

Deutsche EuroShop
Real Estate Summer

Market Update

6. September 2019



forum
WETZLAR



MAIN-TAUNUS
ZENTRUM

SHOW *and* ROOM

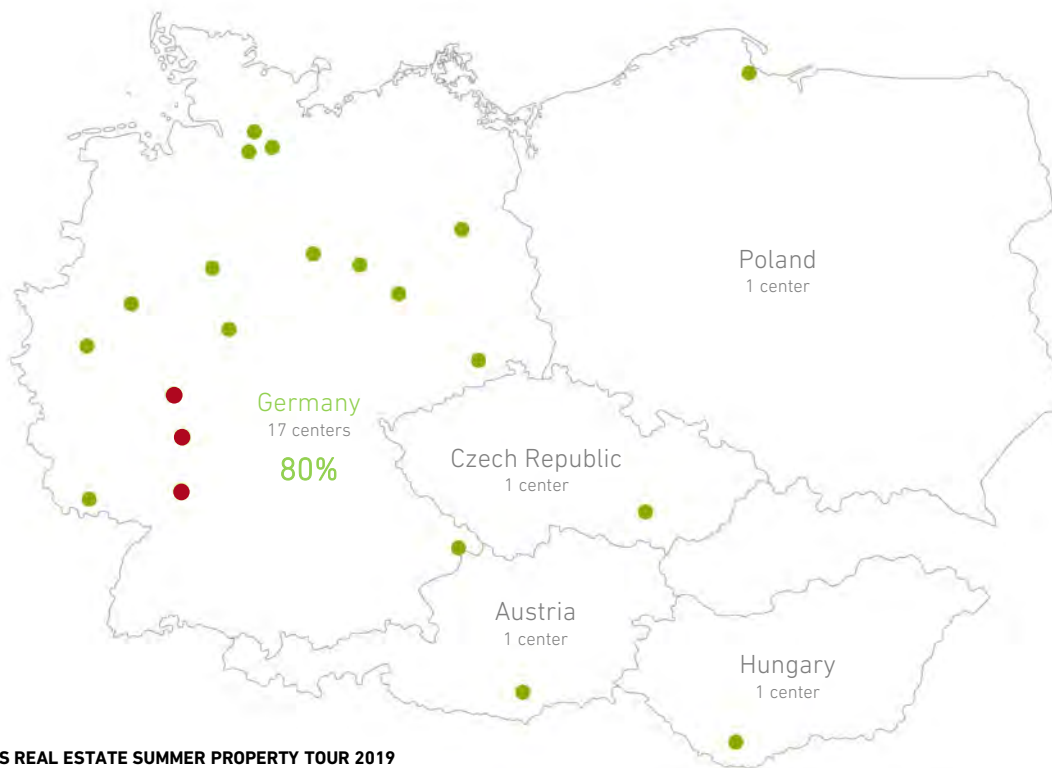
**RHEIN
NECKAR**
ZENTRUM



Agenda

- Deutsche EuroShop: Update
- Sentiment & Status
 - Capital & Retail Market
- Course of Action
 - Asset Management
 - Digitalization
 - Capital Management
 - Investment Management
- Conclusion & Targets

Portfolio Map



● DES REAL ESTATE SUMMER PROPERTY TOUR 2019

At a Glance



21 shopping centers on high street and in established locations – 17 in Germany and one each in Austria, Czech Republic, Hungary and Poland



2018 portfolio valuation: approx. 5.0% net initial yield (after transaction costs)



Professional center management by ECE, the European market leader in this industry

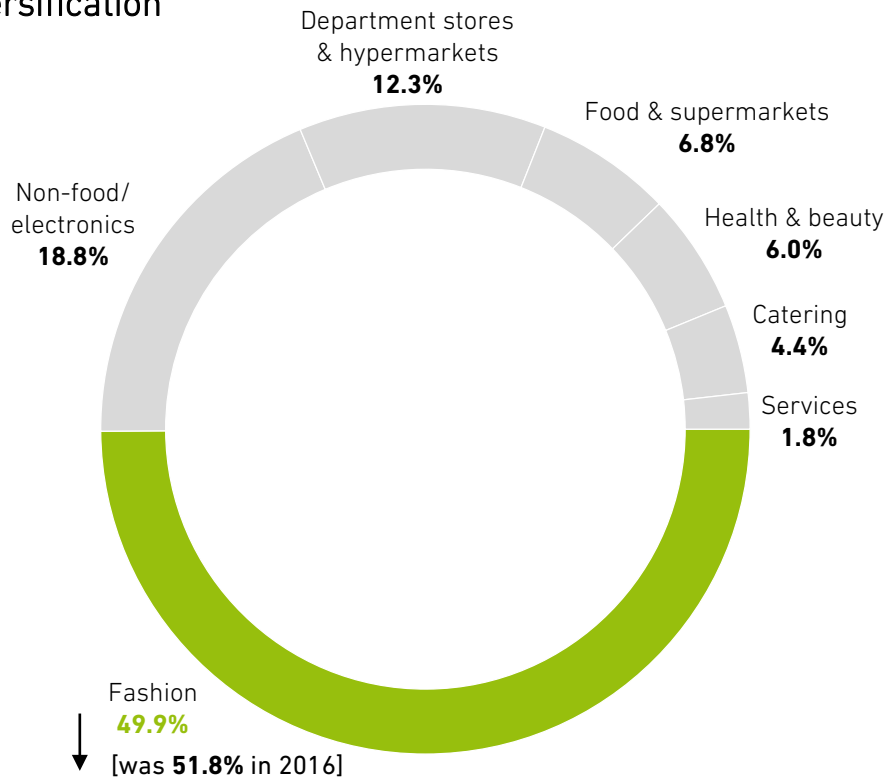
Lettable space ¹	c. 1,087,000 sqm
Retail shops ¹	c. 2,700
Market value ¹	€5.1 billion (DES-share €4.1 bn.)
Rents per year ¹	c. €300 million (DES-share c. €240 mn.)
Occupancy rate ^{1,2}	~ 99%

avg. GLA per DES-center:
 inner city 40,400 sqm
 est. locations 99,900 sqm

¹ 100%-view
² as % of market rent

Sector Mix¹

Balanced sector diversification

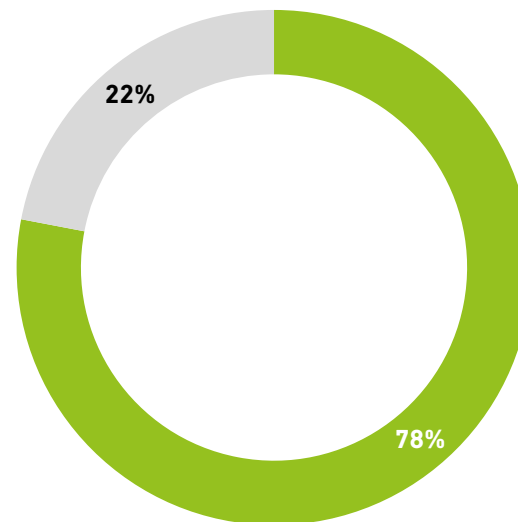


¹ as % of rental space as at 31 Dec. 2018

Tenant Structure: Top 10 Tenants¹

Low level of dependency

	2018	2017
H&M	3.5%	3.5%
Ceconomy	2.7%	2.7%
Deichmann	2.5%	2.5%
New Yorker	2.4%	2.3%
Peek & Cloppenburg	2.3%	2.3%
C&A	2.0%	2.0%
Rewe	1.8%	1.6%
Douglas	1.8%	1.8%
Metro (Real)	1.8%	1.7%
DM	1.4%	1.4%
Total	22.2%	21.8%



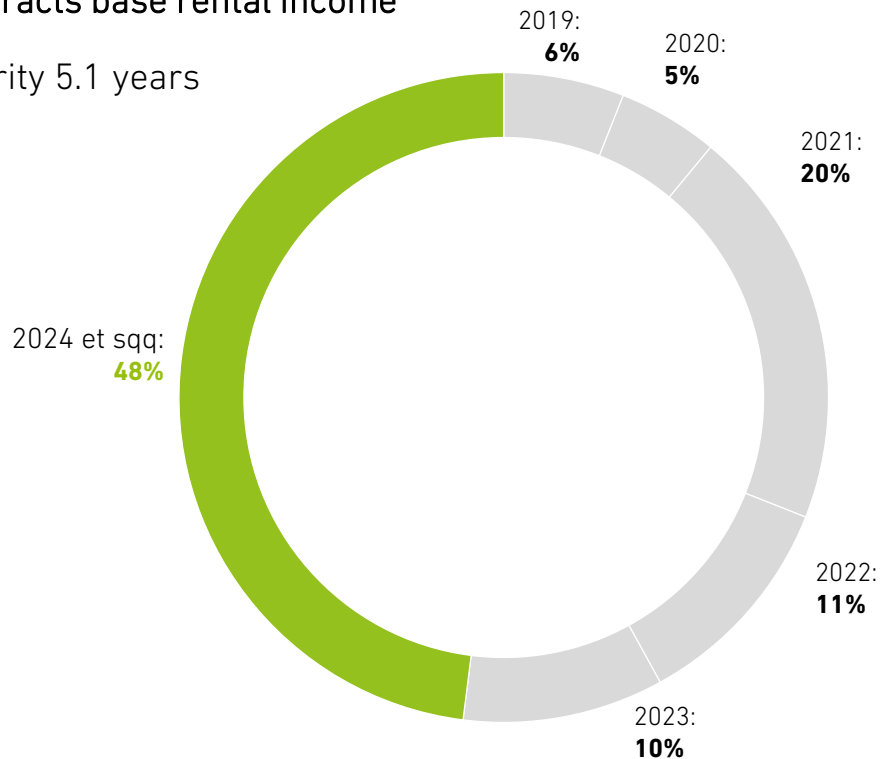
■ Top 10 tenants

¹ in % of total retail rents as at 31 Dec. 2018

Maturity Distribution of Rental Contracts¹

Long-term contracts base rental income

Weighted maturity 5.1 years



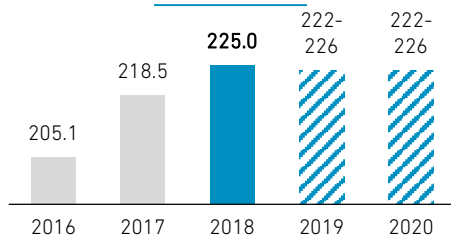
¹ as % of rental income as at 31 Dec. 2018

Forecast

REVENUE

in € million

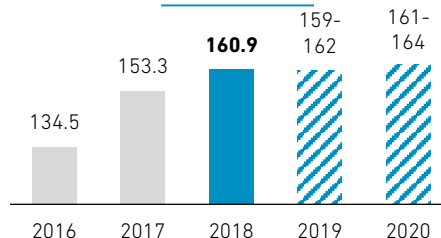
+2.2%¹ ↗



EBT (excl. valuation)

in € million

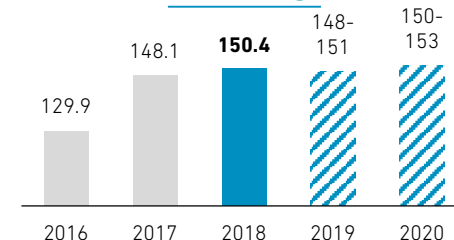
+4.8%¹ ↗



FFO

in € million

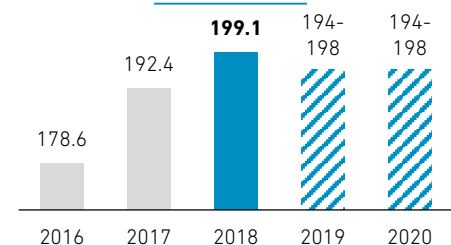
+3.9%¹ ↗



EBIT

in € million

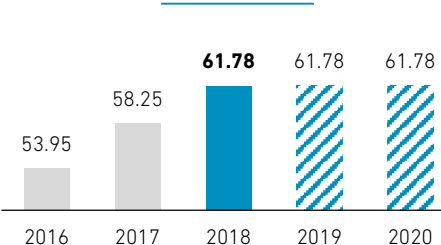
+2.4%¹ ↗



NUMBER OF SHARES

in millions

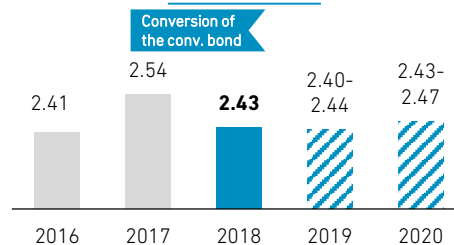
+3.4%¹ ↗



FFO PER SHARE

in €

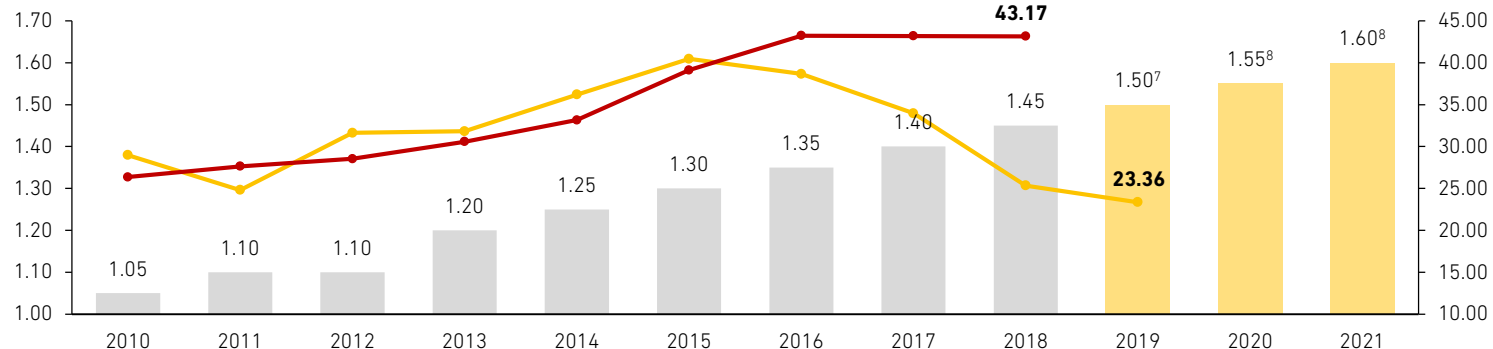
+0.4%¹ ↗



¹ Compound Annual Growth Rate (CAGR) 2016 – 2020

Dividend & Performance

DIVIDEND¹



PERFORMANCE²

		DES	DAX	EPRA ⁴	REX ⁵	OEF ⁶
1 year	(2018)	-21.8%	-18.3%	-8.3%	+1.5%	+3.2%
3 years	-29.4% =	-11.0% p.a.	-0.6% p.a.	-0.4% p.a.	+0.9% p.a.	+4.2% p.a.
5 years	-4.2% =	-0.9% p.a.	+2.0% p.a.	+8.4% p.a.	+2.1% p.a.	+3.8% p.a.
Since IPO (2001)	+172.2% =	+5.7% p.a.	+2.8% p.a.	+7.3% p.a.	+4.1% p.a.	+3.4% p.a.

¹ respectively paid for the previous FY

² as of 31 Dec. 2018

³ 2019: as of 14 August 2019

⁴ EPRA/NAREIT Europe

⁵ German government bonds index

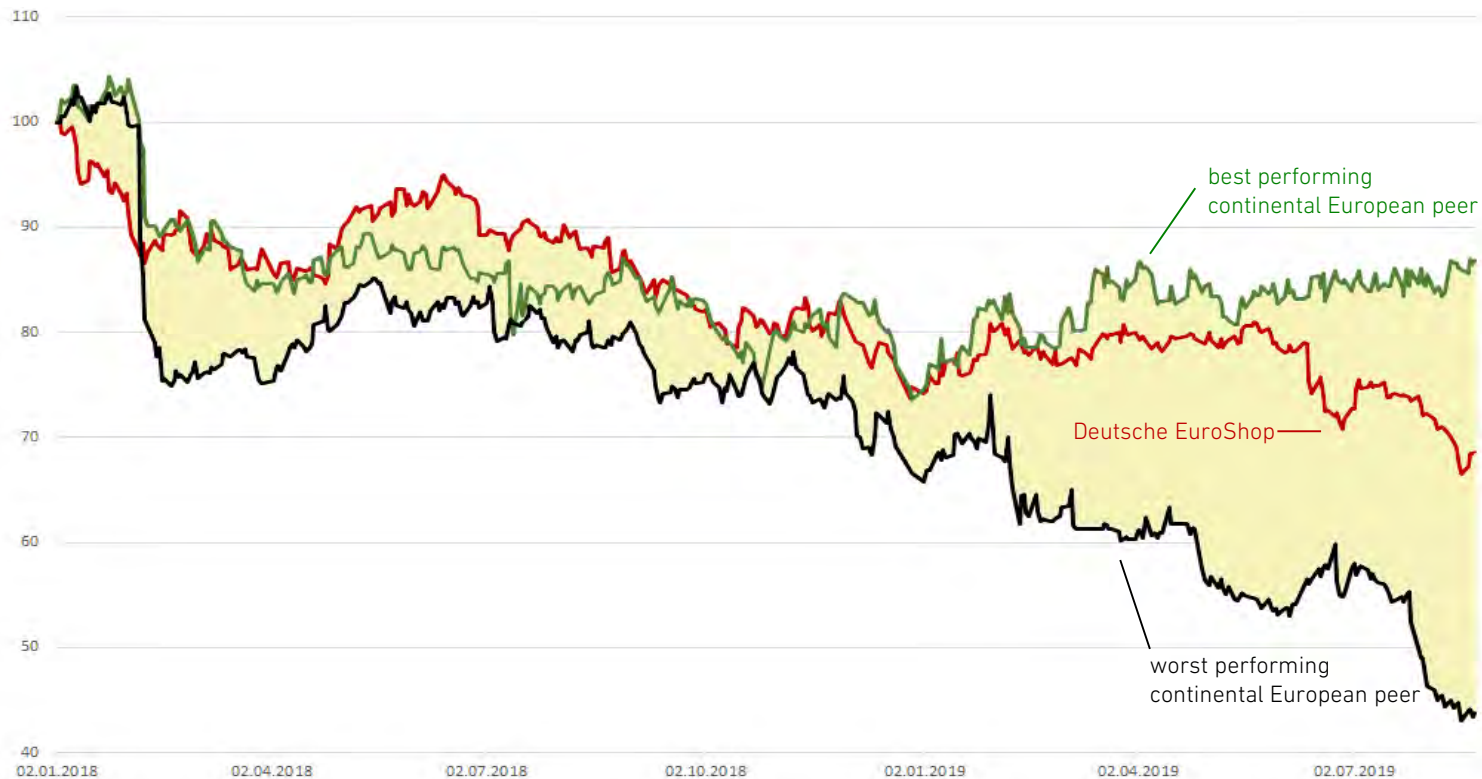
⁶ open ended real estate funds

⁷ paid on 30 June 2019

⁸ proposal

⁹ 2010 - 2021, Compound Annual Growth Rate (CAGR) of the dividend

Stock Price Performance



Digitalization Challenge


Digitalization changes traditional customer behaviour




Online-Retail-Challenge: Stationary Retailers need to adjust



Omnichannel hinders exact attribution of sales

 **28%**
online-share Fashion**

 **1%**
online-share groceries**

**HDE (2018)

...dynamic online sales growth up to a „new equilibrium“....

Retail turnover H1 2019¹

RETAIL SECTOR	% change in 2019	rent-to-sales ratio in %	% of sales	% of space
DEPARTMENT STORES & HYPERMARKETS	-0.7	6.4	7.7	14.9
FOOD	-2.2	7.6	8.9	6.6
FASHION TEXTILES	-0.1	12.9	29.3	39.1
SHOES & LEATHER GOODS	+2.3	15.1	4.9	5.9
SPORTS	+1.8	10.1	5.2	6.0
HEALTH & BEAUTY	+2.1	7.2	12.3	5.8
GENERAL RETAIL	-1.4	12.9	8.2	9.1
ELECTRONICS	-0.6	3.8	14.6	7.5
SERVICES	-4.5	4.9	4.8	1.6
FOOD CATERING	+1.6	12.3	4.1	3.4
TOTAL	-0.2	9.4	100²	100²

Germany Abroad Total

→ Retail turnover development on a like-for-like basis: -0.2% +1.0% +0.1%

→ Absolute retail turnover development: -0.4% +1.8% +0.0%

¹ German centers on a like-for-like basis (estimated turnover 2019: €2.0 billion)

² The sum may not equal the totals due to rounding

Digitalization Key Driver for the Shopping Evolution and Transition

Determination of the „money value“ of physical store space becomes increasingly difficult

Branding & Loyalty

now/lately: **dual** channels (on- vs. offline)

future: **omnichannel** (shops remain important point of touch, basis for branding, service point and place to create and secure customer loyalty)

Data & Services:

now: very **limited data**

future: **big data** as basis for customer-, tenant- & peer and center analysis and loyalty programs

Logistic

now: shop-logistic

future: **click & collect** and **last mile**



CECONOMY (examplel; company information):
„50% of online sales originated in shops“
„>40% pick-up ratio in store“

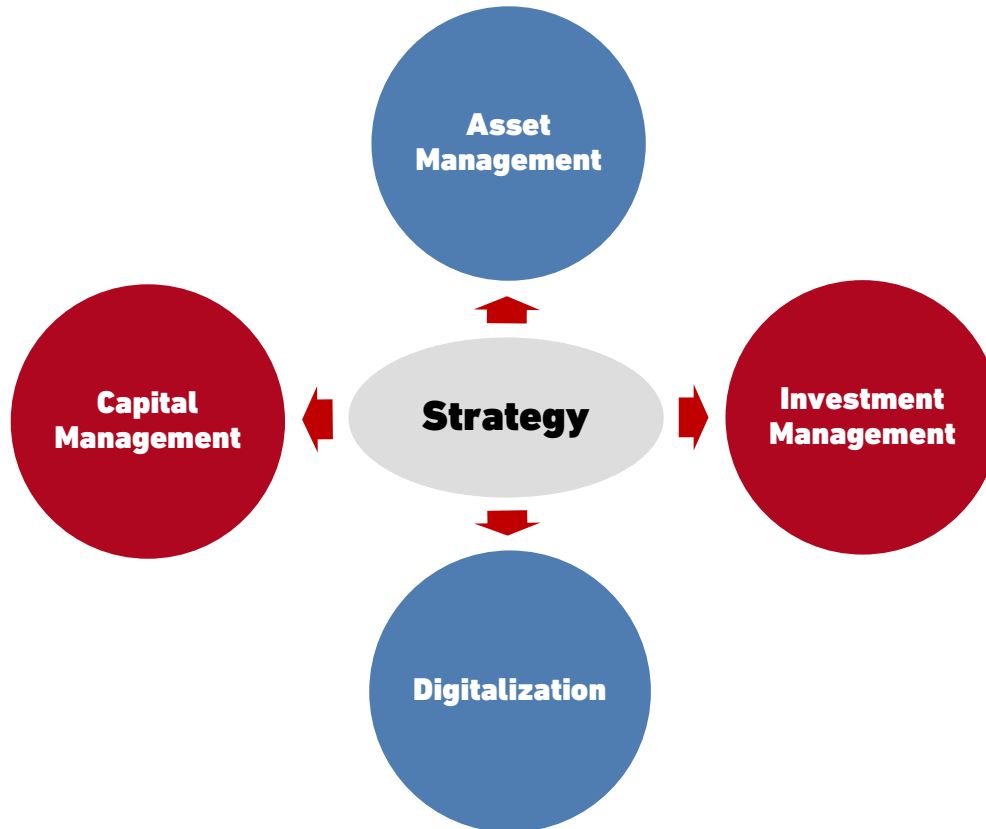
Sales

now: **shop sales** only accepted KPI

future: total **omnichannel sales** to be evaluated and included („.....from bricks to clicks“)

Locations, shop space, lease terms and KPIs under revaluation from retailers and center operators

Course of Action



Success Factors of a Modern Shopping Center



Asset Management

Enhancement and of the competitiveness of our shopping centers

- pro-active asset management very important (stay on top of the competition to secure)
- integrated investment programs:
 - „At-your-Service“
 - „Mall Beautification“
 - Tailor-made investment cases (bottom-up)
- stay ahead of (local) competition!

STATUS:

8 centers identified
thereof 4 centers
already completed

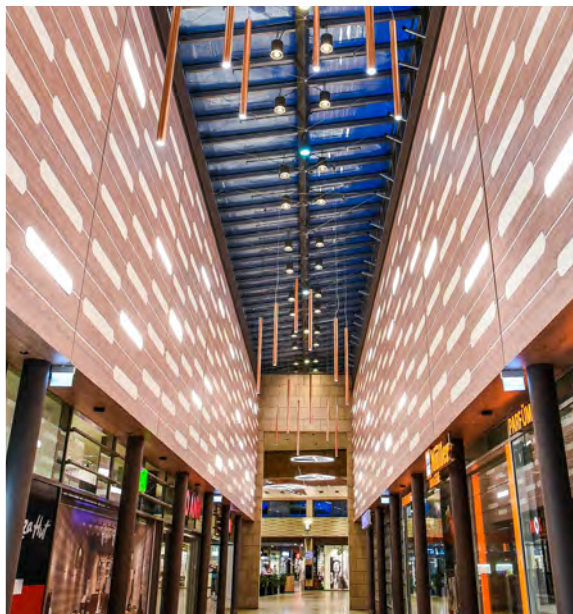
Enhancement of the Competitiveness of our Shopping Centers

Top down approach (concept), but bottom-up identification of individual measures for each center



Enhancement of the Competitiveness of our Shopping Centers

Center court and entrances before & after



Enhancement of the Competitiveness of our Shopping Centers

Relax & Beautification before & after



Enhancement of the Competitiveness of our Shopping Centers

Decoration and atmosphere en détail before & after



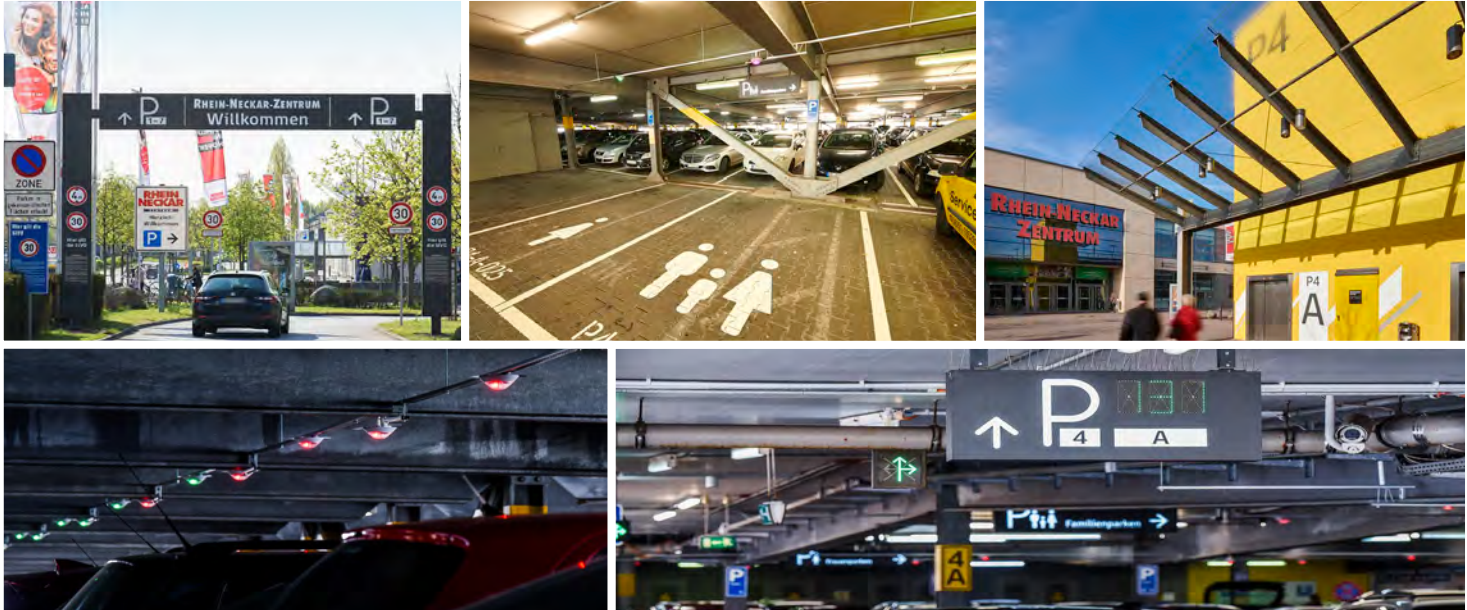
Enhancement of the Competitiveness of our Shopping Centers

Information desks and services before & after



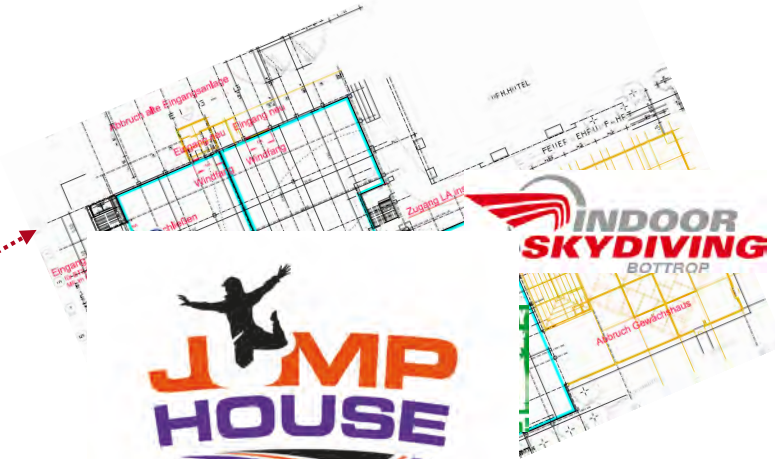
Enhancement of the Competitiveness of our Shopping Centers

Gate and parking before & after



Enhancement of the Competitiveness of our Shopping Centers

Project “Bauhaus revitalization”: entertainment, gastronomy & leisure



Enhancement of the Competitiveness of our Shopping Centers



Developments Plans (subject to review)

Enhancement of the Competitiveness of our Shopping Centers

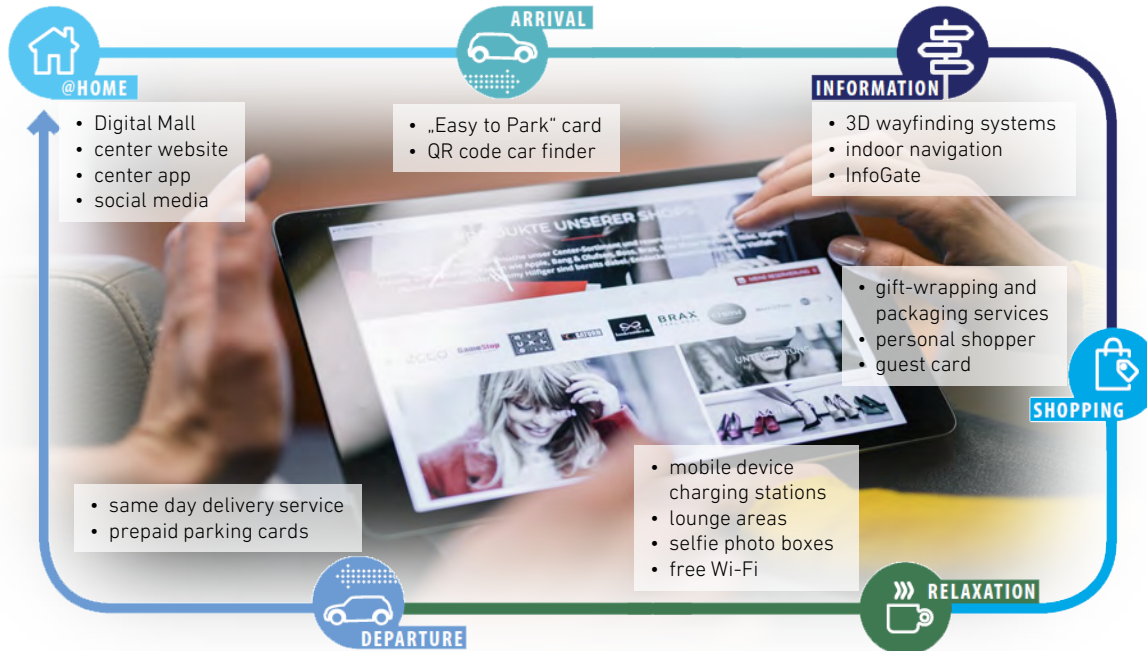


Enhancement of the Competitiveness of our Shopping Centers



Customer Expectations Increasing: Services & Information

Pro-active improvements to preserve our centers as highly attractive destinations



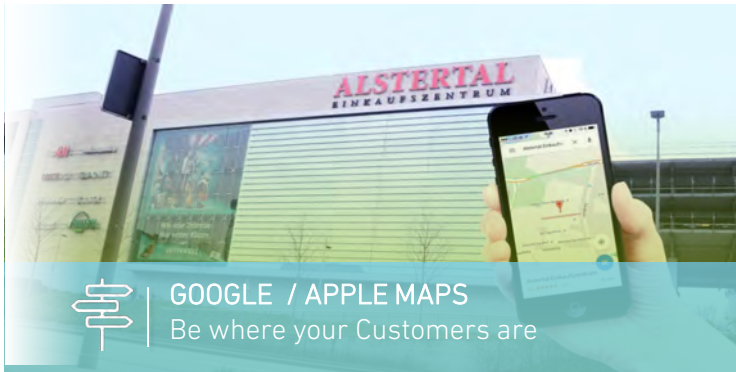
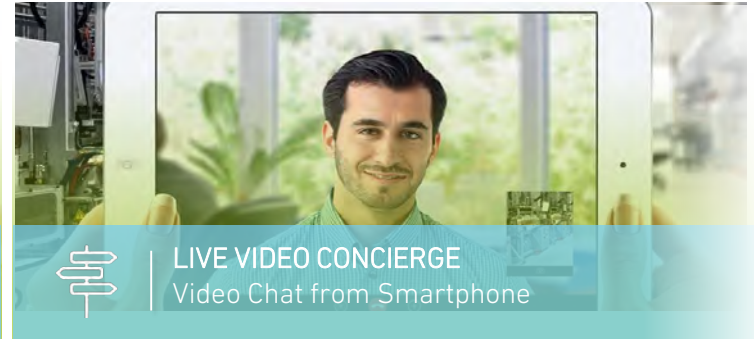
Enhancement of the Competitiveness of our Shopping Centers

Touchpoint Arrival & Departure



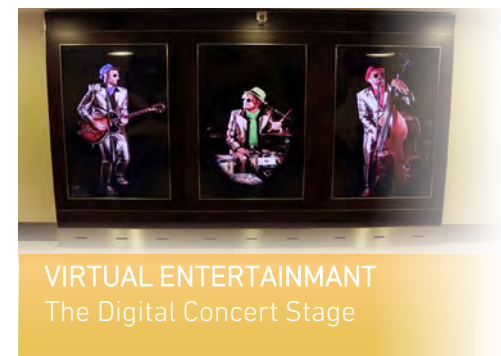
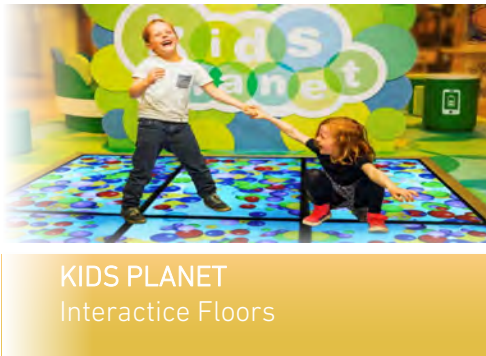
Enhancement of the Competitiveness of our Shopping Centers

Touchpoint Information



Enhancement of the Competitiveness of our Shopping Centers

Touchpoint Relax



Enhancement of the Competitiveness of our Shopping Centers



Source: ECE

Enhancement of the Competitiveness of our Shopping Centers

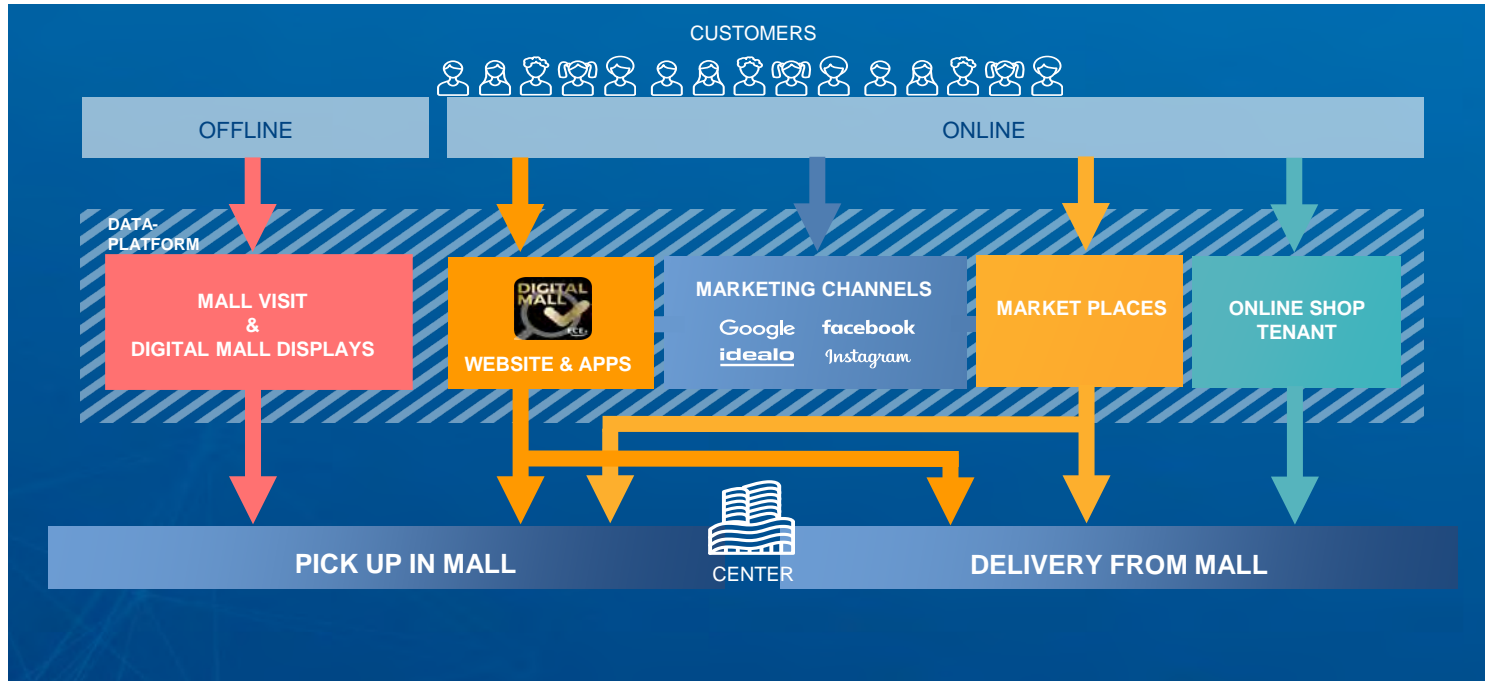


Digitalization in the Shopping Center Industry – Status DES Portfolio

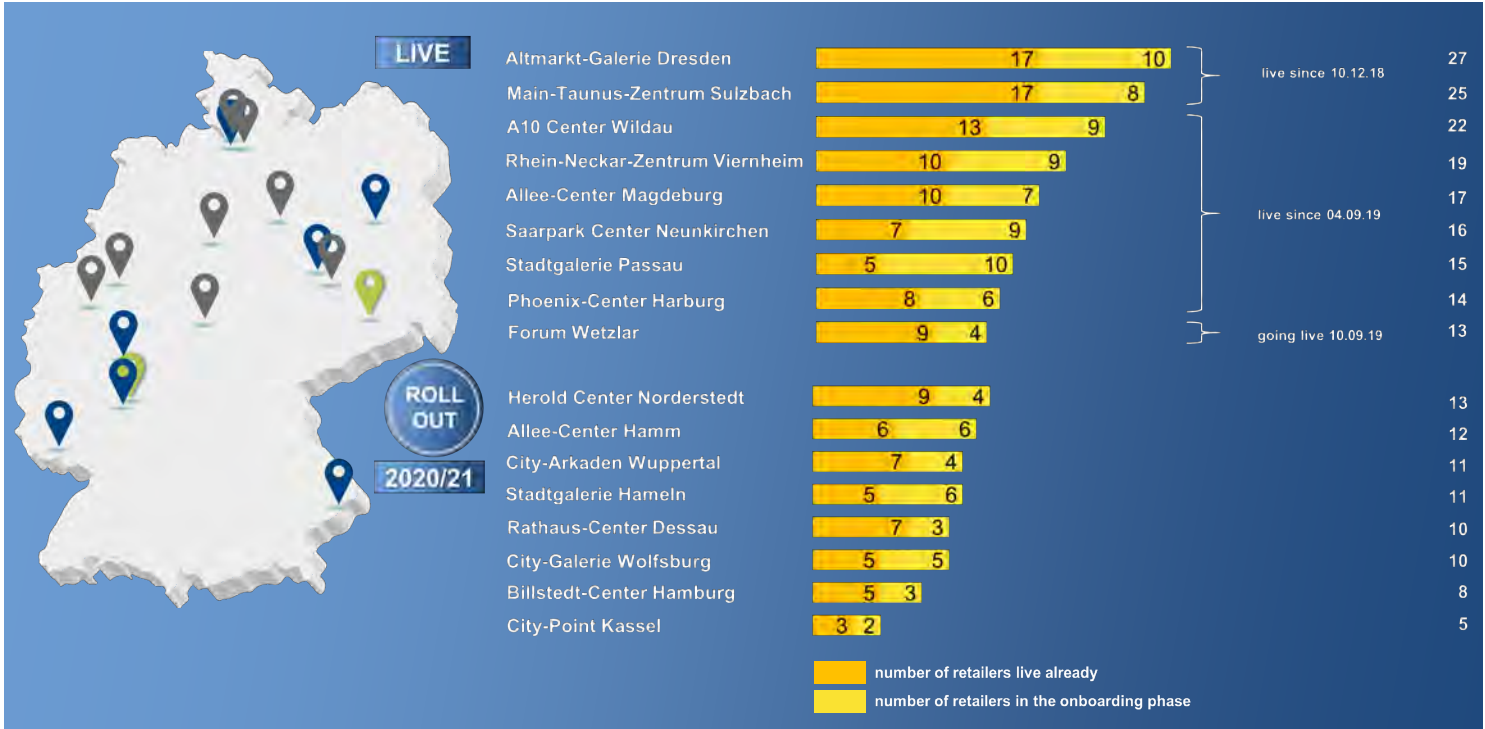


Vision: Omnichannel-Plattform

Digitalization as key to integration of retail platforms – Digital Mall is a big step forward



Digital Mall Roll-out Plan for the DES Portfolio

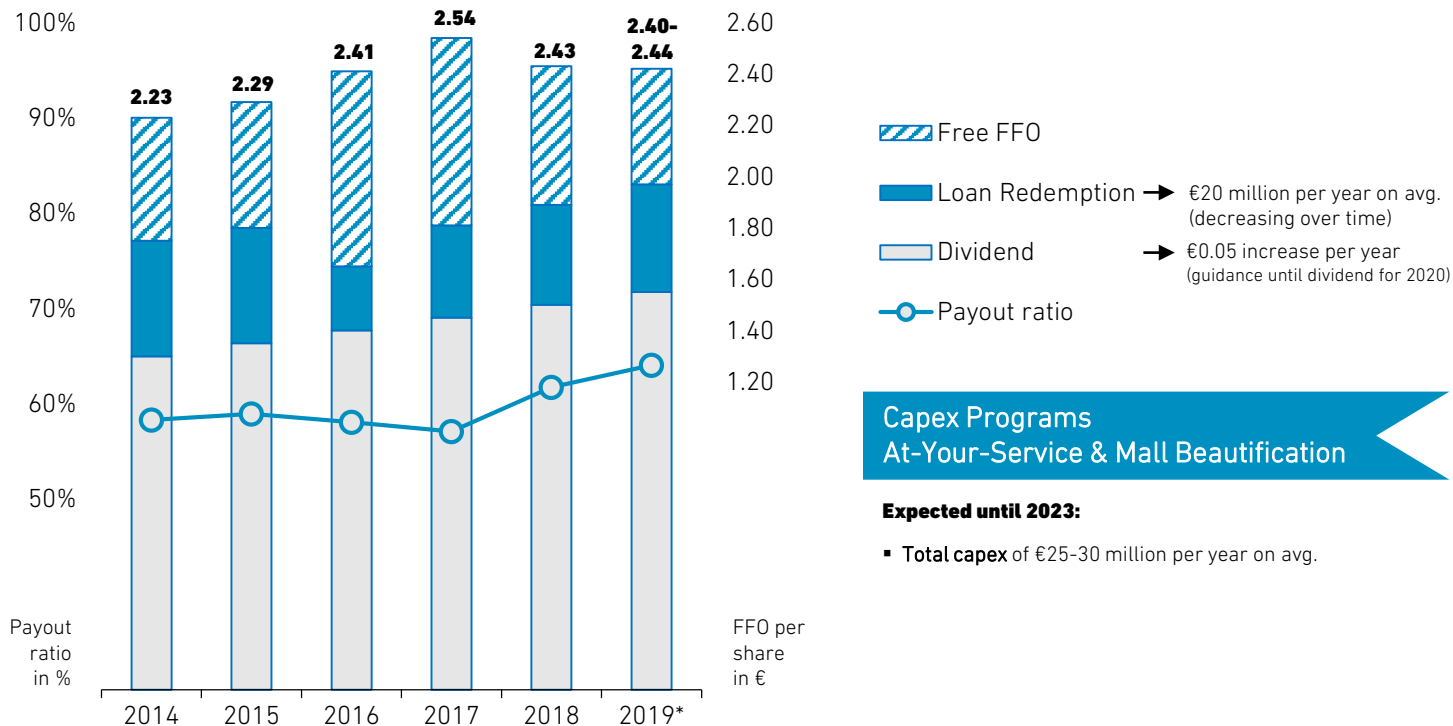


Financial Management

Preservation of prudent financial policy and financial stability and strength:

- high and reliable operational cash flow (FFO) important basis for success
- application of a sustainable and at the same time reasonable dividend policy
- prudent financial structure
 - financial covenants
 - loan duration
 - interest rate fixing
- transparent investor and banking relations
- opportunistic M&A-strategy in a defined and solid financial structure framework

Investments: FFO provides substantial Capex Capacity



* forecast, dividend per share: proposal

** incl. dilutionary effect resulting from convertible bond in November 2018

Financial Covenants

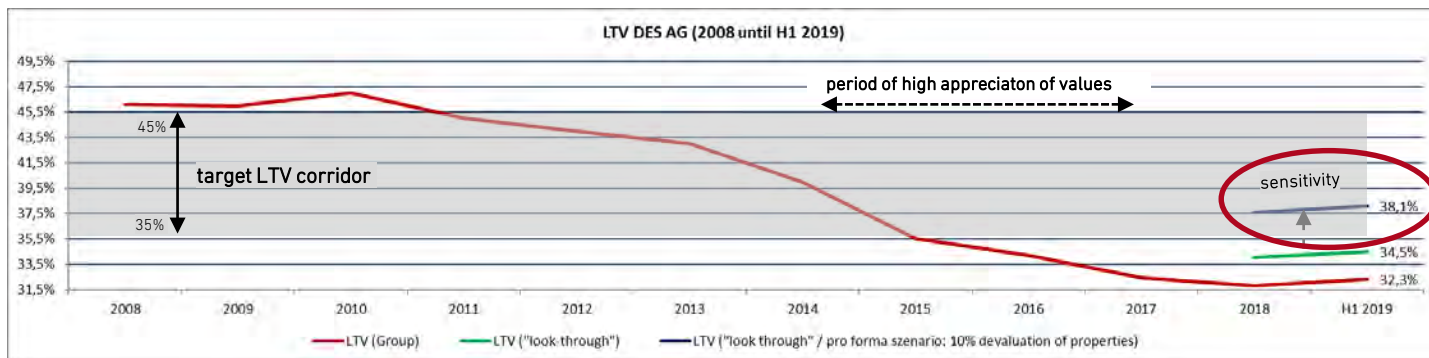
DES provides conservative financing profil – substantial headroom available

- Loan-to-Value (LTV) :

Group: 32.3% („look-through“: 34.5%)

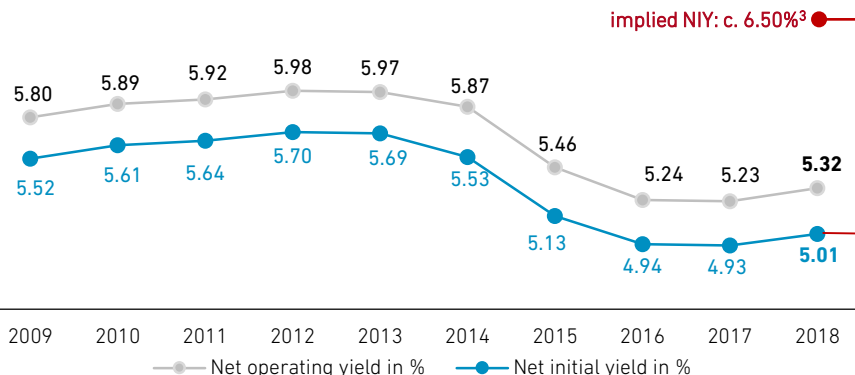
- Sensitivity analysis (LTV, pro forma model):

10% devaluation of property values \approx + 3.6% LTV-step-up (percentage points)

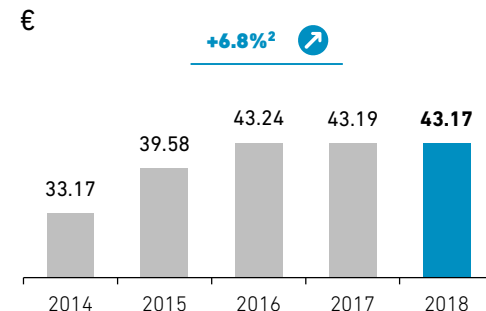


- DSCR / ICR : 260% / 378% (Group as of 31.12.2018)

Valuation¹ – Investment Properties 2018



NAV PER SHARE (EPRA)



SENSITIVITY ANALYSIS

in € thousand	Basis	change of -25bps	change of +25bps
Rent increase rates	1.33%	-131,500	+159,900
Discount rate	5.90%	+79,000	-75,200
Capitalization rate	5.07%	+136,100	-122,100
Cost ratio	10.20%	+9,800	-10,800

¹ External appraisers: JLL (since 2015)

² 2014 – 2018, Compound Annual Growth Rate (CAGR)

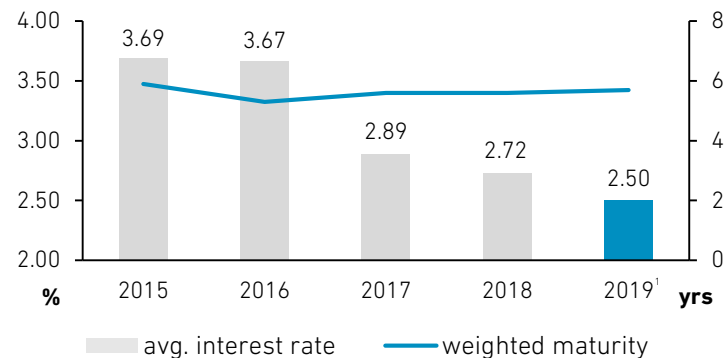
³ as of 22.08.2019 (stock price 23,25€; pro-forma model calculation)

Loan Structure^{1,2}

INTEREST LOCKIN	DURATION	PRINCIPLE AMOUNTS (€ MILLION)	SHARE OF TOTAL LOAN	AVG. INTEREST RATE
Up to 1 year		12.0	0.8%	3.46%
1 to 5 years	3.3	680.3	45.1%	3.33%
5 to 10 years	8.1	581.5	38.5%	2.40%
Over 10 years	11.0	235.6	15.6%	1.92%
Total¹	5.7	1,509.4	100%	2.50%

→ **19** German and **4** foreign bank partners

→ Weighted maturity of fixed interest periods **5.7 years¹**

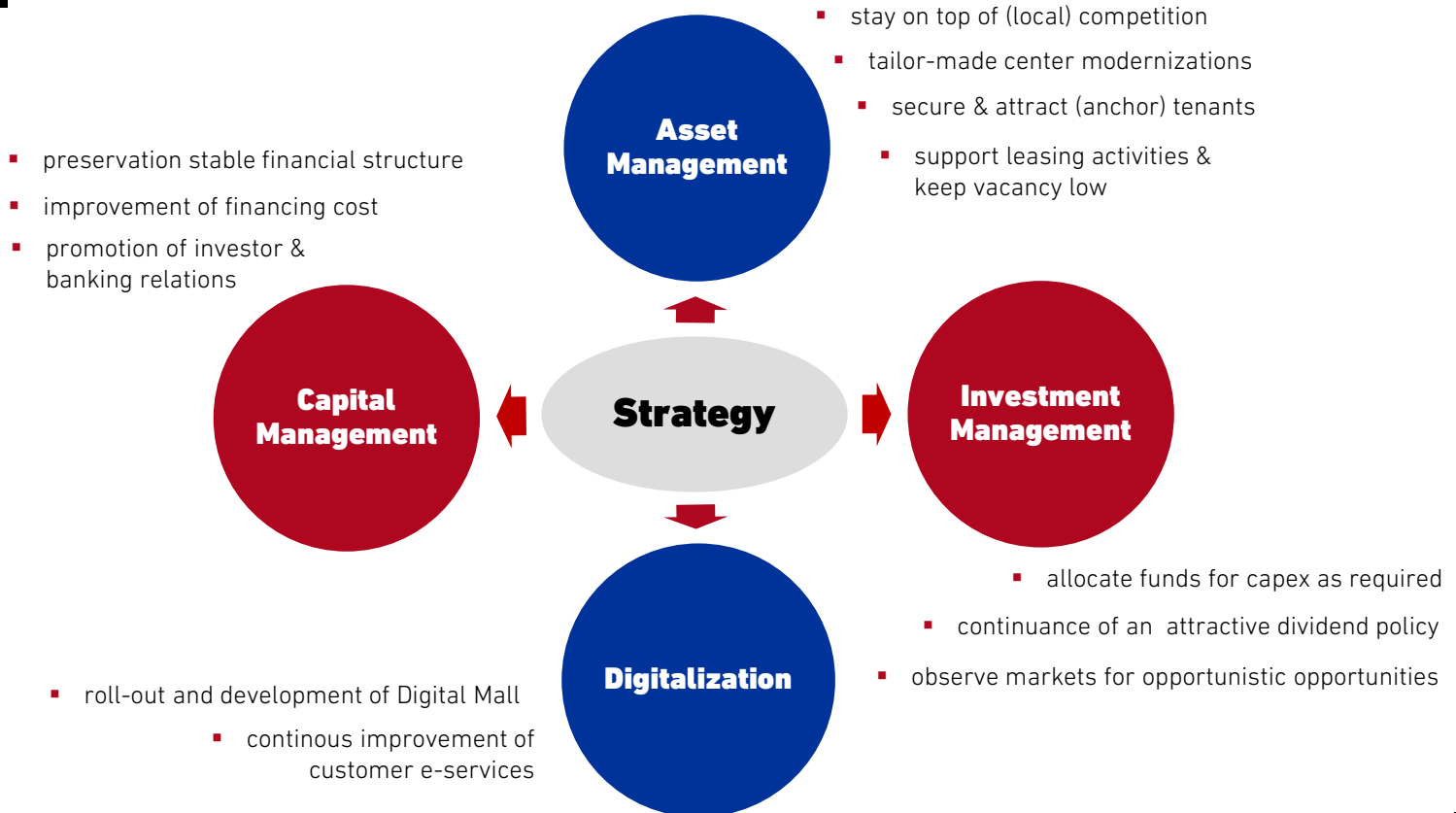


More savings on interest cost to be expected

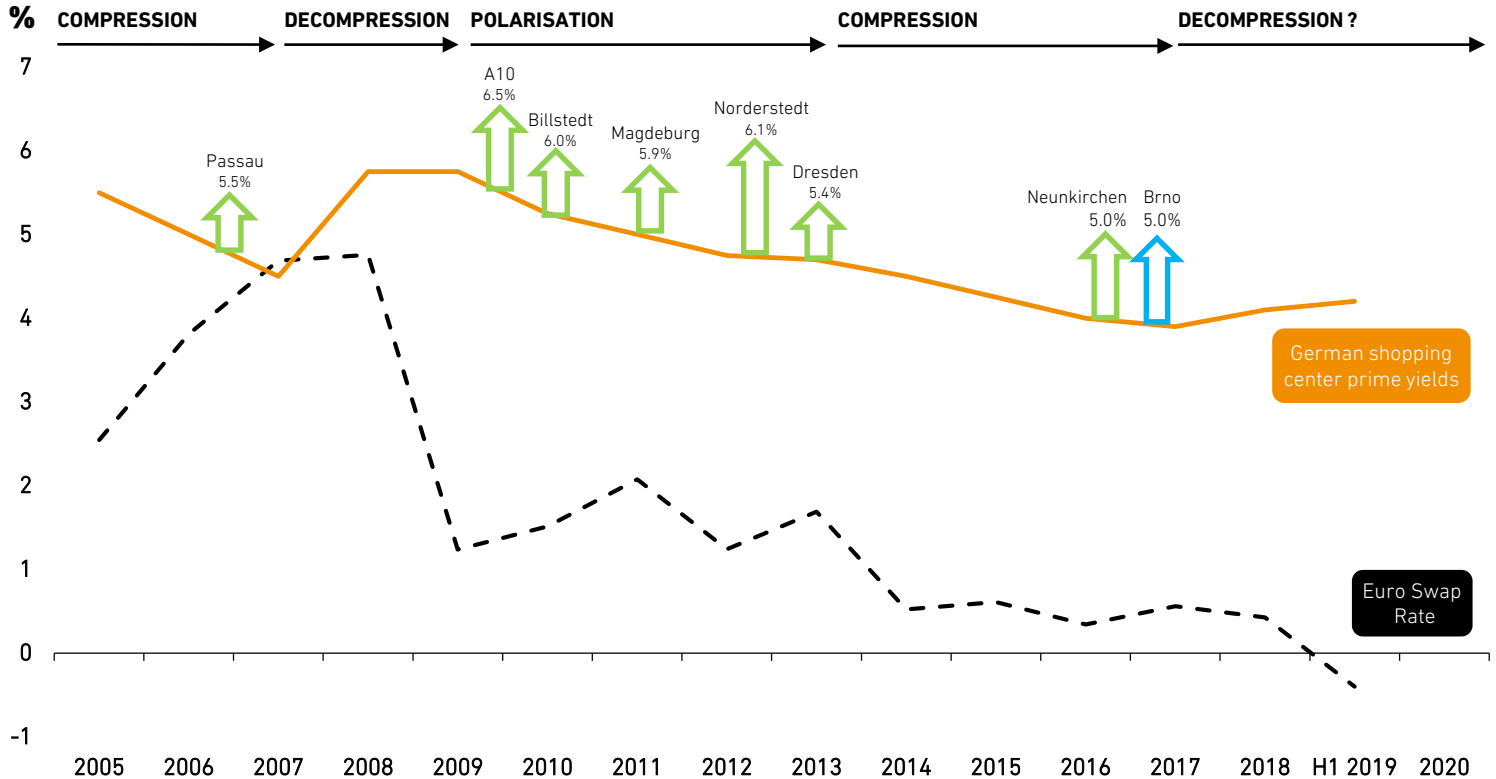
¹ as of 30 June 2019

² excl. non-consolidated loans

Conclusion & Targets



Opportunistic M&A- and Growth Strategy



Source: JLL, EUR Midswaps 7 years

Omnichannel Transformation Continues



**We will master the challenges
and use the chances.**

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