

Recommendation:
HOLD (HOLD)

Risk:
LOW (LOW)

Price Target:
EUR 26.00 (26.00)

8 January 2010

EuroShop on shopping tour

- Deutsche Euroshop (DES) announced yesterday that it wants to buy a shopping center for its portfolio. It acquires the A10 Center in Wildau near Berlin from the liquidator of the previous owner. **The total investment will be around €265m including a planned modernization and new development (A10 Triangle) by 2011.** DES said the investment is funded 43% by equity and 57% by banking liabilities. The A10 Center will be home to around 180 shops, offering approx. 66,000m² of retail floor space after opening of the A10 Triangle in spring 2011. The current rental income of A10 is around €14m pa and is expected to increase to €19.4m pa from 2012 onwards.
- DES released clear operating business targets for 2009 and 2010.** It guided revenues to rise by around 10% between €125m to €128m for 2009e and between €128m to €131m for 2010e. It guided pre-tax profit between €50m to €52m for 2009e and between €53m to €55m for 2010. The forecasts of the company do not include the A10 acquisition, changes of any properties, the revaluation result and exchange rate factors. DES wants to update its forecast at the presentation of FY2009 figures end of April. The measurement gains are included in our EPS forecasts. We increased our EPS forecasts after the A10 announcement from €1.64 to €1.73 for 2010e and from €1.78 to €1.97 for 2011e.
- The acquisition of the A10 Center is the first bigger investment of DES after three years of restrained investment. DES sees currently a widening window of investment opportunities in 2010. **We expect therefore a further capital increase of DES in 2010 to fund these opportunities.** The release of operating targets and the expected positive underlying business development in these difficult times supports our positive view on the company. However, we guess that the steady business development of DES could be currently a little bit boring for investors. **We recommend to HOLD DES shares.** Our price target is €26.0 per share.

Share price vs MDAX (1 year)



Source: Deutsche Börse, CBS Research AG, fairesearch

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

Sector: Real Estate
ISIN: DE0007480204
Bloomberg: DEQ GY

Share data:

Share price (last closing price):	EUR 24.00
Shares outstanding (mill.):	37.81
Market capitalisation:	EUR 907m
Enterprise Value (EV):	EUR 1.706bn
Ø daily trading volume:	86,300

Performance data:

High 52 weeks:	25.2
Low 52 weeks:	18.7
Absolute performance: (12 months)	-4.1%
Relative performance (vs. MDax):	
1 month	-6.1%
3 months	-17.6%
6 months	-29.0%
12 months	-29.3%

Shareholders:

Free-float:	81.5%
Alexander Otto:	12.1%
Benjamin Otto:	6.4%

Financial calendar:

Next event:	FY2009 30 April 2010 www.deutsche-euroshop.de
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Key data

Y/E 31.12., EUR m	2007	2008	2009E	2010E	2011E
Total Revenues	147.7	153.4	140.0	165.4	178.9
EBITDA	129.5	136.9	123.1	144.8	156.9
EBIT	129.5	136.9	122.8	144.5	156.6
Net profit	94.2	68.9	54.8	65.3	74.5
EPS	2.74	2.00	1.45	1.73	1.97
DPS	1.05	1.05	1.05	1.10	1.15
EBITDA margin	87.7%	89.2%	87.9%	87.5%	87.7%
EBIT margin	87.7%	89.2%	87.8%	87.4%	87.5%
EV/EBITDA	12.3	12.4	13.9	11.9	11.0
EV/EBIT	12.3	12.4	13.9	11.9	11.0
P/E	8.8	12.0	16.6	13.9	12.2

Source: fairesearch, CBS Research AG, company dataSource:

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

HOLD: The expected performance of the share price is between 0% and +10%.

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
11 February 2009	BUY	22.18 EUR	27.30 EUR
8 May 2009	BUY	22.35 EUR	27.30 EUR
14 May 2009	BUY	21.50 EUR	27.30 EUR
10 August 2009	BUY	21.88 EUR	26.00 EUR
13 August 2009	HOLD	22.25 EUR	24.00 EUR

4 November 2009	HOLD	23.15 EUR	25.00 EUR
13 November 2009	HOLD	24.00 EUR	26.00 EUR
8 January 2010	HOLD	24.00 EUR	26.00 EUR

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