

Recommendation:  
**BUY** (Hold)

Risk:  
**Low** (Low)

Price Target:  
**EUR 27.50** (27.50)

12 August 2011

## 1H 2011 with solid figures

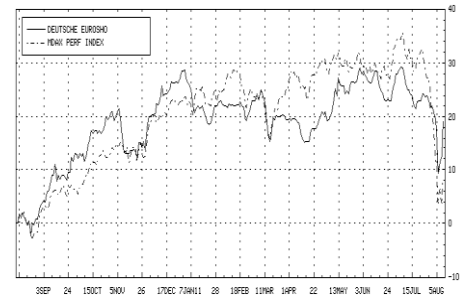
- Deutsche EuroShop AG (DES) yesterday released 1H 2011 figures with sales rising to EUR 91.1m (PY EUR 70.4m, +29.4%) and EBIT increasing to EUR 78.4m (PY EUR 60.8m, +28.8%). The operating EBT (EBT without measurement result) came in at EUR 39.6m (PY EUR 31.2m, +26.9%) and net profit was posted at EUR 32.3m (PY EUR 26.0m, +24.5%). This translates into an EPS of EUR 0.63 (PY EUR 0.60, +3.7%). The low increase in EPS in comparison to the earnings figures is due to the higher number of shares from the capital increases conducted last year.
- The 29.4% rise in sales is due to the consolidation of "Billstedt-Center" which was bought in January 2011 and "A10 Center", the increase in the stake in "Altmarkt-Galerie Dresden" and the full consolidation of "Phoenix-Center Hamburg" as well as "Main-Taunus-Zentrum (instead of pro rata). Additionally the newly constructed and expanded sections of "Altmarkt-Galerie" and "A10 Center" were opened at the beginning of 2Q 2011. Rental income from the other properties rose by 1.3% y-o-y.
- DES currently is in advanced discussions regarding the before-maturity refinancing of three loans with a total volume of approx. EUR 160m which should lead to lower interest costs. In 1H, already five loans with a total volume of EUR 212m have been prolonged with a 10-year fixed interest period for 4.49% vs. 5.39% previously.
- 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.
- DES continues to screen deal opportunities for acquisitions and has a war chest of EUR 300m. For the time being it seems that the next acquisition will be in Germany.
- The 1H results are fully in line with our expectations. In the course of the recent market turmoil the stock price has fallen. As the business of DES is rock-solid we lift our recommendation from HOLD to BUY with an unchanged PT of EUR 27.50 and maintain our estimates.

### 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%	7.5%	14.7%	7.4%	7.0%
ROA	4.1%	4.9%	5.4%	4.9%	10.1%	5.4%	5.3%
LTV	54.0%	47.4%	46.9%	45.1%	46.5%	46.5%	47.0%
Price / NAV	0.89	0.92	0.92	1.20	1.04	1.01	0.99
EV/EBIT	34.0	26.8	23.7	21.2	16.4	15.1	14.8
P/E	8.1	11.5	24.1	16.1	14.1	13.9	14.2

Source: Deutsche EuroShop AG, CBS Research AG

Share price (dark) vs. MDAX



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	-	185.5	-	203.8	-	208.7
EBIT	-	160.0	-	173.6	-	177.4
EPS	-	1.83	-	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.

### Share data:

Share price (EUR, latest closing price):	<b>25.84</b>
Shares outstanding (m):	51.6
Market capitalisation (EUR m):	1,334.1
Enterprise value (EUR m):	2,626.3
Ø daily trading volume (3 m., no. of shares):	129,876

### Performance data:

High 52 weeks (EUR):	29.18
Low 52 weeks (EUR):	22.05
Absolute performance (12 months):	14.6%
Relative performance vs. MDAX:	
1 month	14.9%
3 months	11.7%
6 months	11.0%
12 months	5.9%

### Shareholders:

Otto family	15.0%
Black Rock	3.3%
Dexia	3.0%
Free float	78.7%

### Financial calendar:

3Q 2011 figures	10 November 2011
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## Deutsche EuroShop AG

## Profit and loss account

	IFRS	EURm	2Q 2010	2Q 2011	change	% change	1H 2010	1H 2011	change	% change
<b>Sales</b>			<b>35.8</b>	<b>46.7</b>	<b>10.9</b>	<b>30.3%</b>	<b>70.4</b>	<b>91.1</b>	<b>20.7</b>	<b>29.4%</b>
Property operating costs			-1.8	-2.7	-0.9	-47.8%	-3.5	-4.4	-0.9	-25.4%
Property management costs			-2.0	-2.6	-0.6	-32.6%	-3.9	-5.2	-1.2	-31.7%
<b>Net operating income (NOI)</b>			<b>32.0</b>	<b>41.4</b>	<b>9.3</b>	<b>29.2%</b>	<b>63.0</b>	<b>81.5</b>	<b>18.5</b>	<b>29.5%</b>
Other operating income			0.1	0.1	-0.1	-47.6%	0.6	0.1	-0.5	-76.2%
<b>Gross income</b>			<b>32.1</b>	<b>41.4</b>	<b>9.3</b>	<b>28.9%</b>	<b>63.6</b>	<b>81.7</b>	<b>18.1</b>	<b>28.4%</b>
Other operating expenses (corporate costs)			-1.4	-1.7	-0.3	-19.4%	-2.7	-3.3	-0.6	-21.0%
<b>EBIT</b>			<b>30.7</b>	<b>39.7</b>	<b>9.0</b>	<b>29.3%</b>	<b>60.8</b>	<b>78.4</b>	<b>17.5</b>	<b>28.8%</b>
in % of sales			85.7%	85.0%			86.4%	86.0%		
Financial result			-14.9	-19.6	-4.7	-31.7%	-29.6	-38.8	-9.1	-30.8%
Measurement gains			0.0	-0.5	-0.5	n.m.	0.0	-0.9	-0.9	n.m.
<b>EBT</b>			<b>15.8</b>	<b>19.6</b>	<b>3.8</b>	<b>24.2%</b>	<b>31.2</b>	<b>38.7</b>	<b>7.5</b>	<b>24.1%</b>
in % of sales			44.1%	42.0%			44.3%	42.5%		
<b>EBT excl. measurement gains</b>			<b>15.8</b>	<b>20.1</b>	<b>4.3</b>	<b>27.1%</b>	<b>31.2</b>	<b>39.6</b>	<b>8.4</b>	<b>26.9%</b>
in % of sales			44.1%	43.0%			44.3%	43.5%		
Taxes			-2.6	-3.3	-0.6	-23.4%	-5.2	-6.4	-1.2	-22.4%
as % of EBT			-16.7%	-16.6%			-16.8%	-16.5%		
<b>Net income attributable to shareholders</b>			<b>13.2</b>	<b>16.4</b>	<b>3.2</b>	<b>24.3%</b>	<b>26.0</b>	<b>32.3</b>	<b>6.4</b>	<b>24.5%</b>
in % of sales			36.8%	35.1%			36.9%	35.5%		
Shares outstanding (in millions)			44.0	51.6	7.6	17.2%	43.0	51.6	8.6	20.0%
<b>Earnings per share (EUR)</b>			<b>0.29</b>	<b>0.32</b>	<b>0.03</b>	<b>9.3%</b>	<b>0.60</b>	<b>0.63</b>	<b>0.02</b>	<b>3.7%</b>

Source: CBS Research AG, Deutsche EuroShop AG

**Deutsche EuroShop AG**
**Profit and loss account**

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Sales</b>			<b>115.3</b>	<b>127.6</b>	<b>144.2</b>	<b>185.5</b>	<b>203.8</b>	<b>208.7</b>
YoY growth			20.4%	10.6%	13.0%	28.6%	9.9%	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
<b>Net operating income (NOI)</b>			<b>102.3</b>	<b>114.5</b>	<b>129.0</b>	<b>166.7</b>	<b>181.0</b>	<b>185.0</b>
Other operating income			0.8	0.9	0.9	1.0	1.0	1.1
<b>Gross income</b>			<b>103.1</b>	<b>115.5</b>	<b>129.9</b>	<b>167.7</b>	<b>182.0</b>	<b>186.1</b>
Other operating expenses (corporate costs)			-5.0	-4.7	-5.9	-7.7	-8.5	-8.7
<b>EBIT</b>			<b>98.1</b>	<b>110.7</b>	<b>124.0</b>	<b>160.0</b>	<b>173.6</b>	<b>177.4</b>
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
<b>EBT</b>			<b>87.0</b>	<b>40.1</b>	<b>97.0</b>	<b>111.3</b>	<b>112.3</b>	<b>108.9</b>
in % of sales			75.4%	31.4%	67.3%	60.0%	55.1%	52.2%
<b>EBT excl. measurement gains</b>			<b>48.7</b>	<b>54.9</b>	<b>63.9</b>	<b>78.9</b>	<b>89.0</b>	<b>89.6</b>
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%
<b>Net income attributable to shareholders</b>			<b>68.9</b>	<b>34.4</b>	<b>81.8</b>	<b>94.6</b>	<b>96.3</b>	<b>94.1</b>
in % of sales			59.7%	26.9%	56.7%	51.0%	47.2%	45.1%
Shares outstanding (in millions)			34.4	36.8	45.5	51.6	51.6	51.6
<b>Earnings per share (EUR)</b>			<b>2.00</b>	<b>0.93</b>	<b>1.80</b>	<b>1.83</b>	<b>1.87</b>	<b>1.82</b>
<b>Dividend per share (EUR)</b>			<b>1.05</b>	<b>1.05</b>	<b>1.10</b>	<b>1.20</b>	<b>1.30</b>	<b>1.30</b>

Source: CBS Research AG, Deutsche EuroShop AG

**Deutsche EuroShop AG**
**Balance Sheet**

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Assets</b>								
<b>Noncurrent assets</b>			<b>1,954.0</b>	<b>2,020.2</b>	<b>2,729.3</b>	<b>3,124.0</b>	<b>3,253.4</b>	<b>3,379.2</b>
as % of total assets			97.4%	95.6%	92.1%	98.3%	98.8%	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
<b>Current assets</b>			<b>52.9</b>	<b>91.9</b>	<b>234.2</b>	<b>53.2</b>	<b>41.0</b>	<b>36.8</b>
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			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
<b>Total Assets</b>			<b>2,006.8</b>	<b>2,112.1</b>	<b>2,963.6</b>	<b>3,177.2</b>	<b>3,294.4</b>	<b>3,416.1</b>
<b>Total equity and liabilities</b>								
<b>Total equity</b>			<b>860.5</b>	<b>921.3</b>	<b>1,249.7</b>	<b>1,287.5</b>	<b>1,321.8</b>	<b>1,348.7</b>
as % of total equity and liabilities			42.9%	43.6%	42.2%	40.5%	40.1%	39.5%
Issued capital			34.4	37.8	51.6	51.6	51.6	51.6
Capital reserve			546.2	609.4	890.1	890.1	890.1	890.1
Retained earnings			279.9	274.1	307.9	345.7	380.0	407.0
<b>Noncurrent liabilities</b>			<b>1,093.7</b>	<b>1,149.7</b>	<b>1,627.8</b>	<b>1,795.1</b>	<b>1,872.9</b>	<b>1,962.8</b>
as % of total equity and liabilities			54.5%	54.4%	54.9%	56.5%	56.9%	57.5%
Financial liabilities			879.1	921.2	1,227.1	1,371.6	1,429.0	1,500.7
Deferred tax liabilities			82.3	85.6	101.1	110.8	117.7	123.5
Right to redeem of limited partners			117.3	123.0	277.8	290.7	302.7	314.6
Other liabilities			14.9	19.8	21.8	22.0	23.5	24.0
<b>Current liabilities</b>			<b>52.7</b>	<b>41.2</b>	<b>86.2</b>	<b>94.6</b>	<b>99.7</b>	<b>104.5</b>
as % of total equity and liabilities			2.6%	1.9%	2.9%	3.0%	3.0%	3.1%
Financial liabilities			20.7	13.0	61.1	67.6	70.5	74.0
Trade accounts payables			3.0	1.1	6.1	6.5	6.8	7.0
Liabilities to other investees and investors			0.0	0.0	0.0	0.0	0.0	0.0
Tax provisions			0.7	2.0	0.5	0.5	0.5	0.5
Other provisions			18.2	19.7	7.3	8.0	9.0	9.5
Other liabilities			10.1	5.4	11.2	12.0	13.0	13.5
<b>Total equity and liabilities</b>			<b>2,006.8</b>	<b>2,112.1</b>	<b>2,963.6</b>	<b>3,177.2</b>	<b>3,294.4</b>	<b>3,416.1</b>

Source: CBS Research AG, Deutsche EuroShop AG

## Deutsche EuroShop AG

### Cash flow statement

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Net income</b>			68.9	34.4	81.8	94.6	96.3	94.1
Income from 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
<b>Operating cash flow</b>			<b>55.1</b>	<b>63.2</b>	<b>72.1</b>	<b>85.5</b>	<b>92.6</b>	<b>93.1</b>
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
<b>Cash flow from operating activities</b>			<b>79.8</b>	<b>60.5</b>	<b>-94.2</b>	<b>244.0</b>	<b>94.9</b>	<b>94.3</b>
Payments to acquire PP&E and investment properties			-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			-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
<b>Cash flow from investing activities</b>			<b>-91.2</b>	<b>-35.9</b>	<b>-287.8</b>	<b>-362.9</b>	<b>-106.8</b>	<b>-107.1</b>
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
<b>Cash flow from financing activities</b>			<b>-39.1</b>	<b>15.5</b>	<b>363.9</b>	<b>94.5</b>	<b>-0.3</b>	<b>8.6</b>
<b>Total change in cash and cash equivalents</b>			<b>-67.3</b>	<b>40.2</b>	<b>-16.1</b>	<b>-24.4</b>	<b>-12.2</b>	<b>-4.1</b>
Cash and cash equivalents at the start of the period			109.0	41.7	81.9	65.8	41.4	29.2
<b>Cash and cash equivalents at the end of the period</b>			<b>41.7</b>	<b>81.9</b>	<b>65.8</b>	<b>41.4</b>	<b>29.2</b>	<b>25.0</b>

Source: CBS Research AG, Deutsche EuroShop AG

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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
12 August 2011	BUY	EUR 25.84	EUR 27.50



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