



# Deutsche EuroShop AG

€ 145 m valuation gains

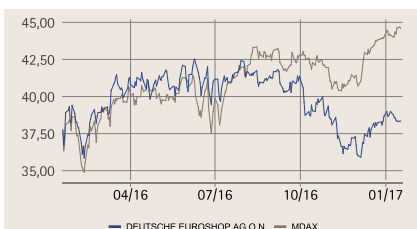
19/01/2017

**Buy** (Buy)  
**45.00 EUR** (44.00 EUR)

Close 17/01/2017 38.35 EUR  
Bloomberg: DEQ GY WKN: 748020  
Sector Real Estate

## Share price performance

52 week high	42.52 EUR
52 week low	35.86 EUR
Compared to	MDAX
YTD	-2.1%
1 month	-1.5%
12 months	-18.3%



## Share data

EV (m EUR; 2017)	3,566
Market Cap (m EUR)	2,085
No. of shares (m)	54
Free float	82.7%

## Next event

Quarterly Results 11/05/2017

## Change in model

	Sales	FFO	EPS
2016e	---	---	65.7%
2017e	---	---	0.2%
2018e	---	---	0.1%

## Analyst

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

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Deutsche EuroShop announced that valuation gains for 2016 amounted to about € 145 m. This is about € 100 m higher than we had anticipated. Thus, we have adjusted our estimates and arrive at a new price target of € 45.00. We are confirming our BUY recommendation for the, in our view, rock solid owner of large shopping centres.

## HIGHER NAV ESTIMATES

Of the valuation gains, € 117 m are from the consolidated portfolio and € 28 m are booked in the at-equity result. Deferred taxes mitigate the impact on the net profit. The valuation gains exceed our old estimates (€ 42.8 m) by € 102 m. Thus, we are raising our NAVpS estimate for 2016 to € 42.17. (was € 40.83).

## IMPACT ON PRICE TARGET

Due to the higher NAV estimate, we arrive at a higher value for our classic valuation component and increase the price target by € 1.00 to € 45.00.

Fair Value	Value (new) €/share	change €/share	Weight	€/share	change €/share
from dividend	45.03	0.00	0.25	11.26	0.00
from 60% FFO	44.53	0.00	0.25	11.13	0.00
Implied valuation	45.53	1.68	0.5	22.77	0.84
Fair Value				45.16	0.84

Source: BHL Research

## VALUATION

Deutsche EuroShop is now trading at a 10% discount to its NAV. The company has a rock solid refinancing profile and thus we regard the dividend as highly secure. The FFO is benefiting from expiring high-interest rate loans. Thus FFO is likely to go up even without an increase of the top line. However, rental revenues may once again benefit from the higher inflation as the rents are fully linked to the consumer price.

in m EUR	2014	2015	2016e	2017e	2018e
Sales	201	203	204	205	206
FFO	121	123	124	130	135
FFO margin	60.0%	60.8%	60.9%	63.4%	65.6%
Net financial debt	1,372	1,337	1,322	1,152	1,083
Net asset value per share	33.17	39.12	42.71	43.11	44.06
FFOPS (in EUR)	2.23	2.29	2.30	2.39	2.36
DPS (in EUR)	1.30	1.35	1.40	1.45	1.50
Dividend yield	3.6%	3.3%	3.6%	3.8%	3.9%
EV/EBITDA	20.0	21.6	21.2	20.1	20.3
P/NAV	1.1	1.0	0.9	0.9	0.9
P/FFO	16.2	17.7	16.8	16.1	16.3

Source: Company information, Bankhaus Lampe Research estimates

# Key figures

## Deutsche EuroShop AG – Income statement

in m EUR	2014	2015	2016e	2017e	2018e
Sales	201	203	204	205	206
Cost of Sales	0	0	0	0	0
Gross profit	201	203	204	205	206
Sales and marketing	-9	-9	-11	-10	-10
General and administration	-10	-10	-10	-10	-10
Research and development	0	0	0	0	0
Other operating result	-4	-7	-7	-7	-7
EBITDA	178	176	176	178	179
Depreciation	0	0	0	0	0
EBITA	178	176	175	178	179
Amortisation of goodwill	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0
EBIT	178	176	175	178	179
Financial result	-40	-2	-19	-42	-37
Income on ordinary activities	138	174	156	136	142
Extraordinary income/loss	77	221	117	12	4
EBT	215	395	273	148	146
Taxes	-37	-85	-61	-35	-35
Net income from cont. operations	177	309	213	112	110
Net income from discount. operations	0	0	0	0	0
Minority interest	0	0	0	0	0
Net income (adj.)	177	309	213	112	110
No. of shares	54	54	54	54	57
EPS (in EUR)	3.29	5.73	3.95	2.07	1.92

Source: Company information, Bankhaus Lampe Research estimates

	2014	2015	2016e	2017e	2018e
Gross margin	-	-	-	-	-
EBITDA margin	88.4%	86.9%	86.2%	86.8%	86.8%
EBITA margin	88.4%	86.9%	86.2%	86.8%	86.8%
EBIT margin	88.4%	86.9%	86.2%	86.8%	86.8%
EBT margin	106.9%	194.6%	134.2%	72.2%	70.8%
Net profit margin	88.4%	152.5%	104.5%	54.9%	53.6%
Tax rate	17.4%	21.6%	22.1%	23.9%	24.2%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2014	2015	2016e	2017e	2018e
Sales	6.8%	1.0%	0.4%	0.5%	0.5%
EBITDA	7.1%	-0.7%	-0.5%	1.2%	0.5%
EBIT	7.1%	-0.7%	-0.5%	-0.5%	0.5%
EBT	14.4%	83.9%	-30.7%	-46.0%	-1.5%
Net income (adj.)	3.7%	74.3%	-31.2%	-47.2%	-1.9%
EPS	3.7%	74.3%	-31.2%	-47.6%	-6.9%

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Balance sheet

Assets (in m EUR)	2014	2015	2016e	2017e	2018e
Fixed assets	3,420	3,768	3,965	3,978	3,983
Property, plant and equipment	3,061	3,357	3,474	3,486	3,490
Intangible assets	0	0	0	0	0
Financial assets	360	411	491	492	493
Other long-term assets	0	0	0	0	0
Current assets	72	83	121	136	149
Inventories	0	0	0	0	0
Accounts receivable	5	6	6	6	6
Other current assets	9	7	7	7	7
Securities	0	0	0	0	0
Cash	58	71	109	124	137
Total assets	3,492	3,852	4,087	4,115	4,132
Equity and liabilities (in m EUR)					
Shareholders' equity	1,751	2,061	2,219	2,374	2,420
Shareholders' equity (before minority)	1,524	1,768	1,908	2,045	2,072
Minorities	227	293	311	329	348
Non-current liabilities	1,661	1,722	1,804	1,683	1,660
Pension provisions	0	0	0	0	0
Other provisions	0	0	0	0	0
Long-term financial debt	1,375	1,360	1,389	1,239	1,189
Other long-term debt	286	362	415	444	471
Current liabilities	80	69	63	58	52
Short-term debt	55	48	42	37	31
Other accruals short-term	11	8	8	8	8
Accounts payable	1	1	1	1	1
Other liabilities	13	13	13	13	13
Total equity and liabilities	3,492	3,852	4,087	4,114	4,132

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Balance sheet structure

Assets	2014	2015	2016e	2017e	2018e
Fixed assets	97.9%	97.8%	97.0%	96.7%	96.4%
Property, plant and equipment	87.6%	87.2%	85.0%	84.7%	84.5%
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets	2.1%	2.2%	3.0%	3.3%	3.6%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.1%	0.1%	0.1%	0.1%	0.1%
Cash	1.7%	1.8%	2.7%	3.0%	3.3%
Equity and liabilities					
Shareholders' equity	50.1%	53.5%	54.3%	57.7%	58.6%
Non-current liabilities	47.6%	44.7%	44.2%	40.9%	40.2%
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	39.4%	35.3%	34.0%	30.1%	28.8%
Current liabilities	2.3%	1.8%	1.6%	1.4%	1.3%
Short-term debt	1.6%	1.2%	1.0%	0.9%	0.8%
Accounts payable	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Cash flow statement

in m EUR	2014	2015	2016e	2017e	2018e
Net income (adj.)	177	309	213	112	110
Depreciation	0	0	0	0	0
Amortisation of goodwill & intangible assets	0	0	0	0	0
Change of provisions	2	-3	0	0	0
Other	-78	-150	-99	6	10
Operating Cash-flow before changes in w/c	102	156	114	119	121
Change in inventory	0	0	0	0	0
Change in accounts receivable	1	-1	0	0	0
Change in accounts payable	-2	0	0	0	0
Change in other working capital positions	-2	2	0	0	0
Operating Cash-flow	99	157	114	119	121
Capex, excluding maintenance	-21	-76	0	0	0
Payments for acquisitions	0	0	0	0	0
Financial investments	17	-51	-80	-1	-1
Income from asset disposals	0	0	0	0	0
Income from financial investments	0	0	0	0	0
Cash-flow from investing activities	-4	-127	-80	-1	-1
Free cash-flow	95	30	34	118	120
Capital measures	0	0	0	100	0
Increase/decrease in debt position	-57	-22	23	-156	-56
Purchase of own shares	0	0	0	0	0
Other financing Cash-flow	47	75	54	28	28
Dividend paid	-67	-70	-73	-76	-79
Cash-flow from financing activities	-77	-17	4	-103	-107
Increase/ decrease in liquid assets	17	12	38	15	13
Effects of exchange rate changes	0	0	0	0	0
Cash at beginning of period	41	58	71	109	124
Change in total cash and cash equivalents	17	12	38	15	13
Cash at end of period	58	71	109	124	137

Source: Company information, Bankhaus Lampe Research estimates

## Deutsche EuroShop AG – Ratios

	2014	2015	2016e	2017e	2018e
<b>Per Share Data</b>					
EPS	3.29	5.73	3.95	2.07	1.92
Book value per share	32.46	38.20	41.13	43.67	42.24
Free Cash-flow per share	1.76	0.55	0.63	2.17	2.09
Dividend per share	1.30	1.35	1.40	1.45	1.50
<b>Valuation ratios</b>					
EV/Sales	17.7	18.8	18.3	17.4	17.6
EV/EBITDA	20.0	21.6	21.2	20.1	20.3
EV/EBIT	20.0	21.6	21.2	20.1	20.3
Price Earnings ratio (P/E)	11.0	7.1	9.8	18.5	19.9
Price to book (total equity)	1.1	1.1	0.9	0.9	0.9
Dividend yield	3.6%	3.3%	3.6%	3.8%	3.9%
<b>Profitability ratios</b>					
EBITDA margin	88.4%	86.9%	86.2%	86.8%	86.8%
EBIT margin	88.4%	86.9%	86.2%	86.8%	86.8%
Net return on sales	88.4%	152.5%	104.5%	54.9%	53.6%
Return on capital employed (ROCE)	5.6%	5.1%	4.8%	4.9%	4.9%
<b>Productivity ratios</b>					
Capital turnover	1,705.1%	1,860.0%	1,949.2%	1,945.8%	1,938.5%
Operating leverage	1.0	-0.7	-1.1	2.4	1.0
Sales per employee	33,464,167	33,808,956	33,945,997	34,116,393	34,287,642
EBIT per employee	29,584,333	29,382,682	29,249,317	29,603,667	29,758,790
Number of employees (in thousands)	0.0	0.0	0.0	0.0	0.0
<b>Financial ratios</b>					
Equity ratio	50.1%	53.5%	54.3%	57.7%	58.6%
Net financial debt (in m EUR)	1,372	1,337	1,322	1,152	1,083
Net debt / Equity	78.3%	64.9%	59.6%	48.5%	44.8%
Interest cover	> 10	> 10	> 10	> 10	> 10
Net debt / EBITDA	7.73	7.58	7.53	6.48	6.07
Working Capital (in m EUR)	3	5	5	5	5
Change Working Capital (in m EUR)	1	2	0	0	0
WC /sales	1.7%	2.5%	2.4%	2.4%	2.4%
Stocks in days of sales	0	0	0	0	0
Trade debtors in days of sales	8	10	10	10	10
Trade creditors in days of COGS/Material cost	2	1	1	1	1
Cash conversion cycle	6	9	9	9	9
Invest. (property/plant/equity) / Depreciation	105195.0%	379515.0%	100.0%	100.0%	100.0%
<b>Others</b>					
Sales CAGR (last 3 years)	1.9%	-1.3%	2.7%	0.6%	0.5%
EBIT CAGR (last 3 years)	2.3%	-0.9%	1.9%	0.0%	0.4%
Net income CAGR (last 3 years)	23.9%	36.0%	7.6%	-14.1%	-29.1%
Pay out ratio	39.5%	23.5%	35.5%	70.1%	77.9%
Free cash-flow (in m EUR)	95	30	34	118	120
Free cash flow yield	4.9%	1.4%	1.6%	5.6%	5.4%

Source: Company information, Bankhaus Lampe Research estimates

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Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (17/01/2017): 38.35 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
13/12/2016	37.32 EUR	Buy	44.00 EUR
10/10/2016	38.79 EUR	Buy	47.00 EUR
06/05/2016	41.35 EUR	Buy	45.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/01/2017)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
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Hold	46.0%	25.0%
Sell	5.0%	0.0%
Under Review	0.0%	0.0%

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Company	Disclosure
Deutsche EuroShop AG	---

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

Further information may be obtained from Bankhaus Lampe KG.

19 January 2017



# 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