

Recommendation:
HOLD (HOLD)

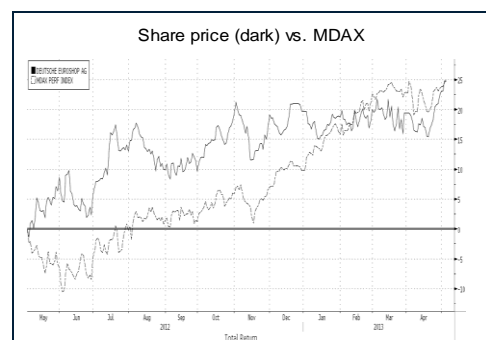
Risk:
Low (LOW)

Price Target:
EUR 32.00 (29.70)

03 May 2013

Good final FY12 figures and dividend hike Acquisition of remaining 33% in Altmarkt-Gallerie

- Last week, Deutsche EuroShop AG (DES) released final FY 2012 figures which matched the already in March published preliminary figures.
- Sales increased to EUR 211.2m (PY EUR 190.0m, +11.2% yoy). Main driver of the growth were the centres "Main-Taunus-Zentrum", "Allee-Center Magdeburg", "Altmarkt-Gallerie Dresden" and "A10 Center". Operating EBT rose to EUR 95.0m (PY EUR 86.6m, +9.8% yoy) and net income increased to EUR 122.5m (PY 99.0m, +23.7% yoy). FFO per share went up to EUR 1.66 (PY: EUR 1.61, +3.4% yoy).
- The low increase in FFO is mainly due to one-off costs in regard to "Main-Taunus-Zentrum" and tax payments in connection with the group restructuring. Adjusted by these one-offs, FFO would have been at EUR 1.82 per share (+13.1%).
- Due to IFRS changes, which will prohibit the use of proportional consolidation, DES will deconsolidate a couple of centres and will book the results as income from investments in the financial result (at equity accounting). On the one hand, this will lower revenues and EBIT but on the other hand EBT and FFO will not be affected. However, this leads to a lower transparency.
- On 1 May DES took over the remaining 33% stake in "Altmarkt-Gallerie Dresden" from TLG Immobilien for approx. EUR 70m. The net initial yield amounts to 5.4%. As this centre belonged to the deconsolidated centres, the purchase will increase the earnings transparency a bit in 2Q 2013.
- The management will propose an increased dividend of EUR 1.20 per share for FY 2012 (PY EUR 1.10).
- We feel confirmed in our view of DES being a defensive investment by the dividend hike despite the one-offs that slowed the FFO growth in FY 2012. We forecast increasing dividends for the next years through higher FFOs and confirm our HOLD recommendation with an increased PT of EUR 32.00 (old: EUR 29.70).



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	175.8	219.1	188.0	230.7	195.1	-
EBIT	149.1	186.6	159.0	196.2	162.7	-
EPS	2.19	1.74	2.29	1.85	2.38	-

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 centres 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): **32.99**
Shares outstanding (m): 51.6
Market capitalisation (EUR m): 1,703.0
Enterprise value (EUR m): 2,990.4
Ø daily trading volume (3 m., no. of shares): 110,879

Performance data:

High 52 weeks (EUR): 33.25
Low 52 weeks (EUR): 26.55
Absolute performance (12 months): 19.8%
Relative performance vs. MDAX:
1 month 3.8%
3 months -2.2%
6 months -11.2%
12 months -4.2%

Shareholders:

Otto family 15.9%
Black Rock 3.0%
Hertie Foundation 3.0%
Freefloat and others 78.1%

Financial calendar:

1Q 2013 figures 15 May 2013

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Key data

FY 12/31, EUR m	2009	2010	2011	2012	2013E	2014E	2015E
Sales	127.6	144.2	190.0	211.2	175.8	188.0	195.1
EBIT	110.7	124.0	165.7	181.0	149.1	159.0	162.7
EBT ex revaluation	54.9	63.9	86.6	95.0	112.2	119.0	123.6
Net result	34.4	-7.8	99.0	122.5	118.0	123.8	128.6
EPS	0.88	-0.17	1.92	2.36	2.19	2.29	2.38
DPS	1.05	1.10	1.10	1.20	1.30	1.35	1.40
EBIT margin	86.8%	86.0%	87.2%	85.7%	84.8%	84.6%	83.4%
ROE	3.9%	-0.7%	7.9%	7.0%	8.9%	8.8%	8.8%
ROA	5.4%	4.9%	5.4%	5.4%	4.1%	4.1%	4.1%
LTV	46.9%	47.7%	47.4%	50.2%	50.0%	50.0%	51.0%
Price / NAV	0.92	1.29	1.07	1.38	1.29	1.25	1.20
EV/EBIT	15.4	21.9	16.2	16.7	20.1	18.8	18.4
P/E	25.5	neg.	13.7	19.6	15.1	14.4	13.8

Source: Deutsche EuroShop AG, CBS Research AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	4Q 2011	4Q 2012	change	% change	2011	2012	change	% change
Sales			52.0	54.1	2.1	4.1%	190.0	211.2	21.3	11.2%
Property operating costs			-1.8	-3.2	-1.5	-83.5%	-8.5	-11.3	-2.7	-32.1%
Property management costs			-1.6	-2.5	-0.9	-56.3%	-9.8	-10.5	-0.7	-7.5%
Net operating income (NOI)			48.6	48.4	-0.3	-0.5%	171.6	189.4	17.8	10.4%
Other operating income			0.8	1.9	1.1	143.4%	1.0	2.9	1.9	187.6%
Gross income			49.4	50.2	0.8	1.7%	172.7	192.3	19.7	11.4%
Other operating expenses (corporate costs)			-1.7	-6.5	-4.9	-296.2%	-7.0	-11.3	-4.3	-61.9%
EBIT			47.7	43.7	-4.0	-8.5%	165.7	181.0	15.4	9.3%
in % of sales			91.8%	80.7%			87.2%	85.7%		
Financial result			-20.2	-22.5	-2.3	-11.3%	-79.1	-86.0	-6.9	-8.7%
Measurement gains			43.1	11.3	-31.8	-73.7%	50.1	8.5	-41.7	-83.1%
EBT			70.6	32.5	-38.1	-54.0%	136.7	103.5	-33.2	-24.3%
in % of sales			135.8%	60.0%			72.0%	49.0%		
EBT excl. measurement gains			27.5	21.1	-6.3	-23.0%	86.6	95.0	8.5	9.8%
in % of sales			52.9%	39.1%			45.6%	45.0%		
Taxes			-17.2	40.1	57.3	332.7%	-37.7	19.0	56.6	150.3%
as % of EBT			-24.4%	123.4%			-27.6%	18.3%		
Net income attributable to shareholders			53.4	72.5	19.2	35.9%	99.0	122.5	23.4	23.7%
in % of sales			102.6%	134.1%			52.1%	58.0%		
Shares outstanding (in millions)			51.6	52.7	1.1	2.1%	51.6	51.9	0.3	0.6%
Earnings per share (EUR)			1.03	1.38	0.34	33.2%	1.92	2.36	0.44	23.0%
FFO per share (EUR)			0.51	0.32	-0.19	-37.8%	1.61	1.66	0.06	3.4%

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Sales			144.2	190.0	211.2	175.8	188.0	195.1
YoY growth			13.0%	31.8%	11.2%	-16.8%	7.0%	3.8%
Property operating costs			-7.3	-8.5	-11.3	-10.4	-11.6	-12.1
Property management costs			-7.9	-9.8	-10.5	-10.1	-10.7	-13.5
Net operating income (NOI)			129.0	171.6	189.4	155.3	165.7	169.6
Other operating income			0.9	1.0	2.9	1.1	1.1	1.1
Gross income			129.9	172.7	192.3	156.3	166.7	170.7
Other operating expenses (corporate costs)			-5.9	-7.0	-11.3	-7.2	-7.7	-8.0
EBIT			124.0	165.7	181.0	149.1	159.0	162.7
in % of sales			86.0%	87.2%	85.7%	84.8%	84.6%	83.4%
Financial result			-60.2	-79.1	-86.0	-36.9	-40.0	-39.0
Measurement gains			33.1	50.1	8.5	16.7	15.9	16.5
EBT			97.0	136.7	103.5	128.8	134.9	140.1
in % of sales			67.3%	72.0%	49.0%	73.3%	71.8%	71.8%
EBT excl. measurement gains			63.9	86.6	95.0	112.2	119.0	123.6
in % of sales			44.3%	45.6%	45.0%	63.8%	63.3%	63.4%
Taxes			-104.8	-37.7	19.0	-10.9	-11.1	-11.5
as % of EBT			-108.1%	-27.6%	18.3%	-8.5%	-8.2%	-8.2%
Net income attributable to shareholders			-7.8	99.0	122.5	118.0	123.8	128.6
in % of sales			-5.4%	52.1%	58.0%	67.1%	65.8%	65.9%
Shares outstanding (in millions)			45.5	51.6	51.9	53.9	53.9	53.9
Earnings per share (EUR)			-0.17	1.92	2.36	2.19	2.29	2.38
FFO per share (EUR)			1.35	1.61	1.66	1.96	2.07	2.15
Dividend per share (EUR)			1.10	1.10	1.20	1.30	1.35	1.40

Source: CBS Research AG, Deutsche EuroShop AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
03 May 2013	HOLD	EUR 32.99	EUR 32.00
19 November 2012	HOLD	EUR 29.51	EUR 29.70
21 August 2012	HOLD	EUR 29.97	EUR 28.50

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