

Recommendation:
HOLD (BUY)

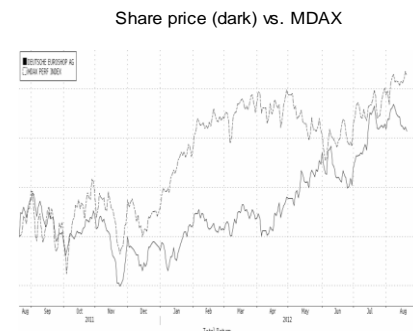
Risk:
Low (LOW)

Price Target:
EUR 28.50 (27.50)

21 August 2012

1H figures as expected, confident outlook

- Last week, Deutsche EuroShop AG (DES) released good 1H 2012 figures which met our expectations. Sales increased to EUR 104.5m (PY: EUR 91.1m, +14.7%). Main driver of the growth were the centre expansions, which were completed last year, in Dresden, Wildau/Berlin, Sulzbach/Frankfurt and the completion of "Allee-Center in Magdeburg".
- Operating EBT rose to EUR 49.1m (PY: EUR 39.6m, +23.9%). The valuation result came in at a small loss of EUR -1.9m (PY EUR -0.8m, -136.3%). Net income increased to EUR 32.6m (PY: 27.2m, +19.7%) and the FFO per share climbed to EUR 0.90 (PY: EUR 0.74, +21.7%).
- The management forecasts for FY 2012E as published in May remain unchanged at present. DES expects revenues of EUR 207m to EUR 211m, EBIT of EUR 177m to EUR 181m, operating EBT of EUR 94m to EUR 97m and FFO per share of EUR 1.70 to 1.74.
- However, the management hinted that the EBT and FFO guidance for FY 2012E could be increased after the release of the 3Q figures. Also the FY 2013E guidance could go up. For the time being we stay conservatively at the lower end of the range of the management guidance for both years.
- DES is working on a solution on how to become more trade tax efficient and will implement a solution until the end of FY 2012E after discussing the solution with the supervisory board in September. No details were released regarding the solution.
- Currently, the expansion of the portfolio is stopped as no shopping centres are offered for reasonable prices. Maybe an extension of 15-20% of additional space inside the existing portfolio and a disposal could be conducted until the end of the year. However, this is not for sure.
- The outlook remains confident and the fundamentals of the existing portfolio remain strong. However, the upside potential in the stock looks limited as the expansion through acquisitions is currently stopped. After adjusting our model we set a new PT of EUR 28.50 (old: EUR 27.50). We change our recommendation from BUY to HOLD.



Source: CBS Research AG, Bloomberg, Deutsche EuroShop

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	210.9	205.5	216.1	213.8	224.6	-
EBIT	179.2	175.2	183.9	182.4	191.1	-
EPS	1.68	1.62	1.73	1.69	1.80	-

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 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):	29.97
Shares outstanding (m):	51.6
Market capitalisation (EUR m):	1,547.4
Enterprise value (EUR m):	2,834.8
Ø daily trading volume (3 m., no. of shares):	165,917

Performance data:

High 52 weeks (EUR):	31.40
Low 52 weeks (EUR):	22.91
Absolute performance (12 months):	16.7%
Relative performance vs. MDAX:	
1 month	-5.6%
3 months	-4.4%
6 months	7.9%
12 months	-12.1%

Shareholders:

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

Financial calendar:

3Q 2012 figures 13 November 2012

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Key data

FY 12/31, EUR m	2009 tax adjusted	2010	2011	2012E	2013E	2014E
Sales	127.6	144.2	190.0	210.9	216.1	224.6
EBIT	110.7	124.0	165.7	179.2	183.9	191.1
EBT ex revaluation	54.9	63.9	86.6	97.4	100.3	104.3
Net result	34.4	-7.8	93.4	86.9	89.4	92.9
EPS	0.88	-0.17	1.81	1.68	1.73	1.80
DPS	1.05	1.10	1.10	1.10	1.10	1.10
EBIT margin	86.8%	86.0%	87.2%	85.0%	85.1%	85.1%
ROE	3.9%	7.9%	7.9%	7.2%	7.2%	7.3%
ROA	5.4%	4.9%	5.4%	5.5%	5.5%	5.5%
LTV	46.9%	45.1%	47.4%	47.0%	47.5%	47.5%
Price / NAV	0.92	1.29	1.07	1.27	1.23	1.20
EV/EBIT	15.4	21.9	16.2	15.8	15.4	14.8
P/E	25.5	16.1	13.7	17.8	17.3	16.7

Source: Deutsche EuroShop AG, CBS Research AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	2Q 2011	2Q 2012	change	% change	1H 2011	1H 2012	change	% change
Sales			46.7	52.5	5.8	12.5%	91.1	104.5	13.4	14.7%
Property operating costs			-2.7	-3.0	-0.4	-13.4%	-4.4	-5.5	-1.1	-24.9%
Property management costs			-2.6	-2.5	0.1	5.7%	-5.2	-5.4	-0.2	-4.2%
Net operating income (NOI)			41.4	47.0	5.6	13.6%	81.5	93.6	12.1	14.8%
Other operating income			0.1	0.0	-0.1	-84.8%	0.1	0.8	0.6	427.6%
Gross income			41.4	47.0	5.6	13.5%	81.7	94.3	12.7	15.5%
Other operating expenses (corporate costs)			-1.7	-1.7	0.1	2.9%	-3.3	-3.1	0.2	5.4%
EBIT			39.7	45.3	5.6	14.2%	78.4	91.2	12.9	16.4%
in % of sales			85.0%	86.3%			86.0%	87.3%		
Financial result			-19.6	-20.7	-1.1	-5.8%	-38.8	-42.1	-3.4	-8.7%
Measurement gains			-0.4	-1.0	-0.6	-153.8%	-0.8	-1.9	-1.1	-136.3%
EBT			19.7	23.6	3.9	19.8%	38.8	47.2	8.4	21.7%
in % of sales			42.2%	44.9%			42.6%	45.2%		
EBT excl. measurement gains			20.1	24.6	4.5	22.4%	39.6	49.1	9.5	23.9%
in % of sales			43.0%	46.8%			43.5%	47.0%		
Taxes			-8.4	-7.6	0.9	10.5%	-11.6	-14.6	-3.0	-26.2%
as % of EBT			-42.9%	-32.0%			-29.9%	-31.0%		
Net income attributable to shareholders			11.3	16.0	4.8	42.5%	27.2	32.6	5.4	19.7%
in % of sales			24.1%	30.5%			29.9%	31.2%		
Shares outstanding (in millions)			51.6	51.6	0.0	0.0%	51.6	51.6	0.0	0.0%
Earnings per share (EUR)			0.22	0.31	0.09	42.5%	0.53	0.63	0.10	19.7%
FFO per share			0.37	0.45	0.08	21.3%	0.74	0.90	0.16	21.7%

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Profit and loss account

	IFRS	EURm	2009	tax adjusted 2010	2011	2012E	2013E	2014E
Sales			127.6	144.2	190.0	210.9	216.1	224.6
YoY growth			10.6%	13.0%	31.8%	11.0%	2.5%	3.9%
Property operating costs			-5.8	-7.3	-8.5	-11.4	-11.6	-12.0
Property management costs			-7.2	-7.9	-9.8	-12.5	-12.8	-13.3
Net operating income (NOI)			114.5	129.0	171.6	186.9	191.7	199.2
Other operating income			0.9	0.9	1.0	1.0	1.1	1.1
Gross income			115.5	129.9	172.7	187.9	192.8	200.3
Other operating expenses (corporate costs)			-4.7	-5.9	-7.0	-8.8	-8.9	-9.2
EBIT			110.7	124.0	165.7	179.2	183.9	191.1
in % of sales			86.8%	86.0%	87.2%	85.0%	85.1%	85.1%
Financial result			-55.9	-60.2	-79.1	-81.8	-83.6	-86.8
Measurement gains			-14.8	33.1	41.8	23.3	18.8	19.6
EBT			40.1	97.0	128.4	120.7	119.1	123.9
in % of sales			31.4%	67.3%	67.6%	57.3%	55.1%	55.2%
EBT excl. measurement gains			54.9	63.9	86.6	97.4	100.3	104.3
in % of sales			43.0%	44.3%	45.6%	46.2%	46.4%	46.5%
Taxes			-5.7	-104.8	-35.0	-33.8	-29.8	-31.0
as % of EBT			-14.2%	-108.1%	-27.2%	-28.0%	-25.0%	-25.0%
Net income attributable to shareholders			34.4	-7.8	93.4	86.9	89.4	92.9
in % of sales			26.9%	-5.4%	49.2%	41.2%	41.4%	41.4%
Shares outstanding (in millions)			39.1	45.5	51.6	51.6	51.6	51.6
Earnings per share (EUR)			0.88	-0.17	1.81	1.68	1.73	1.80
FFO per share			1.40	1.35	1.61	1.70	1.75	1.81
Dividend per share (EUR)			1.05	1.10	1.10	1.10	1.10	1.10

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Balance Sheet

	IFRS	EURm	2009	2010	2011	2012E	2013E	2014E
Assets								
Noncurrent assets			2,020.2	2,729.3	3,139.8	3,165.2	3,290.2	3,416.3
as % of total assets			95.6%	92.1%	97.4%	97.0%	97.0%	97.5%
Intangible assets			0.0	0.0	0.0	0.0	0.0	0.0
PP&E			0.0	0.0	0.1	0.1	0.0	0.0
Investment properties			1,991.0	2,700.7	3,106.8	3,136.3	3,261.4	3,387.5
Financial assets			24.8	23.9	27.8	24.0	24.0	24.0
Investments in equity-accounted associates			3.5	4.1	4.5	4.1	4.1	4.1
Other noncurrent assets			0.9	0.6	0.5	0.7	0.7	0.7
Current assets			91.9	234.2	85.3	99.4	100.5	87.5
as % of total assets			4.4%	7.9%	2.6%	3.0%	3.0%	2.5%
Accounts receivables			2.6	3.5	5.6	3.5	3.5	3.5
Receivables from other investees & investors			0.0	0.0	0.0	0.0	0.0	0.0
Other current assets			5.9	165.0	15.3	8.3	8.3	8.3
Other financial investments			1.6	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents			81.9	65.8	64.4	87.6	88.7	75.7
Total Assets			2,112.1	2,963.6	3,225.1	3,264.6	3,390.8	3,503.8
Total equity and liabilities								
Total equity			921.3	1,158.2	1,193.0	1,223.2	1,255.9	1,292.1
as % of total equity and liabilities			43.6%	39.1%	37.0%	37.5%	37.0%	36.9%
Issued capital			37.8	51.6	51.6	51.6	51.6	51.6
Capital reserve			609.4	890.1	890.5	890.5	890.5	890.5
Retained earnings			274.1	216.4	250.9	281.1	313.7	350.0
Noncurrent liabilities			1,149.7	1,715.3	1,865.1	1,937.4	2,026.2	2,100.1
as % of total equity and liabilities			54.4%	57.9%	57.8%	59.3%	59.8%	59.9%
Financial liabilities			921.2	1,227.1	1,336.0	1,404.8	1,476.4	1,533.4
Deferred tax liabilities			85.6	188.5	210.6	217.1	221.8	226.7
Right to redeem of limited partners			123.0	277.8	280.1	292.0	304.0	315.9
Other liabilities			19.8	21.8	38.5	23.5	24.0	24.0
Current liabilities			41.2	90.1	167.0	104.0	108.7	111.6
as % of total equity and liabilities			1.9%	3.0%	5.2%	3.2%	3.2%	3.2%
Financial liabilities			13.0	61.1	136.2	69.3	72.8	75.6
Trade accounts payables			1.1	6.1	2.8	6.8	7.0	7.0
Liabilities to other investees and investors			0.0	0.0	0.0	0.0	0.0	0.0
Tax liabilities			2.0	4.4	5.9	5.9	5.9	5.9
Other provisions			19.7	7.3	8.9	9.0	9.5	9.5
Other liabilities			5.4	11.2	13.2	13.0	13.5	13.5
Total equity and liabilities			2,112.1	2,963.6	3,225.1	3,264.6	3,390.8	3,503.8

Source: CBS Research AG, Deutsche EuroShop AG

Deutsche EuroShop AG

Cash flow statement

	IFRS	EURm	2009	2010	2011	2012E	2013E	2014E
Net income			34.4	-7.8	93.4	86.9	89.4	92.9
Income from the application of IFRS 3			-6.0	-13.3	-7.9	0.0	0.0	0.0
Profit/loss attributable to limited partners			8.9	10.9	27.6	11.9	11.9	11.9
Depreciation and amortisation			0.0	0.0	0.0	0.0	0.0	0.0
Changes in value of investment property (IAS 40)			20.5	-31.4	-54.3	-23.3	-18.8	-19.6
Profit/loss of equity accounted companies			0.2	0.6	-0.3	0.6	0.6	0.6
Other non-cash items			-0.5	0.0	0.0	0.0	0.0	0.0
Reconciliation of cash flow from operating activities			0.0	8.6	8.5	0.0	0.0	0.0
Deferred taxes			5.7	102.4	31.6	6.5	4.7	4.9
Operating cash flow			63.2	70.0	98.7	82.7	87.8	90.8
Changes in receivables			1.4	-158.1	147.7	9.1	0.0	0.0
Changes in other financial investments			0.1	1.6	0.0	0.0	0.0	0.0
Changes in non-current tax provisions			0.0	0.0	0.0	0.0	0.0	0.0
Changes in current provisions			2.8	-14.1	1.5	0.1	0.5	0.0
Changes in liabilities			-7.0	6.4	1.6	3.8	0.7	0.0
Cash flow from operating activities			60.5	-94.2	249.4	95.8	89.0	90.8
Payments to acquire PP&E and investment properties			-20.5	-78.0	-77.2	-6.2	-106.2	-106.5
Proceeds from the sale of consolidated companies			0.0	0.0	0.0	0.0	0.0	0.0
Expenses invest. activities to be allocated to cash flow			0.0	-8.6	-8.5	0.0	0.0	0.0
Payments to acquire consolidated companies			-15.4	-201.4	-266.3	0.0	0.0	0.0
Change in investments in non-current financial assets			0.0	0.0	0.0	3.6	0.0	0.0
Change in equity-accounted associates			0.0	0.0	0.0	-0.2	-0.6	-0.6
Change in non-current financial assets			0.0	0.1	-0.2	0.0	0.0	0.0
Cash flow from investing activities			-35.9	-287.8	-352.2	-2.8	-106.8	-107.1
Changes in interest-bearing financial liabilities			-7.2	166.2	184.0	-13.0	75.6	59.9
Payments to group shareholders			-36.1	-46.3	-56.8	-56.8	-56.7	-56.6
Contributions of Group shareholders			66.5	253.7	0.0	0.0	0.0	0.0
Contributions from / payments to third-party shareholders			-7.7	-9.7	-25.3	0.0	0.0	0.0
Cash flow from financing activities			15.5	363.9	101.9	-69.8	18.9	3.3
Total change in cash and cash equivalents			40.2	-16.1	-1.4	23.2	1.2	-13.1
Cash and cash equivalents at the start of the period			41.7	81.9	65.8	64.4	87.6	88.7
Cash and cash equivalents at the end of the period			81.9	65.8	64.4	87.6	88.7	75.7

Source: CBS Research AG, Deutsche EuroShop AG

Research



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Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
21 August 2012	HOLD	EUR 29.97	EUR 28.50
12 March 2012	BUY	EUR 26.40	EUR 27.50
25 November 2011	BUY	EUR 23.07	EUR 27.50

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 12 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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