

# COMPANY PRESENTATION

04.2018

*Shopping*

EVOLUTION



## Equity Story



Deutsche EuroShop is Germany's only public company that invests solely in shopping centers



Shopping centers are attractive investments because of

- Continuously positive development of rents
- Stable long term growth
- Prime locations
- High quality standards



Deutsche EuroShop does not seek short-term success, but rather long-term growth and the resulting stable increase in the value of the portfolio

## At a Glance

21 shopping centers on high street and in established locations – 17 in Germany and one each in Austria, Czech Republic, Hungary and Poland



2017 portfolio valuation: approx. 4.93% net initial yield (after transaction costs)



Professional center management by ECE, the European market leader in this industry

Lettable space <sup>1</sup>	Approx. 1,087,000 sqm
Retail shops <sup>1</sup>	Approx. 2,700
Market value <sup>1</sup>	approx. €5.1 billion (DES-share €4.1 bn.)
Rents per year <sup>1</sup>	€297 million (DES-share €237 mn.)
Occupancy rate <sup>1</sup>	99%

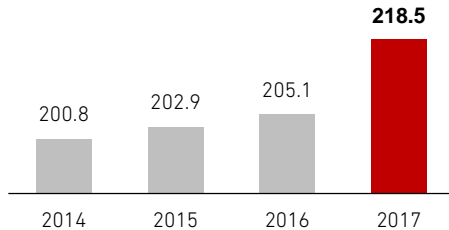
Avg. GLA per DES-center:  
 inner city 40,400 sqm  
 est. locations 99,900 sqm

<sup>1</sup> 100%-view

## Key Figures<sup>3</sup>

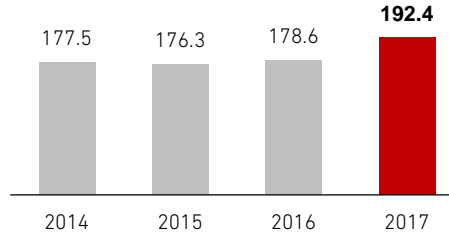
### REVENUE

€m

+2.9%<sup>1</sup>

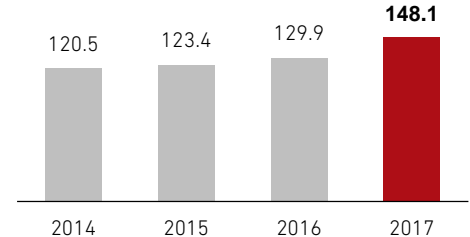
### EBIT

€m

+2.7%<sup>1</sup>

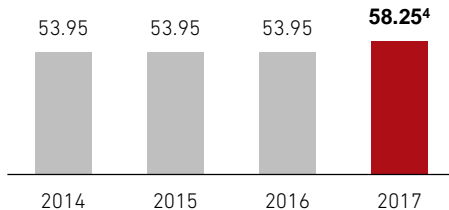
### FFO

€m

+7.1%<sup>1</sup>

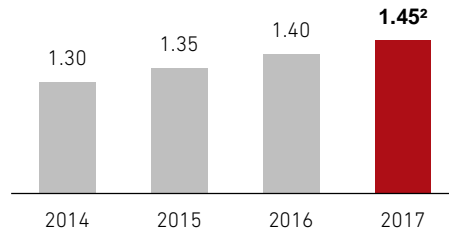
### NUMBER OF SHARES

mn

+2.6%<sup>1</sup>

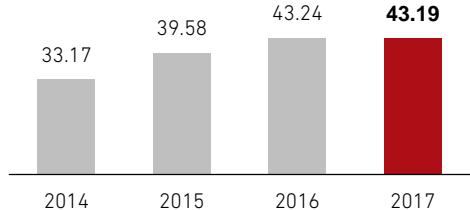
### DIVIDEND PER SHARE

€

+3.7%<sup>1</sup>

### NAV PER SHARE (EPRA)

€

+9.2%<sup>1</sup>

<sup>1</sup> 2014 – 2017, Compound Annual Growth Rate (CAGR)

<sup>2</sup> proposal

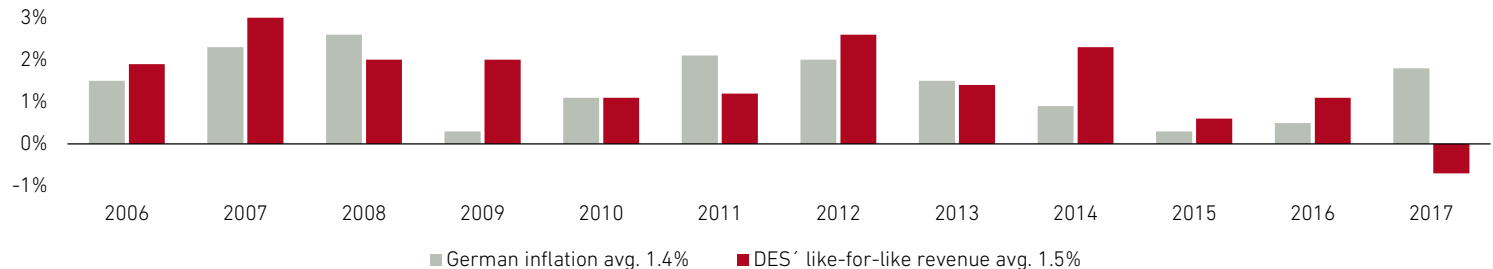
<sup>3</sup> preliminary results

<sup>4</sup> weighted, taking into account the fact that the convertible bond was nearly fully converted at the end of its term

## Lease System

- 10 years lease
- No break-up option
- Turnover-linked rents
- Minimum rents are CPI-linked
- Avg. retail space rent per sqm and year: €270
- Avg. turnover per sqm and year (productivity) in DES' German shopping centers: €3,960<sup>1,2</sup>  
(avg. German retail: €3,489, avg. German shopping centers: €3,933)<sup>1,3</sup>
- Rent-to-sales-ratio: 7.5 – 11.5%
- Weighted maturity of rental contracts: 5.5 years<sup>1</sup>

## LIKE-FOR-LIKE REVENUE

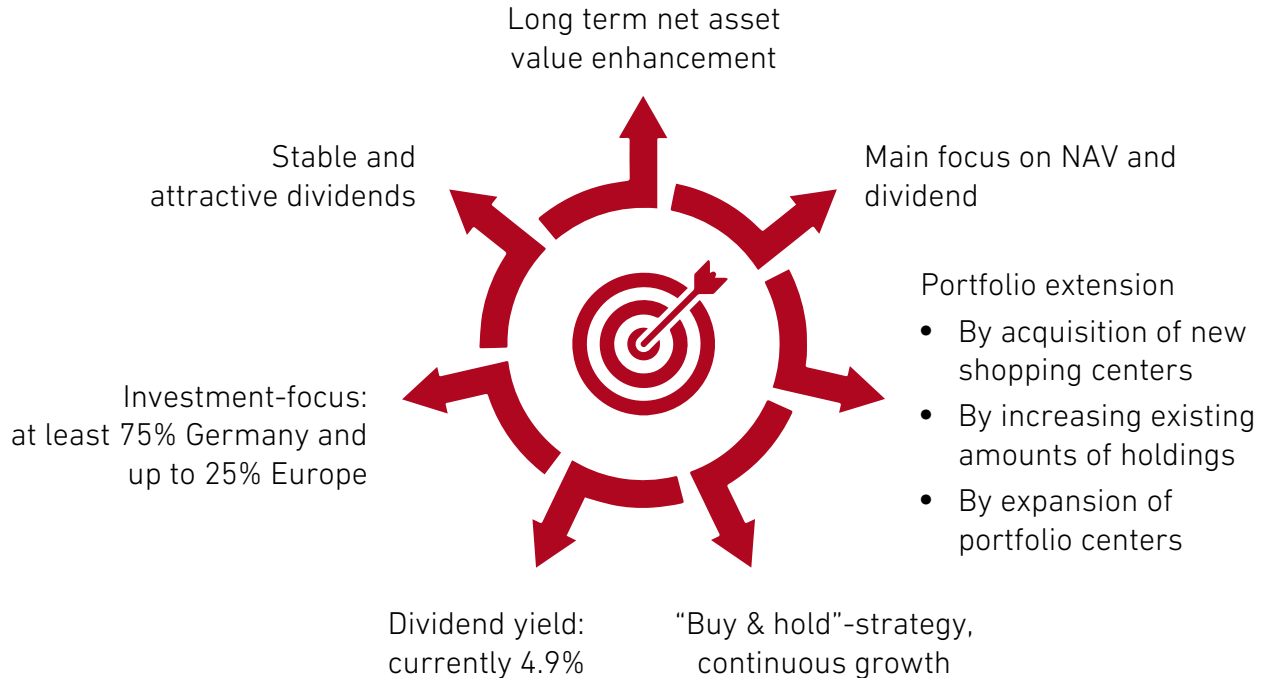


<sup>1</sup> Status: 31 Dec. 2017

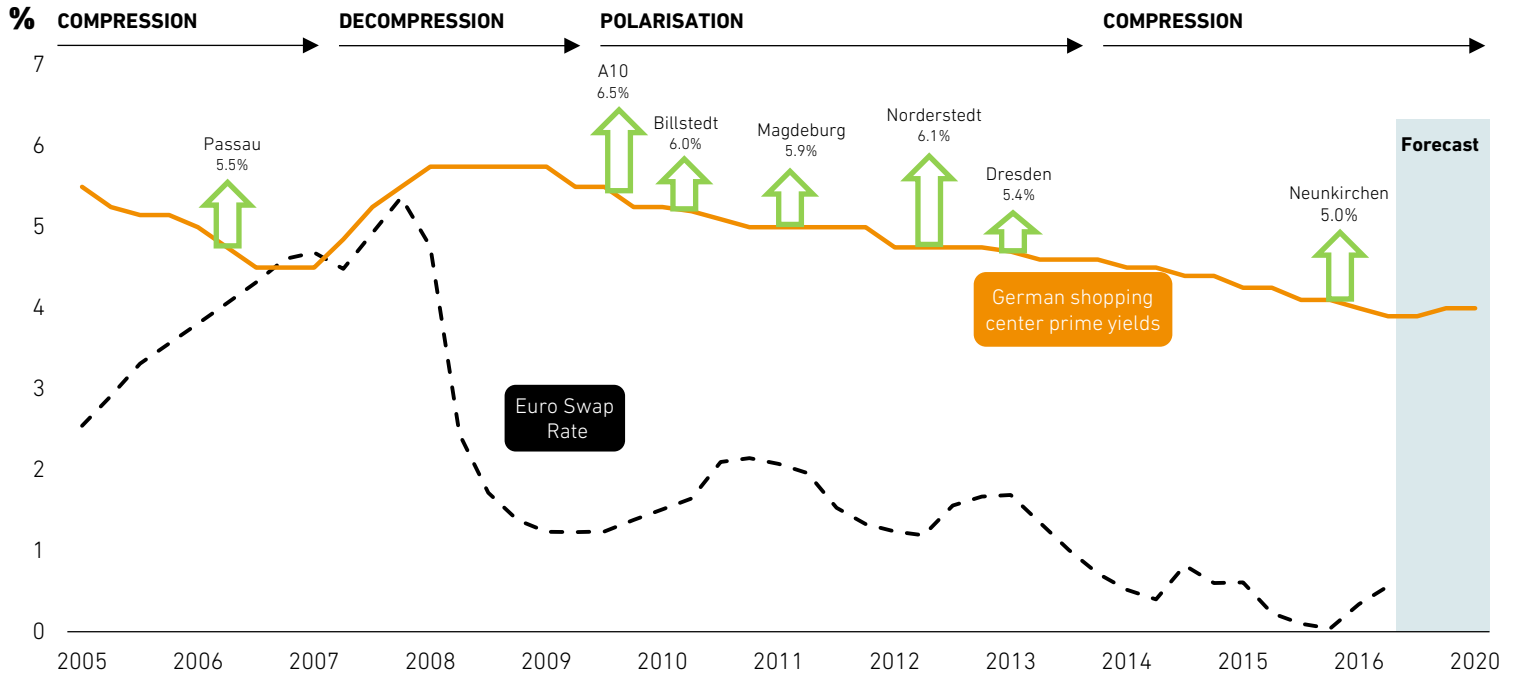
<sup>2</sup> excl. VAT

<sup>3</sup> Source: GfK Geomarketing

# Targets



## German prime shopping center yields 2005-2020E



## Acquisition of Olympia BRNO

Deutsche EuroShop acquired **100%** of the shares in Olympia SPV from Rockspring and ECE European Prime Shopping Centre Fund I (50% each)

Closing: **31 March 2017**

Total investment: approx. **€382 million**, net purchase price excl. debt of SPV and excl. acquisition costs: approx. **€207 million**

Financing by long term debt (approx. €217 million, 57%) and proceeds of **capital increase** (approx. €165 million, 43%)

Expected annualised rents 2017: **€20.1 million**

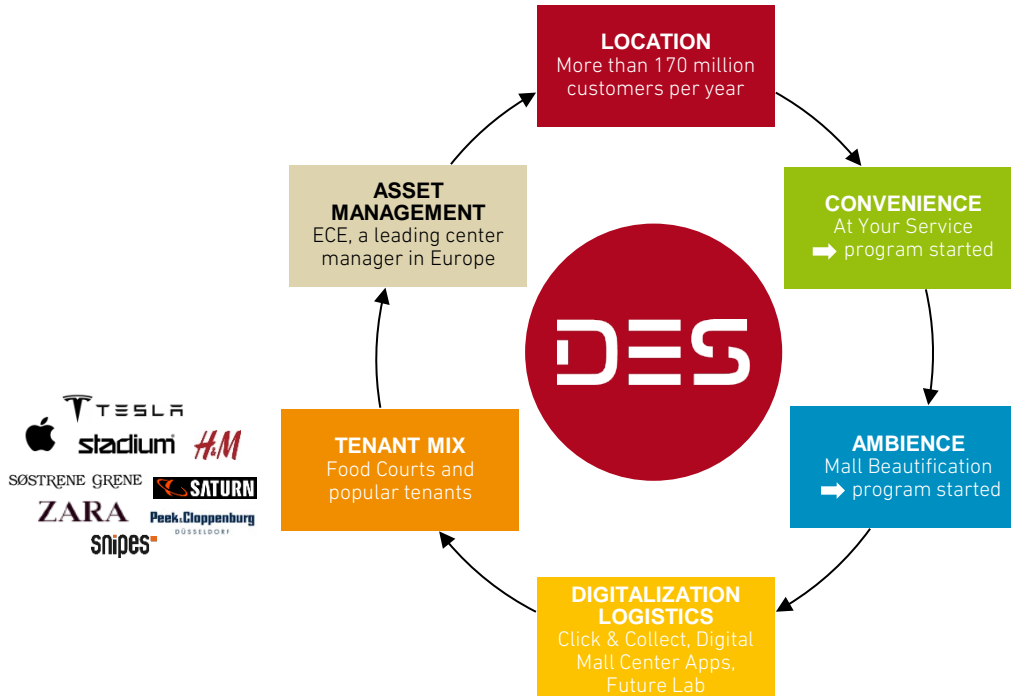
Expected NOI yield: **5.1%**, expected net initial yield: **5.0%**

The SPV is **fully consolidated** as of 31 March 2017





# Success factors of a modern shopping center

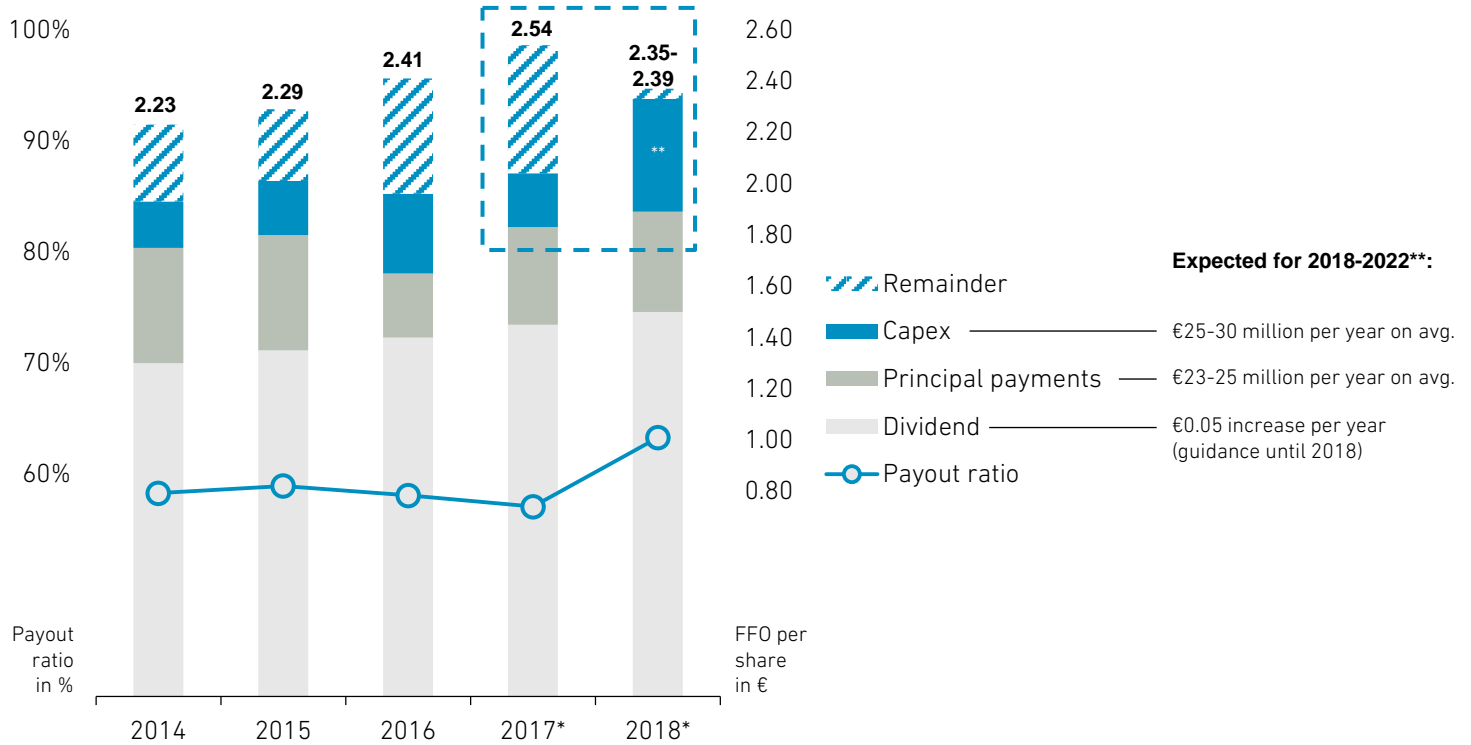


## Investments: Mall beautification & convenience



Design studies

# Investments: Capex covered by FFO



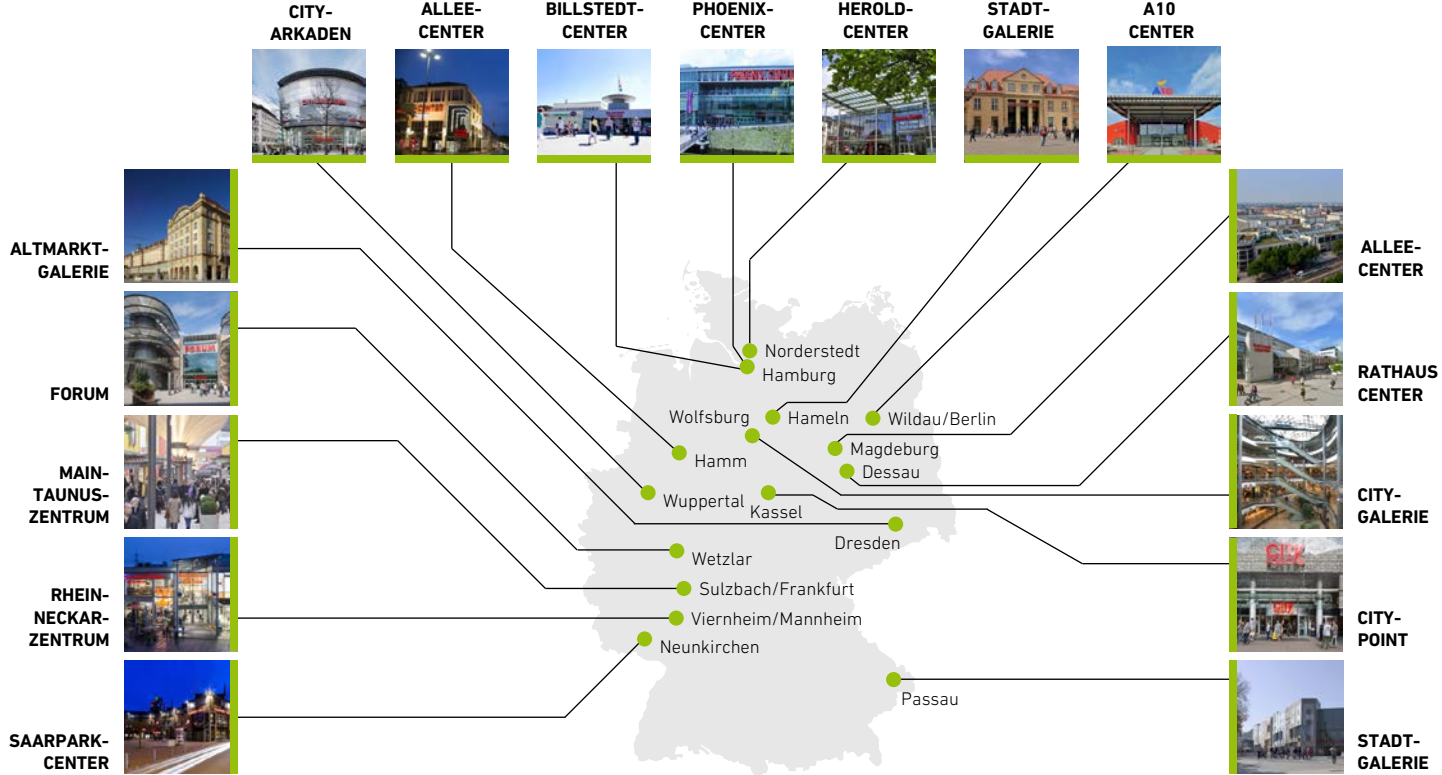
**Expected for 2018-2022\*\*:**

- Remainder
- Capex — €25-30 million per year on avg.
- Principal payments — €23-25 million per year on avg.
- Dividend — €0.05 increase per year (guidance until 2018)
- Payout ratio

\* Forecast dividend per share: proposal

\*\* expected: €27.5 million per year on avg.

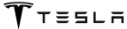









# Germany



# Europe



## Our Tenants<sup>1</sup>

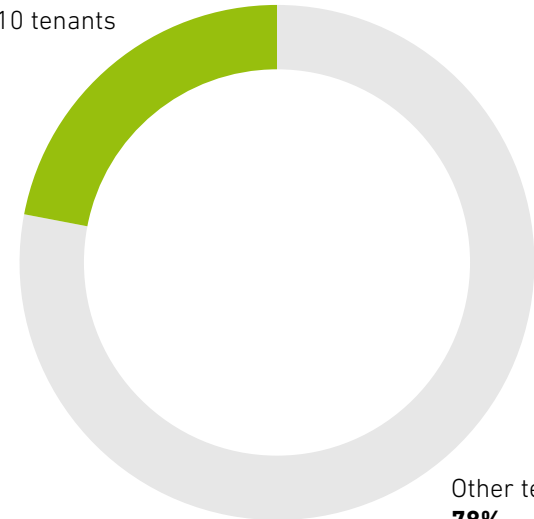
<sup>1</sup> Selection of our well known tenants

## Tenants Structure Top 10 Tenants<sup>1</sup>

	2017	2016
H&M	3.5%	3.6%
Ceconomy <sup>2</sup>	2.7%	
Deichmann	2.5%	2.0%
Peek & Cloppenburg	2.3%	2.2%
New Yorker	2.3%	2.4%
C&A	2.0%	1.9%
Douglas	1.8%	2.0%
Metro <sup>2</sup>	1.7%	
Rewe	1.6%	1.7%
DM	1.4%	1.4%
<b>Total</b>	<b>21.8%</b>	

## LOW LEVEL OF DEPENDENCE ON THE TOP 10 TENANTS

Top 10 tenants  
22%



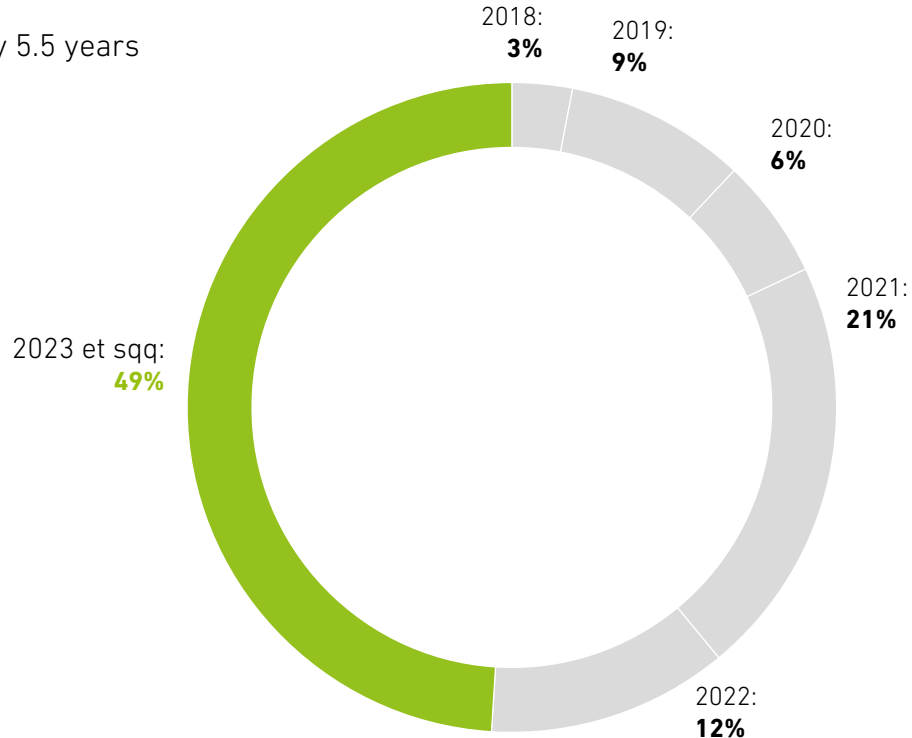
<sup>1</sup> in % of total rental income as at 31 Dec. 2017

<sup>2</sup> consumer electronics and the food retail division of Metro AG were demerged in 2017

## Maturity Distribution of Rental Contracts<sup>1</sup>

Long-term contracts base rental income

Weighted maturity 5.5 years

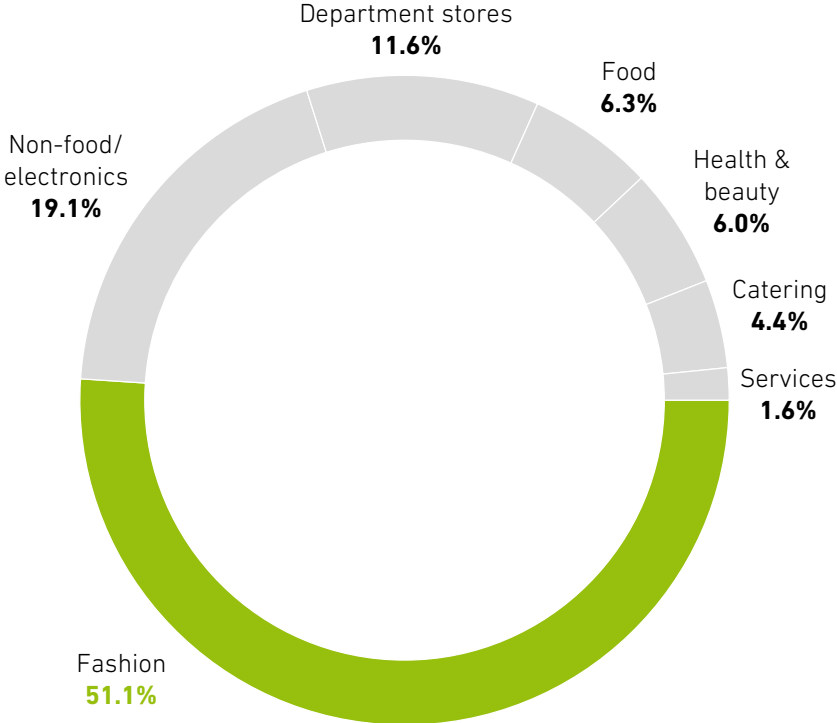


<sup>1</sup> as % of rental income as at 31 Dec. 2017



# Sector Mix<sup>1</sup>

Balanced sector diversification



<sup>1</sup> as % of rental space as at 31 Dec. 2017

## Key Figures 2017<sup>2</sup>

€ million	01.01. – 31.12.2017	01.01. – 31.12.2016	CHANGE
Revenue	218.5	205.1	7%
Net operating income	197.0	184.7	7%
EBIT	192.4	178.6	8%
Net finance costs	-35.1	-13.9	-153%
Measurement gains/losses	8.6	116.8	-93%
EBT	165.8	281.5	-41%
Consolidated profit	134.3	221.8	-39%
FFO per share (€)	2.54	2.41	5%
EPRA Earnings per share (€, undiluted)	2.42	2.29	6%

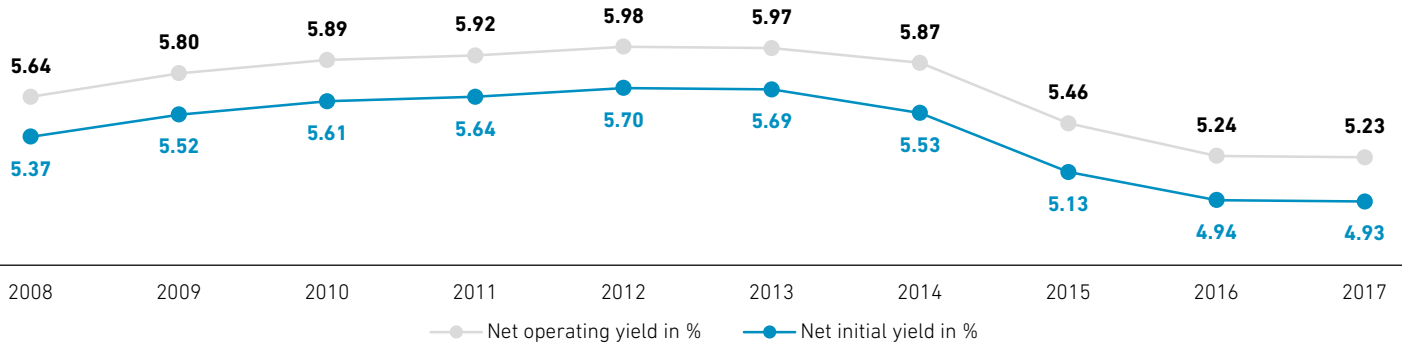
€ million	31.12.2017	31.12.2016	CHANGE
Total equity <sup>1</sup>	2,574.9	2,240.7	15%
Net Financial liabilities	2,052.1	1,873.8	10%
Total assets	4,627.0	4,114.5	12%
Equity ratio <sup>1</sup>	55.6%	54.5%	
Loan to value ratio	32.4%	34.2%	
Cash and cash equivalents	106.6	64.0	66%

<sup>1</sup> including the share attributable to equity-accounted joint ventures and associates

<sup>2</sup> preliminary results



## Valuation<sup>1</sup> – Investment Properties 2017



### SENSITIVITY ANALYSIS

in € thousand	Basis	change of -25bps	change of +25bps
Rent increase rates	1.47%	-128,800	+164,700
Discount rate	5.90%	+80,700	-75,000
Capitalization rate	5.11%	+134,300	-121,900
Cost ratio	10.14%	+13,900	-9,300

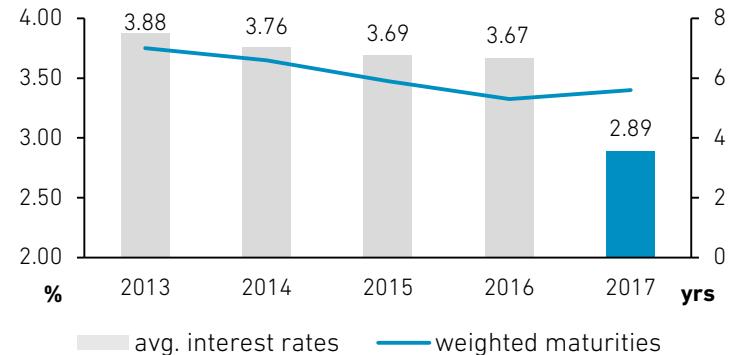
<sup>1</sup> External appraisers: since 2015: JLL

## Loan Structure<sup>1,2</sup>

INTEREST LOCKIN	DURATION	PRINCIPLE AMOUNTS (€ MILLION)	SHARE OF TOTAL LOAN	AVG. INTEREST RATE
Up to 1 year		22.3	1.4%	3.80%
1 to 5 years	3.6	724.2	47.0%	3.83%
5 to 10 years	8.1	658.0	42.7%	2.70%
Over 10 years	11.0	137.0	8.9%	1.84%
<b>Total<sup>1</sup></b>	<b>5.6</b>	<b>1,541.5</b>	<b>100%</b>	<b>2.89%</b>

→ **21** German and **4** foreign bank partners

→ Weighted maturity of fixed interest periods **5.6 years<sup>1</sup>**



<sup>1</sup> as of 31 December 2017

<sup>2</sup> excl. non-consolidated loans

## Maturities until 2023<sup>1,2</sup>

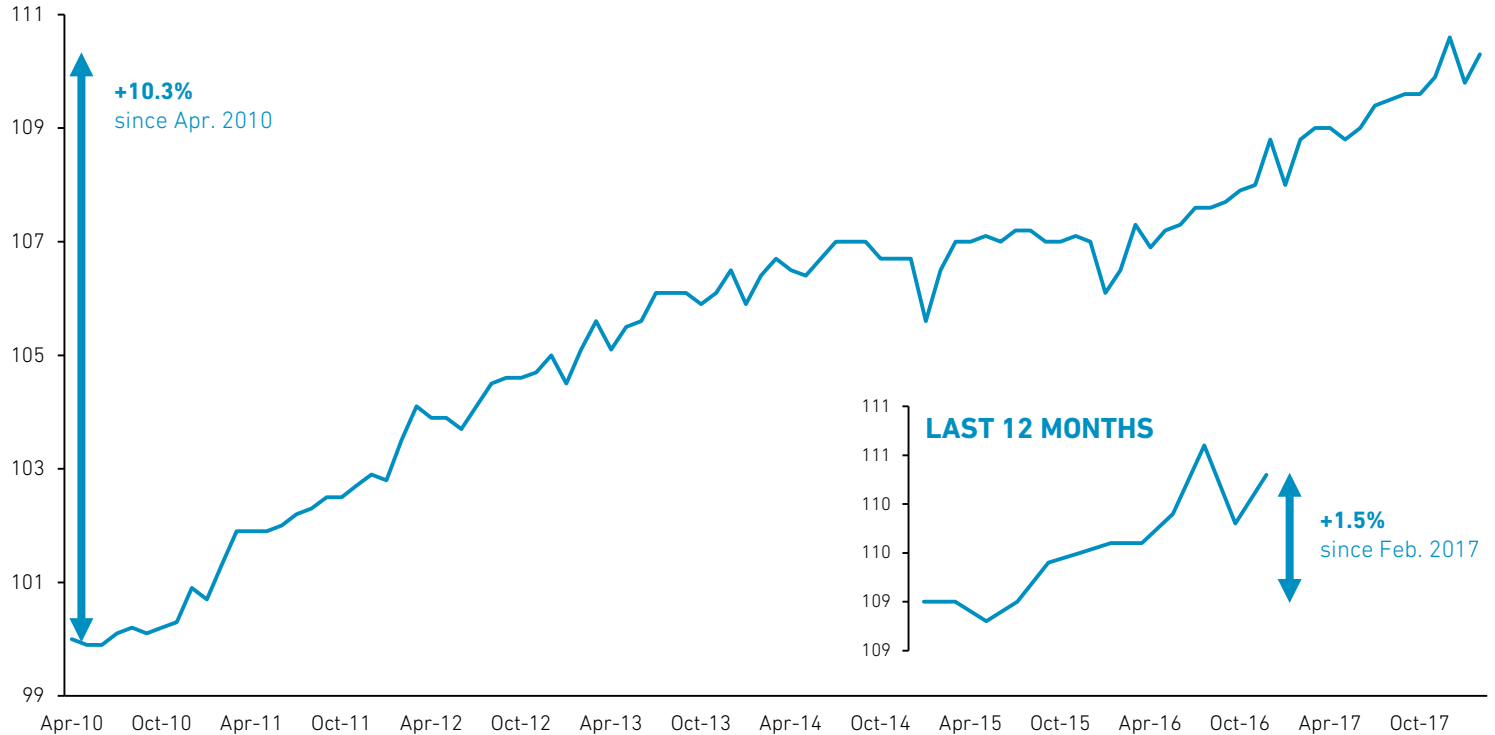
in € million	END OF FIXED INTEREST PERIODS RESPECTIVELY EXPIRING LOANS	AVG. INTEREST RATE	REGULAR REDEMPTION PAYMENTS	TOTAL MATURITIES	Already fixed:
2018	71.6	4.60%	22.3	<b>93.9</b>	€71.6m, 1.63%, 10y (10/2018)
2019	123.1	4.73%	19.9	<b>143.0</b>	€12.2m, 1.91%, 7.3y (10/2019)
2020	134.1	4.52%	19.5	<b>153.6</b>	€4.9m, 1.68%, 6y (01/2020)
2021	198.3	4.48%	16.0	<b>214.3</b>	
2022	217.8	3.26%	16.5	<b>234.3</b>	
2023	209.0	2.99%	10.6	<b>219.6</b>	
	<b>953.9</b>				

### At-equity consolidated loans<sup>1</sup>

in € million	END OF FIXED INTEREST PERIODS RESPECTIVELY EXPIRING LOANS	AVG. INTEREST RATE	DES' SHARE	
2018-2019	0			
2020	35.0	4.00%	50%	Saarpark-Center
2021	63.3	4.59%	50%	Phoenix-Center
2022	12.1	4.90%	50%	Saarpark-Center
2023	0			

<sup>1</sup> as of 31 Dec. 2017<sup>2</sup> excl. at-equity consolidated loans

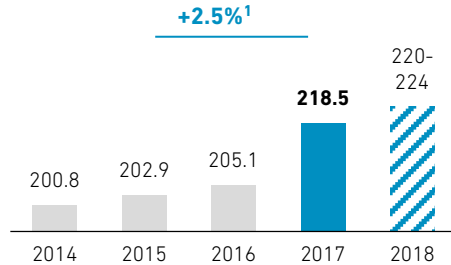
## German Consumer Price Index



# Forecast

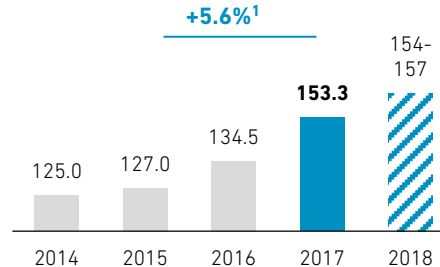
## REVENUE

€m



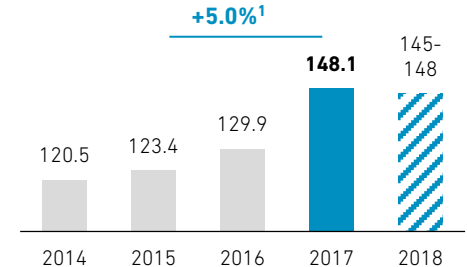
## EBT EXCL. VALUATION

€m



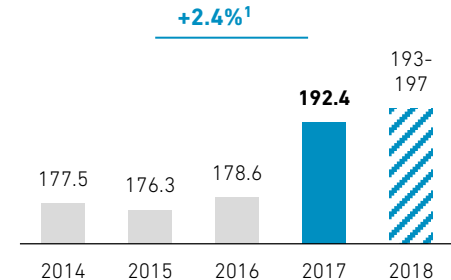
## FFO

€m



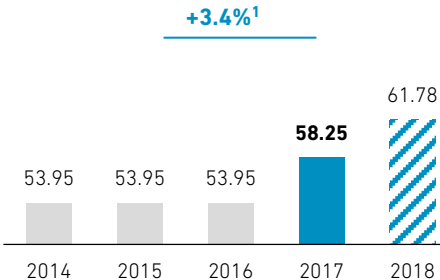
## EBIT

€m



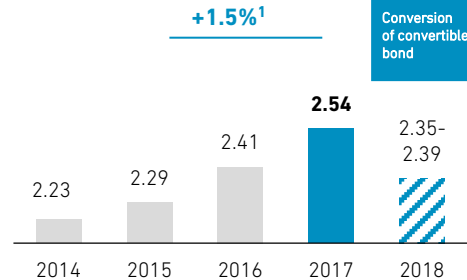
## NUMBER OF SHARES<sup>2</sup>

mn



## FFO PER SHARE

€



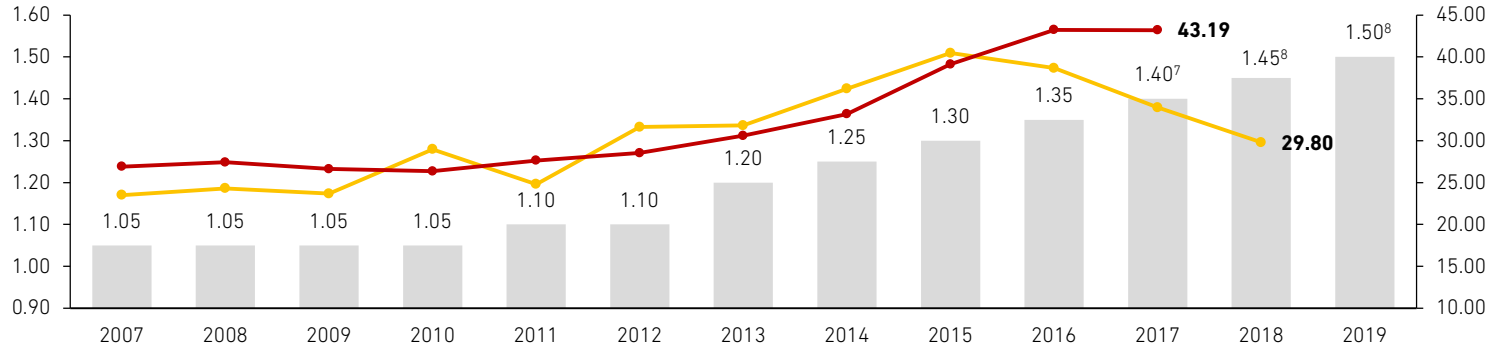
<sup>1</sup> Compound Annual Growth Rate (CAGR) 2014 - 2018

<sup>2</sup> weighted, taking into account the fact that the convertible bond was nearly fully converted at the end of its term in November 2017

# Dividend & Performance

## TREND OF SHARE

### Dividend<sup>1</sup>



## PERFORMANCE<sup>2</sup>

		DES	DAX	EPRA <sup>4</sup>	REX <sup>5</sup>	OEF <sup>6</sup>
1 year	(2017)	<b>-8.6%</b>	+12.5%	+13.4%	-1.0%	+5.5%
3 years	+4.1% =	<b>+1.3% p.a.</b>	+9.6% p.a.	+8.9% p.a.	+0.6% p.a.	+4.2% p.a.
5 years	+28.0% =	<b>+5.1% p.a.</b>	+11.2% p.a.	+12.4% p.a.	+1.7% p.a.	+2.6% p.a.
Since IPO (2001)	+247.9% =	<b>+7.6% p.a.</b>	+4.2% p.a.	+8.2% p.a.	+4.2% p.a.	+3.4% p.a.

<sup>1</sup> respectively paid for the previous FY

<sup>2</sup> as of 31 Dec. 2017

<sup>3</sup> 2018: as of 29 Mar. 2018

<sup>4</sup> EPRA/NAREIT Europe

<sup>5</sup> German government bonds index

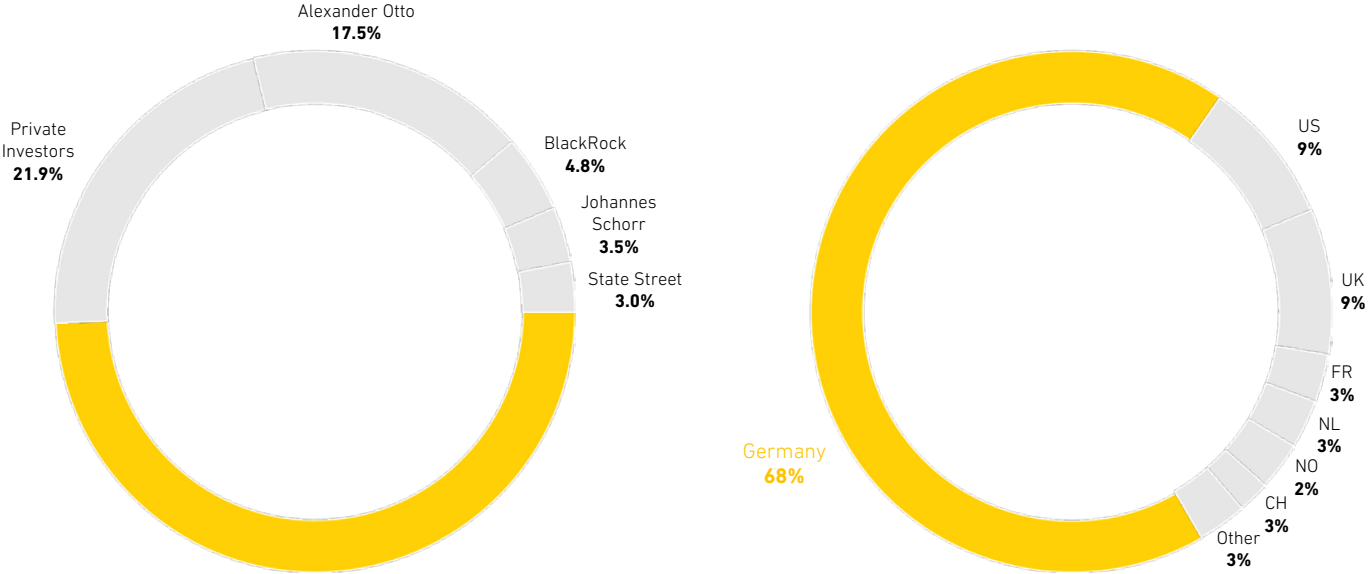
<sup>6</sup> Open ended real estate funds

<sup>7</sup> paid on 3 July 2017

<sup>8</sup> planned proposal



# Shareholder Structure<sup>1</sup>



→ 20,000 shareholders

→ Free float 82.5%

<sup>1</sup> Status: 16 Mar. 2018

# Analysts' Consensus<sup>1</sup>

avg./in €	2018	2019
EBIT (€ million)	194.2	196.0
FFO per share	2.39	2.43
NAV per share	44.39	45.82
Dividend	1.50	1.55
Price target (mean)		38.34

## SELL

- Kempen & Co.

## UNDERPERFORM

## NEUTRAL



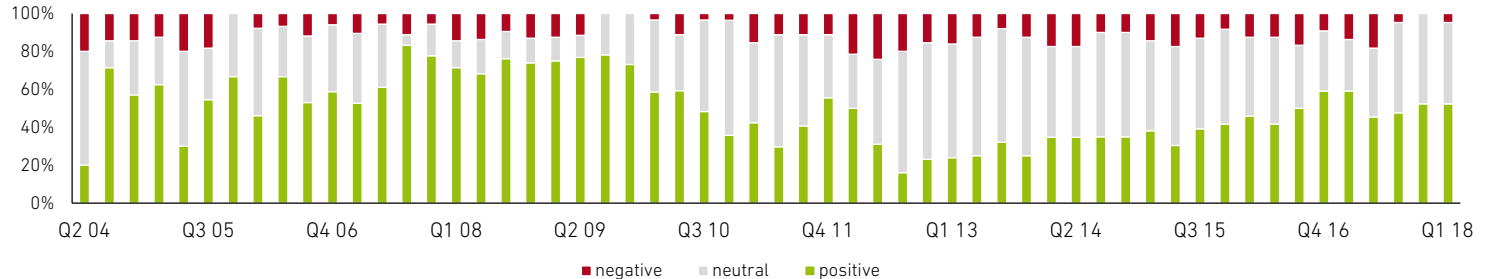
- BA Merrill Lynch
- Commerzbank
- Deutsche Bank
- Equinet
- Green Street Advisors
- GSC Research
- J.P. Morgan Cazenove
- NORD/LB
- Oddo BHF

## OUTPERFORM

## BUY



- Baader Bank
- Bankhaus Lampe
- Berenberg Bank
- DZ Bank
- HSBC
- Independent Research
- Kepler Cheuvreux
- Metzler
- M.M. Warburg
- Natixis
- Societe Generale



<sup>1</sup> aggregated by DES, median values, status: 16 Mar. 2018, 21 analysts

## 10 Reasons to Invest

**01**

The only public company in Germany to invest solely in shopping centers

**02**

Prime locations

**03**

Proven, conservative strategy

**04**

Stable cash flow with long term visibility

**05**

Shareholder-friendly dividend policy

**06**

Experienced management team

**07**

Excellent track record

**08**

Centers almost 100% let

**09**

Inflation-protected rental agreements

**10**

Solidity combined with growth potential

## Key Data of the Share

Listed since	02.01.2001
Nominal capital	€61,783,594.00
Outstanding shares	61,783,594
Class of shares	Registered shares
Dividend 2017 (proposal)	€1.45
52W High	€39.41
52W Low	€28.86
Share price (29 Mar. 2018)	€29.80
Market capitalisation	€1.84 billion
Avg. turnover per day last 12 months (XETRA)	206,400 shares
Indices	MDAX, EPRA, GPR, MSCI Small Cap, Euro STOXX, STOXX All Europe 800
Official market	Prime Standard Frankfurt and XETRA
OTC market	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart
ISIN	DE 000 748 020 4
Ticker	DEQ, Reuters: DEQGn.DE
Market maker	Oddo Seydler

## Retail turnover 2017<sup>1</sup>

RETAIL SECTOR	% change in 2017	rent-to-sales ratio in %	% of sales	% of space
DEPARTMENT STORES	-0.7	6.2	7.4	13.1
FOOD	-1.5	7.6	8.9	6.4
FASHION TEXTILES	-1.0	12.2	29.3	39.4
SHOES & LEATHER GOODS	-0.6	14.4	5.4	6.5
SPORTS	-1.6	9.6	3.9	4.9
HEALTH & BEAUTY	-1.4	7.2	11.9	6.0
GENERAL RETAIL	-2.2	10.7	8.5	9.0
ELECTRONICS	5.0	3.8	15.2	8.5
SERVICES	2.3	5.1	4.7	1.7
FOOD CATERING	2.7	12.6	4.8	4.3
<b>TOTAL</b>	<b>0.0</b>	<b>9.1</b>	<b>100<sup>2</sup></b>	<b>100<sup>2</sup></b>

### Germany Abroad Total

→ Retail turnover development on a like-for-like basis: +0.0% +5.4% +0.8%

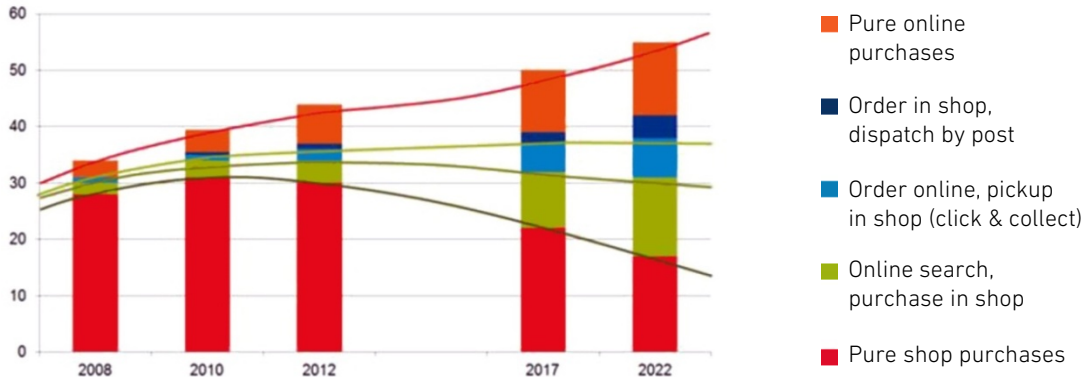
→ **Absolute** retail turnover development: +0.6% +5.4% +1.5%

<sup>1</sup> German centers on a like-for-like basis (turnover: €2.1 billion)

<sup>2</sup> The sum may not equal the totals due to rounding

## Online vs. stationary retail?

### TURNOVER DISTRIBUTION OF A FASHION RETAILER



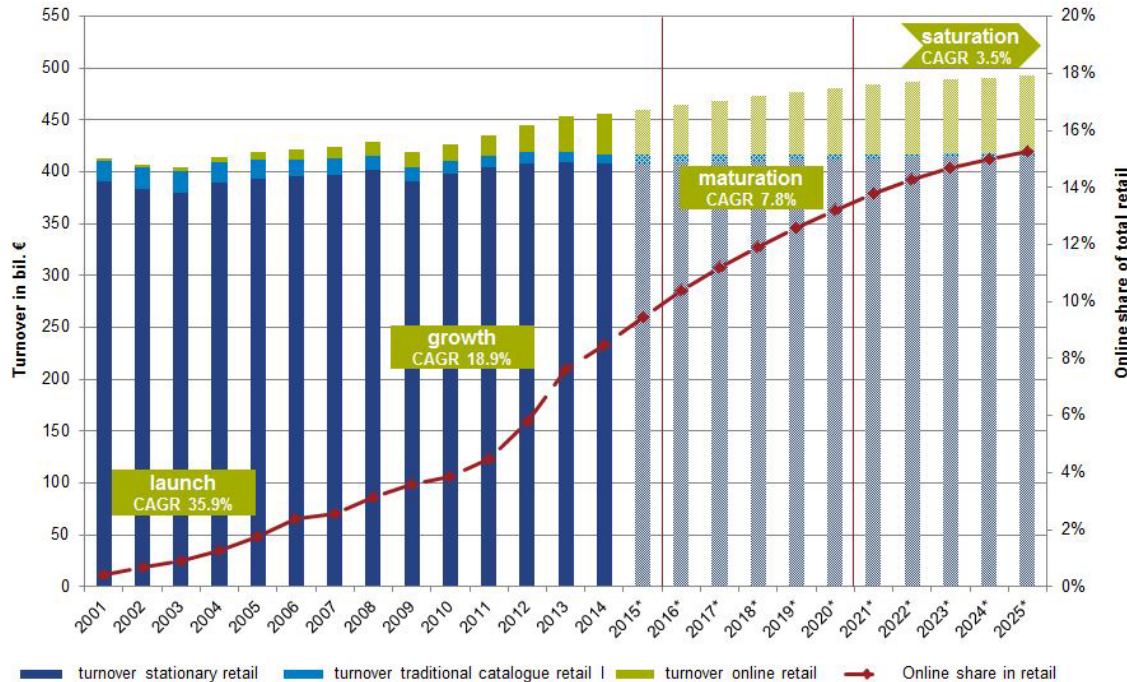
- Stationary retail transforms from “Point of Purchase” to “Touch Point” (product experience)
- New store concepts (flagship store, show room, multi-channel store, pick-up store), click & collect, augmented reality, online goes offline, mobile services
- “Location, location, location” newly interpreted: “Convenience, attractivity & likeability”

# The customer journey in our Shopping centers



# Ecommerce: Growth without end?

## PROGRESSION OF ONLINE RETAIL TO MARKET MATURITY



\* prognosis

Source: GfK



## Our partner:

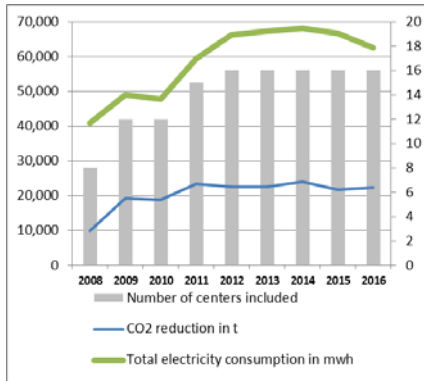
- ECE develops, plans, builds, leases and manages large commercial real estate in the sectors shopping, office, industries since 1965
- Originally ECE was an abbreviation for the German word Einkaufszenterentwicklung (Shopping center development)
- 100% privately owned by the Otto family
- Active in 12 European countries →
  - Austria
  - Czech Republic
  - Denmark
  - Germany
  - Hungary
  - Italy
  - Lithuania
  - Poland
  - Qatar
  - Russia
  - Slovakia
  - Turkey
- European market leader in the shopping center business
  - Assets under management:
    - approx. 200 shopping centers
    - 7.2 million sqm overall sales area
    - approx. 21,000 retail businesses
    - 4.3 million daily visitors
    - €33.4 billion assets under management

### MANY INVESTORS RELY ON ECE:



## Environment

- Climate protection is one of the most important issues for Deutsche EuroShop. We believe that sustainability and profitability, the shopping experience and environmental awareness are not opposing forces. Long-term thinking is part of our strategy. This includes playing our part in environmental protection
- In 2016, all our German shopping centers had contracts with suppliers that use renewable energy sources, such as hydroelectric power, for their electricity needs. The "EnergieVision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2016. We also plan to switch our centers in other countries over to green electricity wherever possible within the next few years



- The German centers used a total of around 62.5 million kWh of green electricity in 2016. This represented 100% of the electricity requirements in these shopping centers. Based on conservative calculations, this meant a reduction of around 22,445 tonnes in carbon dioxide emissions, which equates to the annual CO<sub>2</sub> emissions of more than 1,000 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce energy consumption in our shopping centers
- Deutsche EuroShop, through its shopping centers, also supports a range of activities at local and regional level in the areas of ecology, society and economy



## Germany 1/2

	<b>MAIN- TAUNUS- ZENTRUM</b>	<b>A10 CENTER</b>	<b>ALTMARKT- GALERIE</b>	<b>RHEIN- NECKAR- ZENTRUM</b>	<b>HEROLD- CENTER</b>	<b>RATHAUS- CENTER</b>	<b>ALLEE- CENTER</b>	<b>PHOENIX- CENTER</b>
LOCATION	Sulzbach/ Frankfurt	Wildau/ Berlin	Dresden	Viernheim/ Mannheim	Norderstedt	Dessau	Magdeburg	Hamburg
INVESTMENT	52.0%	100%	100%	100%	100%	100%	50.0%	50.0%
LETTABLE SPACE SQM	124,000	121,000	77,000	69,500	54,300	52,500	51,300	43,400
PARKING	4,500	4,000	500	3,800	850	850	1,300	1,400
NUMBER OF SHOPS <sup>1</sup>	170	200	200	110	140	90	150	130
OCCUPANCY RATE	100%	100%	100%	100%	96%	100%	98%	97%
CATCHMENT AREA <sup>1</sup>	3.1 m. inhabitants	1.1 m. inhabitants	2.1 m. inhabitants	1.5 m. inhabitants	0.5 m. inhabitants	0.5 m. inhabitants	0.8 m. inhabitants	0.6 m. inhabitants
VISITORS 2016	8.10 m.	6.90 m.	14.40 m.	7.80 m.	11.50 m.	5.60 m.	9.50 m.	9.20 m.
OPENING/ REFURBISHMENT	1964/2004/ 2011	1996/2011	2002/2011	1972/2002	1971/1995/ 2003	1995	1998/2006	2004/2016

<sup>1</sup> Approximately

## Germany 2/2

	BILLSTEDT-CENTER	SAARPARK-CENTER	FORUM	ALLEE-CENTER	CITY-GALERIE	CITY-ARKADEN	CITY-POINT	STADT-GALERIE	STADT-GALERIE
LOCATION	Hamburg	Neunkirchen	Wetzlar	Hamm	Wolfsburg	Wuppertal	Kassel	Passau	HamelN
INVESTMENT	100%	50.0%	65.0%	100%	100%	100%	100%	75.0%	100%
LETTABLE SPACE SQM	42,500	35,600	34,500	34,000	30,800	28,700	27,800	27,700	26,000
PARKING	1,500	1,600	1,700	1,300	800	650	220	500	500
NUMBER OF SHOPS <sup>1</sup>	110	130	110	90	100	80	60	90	100
OCCUPANCY RATE	95%	96%	98%	99%	98%	99%	100%	100%	97%
CATCHMENT AREA <sup>1</sup>	1.0 m. inhabitants	0.6 m. inhabitants	0.5 m. inhabitants	0.7 m. inhabitants	0.5 m. inhabitants	0.8 m. inhabitants	0.8 m. inhabitants	1.2 m. inhabitants	0.4 m. inhabitants
VISITORS 2016	10.10 m.	6.90 m.	7.60 m.	6.50 m.	7.50 m.	8.40 m.	8.60 m.	8.00 m.	5.80 m.
OPENING/REFURBISHMENT	1969/1977/1996	1989/1999/2009	2005	1992/2003/2009	2001/2006	2001/2004	2002/2009/2015	2008	2008

<sup>1</sup> Approximately

# Europe

	<b>OLYMPIA</b>	<b>GALERIA BAŁTYCKA</b>	<b>CITY ARKADEN</b>	<b>ÁRKÁD</b>
LOCATION	Brno, Czech Republic	Gdansk, Poland	Klagenfurt, Austria	Pécs, Hungary
INVESTMENT	100%	74.0%	50.0%	50.0%
LETTABLE SPACE SQM	85,000	48,700	36,900	35,400
PARKING	4,000	1,050	880	850
NUMBER OF SHOPS <sup>1</sup>	200	195	120	130
OCCUPANCY RATE	99%	100%	98%	99%
CATCHMENT AREA <sup>1</sup>	1.2 m. inhabitants	1.1 m. inhabitants	0.4 m. inhabitants	1.0 m. inhabitants
VISITORS 2016	8.4 m.	9.80 m.	5.80 m.	12.50 m.
OPENING/ REFURBISHMENT	1999/2014-16	2007	2006	2004

<sup>1</sup> Approximately

# Financial Calendar

## 2018

12.04. HSBC German Real Estate Conference, Frankfurt

13.04. Roadshow Dusseldorf, Cologne, Bankhaus Lampe

23.04. Roadshow Geneva, Metzler

27.04. Publication of the Annual Report 2017

15.05. Quarterly Statement 3M 2018

17.-18.05. Roadshow Scandinavia, equinet

23.05. Berenberg European Conference, Tarrytown

29.05. Kepler Cheuvreux German Property Day, Paris

29.-30.05. Roadshow Abu Dhabi and Dubai, Berenberg

30.05. Kempen & Co European Property Seminar, Amsterdam

08.06. Deutsche Bank dbAccess Conference, Berlin

19.06. Roadshow London, Societe Generale

28.06. Annual General Meeting, Hamburg

14.08. Half-year Financial Report 2018

29.08. Berenberg Real Estate Seminar, Helsinki

30.08. Commerzbank Sector Conference, Frankfurt

04.-06.09. EPRA Annual Conference, Berlin

24.-26.09. Goldman Sachs & Berenberg German Conference, Munich

24.-27.09. Baader Investment Conference, Munich

28.09. Societe Generale Pan European RE Conference, London

08.-10.10. Expo Real, Munich

23.10. Roadshow Madrid, M.M. Warburg

24.10. Roadshow Paris, Natixis

14.11. Quarterly Statement 9M 2018

20.11. DZ Bank Equity Conference, Frankfurt

03.-06.12. Berenberg European Conference, Pennyhill

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