

Recommendation:

BUY (Buy)

Risk:

LOW (Low)

Price Target:

EUR 27.50 (27.50)

12 March 2012

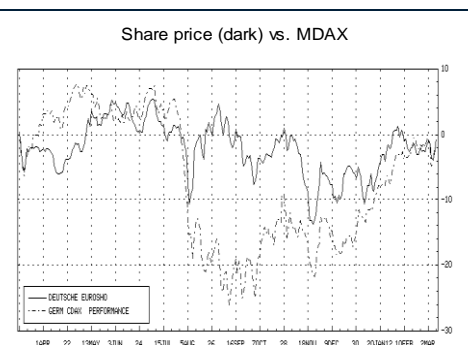
Strong preliminary FY 2011 figures

- On Friday, 9 March, Deutsche EuroShop AG (DES) released its preliminary FY 2011 figures which were above our expectations and above consensus. Sales rose to EUR 190.0m (PY: EUR 144.2m, +31.8%). Main driver of the growth was the consolidation of the shopping centres "Main-Taunus-Zentrum, Frankfurt", "Phoenix-Center, Hamburg" and "Billstedt-Center, Hamburg". The sales increase on a like-for-like basis was 1.2%.
- Operating EBT (EBT without measurement result) came in at EUR 86.5m (PY: EUR 63.9m, +35.4%). The valuation result amounted to EUR 41.8m (PY: EUR 33.1m, +26.2%) with the shopping centres "City-Galerie, Wolfsburg", "Main-Taunus-Zentrum, Frankfurt" and "Altmarkt-Galerie, Dresden" as main drivers.
- As already communicated beforehand, the consolidated financial statements for FY 2010 had to be corrected according to IAS8 on the back of the trade tax ruling by the German Federal Fiscal Court. Additional taxes of approx. EUR 90m had to be booked in FY 2010 leading to a net loss of EUR -7.8m. Before, on an adjusted basis, the net income was EUR 81.8m in FY 2010. On the basis of the unadjusted result, net income FY 2011 grew by 14.2% to EUR 93.4m from EUR 81.8m in FY 2010.
- The FFO per share was EUR 1.61 (PY: EUR 1.35) and EPRA NAV per share grew by 4.9% to EUR 27.65. Management will propose a dividend of EUR 1.10 per share for FY 2011 which is in line with the guidance.
- For FY 2012 DES expects revenues of EUR 207m-211m, EBIT of EUR 177m-181m, operating EBT of EUR 90m-93m and FFO per share of EUR 1.64-1.68.
- DES is still looking for a solution on how to become more trade tax efficient and an expansion of the portfolio could become more difficult as more and more investors are chasing for attractive shopping centres. However, the figures have been very strong and the outlook remains confident. We confirm our BUY recommendation, leaving our price target of EUR 27.50 unchanged for the time being, and will work on our model after the release of the complete FY 2011 figures.

Key data

FY 12/31, EUR m	2008	2009	tax adjusted 2010	prelim. 2011	2012E	2013E
Sales	115.3	127.6	144.2	190.0	205.5	213.8
EBIT	98.1	110.7	124.0	165.7	175.2	182.4
EBT ex revaluation	48.7	54.9	63.9	86.5	93.2	96.8
Net result	68.9	34.4	-7.8	93.4	83.8	87.1
EPS	1.96	0.88	-0.17	1.81	1.62	1.69
DPS	1.05	1.05	1.10	1.10	1.10	1.20
EBIT margin	85.1%	86.8%	86.0%	87.2%	85.3%	85.3%
ROE	8.0%	3.9%	7.9%	6.8%	7.0%	7.1%
ROA	4.9%	5.4%	4.9%	5.3%	5.4%	5.4%
LTV	47.4%	46.9%	45.1%	46.5%	47.0%	47.5%
Price / NAV	0.92	0.92	1.29	1.15	1.13	1.10
EV/EBIT	27.0	23.9	21.4	16.3	15.1	14.5
P/E	11.8	25.5	16.1	17.3	16.3	15.6

Source: Deutsche EuroShop AG, CBS Research AG



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	2011 [E]	2012E	2013E
	prelim expect	new old	new old
Sales	190.0 185.5	- 205.5	- 213.8
EBIT	165.7 160.0	- 175.2	- 182.4
EPS	1.81 1.83	- 1.62	- 1.69

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 centers 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):	26.40
Shares outstanding (m):	51.6
Market capitalisation (EUR m):	1,362.8
Enterprise value (EUR m):	2,650.2
Ø daily trading volume (3 m., no. of shares):	112,967

Performance data:

High 52 weeks (EUR):	29.18
Low 52 weeks (EUR):	22.05
Absolute performance (12 months):	-4.5%
Relative performance vs. MDAX:	
1 month	-2.2%
3 months	-10.4%
6 months	-21.3%
12 months	-9.0%

Shareholders:

Otto family	15.0%
Black Rock	3.3%
Hertie Foundation	3.0%
Free float	78.7%

Financial calendar:

Complete FY 2011 figures 27 April 2012

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Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	unadjusted 2010	prelim. 2011	change	% change	tax adjusted 2010	prelim. 2011	change	% change
Sales			144.2	190.0	45.8	31.8%	144.2	190.0	45.8	31.8%
Property operating costs			-7.3				-7.3			
Property management costs			-7.9				-7.9			
Net operating income (NOI)			129.0	171.6	42.7	33.1%	129.0	171.6	42.7	33.1%
Other operating income			0.9	1.0	0.1	6.8%	0.9	1.0	0.1	6.8%
Gross income			129.9	172.7	42.7	32.9%	129.9	172.7	42.7	32.9%
Other operating expenses (corporate costs)			-5.9	-7.0	-1.1	-18.7%	-5.9	-7.0	-1.1	-18.7%
EBIT			124.0	165.7	41.7	33.6%	124.0	165.7	41.7	33.6%
in % of sales			86.0%	87.2%			86.0%	87.2%		
Financial result			-60.2	-79.1	-18.9	-31.5%	-60.2	-79.1	-18.9	-31.5%
Measurement gains			33.1	41.8	8.7	26.2%	33.1	41.8	8.7	26.2%
EBT			97.0	128.4	31.4	32.4%	97.0	128.4	31.4	32.4%
in % of sales			67.3%	67.6%			67.3%	67.6%		
EBT excl. measurement gains			63.9	86.5	22.6	35.4%	63.9	86.5	22.6	35.4%
in % of sales			44.3%	45.5%			44.3%	45.5%		
Taxes			-15.2							
as % of EBT			-15.6%							
Net income attributable to shareholders			81.8	93.4	11.6	14.2%	-7.8	93.4	101.2	n.m.
in % of sales			56.7%	49.2%			-5.4%	49.2%		
Shares outstanding (in millions)			45.5	51.6	6.1	13.4%	45.5	51.6	6.1	13.4%
Earnings per share (EUR)			1.80	1.81	0.01	0.8%	-0.17	1.81	1.98	n.m.

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	2008	2009 tax adjusted	2010 prelim.	2011	2012E	2013E
Sales			115.3	127.6	144.2	190.0	205.5	213.8
YoY growth			20.4%	10.6%	13.0%	31.8%	8.2%	4.0%
Property operating costs			-5.8	-5.8	-7.3	0.0	-10.1	-10.6
Property management costs			-7.2	-7.2	-7.9	0.0	-12.6	-13.2
Net operating income (NOI)			102.3	114.5	129.0	171.6	182.7	190.1
Other operating income			0.8	0.9	0.9	1.0	1.0	1.1
Gross income			103.1	115.5	129.9	172.7	183.7	191.1
Other operating expenses (corporate costs)			-5.0	-4.7	-5.9	-7.0	-8.5	-8.8
EBIT			98.1	110.7	124.0	165.7	175.2	182.4
in % of sales			85.1%	86.8%	86.0%	87.2%	85.3%	85.3%
Financial result			-49.4	-55.9	-60.2	-79.1	-82.0	-85.6
Measurement gains			38.3	-14.8	33.1	41.8	23.2	19.3
EBT			87.0	40.1	97.0	128.4	116.4	116.1
in % of sales			75.4%	31.4%	67.3%	67.6%	56.7%	54.3%
EBT excl. measurement gains			48.7	54.9	63.9	86.5	93.2	96.8
in % of sales			42.2%	43.0%	44.3%	45.5%	45.4%	45.3%
Taxes			-18.1	-5.7	-80.2	-35.0	-32.6	-29.0
as % of EBT			-20.8%	-14.2%	-82.7%	-27.2%	-28.0%	-25.0%
Net income attributable to shareholders			68.9	34.4	-7.8	93.4	83.8	87.1
in % of sales			59.7%	26.9%	-5.4%	49.2%	40.8%	40.7%
Shares outstanding (in millions)			35.1	39.1	45.5	51.6	51.6	51.6
Earnings per share (EUR)			1.96	0.88	-0.17	1.81	1.62	1.69
Dividend per share (EUR)			1.05	1.05	1.10	1.10	1.10	1.20

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
16 May 2011	HOLD	EUR 28.71	EUR 27.50
12 August 2011	BUY	EUR 25.84	EUR 27.50
25 November 2011	BUY	EUR 23.07	EUR 27.50
12 March 2012	BUY	EUR 26.40	EUR 27.50

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