

Buy

Current €19.87

Target **€25.00**

Previous €27.00

Current price equivalent

\$26.97

Market cap

€683.0m

\$927.1m

52-week high/low

€28.40/€19.00

Price perf.	1M	3M	12M
Price (€)	24.0	22.9	27.1
Absolute (%)	-15.8	-13.1	-26.3
Rel market (%)	24.7	45.8	58.7
Rel sector (%)	9.3	28.5	59.6

Source: DKIB, Thomson IBES

DEQn.DE DEQ GR

Research Analysts

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Deutsche Euroshop

Expecting no acquisition in 2008 = no capital increase

We have lowered our earnings forecast for Deutsche Euroshop (DEQ) marginally as we expect that in particular fashion sales will decrease which amount to 49% of DEQ's tenants. However, we see DEQ well positioned given the high occupancy rate and we also expect shopping centers continue to outperform general retail sales in Germany. We do not expect a new acquisition for 2008 which we appreciate.

Deutsche Euroshop forecasts

Year	Sales EUR m	EBIT incl associates EUR m	EBIT margin %	Net income EUR m	Dil EPS incl except EUR	Funds from operations EUR m	P/E x	EV/ EBITDA x	Yield %	P/NAV x
Dec-2006A	93	161	172.9	100	5.84	48	3.4	11.8	5.3	0.4
Dec-2007A	96	129	135.2	94	2.74	52	7.3	19.0	5.3	0.8
Dec-2008E	113	129	114.0	58	1.68	28	11.8	18.8	5.5	0.8
Dec-2009E	121	125	103.5	50	1.46	32	13.6	18.3	5.5	0.8
Dec-2010E	124	125	101.1	47	1.38	30	14.4	19.0	5.5	0.8

Source: Company data, Dresdner Kleinwort Research estimates

- ▶ Though DEQ has been optimistic for an acquisition of a new mall in 2008 the company has recently been very reluctant. We have understood that DEQ has been involved in a number of bids but prices have not decreased yet and DEQ's hurdle rate is at an initial yield of 5.4-5.6%. We appreciate this decision as it does not dilute the quality of the portfolio. We now see further upside for the share price as markets have been very concerned regarding a capital increase coming soon after a new deal.
- ▶ We have lowered our forecasts marginally and expect now an average rental growth for DEQ's portfolio of 2.0% for 2008-2010. We have also lowered our forecasts for revaluation gains for 2009/2010 but do not see the risk of asset write-downs. As we do not see a significant expansion of the portfolio before 2010 we now expect a stable dividend from 2008-2010 of €1.10 per share. DEQ's financing situation remains sound with an expected increase of the LTV from 53% for 2008 to only 57% in 2010.
- ▶ Though the DEQ-share has been relatively stable with "only" -11% YTD we still regard the share as attractive in current markets: solid financing structure, only 1% of total financial debt need to be renewed in 2009, long-term rental contracts and only a small portion of turnover-based rents on an "upside-only" structure. With the release of the 9M-figures on 14 Nov we expect a confirmation of DEQ's guidance already for 2009. We reiterate our Buy-rating with €25 as new target price.

Online research:

www.dresdnerkleinwort.com/research

Bloomberg:

DKIB1<GO>

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- ▶ Our valuation is based on DDM, Return on NAV and EVA-valuation.

Disclosure appendix

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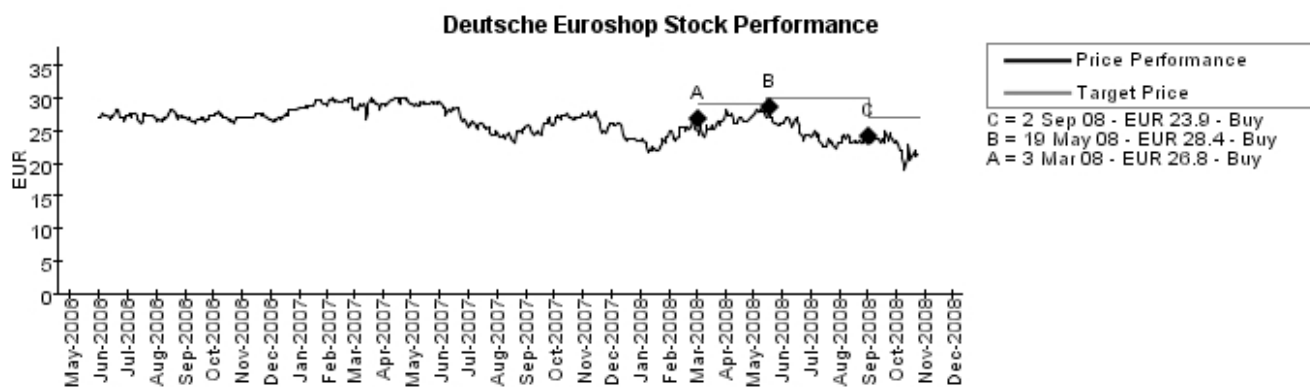
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Past performance is not an indicator of future performance.



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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		

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Hold	180	31%	17	9%
Sell/Reduce	73	12%	9	12%
Total	588		71	

Source: Dresdner Kleinwort

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