

Recommendation:
BUY Company Update

Risk:
Low (Low)

Fair Value:
EUR 27.30 (27.30)

11 February 2009

DES exceeds expectations

- Deutsche EuroShop (DES) released some preliminary figures for FY2008 yesterday. Revenues increased by 20% to €115m for 2008 compared to 2007 (like-for-like growth 2.0%). **Operating pre-tax profit (excluding valuation result) was up from €38.7m for 2007 to approx. €50m for 2008.** Valuation result declined from €39m for 2007 to approx. €36.7m for 2008. The German corporate tax reform led to a one-off tax credit of €29.7m by reduction of deferred tax provisions at DES in 2007. The overall tax income was therefore €16.3m for 2007 compared to tax expenses for 2008e. The net profit figures are therefore not really comparable. Net profit after minorities declined such from €94.2m for 2007 to €68.7m for 2008. DES said its **NAV per share increased from €26.91 for 2007 by 2.0% to €27.44 for 2008.**
- DES released clear forecasts regarding its operating business in 2008 and 2009. **DES exceeded all given targets and our forecasts for 2008 and increased its targets for current year after the release of good 2008 figures.** It guided revenues to rise by around 10% between €125m to €128m (old €119m to €121m). It guided pre-tax profit between €50m to €52m (old €49m to €51m) for 2009e. The forecasts of the company do not include changes of any properties, the revaluation result and exchange rate factors.
- DES share price performance suffered of course on the financial market turmoil. But it was much more stable compared to other German real estate companies. **DES is a pure real estate investor in shopping centers.** It is the only listed German real estate company with that business focus that we know. **The surpassed 2008 targets and the target increase for FY2009 in these difficult times supports our positive view on the company. We recommend therefore to BUY DES shares.** Our price target is €27.30 per share.

Key data

Y/E 31.12., EUR m	2006	2007	2008E	2009E	2010E
Total Revenues	181.2	147.7	161.7	169.3	176.1
EBITDA	161.1	129.5	139.8	145.8	152.9
EBIT	160.6	129.5	139.5	145.5	152.6
Net profit	100.3	94.2	68.7	71.3	75.1
EPS	2.92	2.74	2.00	2.08	2.19
DPS	1.05	1.05	1.10	1.10	1.20
EBITDA margin	88.9%	87.7%	86.5%	86.1%	86.8%
EBIT margin	88.6%	87.7%	86.3%	85.9%	86.7%
EV/EBITDA	10.3	12.3	11.2	10.9	10.7
EV/EBIT	10.3	12.3	11.3	11.0	10.7
P/E	7.6	8.1	11.3	10.7	10.1

Source: fairresearch, CBS Research AG, company data

Information sourced from fairresearch, Analyst Dieter Hein

Share price vs MDAX (1 year)



Source: Deutsche Börse, CBS Research AG, fairresearch

Internet: www.deutsche-euroshop.de
WKN: 748020
Reuters: DEQGN.F

Sector: Real Estate
ISIN: DE0007480204
Bloomberg: DEQ GY

Share data:

Share Price:	EUR 22.18
Shares outstanding (mill.):	34.37
Market capitalisation:	EUR 762m
Enterprise Value (EV):	EUR 1.57bn
Ø daily trading volume:	145,700

Performance data:

High 52 weeks:	29.1
Low 52 weeks:	7.3
Absolute performance: (12 months)	-7.3%
Relative performance (MDAX):	
1 month	1.5%
3 months	18.0%
6 months	48.5%
12 months	52.1%

Shareholders:

Free-float:	80.5%
Alexander Otto:	12.5%
Benjamin Otto:	7.0%

Financial calendar:

Next event: FY08 24 April 2009
www.deutsche-euroshop.de

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BUY: The expected performance of the share price is above +10%.

NEUTRAL: The expected performance of the share price trend is between +5% and +10%.

SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
7 November 2008	BUY	21.40 EUR	27.30 EUR
11 November 2008	BUY	20.95 EUR	27.30 EUR
11 February 2009	BUY	22.18 EUR	27.30 EUR

Risk-scaling System:

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