

Deutsche Euroshop

Real Estate

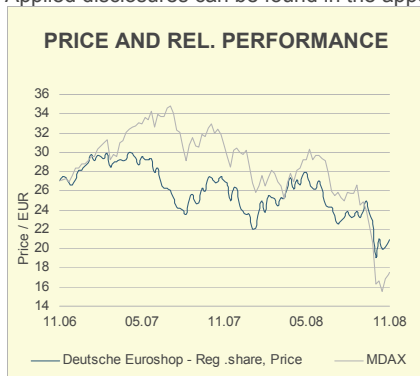
2008-11-11

Applied disclosures can be found in the appendix

Buy

Fair Value EUR30.00

Price EUR20.95 (Closing price as of 2008-11-10)



ALL IN LINE & LIFTING ITS FORECAST! GOOD!

ASSESSMENT

- DEQ released good Q3 figures, increased its FY 2008 targets and abandoned its objective to invest EUR150-200 million. The company's stated pre-tax and net figures were slightly below our expectations, as we had some EUR2 million revaluation gains, whereas the company booked a small loss of EUR0.016 million. This is a non-cash item that does not have any consequences for DEQ's business and financing in this magnitude.
- Management's revised 2008 targets are: revenue of EUR113 to EUR115 million (previously EUR110 to EUR113 million; 2007: EUR95.8 million), EBIT of EUR93 to EUR95 million (previously EUR90 to EUR92 million; 2007: EUR77.2 million) and EBT excluding measurement gains/losses of EUR45 to EUR47 million (previously EUR43 to EUR45 million; 2007: EUR37.7 million).
- On the basis of these numbers management will propose a dividend of EUR1.05, slightly above our estimate of EUR1.10, which we will cut accordingly.
- The company also reiterated its 2009 forecast: revenue of EUR119 to EUR121 million, EBIT of EUR100 to EUR102 million and EBT of EUR49 to EUR51 million excluding measurement gains/losses.
- DEQ has to refinance EUR2.8 million this year and EUR50 million in 2009. This should not be a problem, in particular as they have safeguarded a credit line of EUR100 million, which covers these needs. In 2010 and 2011 nothing has to be refinanced.

MARKET DATA

Reuters	DEQn.DE
Bloomberg	DEQ GR
Market cap EURbn	0,7
Free float %	81,0

KEY DATA

Yr.end 12/31	2007	2008e	2009e
NNAVPS	26,22	27,94	29,42
FFOPS	1,63	1,06	1,12
EPS	2,74	2,92	2,43
P/NNAV	1,0	0,7	0,7
FFO yield %	6,0	5,0	5,4
RONNAV %	4,4	3,9	3,9
FFOPS CAGR: 07-10 %			-11,3

NEXT EVENTS

Deutsche Euroshop (€m)	Q3 07	Q2 08	Q3 08
Total revenues	23,2	28,3	28,9
EBIT	17,8	23,5	23,5
Revaluation gain / losses	-0,4	2,6	0,0
EBT	7,4	14,0	11,6
Net income	31,0	11,4	9,7

VALUATION & CONCLUSION

We feel comfortable with DEQ being one of our top picks in the sector and reiterate our Buy rating and FV of EUR30 per share. With a vacancy rate of just 1%, and its rental contracts being sales- and CPI-linked, the company's defensive business model appeals very much to us in this environment. In particular, we like the fact that the company is focused and rather cautious before pursuing new projects, as management has demonstrated today. For the FY 2008 we expect a stated ROE of 11%, with any revaluation gains being pretty sustainable, as they are backed by solid underlying assets.

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Deutsche Euroshop - P&L					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Rental income	92,4	94,5	113,8	123,2	126,9
Revaluation of investment properties	72,3	50,8	85,6	60,0	65,0
Other income	16,4	1,3	2,2	2,4	2,6
Total income	181,2	146,5	201,6	185,6	194,5
Real estate operating expenses	16,2	15,4	21,4	22,0	22,5
Other operating expenses	6,3	4,2	4,4	4,6	4,9
Total operating expenses	22,5	19,6	25,8	26,6	27,4
EBITDA	158,6	126,9	175,8	159,0	167,1
EBITDA (excl. revaluation)	86,3	76,1	90,2	99,0	102,1
EBIT	158,6	126,9	175,8	159,0	167,1
Interest income	2,3	2,7	2,7	2,8	2,8
Interest expenses	38,9	40,2	43,8	46,9	49,2
Other financial income	-4,4	-12,6	-13,1	-13,6	-14,2
EBT	117,7	76,8	121,7	101,3	106,6
Taxes	17,4	-16,3	21,2	17,7	18,6
Adjusted net profit	100,3	93,1	100,5	83,6	87,9
Net profit	100,3	93,1	100,5	83,6	87,9
Net profit after minorities	100,3	93,1	100,5	83,6	87,9
Total operating income	108,9	95,8	116,0	125,6	129,5
Operating costs	22,5	19,6	25,8	26,6	27,4
Key ratios and figures					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Number of total shares	17,2	34,4	34,4	34,4	34,4
EPS (reported)	5,84	2,74	2,92	2,43	2,56
FFOPS	2,71	1,63	1,06	1,12	1,14
DPS	2,10	1,05	1,10	1,10	1,15
NNAVPS	48,64	26,22	27,94	29,42	30,69
Growth rates %					
Revenues	45,7	-19,1	37,6	-7,9	4,8
EBITDA	47,6	-20,0	38,6	-9,5	5,1
EBIT	47,6	-20,0	38,6	-9,5	5,1
EBT	72,7	-34,8	58,5	-16,7	5,2
Net profit after minorities	105,9	-7,2	7,9	-16,8	5,2
FFO	313,4	-39,7	-35,3	6,4	1,6
Margins and ratios %					
Cost/income ratio	-12,4	-13,4	-12,8	-14,3	-14,1
Property expens./gross rental inc.	-17,5	-16,3	-18,8	-17,8	-17,8
EBITDA/total income (excl. revaluation)	87,6	86,6	87,2	85,7	85,9
EBIT/total income (excl. revaluation)	87,6	86,6	87,2	85,7	85,9
EBT/total income	65,0	52,4	60,3	54,6	54,8
Net profit margin	55,4	63,6	49,8	45,0	45,2
RONNAV	5,8	4,4	3,9	3,9	3,8
Other ratios					
Interest cover	-2,2	-1,9	-2,1	-2,1	-2,1
Equity ratio %	44,3	43,6	40,2	40,0	40,3
LTV	53,8	54,0	58,3	57,7	57,0
Gearing %	86,0	91,4	113,6	117,0	115,3

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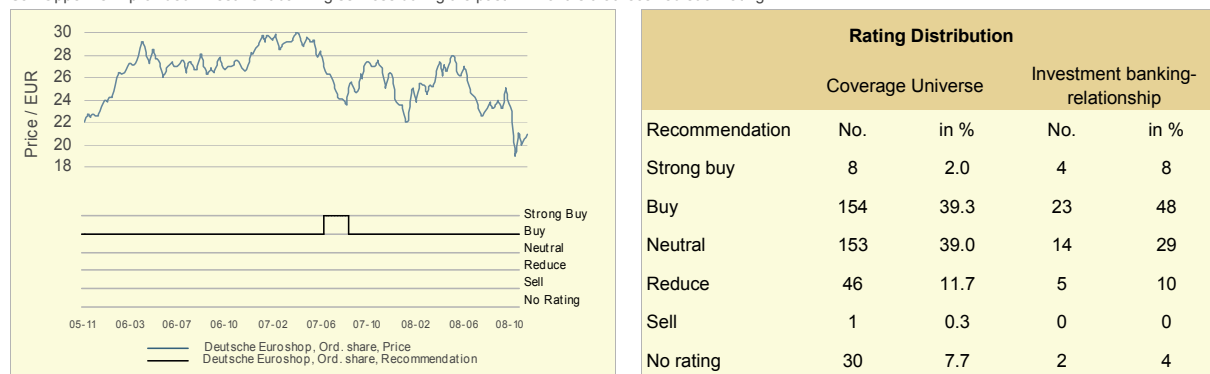
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