

Recommendation:
HOLD (HOLD)

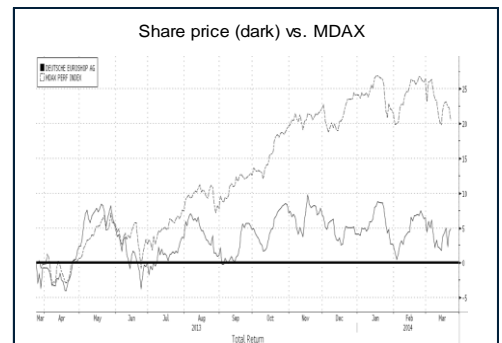
Risk:
Low (LOW)

Price Target:
EUR 32.00 (32.00)

24 March 2014

FY13 figures in line, good outlook

- At the end of last week, DES published preliminary FY13 key figures that were in line with our estimates except the measurement gains which clearly exceeded our forecast. Sales came in at EUR 188.0m (PY EUR 178.2m, +5.5%). Main driver of the growth were the centres "Herold-Center, Norderstedt", which was acquired with effect from 1 January 2013, and the increase of the shareholding in "Altmarkt-Galerie Dresden" from 67% to 100% with effect from 1 May 2013.
- Operating EBT was boosted to EUR 187.6m (PY EUR 103.4m, +81.4% yoy). This was mainly due to the jump in the measurement result which came in at EUR 56.3m (PY EUR 13.9m, +304.0%) and the disposal of the 33% stake in "Galleria Dominikanska, Wroclaw, Poland" which produced a capital gain of EUR 15.7 in 3Q13 in the financial result.
- The measurement gain of EUR 56.3m is equivalent to around 2% of the investment properties value. Main drivers were "Altmarkt-Galerie Dresden" and "Rhein-Neckar-Zentrum, Viernheim".
- FFO per share was EUR 2.10 (PY EUR 1.66m, +26.5% yoy). The dividend proposal for FY13 amounts to EUR 1.25 with an increase of EUR 0.05 p.a. until FY16. This is in line with our estimates.
- In terms of interesting acquisition targets there is still nothing in concrete. Growth will come through increasing rental income and possibly through the extension of "Phoenix-Center, Hamburg" and "Galeria Balttycka, Gdansk, Poland". Decisions regarding the extensions will be taken in the course of 2014 and 2015.
- The management gave a guidance for FY14E which slightly exceeds our forecast. We will adjust our FY14E estimates after DES reported final FY13 figures on 25 April. DES is a defensive investment, paying an attractive dividend (yield around 4%) and generating a reliable cash flow. However, we feel that this is well discounted in the share price and that external growth possibilities are limited. Thus we maintain our HOLD recommendation with an unchanged PT of EUR 32.00.



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	prelim 2013		2014E		2015E	
	new	old	new	old	new	old
Sales	-	188.0	-	197.4	-	202.0
EBIT	-	165.9	-	173.6	-	177.4
EPS	-	3.21	-	2.19	-	2.23

deutsche-euroshop.de Sector: Real Estate
WKN: 748020 ISIN: DE0007480204
Reuters: DEQn.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):	31.93
Shares outstanding (m):	53.9
Market capitalisation (EUR m):	1,722.5
Enterprise value (EUR m):	2,914.4
Ø daily trading volume (3 m., no. of shares):	112,933

Performance data:

High 52 weeks (EUR):	34.55
Low 52 weeks (EUR):	29.27
Absolute performance (12 months):	0.9%
Relative performance vs. MDAX:	
1 month	3.4%
3 months	2.4%
6 months	-7.5%
12 months	-16.2%

Shareholders:

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

Financial calendar:

FY 2013 figures	25 April 2014
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Key data

FY 12/31, EUR m	2010	2011	2012	prelim 2013	2014E	2015E
Sales	144.2	190.0	211.2	188.0	197.4	202.0
EBIT	124.0	165.7	181.0	165.9	173.6	177.4
EBT ex revaluation	63.9	86.6	95.0	131.3	117.3	119.5
Net result	-7.8	99.0	122.5	173.0	118.0	120.4
EPS	-0.17	1.92	2.36	3.21	2.19	2.23
DPS	1.10	1.10	1.20	1.25	1.30	1.35
EBIT margin	86.0%	87.2%	85.7%	88.2%	88.0%	87.8%
ROE	-0.7%	7.9%	7.0%	n.a.	8.3%	8.1%
Dividend yield	3.8%	4.4%	4.0%	3.9%	4.1%	4.2%
LTV	47.7%	47.4%	50.2%	n.a.	51.1%	51.1%
Price / NAV	1.29	1.07	1.34	n.a.	1.18	1.15
EV/EBIT	21.9	16.2	17.7	10.4	18.3	17.9
P/E	neg.	13.7	19.0	9.9	14.6	14.3

Source: Deutsche EuroShop AG, CBS Research AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	4Q 2012	4Q 2013	change	% change	2012	2013	change	% change
Sales			94.3	49.8	-44.5	-47.2%	178.2	188.0	9.8	5.5%
EBIT			80.0	45.4	-34.6	-43.3%	151.6	165.9	14.3	9.4%
in % of sales			84.9%	91.1%			85.1%	88.2%		
Financial result			-58.7	-14.1	44.7	76.1%	-62.1	-34.1	28.0	45.1%
Measurement gains			11.2	63.1	51.8	461.4%	13.9	56.3	42.4	304.0%
EBT			32.5	93.9	61.4	188.7%	103.4	187.6	84.2	81.4%
in % of sales			34.5%	188.6%			58.0%	99.8%		
EBT excl. measurement gains			21.3	30.8	9.5	44.8%	89.5	131.3	41.8	46.7%
in % of sales			22.6%	61.9%			50.2%	69.8%		
Net income attributable to shareholders			72.5	95.8	23.2	32.0%	122.5	173.0	50.5	41.2%
in % of sales			77.0%	192.3%			68.7%	92.0%		
Shares outstanding (in millions)			52.7	53.9	1.2	2.3%	51.9	53.9	2.0	3.9%
Earnings per share (EUR)			1.38	1.78	0.40	29.0%	2.36	3.21	0.85	36.0%
FFO per share (EUR)			0.32	0.52	0.21	65.6%	1.66	2.10	0.44	26.5%

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	prelim 2013	2014E	2015E
Sales			144.2	190.0	178.2	188.0	197.4	202.0
YoY growth			13.0%	31.8%	-6.2%	5.5%	5.0%	2.4%
EBIT			124.0	165.7	151.6	165.9	173.6	177.4
in % of sales			86.0%	87.2%	85.1%	88.2%	88.0%	87.8%
Financial result			-60.2	-79.1	-62.1	-34.1	-56.3	-57.9
Measurement gains			33.1	50.1	13.9	56.3	13.6	14.2
EBT			97.0	136.7	103.4	187.6	130.9	133.7
in % of sales			67.3%	72.0%	58.0%	99.8%	66.3%	66.2%
EBT excl. measurement gains			63.9	86.6	89.5	131.3	117.3	119.5
in % of sales			44.3%	45.6%	50.2%	69.8%	59.5%	59.2%
Net income attributable to shareholders			-7.8	99.0	122.5	173.0	118.0	120.4
in % of sales			-5.4%	52.1%	68.7%	92.0%	59.8%	59.6%
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	3.21	2.19	2.23
FFO per share (EUR)			1.35	1.61	1.66	2.10	2.09	2.13
Dividend per share (EUR)			1.10	1.10	1.20	1.25	1.30	1.35

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
24 March 2014	HOLD	EUR 31.93	EUR 32.00
26 November 2013	HOLD	EUR 33.05	EUR 32.00
21 August 2013	HOLD	EUR 31.60	EUR 32.00
13 June 2013	HOLD	EUR 31.92	EUR 32.00
03 May 2013	HOLD	EUR 32.99	EUR 32.00

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