

Recommendation:
HOLD (HOLD) Company Update

Risk:
Low (LOW)

Price Target:
EUR 26.00 (25.00)

13 November 2009

Solid 3Q09 results

- 3Q09 results of Deutsche Euroshop (DES) were in line with our expectations. Our pre-tax profit figures are different to these DES released as DES excludes minority interests which is somewhat unusual. **Pre-tax profit of DES decreased by 13% to €11.1m for 3Q09 compared to the same period last year.** Some negative currency effects burdened as expected revaluation result by €3.9m from its Eastern European shopping centers compared to no negative effects in 3Q08. The underlying operating results for 3Q09 were in line with the forecast of DES for FY2009. Revenues rose by 9% to €31.5m for 3Q09 as the new shopping center in Passau did not contribute fully to revenues in 3Q08.
- 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 changes of any properties, the revaluation result and exchange rate factors. These measurement gains are included in our EPS forecasts. We reduced our expectations regarding the measurement gains in the coming years due to possible negative currency effects. We reduced our EPS forecasts from €1.57 to €1.45 for 2009e, from €1.73 to €1.64 for 2010e and from €1.86 to €1.78 for 2011e.
- 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 release of targets for 2009 and 2010 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.

Key data

Y/E 31.12., EUR m	2007	2008	2009E	2010E	2011E
Total Revenues	147.7	153.4	140.0	151.4	159.8
EBITDA	129.5	136.9	123.1	133.9	141.4
EBIT	129.5	136.9	122.8	133.6	141.1
Net profit	94.2	68.9	54.8	62.0	67.4
EPS	2.74	2.00	1.45	1.64	1.78
DPS	1.05	1.05	1.05	1.10	1.15
EBITDA margin	87.7%	89.2%	87.9%	88.4%	88.5%
EBIT margin	87.7%	89.2%	87.8%	88.2%	88.3%
EV/EBITDA	12.3	12.4	13.9	12.9	12.2
EV/EBIT	12.3	12.4	13.9	12.9	12.2
P/E	8.8	12.0	16.6	14.6	13.5

Source: [fairesearch](#), CBS Research AG, company dataSource:

Information sourced from [fairesearch](#), Analyst Dieter Hein

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:	EUR 24.00
Shares outstanding (mill.):	37.81
Market capitalisation:	EUR 907m
Enterprise Value (EV):	EUR 1.706bn
Ø daily trading volume:	79,100

Performance data:

High 52 weeks:	26.5
Low 52 weeks:	18.5
Absolute performance: (12 months)	25.0%
Relative performance (MDax):	
1 month	4.3%
3 months	-4.5%
6 months	-13.5%
12 months	-8.5%

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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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 analyzed 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
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

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling System. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected lower than the volatility of the benchmark

MEDIUM: The volatility is expected equal to the volatility of the benchmark

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