

# COMPANY PRESENTATION

02.2019



## 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>	€296 million (DES-share €233 mn.)
Occupancy rate <sup>1,2</sup>	99%

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

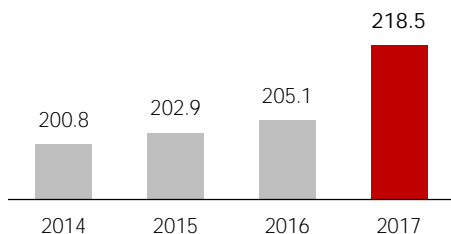
<sup>1</sup> 100%-view  
<sup>2</sup> as % of market rent

# Key Figures

## REVENUE

€m

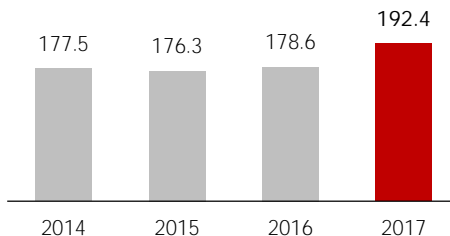
+2.9%<sup>1</sup> 



## EBIT

€m

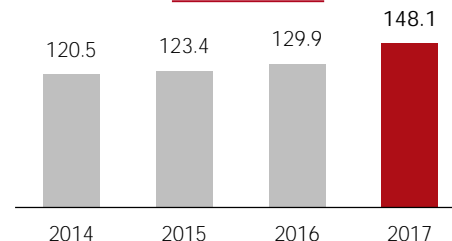
+2.7%<sup>1</sup> 



## FFO

€m

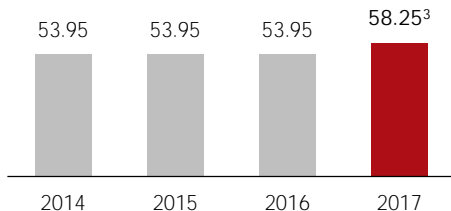
+7.1%<sup>1</sup> 



## NUMBER OF SHARES

mn

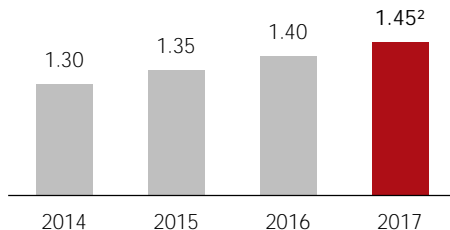
+2.6%<sup>1</sup> 



## DIVIDEND PER SHARE

€

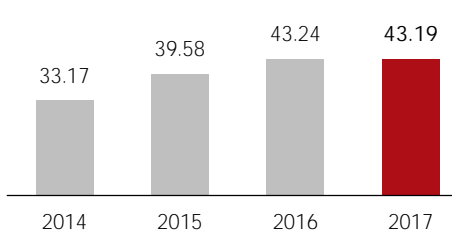
+3.7%<sup>1</sup> 



## NAV PER SHARE (EPRA)

€

+9.2%<sup>1</sup> 

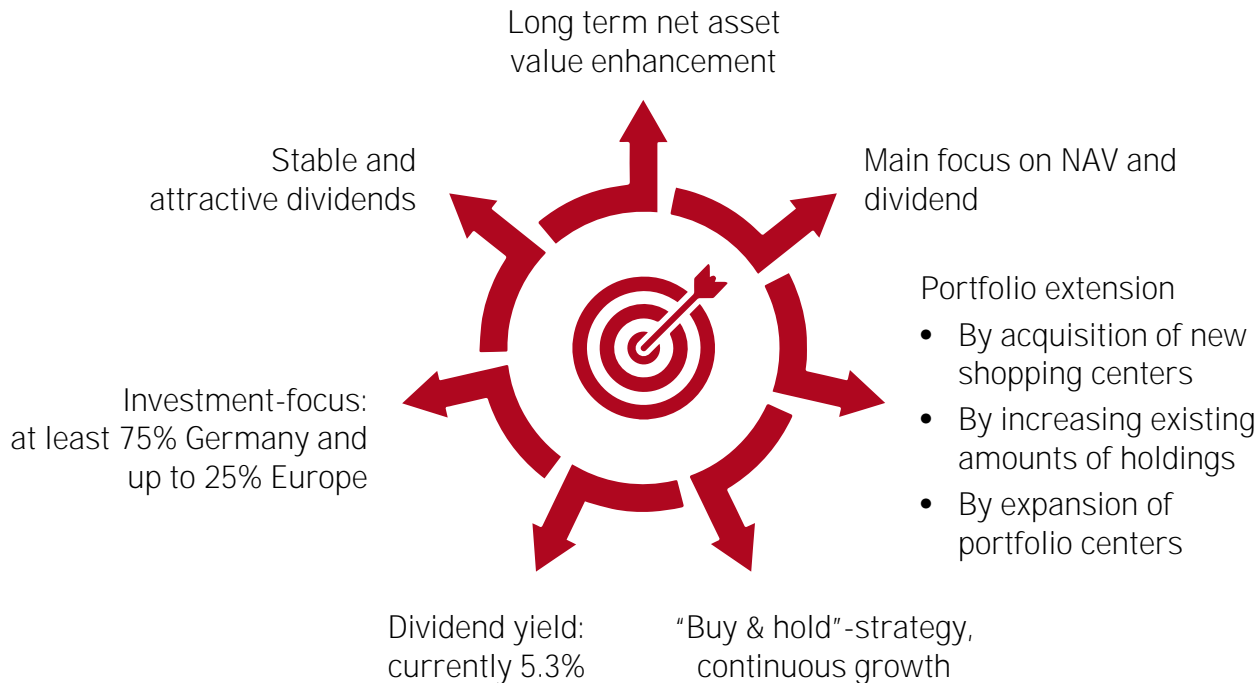


<sup>1</sup> 2014 – 2017, Compound Annual Growth Rate (CAGR)

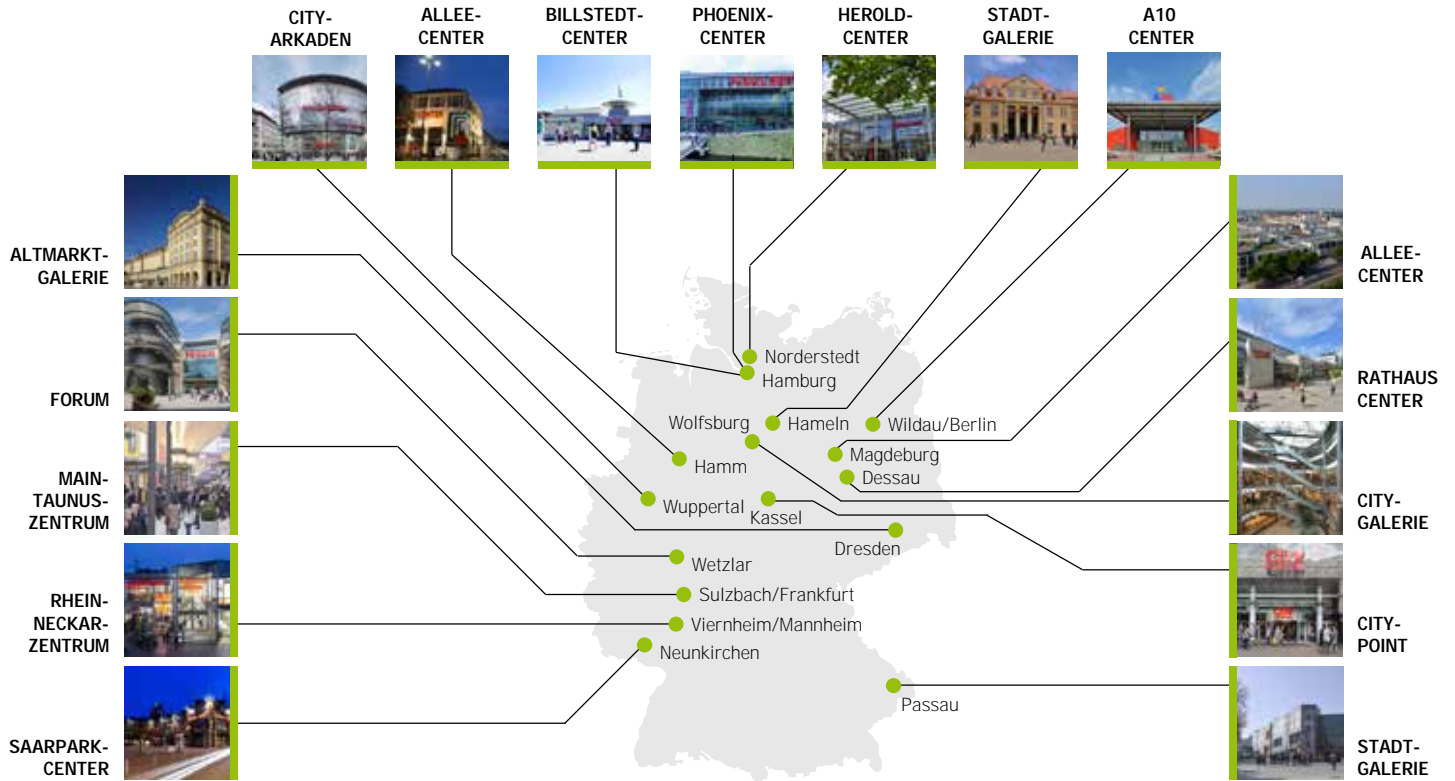
<sup>2</sup> paid on 3 July 2018

<sup>3</sup> weighted, taking into account the fact that the convertible bond was nearly fully converted at the end of its term

# Targets



# Germany



# Europe



## Trophy Asset: Main-Taunus-Zentrum “One of the top shopping centers in Germany”





## Trophy Asset: Altmarkt-Galerie Dresden























































“The unquestionable shopping heart amid the historical and vibrant city”



# Success Factors of a Modern Shopping Center



# Our Tenants<sup>1</sup>

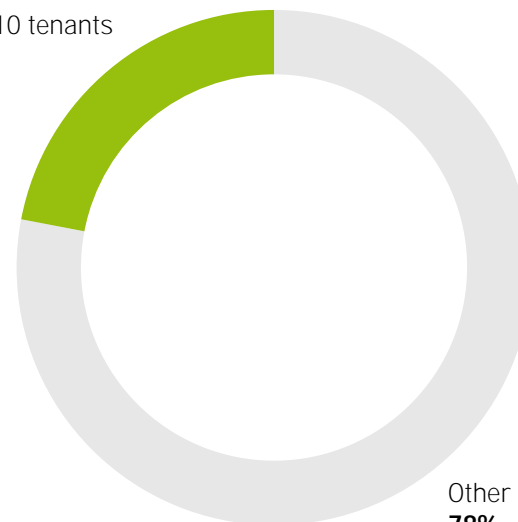
<sup>1</sup> Selection of our well known tenants

## 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%



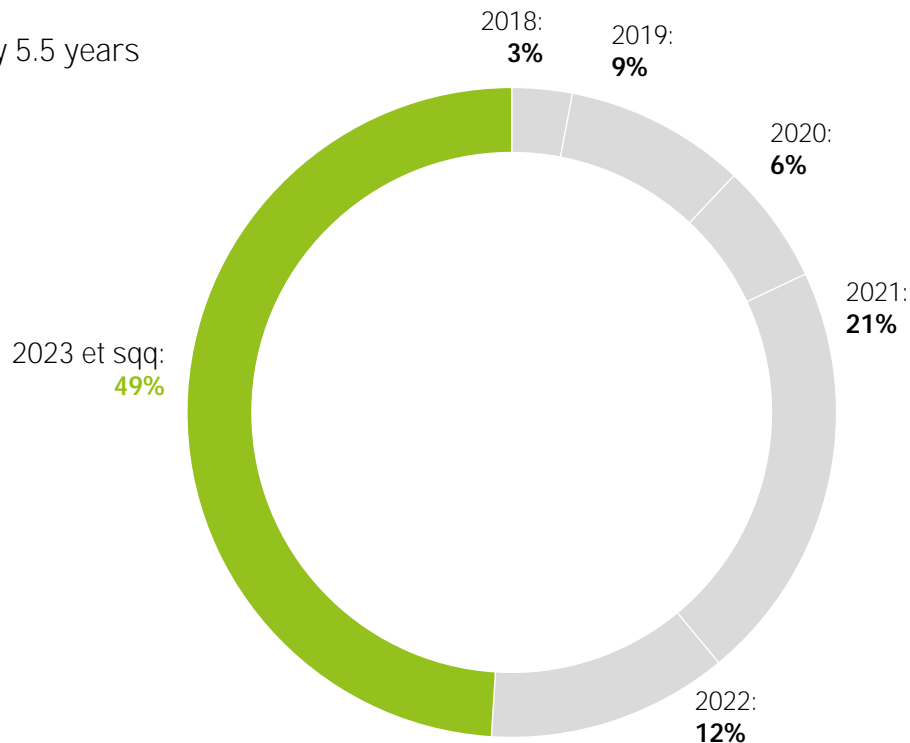
<sup>1</sup> in % of total rental income as at 31 Dec. 2017

<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

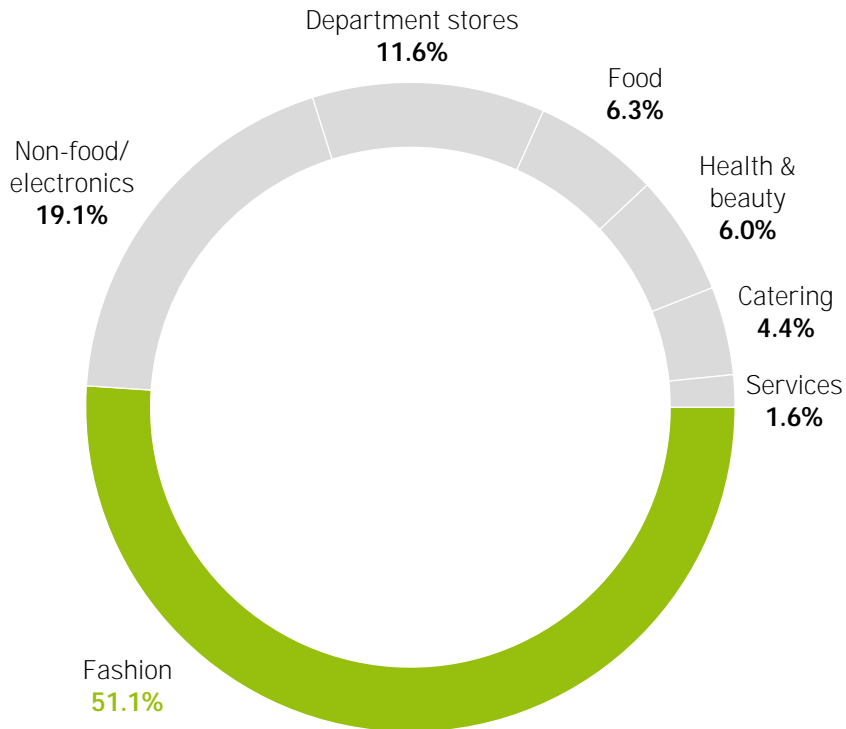
Weighted maturity 5.5 years



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

# Sector Mix<sup>1</sup>

Balanced sector diversification



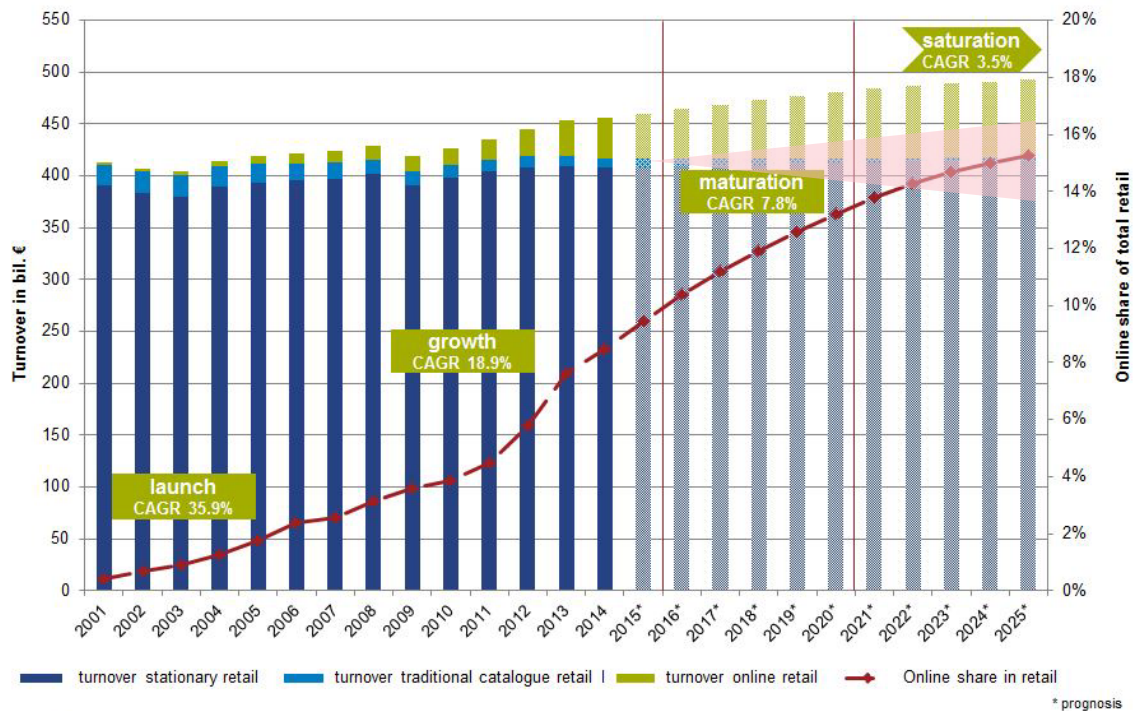
<sup>1</sup> as % of rental space as at 31 Dec. 2017

## Trends in the Retail (Real Estate) Sector: Chances & Challenges

TREND	CONSEQUENCE
General trend of <b>economic growth</b>	basis for <b>consumption growth</b> for the retail industry as a whole
<b>E-Commerce</b> challenge	disruption creates innovative <b>ideas</b> & adjustment <b>momentum</b>
<b>Multi channel world</b> quickly evolving	online goes <b>offline</b> & offline goes <b>online</b>
<b>Changing customer</b> behavior	driver for <b>merger</b> of on- and offline shopping <b>channels</b>
<b>Digitalization</b> as important key driver	<b>innovations</b> in service, information, distribution and analytics
<b>Physical customers interaction</b> vital	<b>branding</b> , customer retention, community & <b>loyalty</b>
Challenges for <b>growing online deliveries</b>	quick, efficient and sustainable deliveries via <b>shop logistics</b>
<b>Customer expectations</b> increasing	differentiation through <b>services</b> and <b>experience</b>
<b>Strong asset management</b> essential	large & well-managed center portfolio's with <b>competitive edge</b>

Quality shopping centers transform from pure market places to platforms with multiple functions:  
 Shopping – Meeting Places – Social Media Hubs – Entertainment – Show Rooming – Logistics...

# E-Commerce Challenges „Brick & Mortar“



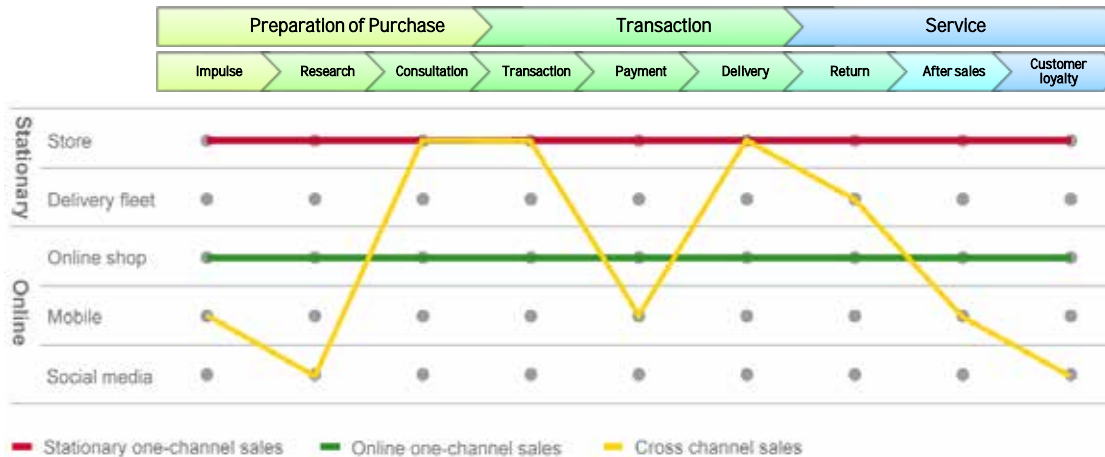
## Share of E-Commerce – progression to maturity, but still some way to go



# Customers Love All Ways of Shopping: "On- and Offline"

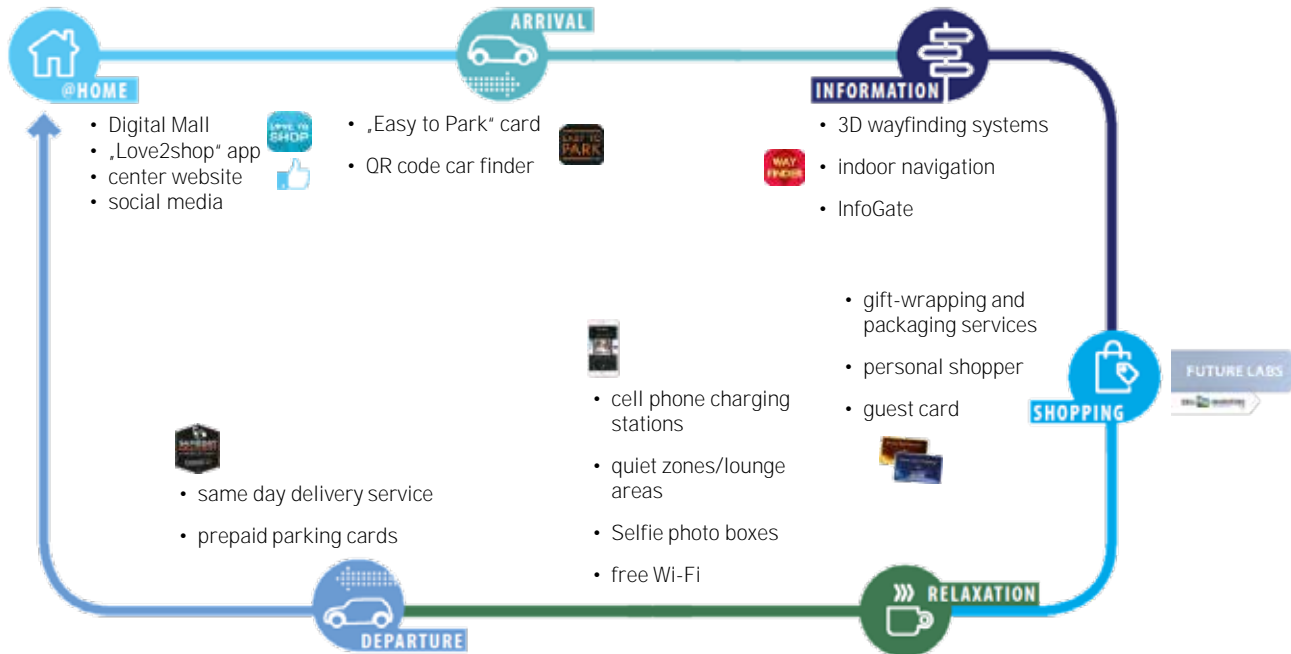
## An example for a modern customer journey

- § The cross-channel customer combines stationary and online channels
- § The one-channel customer uses only one channel
- § Retailers have to adjust to be successful



# Customer Expectations Increasing: Services & Information

Pro-active improvements to preserve our centers as highly attractive destinations



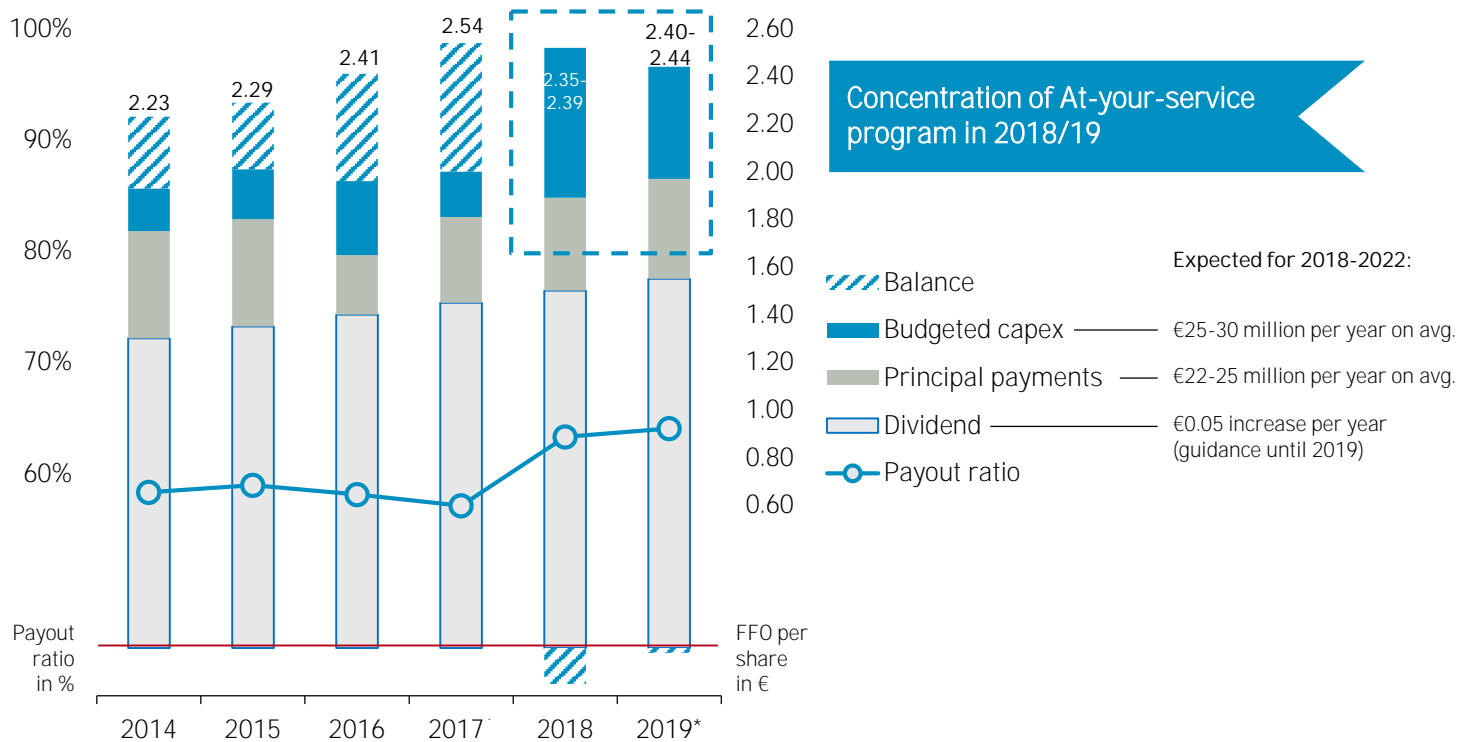
# Customer Expectations Increasing: Atmosphere & Convenience

Pro-active improvements to preserve our centers as highly attractive destinations



Design studies

# Investments: Capex Covered by FFO



\* Forecast dividend per share: proposal

# Key Figures 9M 2018

€ million	01.01. – 30.09.2018	01.01. – 30.09.2017	CHANGE
Revenue	167.0	161.0	3.8%
Net operating income (NOI)	150.0	144.4	3.9%
Earnings before interest and tax (EBIT)	146.5	140.2	4.4%
Financial gains / losses	-30.4	-30.1	-1.0%
Measurement gains/losses	-13.2	-3.6	>100%
Earnings before tax (EBT, excl. measurement gains/ losses) <sup>1</sup>	118.1	111.0	6.4%
Consolidated profit [earnings per share in €]	82.2 [1.33]	85.2 [1.49]	-3.6% [-10.7%]
FFO [per share in €]	110.7 [1.80]	107.6 [1.88]	2.9% [-4.3%]
EPRA Earnings [per share in €]	107.8 [1.74]	103.0 [1.79]	4.7% [-2.8%]

€ million	30.09.2018	31.12.2017	CHANGE
Total equity <sup>2</sup>	2,570.8	2,574.9	-0.2%
Liabilities	2,049.0	2,052.1	-0.2%
Total assets	4,619.7	4,627.0	-0.2%
Equity ratio <sup>2</sup>	55.6%	55.6%	
Loan to value ratio - consolidated <sup>3</sup>	32.0%	32.4%	
- „look-through“ <sup>4</sup>	34.2%	34.5%	
Cash and cash equivalents	107.7	106.6	1.0%

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

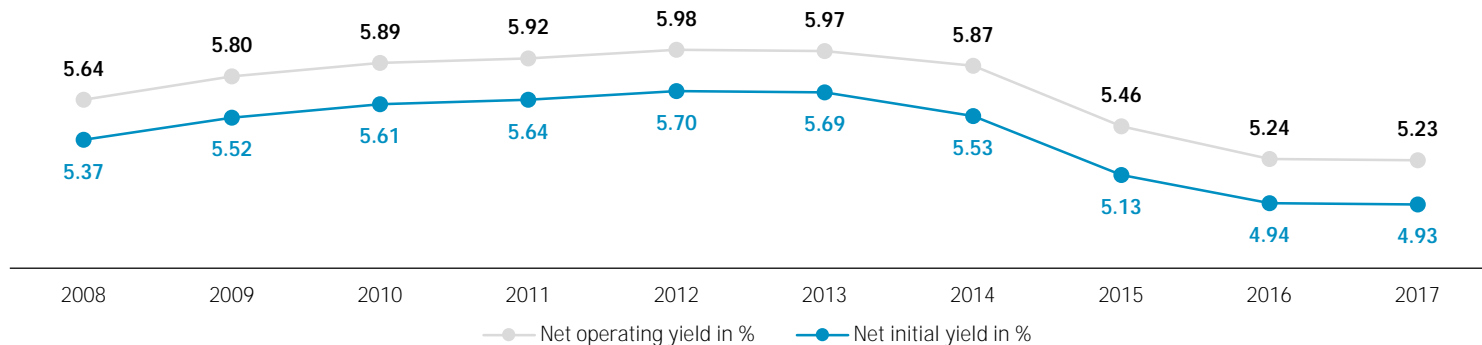
<sup>2</sup> including third-party interest in equity

<sup>3</sup> Ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to joint ventures and associates non current assets (investment properties and investments accounted for using the equity method)

<sup>4</sup> Ratio of net financial liabilities to long-term assets calculated on the basis of the groups share



## 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

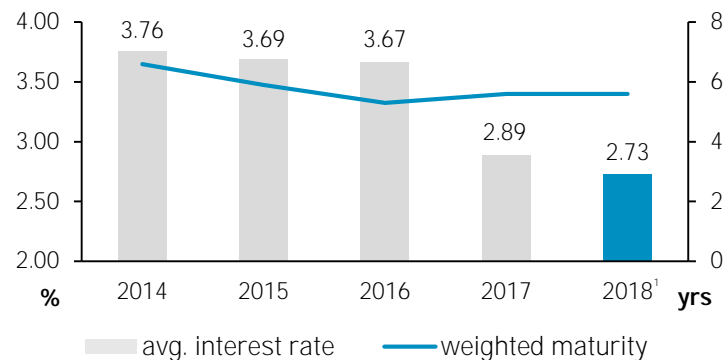
<sup>1</sup> External appraisers: since 2015: JLL

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

INTEREST LOCKIN	DURATION	PRINCIPLE AMOUNTS (€ MILLION)	SHARE OF TOTAL LOAN	AVG. INTEREST RATE
Up to 1 year		5.6	0.4%	3.80%
1 to 5 years	3.2	615.7	40.0%	3.73%
5 to 10 years	7.4	658.0	42.8%	2.70%
Over 10 years	10.8	253.5	16.8%	2.04%
<b>Total<sup>1</sup></b>	<b>5.6</b>	<b>1,532.8</b>	<b>100%</b>	<b>2.73%</b>

g **19** German and **4** foreign bank partners

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



<sup>1</sup> as of 30 September 2018

<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%	5.6	<b>77.2</b>	€71.6m, 1.63%, 10y (10/2018)
2019	123.1	4.73%	19.9	<b>143.0</b>	€132.2m, 2.21%, 10y (08/2019)
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%	14.7	<b>232.5</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, Neunkirchen
2021	63.3	4.59%	50%	Phoenix-Center, Hamburg,
2022	12.1	4.90%	50%	Saarpark-Center, Neunkirchen
2023	0			

<sup>1</sup> as of 30 September 2018

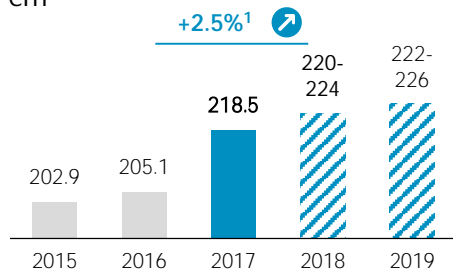
<sup>2</sup> excl. at-equity consolidated loans



# Forecast

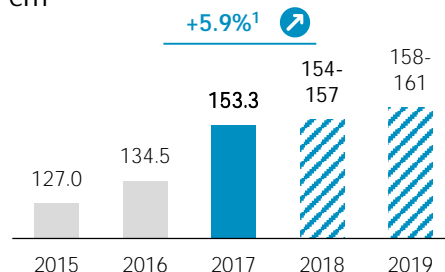
## REVENUE

€m



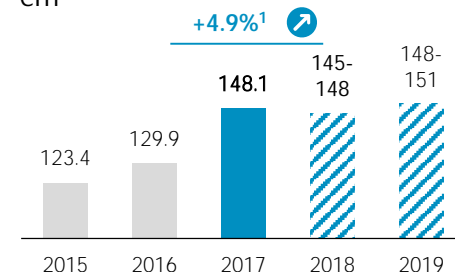
## EBT EXCL. VALUATION

€m



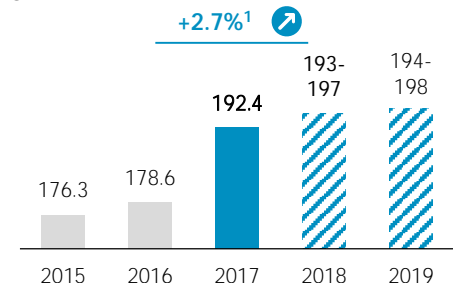
## FFO

€m



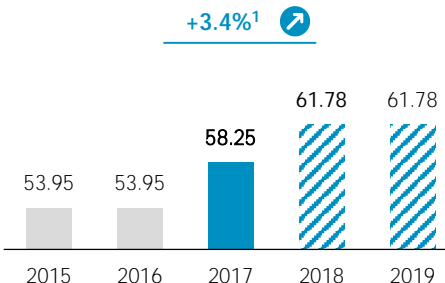
## EBIT

€m



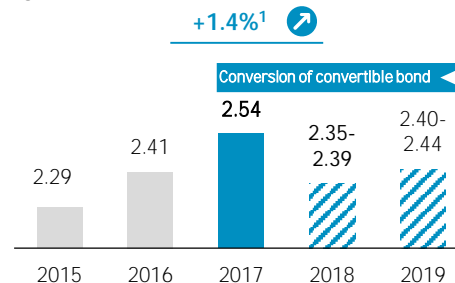
## NUMBER OF SHARES<sup>2</sup>

mn



## FFO PER SHARE

€

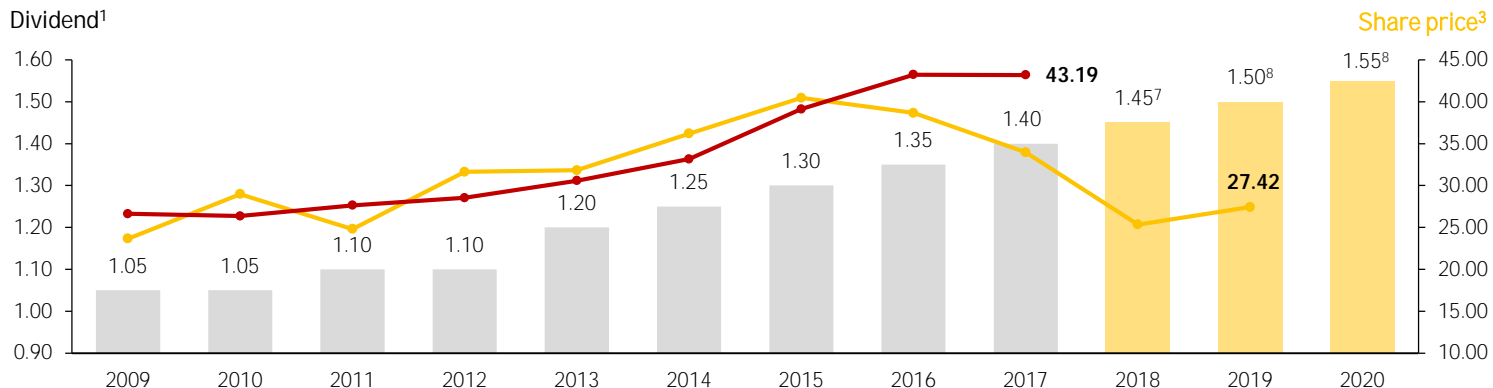


<sup>1</sup> Compound Annual Growth Rate (CAGR) 2015 - 2019

<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



## PERFORMANCE<sup>2</sup>

		DES	DAX	EPRA <sup>4</sup>	REX <sup>5</sup>	OEF <sup>6</sup>
1 year	(2018)	<b>-21.8%</b>	-18.3%	-8.3%	+1.5%	+3.2%
3 years	-29.4% =	<b>-11.0% p.a.</b>	-0.6% p.a.	-0.4% p.a.	+0.9% p.a.	+4.2% p.a.
5 years	-4.2% =	<b>-0.9% p.a.</b>	+2.0% p.a.	+8.4% p.a.	+2.1% p.a.	+3.8% p.a.
Since IPO (2001)	+172.2% =	<b>+5.7% p.a.</b>	+2.8% p.a.	+7.3% p.a.	+4.1% p.a.	+3.4% p.a.

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

<sup>2</sup> as of 31 Dec. 2018

<sup>3</sup> 2019: as of 4 Feb. 2019

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

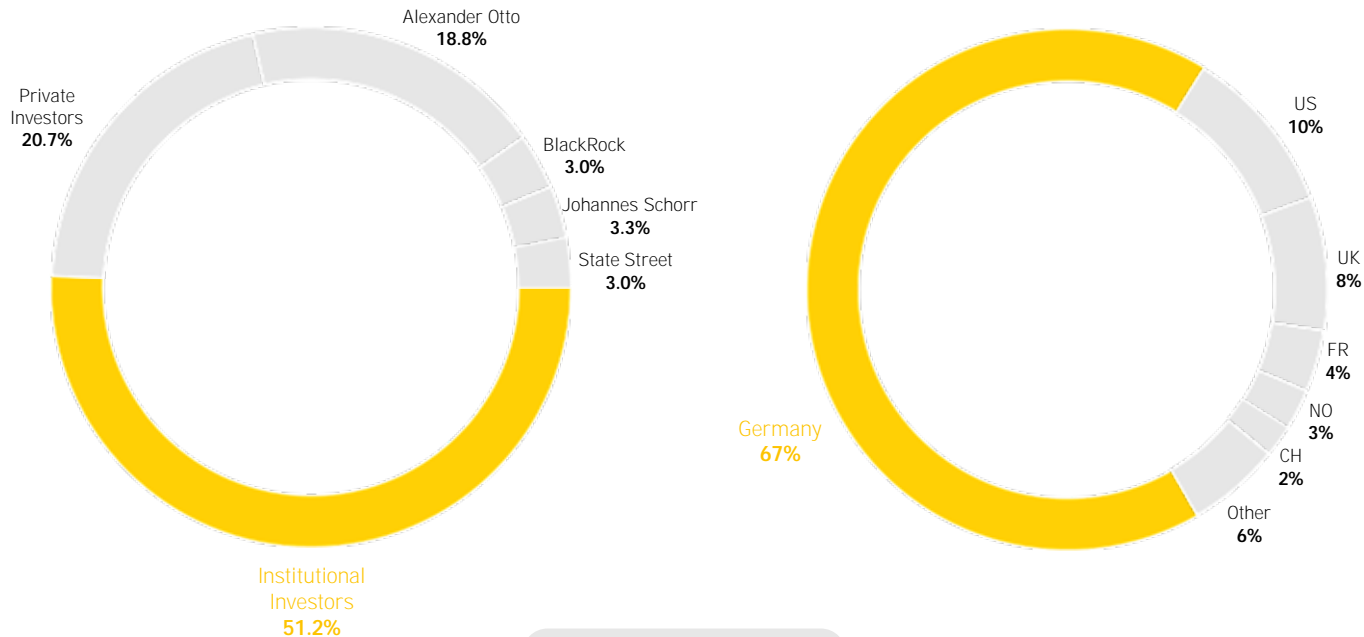
<sup>5</sup> German government bonds index

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

<sup>7</sup> paid on 3 July 2018

<sup>8</sup> planned proposal

# Shareholder Structure<sup>1</sup>



g 21,800 shareholders

g Free float 81.2%

<sup>1</sup> Status: 5 Feb. 2019

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

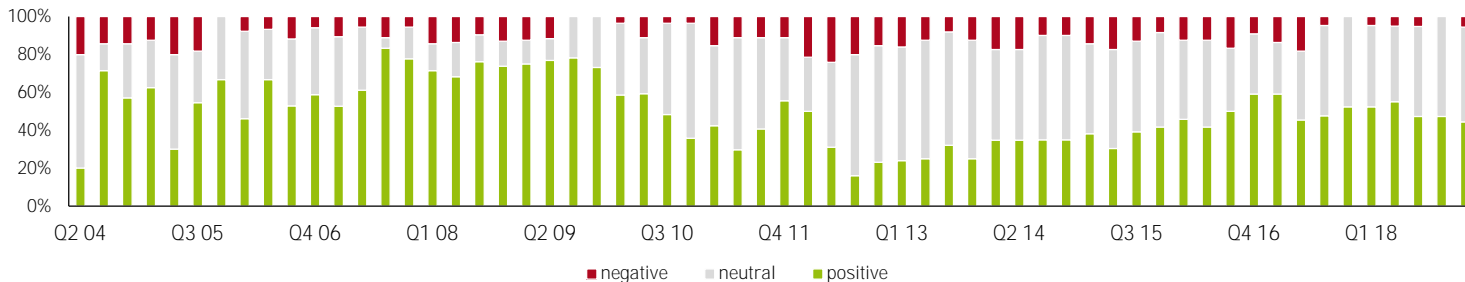
avg./in €	2018	2019
EBIT (€ million)	195.4	196.5
FFO per share	2.40	2.44
NAV per share	43.75	44.40
Dividend	1.50	1.55
Price target (mean)		33.45

SELL 
UNDERPERFORM 
NEUTRAL 
OUTPERFORM 
BUY

• Kempen & Co.

- Berenberg Bank
- Commerzbank
- Deutsche Bank
- Green Street Advisors
- HSBC
- J.P. Morgan Cazenove
- NORD/LB
- Oddo BHF
- Pareto

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



<sup>1</sup> aggregated by DES, median values, status: 15 Jan. 2019, 18 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 (paid on 3 July 2018)	€1.45
52W High	€32.36
52W Low	€24.78
Share price (4 February 2019)	€27.42
Market capitalisation	€1.69 billion
Avg. turnover per day last 12 months (XETRA)	208,020 shares
Indices	MDAX, EPRA, GPR, MSCI Small Cap, F.A.Z.-Index, GPTMS150 Index
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: DEQn.DE
Market maker	Oddo Seydler

# Retail Turnover 9M 2018<sup>1</sup>

RETAIL SECTOR	% change in 2018	rent-to-sales ratio in %	% of sales	% of space
DEPARTMENT STORES	-4.8	6.7	6.4	13.4
FOOD	-3.5	7.9	9.0	6.7
FASHION TEXTILES	-4.7	12.9	28.8	38.8
SHOES & LEATHER GOODS	-5.4	15.5	4.9	5.7
SPORTS	-1.7	10.2	4.6	5.5
HEALTH & BEAUTY	-0.9	7.4	13.0	6.4
GENERAL RETAIL	-4.8	11.9	8.4	9.3
ELECTRONICS	-2.6	4.0	15.6	8.4
SERVICES	+1.3	5.1	4.7	1.6
FOOD CATERING	-1.5	13.0	4.7	4.1
<b>TOTAL</b>	<b>-3.2</b>	<b>9.5</b>	<b>100<sup>2</sup></b>	<b>100<sup>2</sup></b>

	Germany	Abroad	Total
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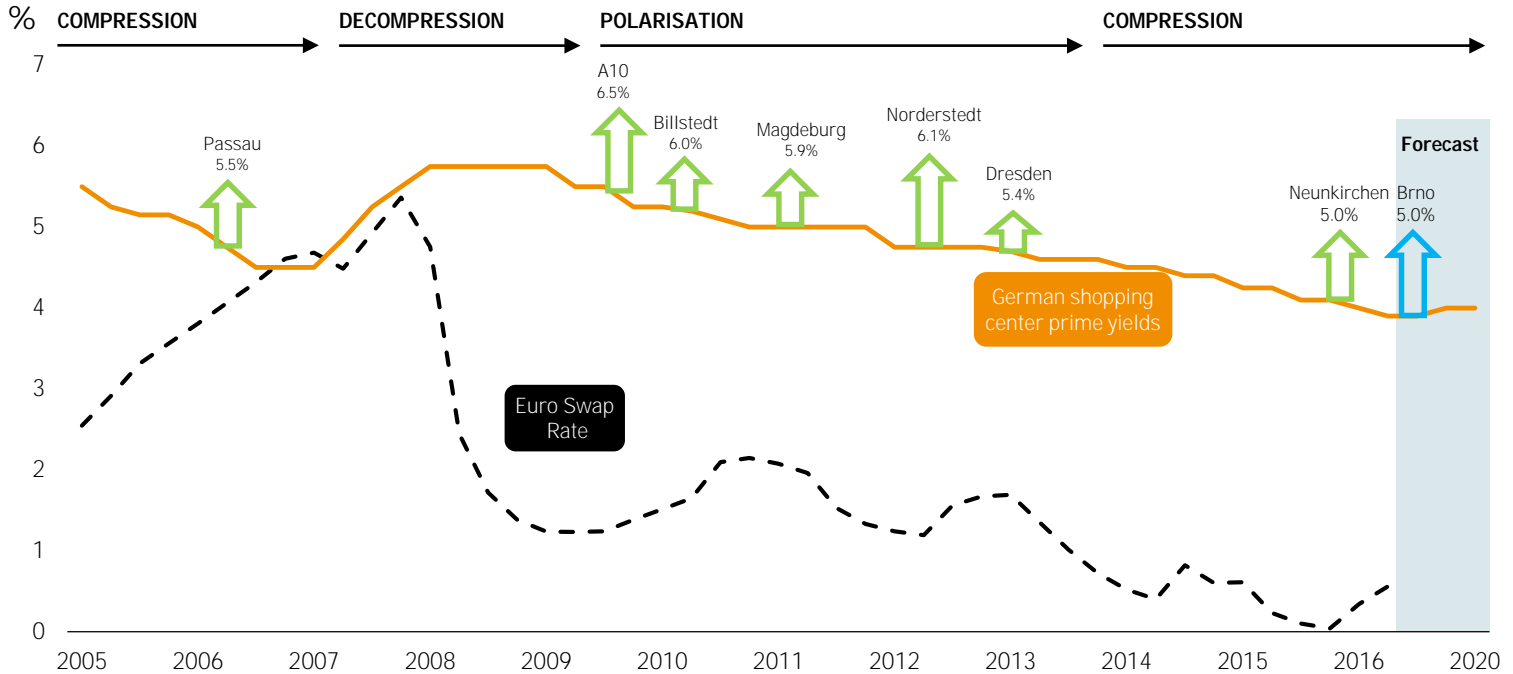
g Retail turnover development on a like-for-like basis:	-3.2%	-0.9%	-2.8%
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g Absolute retail turnover development:	-2.6%	+0.3%	-2.0%
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<sup>1</sup> German centers on a like-for-like basis (turnover: €2.0 billion)

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

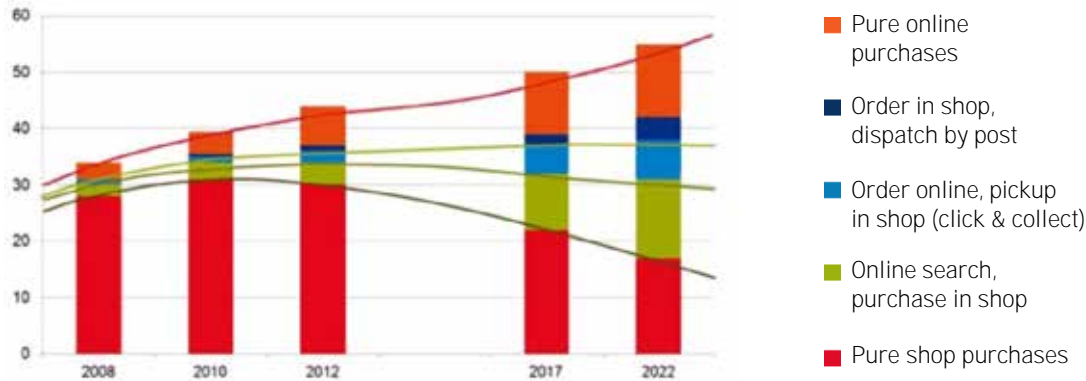
# German Prime Shopping Center Yields 2005-2020e





# 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, attractiveness & likeability”

## 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
- 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

- Austria
- Czech Republic
- Denmark
- Germany
- Hungary
- Italy
- Lithuania
- Poland
- Qatar
- Russia
- Slovakia
- Turkey

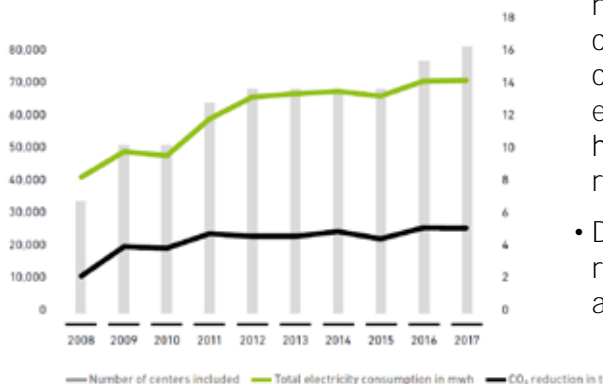
### MANY INVESTORS RELY ON ECE:



## Environment

- Climate protection is a top priority for Deutsche EuroShop. We firmly believe that sustainability and profitability are not mutually exclusive. Neither are shopping experience and environmental awareness. Long-term thinking is part of our strategy, and that includes a commitment to environmental protection.
- In 2017, 19 of our 21 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 2017. We also plan to switch the remaining centers over to green electricity wherever possible within the next few years.

### REDUCTION OF CO<sub>2</sub> EMISSIONS AND ELECTRICITY CONSUMPTION



- The 19 centers used a total of around 71.6 million kWh of green electricity in 2017. This represented 100% of the electricity requirements in these shopping centers. Based on conservative calculations, this meant a reduction of around 25,175 tonnes in carbon dioxide emissions, which equates to the annual CO<sub>2</sub> emissions of more than 1,100 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 also supports a diverse range of local and regional activities that take place in our shopping centers in the areas of the environment, society and the economy.



# Germany 1/2

	MAIN-TAUNUS-ZENTRUM	A10 CENTER	ALTMARKT-GALERIE	RHEIN-NECKAR-ZENTRUM	HEROLD-CENTER	RATHAUS-CENTER	ALLEE-CENTER	PHOENIX-CENTER
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 <sup>2</sup>	100%	100%	100%	99%	98%	98%	98%	98%
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 2017	7.90 m.	6.70 m.	13.90 m.	8.10 m.	10.40 m.	5.40 m.	9.30 m.	9.30 m.
OPENING/ REFURBISHMENT	1964/2004/ 2011	1996/2011	2002/2011	1972/2002	1971/1995/ 2003	1995	1998/2006	2004/2016

<sup>1</sup> approximately<sup>2</sup> as % of market rent

## 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 <sup>2</sup>	95%	99%	98%	99%	98%	99%	100%	100%	97%
CATCHMENT AREA <sup>1</sup>	1.0 m. inhabitants	1.4 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 2017	11.30 m.	6.80 m.	7.50 m.	6.30 m.	7.10 m.	8.10 m.	8.50 m.	8.00 m.	5.70 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<sup>2</sup> as % of market rent

# 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 <sup>2</sup>	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 2017	8.5 m.	10.00 m.	5.60 m.	12.70 m.
OPENING/ REFURBISHMENT	1999/2014-16	2007	2006	2004

<sup>1</sup> approximately<sup>2</sup> as % of market rent

# Financial Calendar

## 2019

27.02. Preliminary Results 2018

27.03. Roadshow Zurich, M. M. Warburg

28.03. Commerzbank German Real Estate Forum, London

28.03. BAML European Real Estate Conference, London

03.04. Roadshow Brussels, DZ Bank

04.04. ESN Market Solutions Forum, Paris

29.04. Publication of the Annual Report 2018

15.05. Quarterly Statement 3M 2019

06.06. Deutsche Bank dbAccess Conference, Berlin

12.06. Annual General Meeting, Hamburg

15.08. Half-year Financial Report 2019

13.11. Quarterly Statement 9M 2019

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