



Deutsche EuroShop

Buy (previous: Buy) Price target: € 28.00

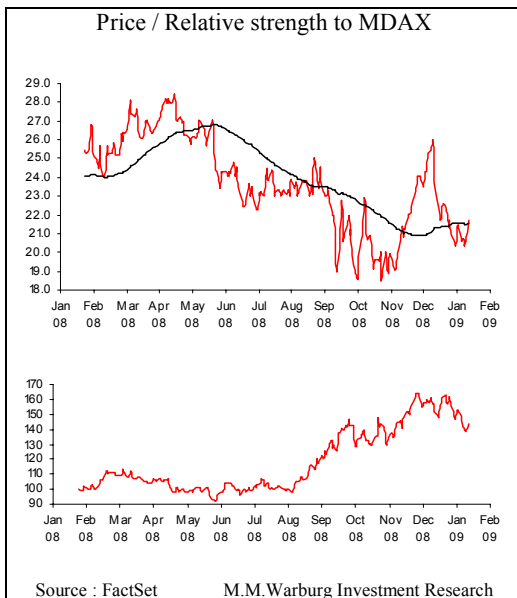
Real Estate

Bullet Points

Bloomberg Code: DEQ GY Equity
ISIN: DE0007480204

Price on 9 February 2009: € 21.71
High/Low 12 month: € 28.40/18.50

Capital	Ownership structure	Upcoming events
Market capitalization € 746.3 m	widely spread ord 80.7%	24 Apr 2009 : Result 2008
Number of shares 34.4 m	Otto family ord 19.3%	14 May 2009 : Result Q1 2009
Subscribed capital € 22.0 m		30 Jun 2009 : AGM
		13 Aug 2009 : Result Q2 2009
		12 Nov 2009 : Result Q3 2009



2009 guidance revised upwards

- Earnings 2008 better than expected:** The sales and earnings situation of Deutsche EuroShop continues to develop well and is so far unaffected by the prevailing economic and financial crisis. Sales in FY 2008 were up 20% to € 115.3 m (MMWe: € 114 m). This is due to first-time consolidation effects of new shopping centres (Danzig, Hameln, Passau), but also to a very sound like-for-like growth of 2%. EBIT grew disproportionately by 27% to € 98.2 m (MMWe: € 94.7 m). The operating EBT after financing costs amounts to around € 50 m. Valuation effects of € 36.7 m (MMWe: € 10.4 m) also had a positive impact. Earnings after taxes thus totalled € 68.7 m (MMWe: € 47.9 m), the NAV amounted to € 27.44 per share (2007: € 26.91).
- Guidance 2009 revised upwards:** Based on the very solid development in 2008 management was even able to raise the guidance for the present year. Sales are now expected to grow by around 10% to € 125-128 m (previously: € 119-121 m), EBIT are to grow by 8% to € 105-108 m (previously: € 100-102 m) and the operating EBT (ex valuation and currency effects) are expected to come in at a range of € 50-52 m. As the operating development of the shopping centre portfolio can be very well estimated (vacancy <1%), we adjusted our estimates accordingly. However, we are more cautious than before in terms of further valuation gains, which we believe to be much lower in the next few years than in the previous years (€ 6 m both in 2009e and 2010e). Devaluations certainly cannot be excluded for the individual centres, but in total we consider the valuation to be adequate.
- Share has upside potential:** The centres are presently valued with around 17.9x NOI (€ 106 m) or 14.9x annual rent (€ 120 m). Hence the rental returns are 5.9% and 6.7%, respectively. In view of the high quality of the property and the secure cash flows from the objects an overvaluation is thus improbable. Hence there is no reason from our point of view why the share should trade well below its NAV. Without a doubt, the sentiment of real-estate shares presently is immensely burdened by the banks' restrictive granting of loans. Against this backdrop, the very limited refinancing need of EuroShop must clearly be pointed out. According to the company, only € 76 m of the overall bank liabilities of € 875 m will have to be extended between 2009 and 2012. Moreover, slightly less than € 50 m are scheduled to be paid back from the current cash flow in this period until the end of 2012, thus further improving the very solid balance sheet ratios (equity rate: 49%, LTV: 47.4%).

in €	2007	2008e	2009e	2010e
EPS (current)	2.74	2.00	1.42	1.42
EPS (previous)	2.74	1.39	1.48	1.48
CFPS	0.79	1.46	1.50	1.50
Dividend	1.05	1.10	1.15	1.15

in € m	2007	2008e	2009e	2010e
Sales	95.8	115.3	125.3	129.7
EBITDA	77.2	98.2	105.4	106.0
EBIT	77.2	98.2	105.4	106.0
Net income	94.2	68.7	48.8	48.8
Cash flow	27.1	50.0	51.6	51.6
ROCE (EBIT/CE)	4.2%	5.3%	5.6%	5.5%

	2007	2008e	2009e	2010e
PER	10.0	11.9	15.3	15.3
PCFR	34.6	16.4	14.5	14.5
Div. Yield	3.9%	4.6%	5.3%	5.3%
EV/Sales	19.63	15.34	13.50	13.45
EV/EBITDA	24.4	18.0	16.1	16.5

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	2005	2006	2007	2008e	2009e	2010e	
Income statement (in € m)							
Sales	72.1	92.9	95.8	115.3	125.3	129.7	
Cost of goods	-7.9	-10.4	-9.4	-8.4	-11.8	-12.1	
Gross profit	64.3	82.4	86.4	106.9	113.6	117.6	
SG&A expenses	-4.5	-5.8	-6.1	-7.3	-7.3	-7.5	
R&D expenses	---	---	---	---	---	---	
Other oper. income/expenses	-2.3	9.7	-3.2	-1.4	-0.9	-4.1	
EBITDA	57.5	86.3	77.2	98.2	105.4	106.0	
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	98.2	105.4	106.0	
Operating profit (company definition)	---	45.4	27.1	50.0	51.6	51.6	
Financial income	-39.3	-41.0	-50.1	-48.2	-53.8	-54.4	
Pre-tax profit	68.1	117.7	77.8	86.7	58.1	58.1	
Income taxes	-19.4	-17.4	16.3	-18.0	-9.3	-9.3	
(Tax rate in %)	28.5	14.8	-21.0	20.8	16.0	16.0	
Net income	48.7	100.3	94.2	68.7	48.8	48.8	
Net income after minorities	48.7	100.3	94.2	68.7	48.8	48.8	
EPS ord.	1.42	2.92	2.74	2.00	1.42	1.42	
Growth (in %)		CAGR (05/10)					
Sales	12.5 %	17.4	28.7	3.1	20.4	8.7	3.5
EBITDA	13.0 %	15.6	50.2	-10.6	27.3	7.3	0.6
EBIT	13.0 %	15.6	50.2	-10.6	27.3	7.3	0.6
Net income	0.0 %	75.6	105.9	-6.1	-27.0	-29.0	0.0
Cost ratios (in % of sales)							
Cost of goods / sales	10.9	11.2	9.8	7.3	9.4	9.3	
SG&A / sales	6.2	6.2	6.4	6.3	5.8	5.8	
R&D / sales	---	---	---	---	---	---	
Cash flow (in € m)							
Gross cash flow	---	45.4	27.1	50.0	51.6	51.6	
Operating cash flow	---	45.4	27.1	50.0	51.6	51.6	
Cash flow from investing activities	---	-70.5	-70.5	-100.0	0.0	-75.0	
Free cash flow	---	-25.1	-43.4	-50.0	51.6	-23.4	
Cash earnings	---	45.4	27.1	50.0	51.6	51.6	
Productivity (in € ts.)							
Sales / employee	14,424.2	18,570.8	19,152.4	23,060.0	25,067.7	25,939.2	
Personnel expense / employee	---	---	---	---	---	---	
EBIT / employee	11,499.4	17,268.2	15,434.2	19,640.0	21,077.4	21,206.8	
Returns (in %)							
EBITDA / sales	79.7	93.0	80.6	85.2	84.1	81.8	
EBIT / sales	79.7	93.0	80.6	85.2	84.1	81.8	
Pre-tax profit / sales	94.5	126.7	81.3	75.2	46.4	44.8	
Net income / sales	67.5	108.0	98.3	59.6	38.9	37.6	
Return on equity	6.7	12.6	10.9	7.7	5.4	5.2	
Return on total capital	3.2	5.6	4.8	3.4	2.4	2.3	
ROCE	4.7	5.2	4.2	5.3	5.6	5.5	
Balance sheet (in € m)							
Property, plant and equipment	1,210.2	1,623.8	1,806.4	1,843.1	1,849.6	1,931.1	
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	135.9	148.0	0.0	
Capital employed (CE)	1,223.1	1,663.7	1,825.8	1,861.5	1,866.1	1,939.8	
Equity	724.7	796.3	860.8	891.7	901.0	930.2	
Equity ratio in %	46.9	44.3	43.6	44.3	44.4	43.8	
Net financial debt (+), liquidity (-)	467.1	683.7	787.0	791.7	785.8	830.1	
Total net debt (+), liquidity (-)	467.1	683.7	787.0	791.7	785.8	830.1	
Gearing in %	64.5	85.9	91.4	88.8	87.2	89.2	
Price ord. on 9 February 2009: € 21.71							
Valuation							
EPS ord. (€)	1.42	2.92	2.74	2.00	1.42	1.42	
CFPS (€)	0.00	1.32	0.79	1.46	1.50	1.50	
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	11.9	15.3	15.3	
P/CF	high	20.5	34.6	16.4	14.5	14.5	
EV / Sales	---	18.85	19.63	15.34	13.50	13.45	
EV / EBITDA	---	20.3	24.4	18.0	16.1	16.5	
EV / EBIT	---	20.3	24.4	18.0	16.1	16.5	

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