a banking product may only do so through Dresdner Bank AG New York Branch, telephone (+1 212) 969 2700.

Singapore: This research report is being distributed for Dresdner Kleinwort in Singapore by Dresdner Bank AG, Singapore Branch, purely as a resource and for general informational purposes only, and is intended for general circulation. Accordingly, this research report does not take into account the specific investment objectives, financial situation, or needs of any particular person and is exempted from the same by Regulation 34 of the Financial Advisers Regulations ('FAR') (as required under Section 27 of the Financial Advisers Act (Cap. 110) of Singapore ('FAA')).

Hong Kong: This report is being distributed for Dresdner Kleinwort in Hong Kong by Dresdner Kleinwort Securities Limited. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue this report, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong, other than with respect to the securities referred to in this report which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' within the meaning of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made thereunder, and to persons whose ordinary business is to buy and sell shares or debentures.

Japan: Where this report is being distributed in Japan, such distribution is by either (i) Dresdner Kleinwort (Japan) Limited Tokyo Branch (registered and regulated by the Financial Services Agency and General Trading Participant of TSE, Regular Transaction Participant and Transaction Participant in Futures Transaction of OSE, Participant of JASDAQ) to Japanese investors excluding private customers or (ii) other Dresdner Kleinwort companies, to entities falling within the proviso of the Article 58-2 of the Financial Instruments and Exchange Law (the 'FIEL') and the Article 17-3 of the Enforcement Order for the FIEL. Any Japanese persons not falling within (ii) wishing to effect a transaction through Dresdner Kleinwort in any security mentioned in this report may only do so through Dresdner Kleinwort (Japan) Limited Tokyo Branch, telephone: (+ 813) 6230 6000.

Australia: Neither Dresdner Bank AG ('DBAG') nor Dresdner Kleinwort Securities Limited holds an Australian financial services licence. This report is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for DBAG under Class Order 04/1313 or for Dresdner Kleinwort Securities Limited under Class Order 03/1099. DBAG is regulated by BaFin under the laws of Germany and Dresdner Kleinwort Securities Limited is regulated by the Financial Services Authority under the laws of the United Kingdom, both of which differ from Australian laws.

This report contains general information only, does not take account of the specific circumstances of any recipient and should not be relied upon as authoritative or taken in substitution for the exercise of judgment by

any recipient. Each recipient should consider the appropriateness of any investment decision having regard to their own circumstances, the full range of information available and appropriate professional advice. The information and opinions in this report constitute judgment as at the date of this report, have been compiled or arrived at from sources believed to be reliable and in good faith (but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness) and are subject to change without notice. Dresdner Kleinwort may amend, supplement or update the contents of this report in such form and in such timescales as Dresdner Kleinwort deems appropriate. Recommendations and opinions herein reflect Dresdner Kleinwort's expectations over the 12 month period following publication from the perspective of long-only investment clients. Dresdner Kleinwort reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. This report does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, any securities, nor should it or any part of it form the basis of, or be relied on in any connection with, any contract or commitment whatsoever. Dresdner Kleinwort accepts no liability whatsoever for any loss or damage arising from any use of this report or its contents. Whilst Dresdner Kleinwort may provide hyperlinks to websites of entities mentioned in this report, the inclusion of a link does not imply that Dresdner Kleinwort endorses, recommends or approves any material on the linked page or accessible from it. Dresdner Kleinwort accepts no responsibility whatsoever for any such material, nor for any consequences of its use. This report is for the use of the addressees only, is supplied to you solely in your capacity as an investment professional or knowledgeable and experienced investor for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Dresdner Kleinwort. Dresdner Kleinwort may distribute reports such as this in hard copy, electronically or by Voiceblast. Dresdner Kleinwort and/or any of its clients may undertake or have undertaken transactions for their own account in the securities mentioned in this report or any related investments prior to your receipt of it. Dresdner Kleinwort specifically draws recipients attention to the disclosures contained in the Disclosure Appendix but notes that, excluding i) Dresdner Kleinwort Securities LLC and (ii) the research analyst(s) responsible for this report unless specifically addressed in the 'Disclosures under US regulations': (a) Dresdner Kleinwort and its directors, officers, representatives and employees may have positions in or options on the securities mentioned in this report or any related investments or may buy, sell or offer to buy or sell such securities or any related investments as principal or agent on the open market or otherwise; and (b) Dresdner Kleinwort may conduct, solicit and/or engage in other investment and/or commercial banking business (including without limitation loans, debt securities and/or derivative, currency and commodity transactions) with the issuers or relating to the securities mentioned in this report. Accordingly, information may be available to Dresdner Kleinwort, which is not reflected in this report or the disclosures. In this notice 'Dresdner Kleinwort' means Dresdner Bank AG and/or Dresdner Kleinwort Securities Limited and any of their affiliated or associated companies and their directors, officers, representatives or employees and/or any persons connected with them. **Additional information on the contents of this report is available at <http://www.dresdnerkleinwort.com/research> and on request.**

© Dresdner Kleinwort Securities Limited 2008