

SAL. OPPENHEIM

Deutsche Euroshop

Real Estate

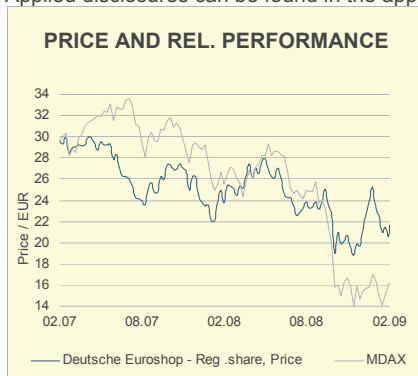
2009-02-10

Applied disclosures can be found in the appendix

Buy

Fair Value EUR24.00

Price EUR21.71 (Closing price as of 2009-02-09)



PRELIMINARY FY 08 FIGURES: SOLID AS EVER

ASSESSMENT

- Deutsche Euroshop published preliminary FY08 figures. Results exceeded the company's targets and consensus. Moreover management increased its FY 2009 forecasts.
- Sales €115.3m (target €113-115m, consensus €113.7m); EBIT €98.2m (target €93-95m, consensus €93.4m); Operating pre-tax profit was €50m (target €45-47m, consensus €49m); stated net profit €68.7m, whereas we expected €61.4m.
- The higher than expected figures are due to lower operating costs, €4m less than what we anticipated in our model. Besides improved operational figures, Deutsche Euroshop also disclosed higher than expected revaluation gains of €36m – we estimated €30m. These revaluation gains come from the opening of new shopping centres (Gdansk, Hamlin, and Passau).
- As a result of these favorable figures, the NAV also rose to €27.44 vs. €26.91 last year and the FFO increased to €1.46 from € 1.12 (up by 30%). We expect a dividend payment of €1.05, which implies a dividend yield of 4.8%.
- The company also raised its FY 2009 guidance. The new targets are: Sales €125-128m (old guidance €119-121m, consensus 120.5m); EBIT €105-108m (old guidance €100-102m, consensus €103.4m); EBT €50-52m (old guidance €49-51m, consensus €53m).

MARKET DATA

Reuters	DEQn.DE
Bloomberg	DEQ GR
Market cap EURbn	0,7
Free float %	81,0

KEY DATA

Yr.end 12/31	2007	2008e	2009e
NNAVPS	26,22	26,91	26,92
FFOPS	1,63	1,12	1,22
EPS	2,74	1,78	1,41
P/NNAV	1,0	0,9	0,8
FFO yield %	6,0	4,7	5,6
RONNAV %	4,4	4,2	4,5
FFOPS CAGR: 07-10 %			-9,0

NEXT EVENTS

VALUATION

- On the basis of management's new forecasts we will revise our own estimates and fair value upwards slightly. Even on the basis of our current (old) estimates, Deutsche Euroshop is expected to deliver a RONNAV of 4.5% for 2009.
- We consider the company's financing structure to be reasonable with an LTV ratio of 47%. The average interest rate on its €868m financial liabilities is 5.4%, with a weighted maturity of 7 years. €126m of this is maturing in 2009 to 2012. €50m of this amount will be redeemed and €76m will have to be rolled over. We expect the company to have no problems with its prolongations.

CONCLUSION

Deutsche Euroshop remains one of our favored stocks in the sector as it has a relatively defensive business model, which appears appropriate in the current environment. In particular, we like the fact that the company is focused and comparatively cautious about pursuing new projects.

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Deutsche Euroshop - P&L					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Rental income	92,4	94,5	113,8	123,2	126,9
Revaluation of investment properties	72,3	50,8	30,0	8,7	9,0
Other income	16,4	1,3	1,7	2,4	2,6
Total income	181,2	146,5	145,5	134,3	138,5
Real estate operating expenses	16,2	15,4	17,8	18,3	18,7
Other operating expenses	6,3	4,2	4,7	4,9	5,2
Total operating expenses	22,5	19,6	22,5	23,2	23,9
EBITDA	158,6	126,9	123,0	111,2	114,6
EBITDA (excl. revaluation)	86,3	76,1	93,0	102,5	105,7
EBIT	158,6	126,9	123,0	111,2	114,6
Interest income	2,3	2,7	2,3	2,3	2,4
Interest expenses	38,9	40,2	46,0	49,2	51,7
Other financial income	-4,4	-12,6	-5,2	-5,4	-5,7
EBT	117,7	76,8	74,1	58,9	59,7
Taxes	17,4	-16,3	13,1	10,5	10,6
Adjusted net profit	100,3	93,1	61,0	48,4	49,0
Net profit	100,3	93,1	61,0	48,4	49,0
Net profit after minorities	100,3	93,1	61,0	48,4	49,0
Total operating income	108,9	95,8	115,5	125,6	129,5
Operating costs	22,5	19,6	22,5	23,2	23,9
Key ratios and figures					
EURm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Number of total shares	17,2	34,4	34,4	34,4	34,4
EPS (reported)	5,84	2,74	1,78	1,41	1,43
FFOPS	2,71	1,63	1,12	1,22	1,23
DPS	2,10	1,05	1,05	1,05	1,10
NNAVPS	48,64	26,22	26,91	26,92	27,15
Growth rates %					
Revenues	45,7	-19,1	-0,7	-7,7	3,1
EBITDA	47,6	-20,0	-3,0	-9,7	3,1
EBIT	47,6	-20,0	-3,0	-9,7	3,1
EBT	72,7	-34,8	-3,4	-20,6	1,4
Net profit after minorities	105,9	-7,2	-34,4	-20,8	1,4
FFO	313,4	-39,7	-31,3	8,5	1,1
Margins and ratios %					
Cost/income ratio	-12,4	-13,4	-15,5	-17,3	-17,3
Property expens./gross rental inc.	-17,5	-16,3	-15,6	-14,8	-14,7
EBITDA/total income (excl. revaluation)	87,6	86,6	84,5	82,7	82,8
EBIT/total income (excl. revaluation)	87,6	86,6	84,5	82,7	82,8
EBT/total income	65,0	52,4	50,9	43,8	43,1
Net profit margin	55,4	63,6	41,9	36,0	35,4
RONNAV	5,8	4,4	4,2	4,5	4,6
Other ratios					
Interest cover	-2,2	-1,9	-2,0	-2,1	-2,0
Equity ratio %	44,3	43,6	42,3	40,9	40,3
LTV	53,8	54,0	55,9	57,9	58,4
Gearing %	86,0	91,4	103,1	109,0	112,1

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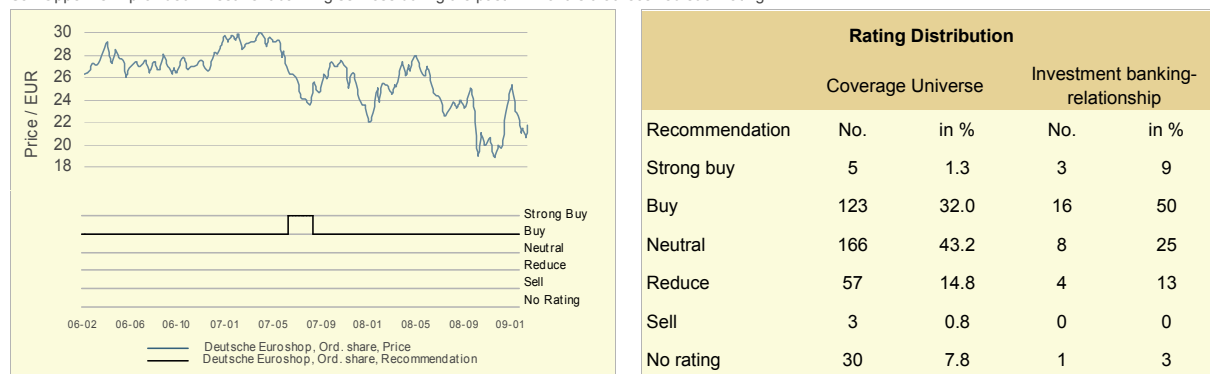
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