



Deutsche Euroshop AG

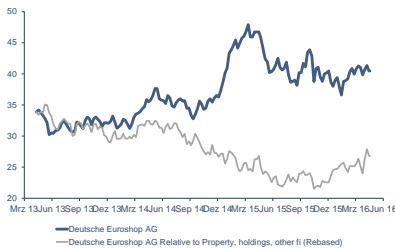
Neutral → | Target price : 40.00 EUR

Price : 40.47 EUR | Upside : -1 %

Est.chg	2016e	2017e
EPS	5.4%	5.3%

Reported Q1 2016 figures in line; two acquisitions on the radar screen

Tuesday 17 May 2016



Q1 2016 results in line with our estimates and consensus

DES released its Q1 2016 results on 12 May after the market close. The figures and contained no surprises and were in line with our expectations and consensus as follows: rental revenues of € 50.74 vs our estimate of € 51.01m and consensus of € 50.90; net profit down -2% yoy to € 24.9m, due mainly to a valuation loss of € -1.36m (Q1 2015: € -0.45m); FFO I improved +2.6% yoy € 31.55m or FFO I p/s of € 0.58m, in line with our forecast and consensus (both € 0.57). Given the unchanged portfolio, the company maintained its guidance for 2016: revenues of € 200-204m, EBIT of € 175-179m and FFO I p/s of € 2.26-2.30.

Deutsche Euroshop: Q1 2016 results

€ m	1Q 2015	1Q 2016	YoY %	1Q 2016e	YoY %	1Q 2016 cons
Revenues	50.60	50.74	0.3%	51.01	0.5%	50.90
EBIT	44.64	44.59	-0.1%	44.59	0.0%	N/A
Net income attributable to shareholders	25.32	24.87	-1.8%	27.61	11.0%	26.00
Earnings per share (EUR)	0.47	0.46	-1.8%	0.51	11.0%	0.48
FFO I	30.74	31.55	2.6%	30.61	-3.0%	30.90
FFO I per share (EUR)	0.57	0.58	2.6%	0.57	-3.0%	0.57

Source : Oddo Seydler Bank AG ; Company Data

Capital

DEQ GY DEQGn.DE	
Market Cap (EURm)	2,183
Enterprise value (EURm)	3,575
Extrema 12 months	35.86 - 47.85
Free Float (%)	78.5

Performance (%)	1m	3m	12m
Absolute	-1.3	8.2	-13.4
Perf. rel. Country Index	1.1	3.6	2.5
Perf. rel. Property, holding	2.3	0.7	0.0

P&L

	12/16e	12/17e	12/18e
NRI (EURm)	181	182	183
EBIT (EURm)	200	202	204
Attr. net profit (EURm)	137	141	145
Adjusted EPS (EUR)	2.55	2.61	2.69
FFOI ps (EUR)	2.28	2.34	2.40
Dividend (EUR)	1.40	1.45	1.50
NAV ps (EUR)	33.98	35.19	36.43
EPRA NAV ps (EUR)	39.72	41.15	42.60

P/E (x)	15.9	15.5	15.1
P/NAV (x)	1.19	1.15	1.11
P/EPRA NAV (x)	1.02	0.98	0.95
FFOI Yield (%)	5.6	5.8	5.9
Dividend Yield (%)	3.5	3.6	3.7
FCF Yield (%)	2.75	3.92	4.07
ROE (%)	7.6	7.6	7.5
Net LTV (%)	40.9	40.5	40.1

Next Events

15.06.2016 AGM

An acquisition in the form of a 50% stake in Germany seems very likely

During the conference call, management seemed very confident that the company will acquire a 50% stake in a shopping centre in Germany. We estimate an investment of ~€ 100m for DES at an LTV of 50%; implying a total value € 200m for the shopping centre. DES is currently conducting due diligence. It would consolidate the shopping centre at equity. We have the impression that this deal has a good probability of being realised.

The company is also targeting 100% control of a shopping centre in an eastern European country through an international auction. DES did not disclose the specific country but qualified the country as stable with a top net yield on real estate acquisitions of 5% in 2015. According to management, this acquisition would require a capital increase. As it is an international auction, however, we consider it very unlikely that DES will be able to outbid its competitors.

DES is currently negotiating to refinance its existing € 80m loan due in 2016 at a low interest rate of 1.7% vs. the current 4.9%. The company may take on additional debt of € 58m for the construction plan on Galeria Baltycka in Poland, but this will very likely depend on whether DES can obtain a building permit:

Neutral recommendation maintained – TP at € 40.00

We see DES as a defensive investment with reliable cash flows. The company's external growth opportunities are limited as it is careful not to overpay. It seems DES has a good chance to do the above-mentioned small acquisition in Germany, but the fact that it would be just a 50% stake consolidated at equity indicates how difficult it is for DES in the current market environment to acquire an entire shopping centre at a reasonable price. We have a Neutral recommendation at a TP to € 40.00, close to our 2016e EPRA NAVPS estimate of € 39.72.

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DEQn.DE | DEQ GY
Property | Germany

Neutral

Upside -1.15%

Price

TP

40.47EUR

40.00EUR

PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EPRA NAV per share	28.53	30.59	33.17	38.51	39.72	41.15	42.60
NAV per share	24.50	26.49	28.26	32.77	33.98	35.19	36.43
FFO I per share	1.68	2.08	2.23	2.29	2.28	2.34	2.40
Reported EPS	2.36	3.17	3.29	5.73	2.55	2.61	2.69
Net dividend per share	1.20	1.25	1.30	1.35	1.40	1.45	1.50
FCF to equity per share	-1.45	0.68	2.92	2.30	1.11	1.58	1.65
Number of shares market cap	53.95	53.95	53.95	53.95	53.95	53.95	53.95
Number of diluted shares	52.26	56.90	57.01	53.95	53.95	53.95	53.95
VALUATION	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	31.99	34.60	37.93	47.92	41.78		
12m lowest price	23.78	29.45	30.64	36.18	35.86		
(*) Reference price	28.48	31.79	34.49	41.82	40.47	40.47	40.47
Capitalization	1,536	1,715	1,861	2,256	2,183	2,183	2,183
P/E (x)	12.2	10.6	11.1	7.3	15.9	15.5	15.1
P/FFO I (x)	17.0	15.3	15.4	18.3	17.8	17.3	16.8
FFO I Yield (%)	5.9	6.5	6.5	5.5	5.6	5.8	5.9
Dividend Yield (%)	4.2	3.9	3.8	3.2	3.5	3.6	3.7
Payout ratio (%)	71.6	60.2	58.2	59.0	61.5	62.0	62.5
FCF Yield (%)	neg	2.1	8.5	5.5	2.7	3.9	4.1
P/NAV (x)	1.16	1.20	1.22	1.28	1.19	1.15	1.11
P/EPRA NAV (x)	1.00	1.04	1.04	1.09	1.02	0.98	0.95
(*) historical average price							
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Rental revenue	178	188	201	203	201	203	204
NRI	160	170	182	183	181	182	183
Total revenue	160	170	182	183	181	182	183
Property revaluation	13.9	56	77	221	25.4	26.4	27.2
EBITDA	166	222	254	397	200	202	204
Adj. EBITDA	152	166	178	176	175	176	177
EBIT	166	222	254	397	200	202	204
Net financial income	-62.1	-34.1	-39.8	-2.1	-42.1	-36.9	-34.6
Corporate tax	19.1	-16.6	-37.2	-85.4	-20.5	-24.2	-24.2
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	122	171	177	309	137	141	145
FFO I	87	112	121	123	123	126	130
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment properties	2,824	2,962	3,060	3,357	3,402	3,449	3,496
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	161	41	58	71	20	17	32
Ordinary shareholders equity	1,322	1,429	1,524	1,768	1,833	1,899	1,965
Minorities interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder equity							
Net debt	1,307	1,446	1,372	1,337	1,392	1,397	1,402
Deferred tax liabilities	181	198	227	310	310	321	333
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Attributable net profit	122	171	177	309	137	141	145
Property revaluation	-36.5	-60.5	-88.3	-285.4	-25.4	-26.4	-27.2
Interest & taxes	0.0	-29.7	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	122	115	133	136	105	106	110
Cash flow from investing activities	-197.4	-78.6	24	-11.9	-45.1	-20.9	-21.0
Cash flow from financing activities	179	-136.8	-139.8	-109.4	-111.1	-88.5	-73.8
Free cash flow	-75.5	37	157	124	60	85	89
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Rental revenue growth		5.5%	6.8%	1.0%	-1.0%	1.0%	0.8%
FFO I growth		28.7%	7.6%	2.4%	-0.4%	2.6%	2.9%
EPS growth		28.3%	3.5%	84.2%	-55.6%	2.6%	2.9%
NRI margin	89.6%	90.5%	90.5%	90.4%	90.1%	90.0%	89.7%
EBITDA margin	92.9%	118%	127%	196%	99.6%	99.6%	99.7%
Adj. EBITDA margin	94.9%	97.4%	97.6%	96.1%	96.5%	96.2%	96.2%
Tax rate	-18.4%	8.8%	17.4%	21.6%	13.0%	14.6%	14.3%
SG&A / NRI	6.8%	4.3%	3.4%	4.3%	4.3%	4.3%	4.3%
FFO I / Real estate (Total properties)	5.4%	5.6%	5.8%	5.3%	5.1%	5.1%	5.0%
FFO I / Rental revenues	54.5%	65.8%	66.3%	67.2%	67.9%	69.1%	70.7%
Property revaluation / Investment properties	0.5%	1.9%	2.5%	6.6%	0.7%	0.8%	0.8%
ROA	3.7%	5.0%	5.1%	8.0%	3.5%	3.5%	3.5%
ROE		12.4%	12.0%	18.8%	7.6%	7.6%	7.5%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Equity ratio							
Net LTV	46%	49%	45%	40%	41%	41%	40%
Gearing							
Net debt / Adj. EBITDA	8.6	8.7	7.7	7.6	8.0	8.0	7.9
Adj. EBITDA / net financial charges	-2.4	-2.9	-3.0	-3.2	-2.9	-3.1	-3.2


Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
16.11.15	Neutral	40.00	38.43

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