

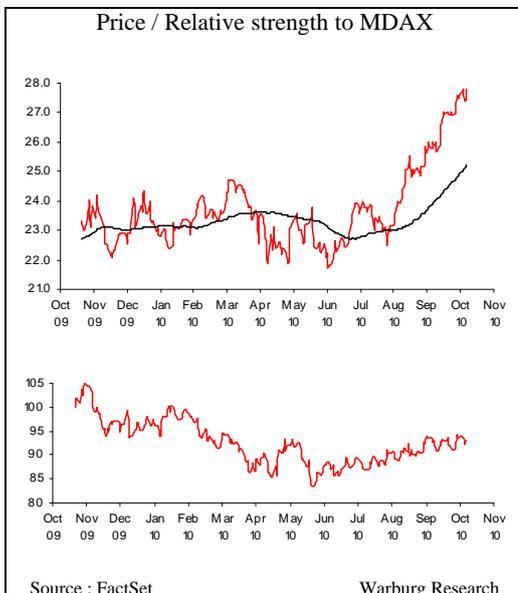
# Deutsche EuroShop

**Hold Price target: €27.00**
**Real Estate**
**Bullet Points**

 Bloomberg Code: DEQ  
 ISIN: DE0007480204

 Price on 5 November 2010: €27.79  
 High/Low 12 month: €27.79/21.72

Capital	Ownership structure	Upcoming events
Market capitalization €1,275.2 m	widely spread ord 82.0%	29 Apr 2011 : APC 2010
Number of shares 45.9 m	Otto family ord 18.0%	13 May 2011 : Q1-report
Subscribed capital €45.9 m		16 Jun 2011 : AGM
		11 Aug 2011 : Q2-report
		10 Nov 2011 : Q3-report



in €	12/2009	12/2010e	12/2011e	12/2012e
EPS (current)	0.93	1.17	1.28	1.38
EPS (previous)	0.93	1.20	1.32	1.45
CFPS	1.49	1.41	1.53	1.64
Dividend	1.05	1.10	1.10	1.10

in €m	12/2009	12/2010e	12/2011e	12/2012e
Sales	127.6	144.2	163.4	167.1
EBITDA	110.7	122.5	139.8	145.3
EBIT	110.7	122.5	139.8	145.3
Net income	34.4	52.3	66.1	71.2
Cash flow	55.0	63.4	78.7	84.8
ROCE (EBIT/CE)	5.5%	5.1%	5.5%	5.5%

	12/2009	12/2010e	12/2011e	12/2012e
PER	23.2	23.8	21.7	20.1
PCFR	14.4	19.7	18.2	16.9
Div. Yield	4.9%	4.0%	4.0%	4.0%
EV/Sales	15.64	18.54	18.15	18.16
EV/EBITDA	18.0	21.8	21.2	20.9

## Capital increase to finance portfolio growth

- Rights issue with estimated gross proceeds of €132m:** the proceeds from the capital increase will be used for the already completed acquisition of the Billstedt Center and in addition for possible further acquisitions which have not been specified yet. DEQ has several investment opportunities on its table and is already in talks with sellers. The Billstedt transaction with an investment volume of €160m will consume approx. €80m. The remaining war chest sums up to €400m which consists of €52m in equity, a credit line of ~€150m and a possible long-term financing volume of 50% of invested volume.
- Details of the capital increase:** 12.5% new shares will be issued with a subscription rights ratio of 8 to 1 and a subscription price of €23m. The subscription period starts on November 8 and ends on November 22. No trading of subscription rights is possible. The new shares will have full dividend entitlement for the fiscal year 2010. The KG Kura Vermögensverwaltung (controlled by Otto family) is obligated to acquire 20% of the new shares. All current shareholders interesting in buying more new shares than possible via their subscription rights have to make a binding offer for the shares that are not subscribed.
- Q3 figures fully in line with our estimates:** Revenues of 36.2m, EBIT of €30.7m and an EBT of €15.7m (before valuation effects) fully met our estimates. The negative valuation result of €0.7m results from the purchase of shares for the investment in Dresden, Kassel and Wuppertal and contains the differences under IFRS 3. The increase of the guidance for 2010 is not a surprise and was already anticipated in our estimates.
- NAV per share decreased slightly to €24.9 (9M: €25.16):** We have adjusted our our estimates for 2010. In the following years 2011 and 2012 we have now included the acquisition of the Billstedt Center (WR: rental income of €11m, EBT of €8-9m) in our EPS calculation. After the capital increase the NAV would stand at ~€24.90, so DEQ currently trades at a premium of ca. 10% to the NAV. In our view the good operating growth trend is already reflected in the valuation of DEQ. For this reason we are confirming our hold recommendation. We think the share is fairly valued with this premium and leave our price target (€27) unchanged.

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	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
<b>Income statement (in €m)</b>						
Sales	95.8	115.3	127.6	144.2	163.4	167.1
Cost of goods	-9.4	-6.0	-5.8	-8.1	-9.8	-9.9
Gross profit	86.4	109.4	121.7	136.1	153.6	157.3
SG&A expenses	-6.1	-7.2	-7.2	-8.6	-9.8	-8.3
R&D expenses	---	---	---	---	---	---
Other oper. income/expenses	-3.2	-4.1	-3.8	-5.0	-4.0	-3.6
EBITDA	77.2	98.1	110.7	122.5	139.8	145.3
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	77.2	98.1	110.7	122.5	139.8	145.3
Operating profit (company definition)	27.1	50.0	51.6	51.6	51.7	---
Financial income	-50.1	-48.2	-55.9	-59.1	-61.1	-60.5
Pre-tax profit	77.8	87.0	40.1	62.8	78.7	84.8
Income taxes	16.3	-18.1	-5.7	-10.4	-12.6	-13.6
(Tax rate in %)	-21.0	20.8	14.3	16.6	16.0	16.0
Net income	94.2	68.9	34.4	52.3	66.1	71.2
Net income after minorities	94.2	68.9	34.4	52.3	66.1	71.2
EPS ord.	2.74	1.96	0.93	1.17	1.28	1.38
<b>Growth (in %)</b>	<b>CAGR (07/12)</b>					
Sales	11.8 %	3.1	20.4	10.6	13.1	2.3
EBITDA	13.5 %	-10.6	27.1	12.8	10.7	3.9
EBIT	13.5 %	-10.6	27.1	12.8	10.7	3.9
Net income	---	-6.1	-26.9	-50.1	52.3	26.4
<b>Cost ratios (in % of sales)</b>						
Cost of goods / sales	9.8	5.2	4.6	5.6	6.0	5.9
SG&A / sales	6.4	6.2	5.6	5.9	6.0	5.0
R&D / sales	---	---	---	---	---	---
<b>Cash flow (in €m)</b>						
Gross cash flow	27.1	49.9	55.0	63.4	78.7	84.8
Operating cash flow	27.1	49.9	55.0	63.4	78.7	84.8
Cash flow from investing activities	-70.5	-100.0	-75.0	-75.0	-75.0	-75.0
Free cash flow	-43.4	-50.1	-20.0	-11.6	3.7	9.8
Cash earnings	27.1	49.9	55.0	63.4	78.7	84.8
<b>Productivity (in €ts.)</b>						
Sales / employee	19,152.4	23,068.6	25,512.6	28,846.2	32,678.4	33,428.1
Personnel expense / employee	---	---	---	---	---	---
EBIT / employee	15,434.2	19,621.0	22,141.4	24,509.2	27,966.6	29,064.8
<b>Returns (in %)</b>						
EBITDA / sales	80.6	85.1	86.8	85.0	85.6	86.9
EBIT / sales	80.6	85.1	86.8	85.0	85.6	86.9
Pre-tax profit / sales	81.3	75.4	31.4	43.5	48.2	50.7
Net income / sales	98.3	59.7	26.9	36.3	40.5	42.6
Return on equity	10.9	8.0	3.7	5.0	6.3	6.7
Return on total capital	4.8	3.4	1.6	2.1	2.6	2.7
ROCE	4.2	5.0	5.5	5.1	5.5	5.5
<b>Balance sheet (in €m)</b>						
Property, plant and equipment	1,658.2	1,897.8	1,991.0	2,355.3	2,497.5	2,572.5
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	19.5	8.2	9.0	14.9	15.3	15.8
Current assets	137.2	52.9	92.0	85.9	37.1	34.5
Capital employed (CE)	1,855.0	1,960.4	2,027.6	2,395.0	2,563.2	2,639.3
Equity	860.8	860.5	921.3	1,048.5	1,057.8	1,057.8
Equity ratio in %	43.6	42.9	43.6	42.5	40.9	39.7
Net financial debt (+), liquidity (-)	871.0	891.3	926.7	1,145.2	1,248.7	1,318.3
Total net debt (+), liquidity (-)	871.0	891.3	926.7	1,145.2	1,248.7	1,318.3
Gearing in %	101.2	103.6	100.6	109.2	118.0	124.6
<b>Price ord. on 5 November 2010: €27.79</b>						
<b>Valuation</b>						
EPS ord. (€)	2.74	1.96	0.93	1.17	1.28	1.38
CFPS (€)	0.79	1.42	1.49	1.41	1.53	1.64
Number of shares ord., (m)	34.4	35.1	36.8	44.9	51.6	51.6
P/E ord.	9.6	11.8	23.2	23.8	21.7	20.1
P/CF	33.5	16.2	14.4	19.7	18.2	16.9
EV / Sales	21.38	17.06	15.64	18.54	18.15	18.16
EV / EBITDA	26.5	20.1	18.0	21.8	21.2	20.9
EV / EBIT	26.5	20.1	18.0	21.8	21.2	20.9

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