



Deutsche EuroShop AG

Acquisition in Neunkirchen

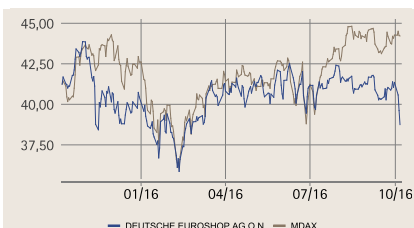
07/10/2016

Buy
45.00 EUR

Close (06/10/2016)	38.75 EUR
Bloomberg: DEQ	WKN: 748020
Sector	Real Estate

Share price performance

52 week high	43.87
52 week low	35.86
Compared to	MDAX
YTD	-8.0%
1 month	-6.2%
12 months	-13.4%



Share data

Market Cap (m EUR)	2,090
No. of shares (m)	54
Free float	82.7%
Trading vol. Ø (m EUR)	5.4

Next event

14/11/2016	Quarterly Results
------------	-------------------

Analyst

Dr. Georg Kanders, Analyst
 Phone: +49 (0)211 4952-718
 georg.kanders@bankhaus-lampe.de

See end of document for disclaimer.

Deutsche EuroShop announced the acquisition of a 50% stake in Saarpark-Center, Neunkirchen, the largest shopping centre in Saarland for € 113 m at an NOI yield of 5%. It is the company's first acquisition since 2012, will have a positive impact on the FFO and is thus supportive to our BUY case.

BIGGEST SHOPPING CENTER IN SAARLAND

- The Saarpark-Center has about 130 shops. The anchor tenants are C&A, Müller Drogerie, H&M; P&C Düsseldorf, REWE and TK Maxx.
- Annual rental income amounts to € 12.8 m and the expected NOI comes to 5%.
- The acquisition will already start contributing to earnings as of 01/10/2017
- The acquisition price consists of € 79 m for the stake in the SPV (paid from a credit line) and of € 34 m share in the debt of the SPV.
- We estimate interest rate burden at the SPV level to be still quite high and that there is a good chance of an even higher earnings contribution when the debt matures. The WALT of 4.8 years is probably a good indication of the remaining maturity of the debt.
- Thus annual at equity contribution will be lower than the 5% NOI.

NOT OUT OF THE BLUE

- The acquisition does not come totally out of the blue as Deutsche EuroShop already stated that it was in promising talks for an acquisition of a 50% stake in a German shopping centre.
- The company is still in the bidding process for a shopping centre in Czekia.
- We will adjust our earnings estimates to account for this deal.
- We regard the deal as positive due to its positive impact on FFO, which is likely to increase after refinancing.

in m EUR	2013	2014	2015e	2016e	2017e
Sales	188	201	203	204	205
FFO	112	121	123	124	126
FFO margin	59.6%	60.0%	60.4%	60.8%	61.6%
Net financial debt	1,443	1,372	1,304	1,237	1,170
Net asset value per share	30.59	33.17	38.94	40.66	41.78
FFOPS (in EUR)	2.08	2.23	2.27	2.30	2.34
DPS (in EUR)	1.25	1.30	1.35	1.40	1.45
Dividend yield	3.9%	3.6%	3.3%	3.6%	3.7%
EV/EBITDA	20.3	20.0	21.1	20.1	19.8
P/NAV	1.0	1.1	1.0	1.0	0.9
P/FFO	15.3	16.2	17.8	16.9	16.6

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

Analyst declaration

The relevant research analysts, as named on the front cover of this research report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this research report; and (b) that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this research report.

Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (06/10/2016): 38.75 EUR, Analyst: Dr. Georg Kandors (Analyst).

Date of publication	Price at recommendation	Rating	Price target
06/11/2015	42.90 EUR	Buy	45.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/10/2016)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	56.0%	66.7%
Hold	38.0%	33.3%
Sell	5.0%	0.0%
Under Review	0.0%	0.0%

Prevention and dealing with conflicts of interest

The measures taken by Bankhaus Lampe KG within the framework of its management of conflicts of interest in order to prevent and handle conflicts of interest are based, among other things, on the functional separation of sensitive business units, the establishment of confidentiality units by setting up information barriers, the establishment of organisational regulations regarding the treatment of confidential and sensitive information both inside and outside the confidentiality units and the monitoring and limitation of private securities transactions conducted by employees working in sensitive areas of Bankhaus Lampe KG. Conflicts of interest that cannot be avoided despite the measures taken are disclosed. Compliance with the internal and organisational provisions to prevent and handle conflicts of interest is monitored by the independent Compliance unit.

Conflict of interest

Disclosures of potential conflicts of interest relating to Bankhaus Lampe KG, its affiliates and subsidiaries in the following companies named in this research report are valid as of the end of the month prior to the publication of this report (updating this information may take up to ten days after the month comes to an end).

Potential conflicts of interests may exist in the following companies named in this research report.

Company	Disclosure
Deutsche EuroShop AG	---

Responsible regulatory authority:

Federal Financial Supervisory Authority – Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, D-60439 Frankfurt

Declaration of liability

The information in this study is based on public sources which the author(s) believe(s) to be reliable. Nevertheless, neither Bankhaus Lampe KG, nor its affiliated companies, nor the legal representatives, supervisory board members and employees of these companies can assume any guarantee for the correctness, completeness and accuracy of the information. All opinions and evaluations expressed in this study only reflect the current opinions and evaluations of the author(s), which do not necessarily correspond to the opinions and evaluations of other spheres of business of Bankhaus Lampe KG or its affiliated companies. All opinions and evaluations can be changed at any time without prior notice. They may differ from views set out in other documents, including research, published by Bankhaus Lampe KG.

This study is directed to institutional investors with registered offices in the European Union as well as in Switzerland, Liechtenstein and the United States of America, to whom the Bank has deliberately made it available. Its contents are for information purposes only and are not to be regarded as an offer or invitation to buy or sell financial instruments. Private investors who come to know the contents of this study should, before making a concrete investment decision, consult the investment adviser of their bank on whether any recommendation for a certain investment decision contained in this study is suitable for them in view of their investment objectives and financial conditions. The adviser may not share the views contained herein on the financial instruments and their issuers.

The completion and publication of this study is subject to the law of the Federal Republic of Germany. Its publication in other jurisdictions may be restricted by applicable laws or other legal regulations. Persons with residence outside the Federal Republic of Germany who come into possession of this study must inform themselves about any applicable restrictions that they are obligated to observe. They are recommended to contact the authorities of their country that are responsible for the monitoring of financial instruments and of markets in which financial instruments are traded, in order to find out whether there are any restrictions on acquisition regarding the financial instruments this study refers to. This study may neither be reprinted, in whole or in part, nor transferred to an information system, nor stored in any way whatsoever, be it electronically, mechanically, via photocopy, or by any other means, except with the prior written approval of Bankhaus Lampe KG.

Additional information for clients in the United Kingdom

Publications in the United Kingdom are distributed by Lampe Capital UK (Services) Limited, 2 Savile Row, London W1S 3PA, United Kingdom and this report is only directed at persons who are investment professionals under Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 and the investment or investment activity to which this report relates is only available to and will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely upon the contents of this report.

Additional information for clients in the United States

This research report has been prepared and approved by Bankhaus Lampe KG, a full-service bank in Germany. Bankhaus Lampe KG is not a registered broker/dealer in the United States and therefore is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is distributed in the United States by Lampe Capital North America LLC. Lampe Capital North America LLC distributes this research report solely to "major U.S. institutional investors" on behalf of Bankhaus Lampe KG in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any US recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Lampe Capital North America LLC. Lampe Capital North America LLC may be contacted in writing or by phone: Lampe Capital North America LLC, 712 Fifth Avenue, 28th floor, New York, NY 10019, U.S. phone: +1-212-218 7410. Lampe Capital North America LLC is a wholly owned subsidiary of Bankhaus Lampe KG. Under no circumstances should any US recipient effect any transaction to buy or sell securities or related financial instruments through Bankhaus Lampe KG.

Bankhaus Lampe KG, Jägerhofstraße 10, D-40479 Düsseldorf is responsible for this study.

Further information may be obtained from Bankhaus Lampe KG.

07 October 2016

Contacts

HEAD OF CAPITAL MARKETS & ADVISORY

Ute Gerbaulet

+ 49 (0)211 4952-656

ute.gerbaulet@bankhaus-lampe.de

HEAD OF EQUITY

Ralf Menzel

+ 49 (0)211 4952-282

ralf.menzel@bankhaus-lampe.de

EQUITY SALES CONTINENTAL EUROPE

Ulrich Klingmüller

+ 49 (0)211 4952-784

ulrich.klingmueller@bankhaus-lampe.de

EQUITY SALES IN GB

Yusuf Bilgic

+ 44 (0)203 405 4318

yb@lampe-capital.com

EQUITY SALES IN US

Björn Kahl

+1 212 218 7411

bjorn.kahl@lampe-capital-us.com

EQUITY SALES TRADING CONTINENTAL EUROPE

Nils Carstens

+ 49 (0)211 4952-758

nils.carstens@bankhaus-lampe.de

EQUITY SALES TRADING IN GB

Chris Ford

+ 44 (0)203 405 1083

cf@lampe-capital.com

EQUITY SALES TRADING IN US

Kim Last

+1 212 218 7412

kim.last@lampe-capital-us.com

Bankhaus Lampe Research

Jägerhofstraße 10

D - 40479 Düsseldorf

research@bankhaus-lampe.de

📞 + 49 (0)211 4952-678

📠 + 49 (0)211 4952-494