Close Brothers Seydler Research AG

Recommendation: Price Target: Risk:

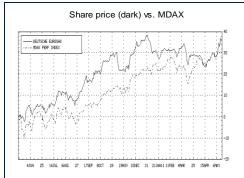
EUR 27.50 (27.00) HOLD (Hold) LOW (Low)

16 May 2011

Preliminary FY 2010 beats expectation

- Deutsche EuroShop AG (DES) recently released 1Q 2011 figures with sales amounting to EUR 44.4m (PY EUR 34.6m, +28.4%) and EBIT of EUR 38.6m (PY EUR 30.1m, +28.2%). The operating EBT (EBT without measurement result) was posted at EUR 19.5m (PY EUR 15.4m, +26.7%) and net profit reached EUR 16.0m (PY EUR 12.8m, +24.6%). This translates into an EPS of EUR 0.31 (PY EUR 0.28, +10.4%).
- The 28.4% rise in sales is mainly due to the consolidation of "Billstedt-Center" which was bought in January 2011 and "A10 Center". Additionally the increase in the stake in "Altmarkt-Galerie Dresden" as well as the full consolidation of "Phoenix-Center Hamburg" and "Main-Taunus-Zentrum (instead of pro rata) contributed to the higher sales figure. Rental income from the other properties rose by 1.3% y-o-y.
- In regard to the expansion of "Main-Taunus-Zentrum" the company comments that the rental income forecasts are noticeably above its expectations while investment costs remain unchanged as planned. The expansion is expected to be completed by November 2011.
- The management reiterates its FY 2011 forecast. DES expects revenues of EUR 184m-188m, EBIT of EUR 157m-161m and operating EBT of EUR 75m-78m.
- More acquisitions are planned. The company is screening several deal opportunities in Germany as well as other countries and has a war chest of up to EUR 300m.
- We worked on our model and expect DES to perform well over the next three years. Although our top-line forecast is more at the lower end of the range given by the management, our FY 2011E forecast for the operating EBT is slightly above the top-end of the range as we expect DES to keep tight cost control.
- The 1Q results came in without any surprises. Based on our revised model we reiterate our HOLD recommendation and lift our PT to EUR 27.50.

Key data							
FY 12/31, EUR m	2007	2008	2009	2010	2011E	2012E	2013E
Sales	95.8	115.3	127.6	144.2	185.5	203.8	208.7
EBIT	77.2	98.1	110.7	124.0	160.0	173.6	177.4
EBT ex revaluation	27.1	48.7	54.9	63.9	78.9	89.0	89.6
Net result	94.2	68.9	34.4	81.8	94.6	96.3	94.1
EPS	2.74	2.00	0.93	1.80	1.83	1.87	1.82
DPS	1.05	1.05	1.05	1.10	1.20	1.30	1.30
EBIT margin	94.8%	85.1%	86.8%	86.0%	86.3%	85.2%	85.0%
ROE	11.4%	8.0%	3.9%	5.2%	5.4%	5.4%	5.0%
ROA	4.1%	4.9%	5.4%	5.4%	5.5%	5.5%	5.4%
LTV	54.0%	47.4%	46.9%	47.8%	47.6%	47.6%	47.3%
Price / NAV	0.00	0.00	1.18	1.20	1.25	1.25	1.24
EV/EBIT	28.7	22.6	20.0	18.4	18.1	18.2	18.1
P/E	0.0	0.0	30.7	25.6	24.7	23.8	26.6



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	2011	2011E		E	2013E	
	new	old		old	new	old
Sales	185.5	173.9	203.8	-	208.7	-
EBIT	160.0	149.4	173.6	-	177.4	-
EPS	1.83	1.55	1.87	-	1.82	-

deutsche-euroshop.de Sector: Real Estate WKN: 748020 ISIN: DE0007480204 Reuters: DEQGn.DE Bloomberg: DEQ GY

Short company profile:

Deutsche EuroShop is Germany's only public company, that invests solely in shopping centers in prime locations. The Company has equity interests in European shopping centres, mainly in Germany and to a small extent in Austria, Hungary and Poland.

Snare data.	
Share price (EUR, latest closing price):	28.71
Shares outstanding (m):	45.9
Market capitalisation (EUR m):	1,317.4
Enterprise value (EUR m):	2,217.2
Ø daily trading volume (3 m., no. of shares):	110,112

Performance data:	
High 52 weeks (EUR):	29.00
Low 52 weeks (EUR):	21.24
Absolute performance (12 months):	28.8%
Relative performance vs. MDAX:	
1 month	5.0%
3 months	1.0%
6 months	-5.4%
12 months	-0.6%
Shareholders:	

Otto family	18.0%
Attfund	5.0%
Black Rock	3.0%
Free float	74.0%

Financial calendar:	
Annual general meeting	16 June 2011

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Profit and loss account

IFRS EURm	2008	2009	2010	2011E	2012E	2013E
Sales YoY growth	115.3 20.4%	127.6 10.6%	144.2 13.0%	185.5 28.6%	203.8 9.9%	208.7 2.4%
Property operating costs	-5.8	-5.8	-7.3	-8.6	-10.1	-10.6
Property management costs	-7.2	-7.2	-7.9	-10.1	-12.6	-13.2
Net operating income (NOI)	102.3	114.5	129.0	166.7	181.0	185.0
Other operating income	0.8	0.9	0.9	1.0	1.0	1.1
Gross income	103.1	115.5	129.9	167.7	182.0	186.1
Other operating expenses (corporate costs)	-5.0	-4.7	-5.9	-7.7	-8.5	-8.7
EBIT	98.1	110.7	124.0	160.0	173.6	177.4
in % of sales	85.1%	86.8%	86.0%	86.3%	85.2%	85.0%
Financial result	-49.4	-55.9	-60.2	-81.1	-84.5	-87.9
Measurement gains	38.3	-14.8	33.1	32.4	23.2	19.3
EBT	87.0	40.1	97.0	111.3	112.3	108.9
in % of sales	75.4%	31.4%	67.3%	60.0%	55.1%	52.2%
EBT excl. measurement gains	48.7	54.9	63.9	78.9	89.0	89.6
in % of sales	42.2%	43.0%	44.3%	42.6%	43.7%	42.9%
Taxes	-18.1	-5.7	-15.2	-16.7	-16.0	-14.8
as % of EBT	-20.8%	-14.2%	-15.6%	-15.0%	-14.2%	-13.6%
Net income attributable to shareholders	68.9	34.4	81.8	94.6	96.3	94.1
in % of gross income	66.8%	29.8%	63.0%	56.4%	52.9%	50.6%
Shares outstanding (in millions)	34.4	36.8	45.5	51.6	51.6	51.6
Earnings per share (EUR)	2.00	0.93	1.80	1.83	1.87	1.82
Dividend per share (EUR)	1.05	1.05	1.10	1.20	1.30	1.30

Source: CBS Research AG, Deutsche EuroShop AG

Balance Sheet

IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
Assets							
Noncurrent assets as % of total assets		1,954.0 97.4%	2,020.2 95.6%	2,729.3 92.1%	3,124.0 98.3%	3,253.4 98.8%	3,379.2 98.9%
Intangible assets		0.0	0.0	0.0	0.0	0.0	0.0
PP&E		21.2	0.0	0.0	0.0	0.0	0.0
Investment properties		1,897.8	1,991.0	2,700.7	3,095.2	3,224.6	3,350.4
Financial assets		30.3	24.8	23.9	24.0	24.0	24.0
Investments in equity-accounted associates		3.7	3.5	4.1	4.1	4.1	4.1
Other noncurrent assets		0.9	0.9	0.6	0.7	0.7	0.7
Current assets		52.9	91.9	234.2	53.2	41.0	36.8
as % of total assets		2.6%	4.4%	7.9%	1.7%	1.2%	1.1%
Accounts receivables		2.7	2.6	3.5	3.5	3.5	3.5
Receivables from other investees & investors	3	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets		6.7	5.9	165.0	8.3	8.3	8.3
Other financial investments		1.7	1.6	0.0	0.0	0.0	0.0
Cash and cash equivalents		41.7	81.9	65.8	41.4	29.2	25.0
Total Assets		2,006.8	2,112.1	2,963.6	3,177.2	3,294.4	3,416.1
Total equity and liabilities		860.5	921.3	1.249.7	1.287.5	1.321.8	1.348.7
		960.5	021.2	1 240 7	1 297 5	1 221 0	1 240 7
Total equity and liabilities Total equity as % of total equity and liabilities		860.5 42.9%	921.3 43.6%	1,249.7 42.2%	1,287.5 40.5%	1,321.8 40.1%	1,348.7 39.5%
Total equity				, -		, -	,
Total equity as % of total equity and liabilities		42.9%	43.6%	42.2%	40.5%	40.1%	39.5%
Total equity as % of total equity and liabilities Issued capital		42.9% 34.4	43.6% 37.8	42.2% 51.6	40.5% 51.6	40.1% 51.6	39.5% 51.6
Total equity as % of total equity and liabilities Issued capital Capital reserve		42.9% 34.4 546.2	43.6% 37.8 609.4	42.2% 51.6 890.1	40.5% 51.6 890.1	40.1% 51.6 890.1	39.5% 51.6 890.1
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings		42.9% 34.4 546.2 279.9	43.6% 37.8 609.4 274.1	42.2% 51.6 890.1 307.9	40.5% 51.6 890.1 345.7	40.1% 51.6 890.1 380.0	39.5% 51.6 890.1 407.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities		42.9% 34.4 546.2 279.9	43.6% 37.8 609.4 274.1 1,149.7	42.2% 51.6 890.1 307.9	40.5% 51.6 890.1 345.7 1,795.1	40.1% 51.6 890.1 380.0	39.5% 51.6 890.1 407.0 1,962.8
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5%	43.6% 37.8 609.4 274.1 1,149.7 54.4%	42.2% 51.6 890.1 307.9 1,627.8 54.9%	40.5% 51.6 890.1 345.7 1,795.1 56.5%	40.1% 51.6 890.1 380.0 1,872.9 56.9%	39.5% 51.6 890.1 407.0 1,962.8 57.5%
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities Current liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities as % of total equity and liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9 52.7 2.6%	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8 41.2 1.9%	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8 86.2 2.9%	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0 94.6 3.0%	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5 99.7 3.0%	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0 104.5 3.1%
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities as % of total equity and liabilities Financial liabilities as % of total equity and liabilities Financial liabilities		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9 52.7 2.6% 20.7	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8 41.2 1.9% 13.0	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8 86.2 2.9% 61.1	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0 94.6 3.0% 67.6	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5 99.7 3.0% 70.5	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0 104.5 3.1% 74.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities as % of total equity and liabilities Financial liabilities as % of total equity and liabilities Financial liabilities Trade accounts payables		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9 52.7 2.6% 20.7 3.0	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8 41.2 1.9% 13.0 1.1	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8 86.2 2.9% 61.1 6.1	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0 94.6 3.0% 67.6 6.5	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5 99.7 3.0% 70.5 6.8	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0 104.5 3.1% 74.0 7.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities as % of total equity and liabilities Financial liabilities Trade accounts payables Liabilities to other investees and investors		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9 52.7 2.6% 20.7 3.0 0.0	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8 41.2 1.9% 13.0 1.1 0.0	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8 86.2 2.9% 61.1 6.1 0.0	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0 94.6 3.0% 67.6 6.5 0.0	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5 99.7 3.0% 70.5 6.8 0.0	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0 104.5 3.1% 74.0 7.0 0.0
Total equity as % of total equity and liabilities Issued capital Capital reserve Retained earnings Noncurrent liabilities as % of total equity and liabilities Financial liabilities Deferred tax liabilities Right to redeem of limited partners Other liabilities as % of total equity and liabilities Financial liabilities Tinancial liabilities as % of total equity and liabilities Financial liabilities Trade accounts payables Liabilities to other investees and investors Tax provisions		42.9% 34.4 546.2 279.9 1,093.7 54.5% 879.1 82.3 117.3 14.9 52.7 2.6% 20.7 3.0 0.0 0.7	43.6% 37.8 609.4 274.1 1,149.7 54.4% 921.2 85.6 123.0 19.8 41.2 1.9% 13.0 1.1 0.0 2.0	42.2% 51.6 890.1 307.9 1,627.8 54.9% 1,227.1 101.1 277.8 21.8 86.2 2.9% 61.1 6.1 0.0 0.5	40.5% 51.6 890.1 345.7 1,795.1 56.5% 1,371.6 110.8 290.7 22.0 94.6 3.0% 67.6 6.5 0.0 0.5	40.1% 51.6 890.1 380.0 1,872.9 56.9% 1,429.0 117.7 302.7 23.5 99.7 3.0% 70.5 6.8 0.0 0.5	39.5% 51.6 890.1 407.0 1,962.8 57.5% 1,500.7 123.5 314.6 24.0 104.5 3.1% 74.0 7.0 0.0 0.5

Source: CBS Research AG, Deutsche EuroShop AG



Cash flow statement

IFRS EU	JRm	2008	2009	2010	2011E	2012E	2013E
Net income		68.9	34.4	81.8	94.6	96.3	94.1
Income fom the application of IFRS 3		-0.9	-6.0	-13.3	0.0	0.0	0.0
Profit/loss attributable to limited partners		17.9	8.9	10.9	12.9	11.9	11.9
Depreciation and amortisation		0.0	0.0	0.0	0.0	0.0	0.0
Changes in value of investment property (IAS 40)		-66.3	20.5	-31.4	-32.4	-23.2	-19.3
Profit/loss of equity accounted companies		0.0	0.2	0.6	0.6	0.6	0.6
Other non-cash items		17.5	-0.5	0.0	0.0	0.0	0.0
Reconciliation of cash flow from operating activities		0.0	0.0	8.6	0.0	0.0	0.0
Deferred taxes		18.0	5.7	14.9	9.7	7.0	5.8
Operating cash flow		55.1	63.2	72.1	85.5	92.6	93.1
Changes in receivables		17.9	1.4	-158.1	156.7	0.0	0.0
Changes in other financial investments		1.9	0.1	1.6	0.0	0.0	0.0
Changes in non-current tax provisions		0.0	0.0	0.0	0.0	0.0	0.0
Changes in current provisions		-6.7	2.8	-16.2	0.7	1.0	0.5
Changes in liabilities		11.6	-7.0	6.4	1.2	1.3	0.7
Cash flow from operating activities		79.8	60.5	-94.2	244.0	94.9	94.3
Payments to acquire PP&E and investment propertie	s	-87.3	-20.5	-78.0	-362.1	-106.2	-106.5
Proceeds from the sale of consolidated companies		0.0	0.0	0.0	0.0	0.0	0.0
Payments to acquire consolidated companies		0.0	-15.4	-210.0	0.0	0.0	0.0
Change in investments in non-current financial assets	5	-3.9	0.0	0.0	-0.2	0.0	0.0
Income from equity-accounted associates		0.0	0.0	0.1	-0.6	-0.6	-0.6
Cash flow from investing activities		-91.2	-35.9	-287.8	-362.9	-106.8	-107.1
Changes in interest-bearing financial liabilities		3.9	-7.2	166.2	151.3	61.7	75.7
Payments to group shareholders		-36.1	-36.1	-46.3	-56.8	-62.0	-67.1
Contributions of Group shareholders		0.0	66.5	253.7	0.0	0.0	0.0
Cash flow from financing activities		-39.1	15.5	363.9	94.5	-0.3	8.6
Payments to minority shareholders		-6.9	-7.7	-14.0	0.0	0.0	0.0
Cash flow from financing activities		-39.1	15.5	363.9	94.5	-0.3	8.6
Total change in cash and cash equivalents		-67.3	40.2	-16.1	-24.4	-12.2	-4.1
Cash and cash equivalents at the start of the period		109.0	41.7	81.9	65.8	41.4	29.2
Cash and cash equivalents at the end of the perio	d	41.7	81.9	65.8	41.4	29.2	25.0

Source: CBS Research AG, Deutsche EuroShop AG



Research

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Date	Recommendation	Price at change date	Price target
31 May 2010	HOLD	EUR 23.12	EUR 25.00
12 August 2010	HOLD	EUR 23.30	EUR 25.00
4 November 2010	HOLD	EUR 27.40	EUR 26.50
4 March 2011	HOLD	EUR 27.73	EUR 27.00
16 May 2011	HOLD	EUR 28.71	EUR 27.50



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