



Deutsche EuroShop AG

Marginally weaker FFO, adjustment for Saarland

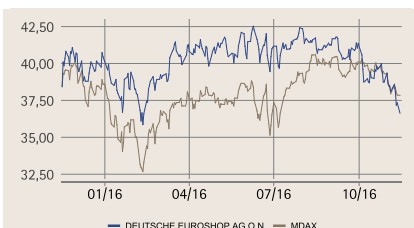
15/11/2016

Buy
47.00 EUR

Close (14/11/2016)	36.64 EUR
Bloomberg: DEQ	WKN: 748020
Sector	Real Estate

Share price performance

52 week high	42.52
52 week low	35.86
Compared to	MDAX
YTD	-7.5%
1 month	-1.7%
12 months	-4.8%



Share data

Market Cap (m EUR)	1,976
No. of shares (m)	54
Free float	82.7%
Trading vol. Ø (m EUR)	3.9

Next event

28/06/2017	AGM
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Analyst

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Deutsche Euroshop delivered an operating result marginally below our expectations and raised its guidance for 2017 to include the acquisition of Saarpark-Center. As the new guidance does not differ materially from our own expectations for next year, we confirm our BUY rating for this stock.

Deutsche EuroShop [€ m]	BHL				BHL			
	Q3 2016	Q3 2016e	Q3 2015	% yoy	9M 2016	9M 2016e	9M 2015	% yoy
Sales	50.4	50.6	50.4	0.0%	152.3	152.4	151.0	0.9%
EBIT	42.6	44.5	42.9	-0.6%	131.5	133.3	131.0	0.4%
EBIT margin	84.6%	87.9%	85.1%	-0.5 PP	86.3%	87.5%	86.8%	-0.4 PP
FFO	30.9	31.5	29.3	5.5%	93.9	94.4	90.6	3.6%
FFO margin	61.3%	62.3%	58.1%	3.2 PP	61.7%	61.9%	60.0%	1.7 PP
Net income (after min.)	23.5	23.9	23.9	-1.7%	72.2	72.6	75.6	-4.5%
FFOpS [€]	0.57	0.58	0.54	5.6%	1.74	1.75	1.68	3.6%

Source: Company information, Bankhaus Lampe Research

HIGHER PROPERTY OPERATING COSTS

- Sales came in marginally lower than we had anticipated. However, a negative deviation from our expectations for property operating costs was more pronounced, although mitigated somewhat by lower-than-expected interest expenses. The company pointed to higher maintenance spending. All in all, the FFO was therefore marginally weaker than expected for the quarter.
- The company confirmed its guidance for 2016 but adjusted the outlook for 2017 to include the acquisition of Saarpark-Center.
- As the Saarpark-Center property is consolidated at equity, sales guidance (€ 201-204 m) and operating EBIT guidance (€ 175-179 m) for 2017 have not changed. The guidance for EBT before valuation was lifted by € 2 m to € 133-136 m, and the guidance for the FFO per share by € 0.04 to € 2.38-2.42.

2017 GUIDANCE IN LINE WITH EXPECTATIONS

- The new guidance for 2017 does not differ materially from our expectations as we had already factored in the Saarpark-Center property.
- We therefore see no reason to change our earnings estimates materially at first glance and confirm our BUY rating for this stock.

in m EUR	2014	2015	2016e	2017e	2018e
Sales	201	203	204	205	206
FFO	121	123	125	131	136
FFO margin	60.0%	60.8%	61.1%	64.2%	66.3%
Net financial debt	1,372	1,337	1,350	1,179	1,109
Net asset value per share	33.17	39.12	40.83	41.35	42.34
FFOPS (in EUR)	2.23	2.29	2.31	2.42	2.38
DPS (in EUR)	1.30	1.35	1.40	1.45	1.50
Dividend yield	3.6%	3.3%	3.8%	4.0%	4.1%
EV/EBITDA	20.0	21.6	20.5	19.5	19.1
P/NAV	1.1	1.0	0.9	0.9	0.9
P/FFO	16.2	17.7	15.9	15.2	15.4

Source: Company information, Bankhaus Lampe Research estimates

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Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (14/11/2016): 36.64 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
10/10/2016	38.79 EUR	Buy	47.00 EUR
11/12/2015	39.09 EUR	Buy	45.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/10/2016)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	56.0%	66.7%
Hold	38.0%	33.3%
Sell	5.0%	0.0%
Under Review	0.0%	0.0%

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Company	Disclosure
Deutsche EuroShop AG	---

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