



Deutsche Euroshop AG

Neutral → | Target 41.00 EUR

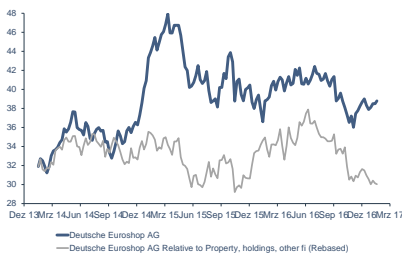
Price (16/02/2017) : 38.79 EUR | Upside : 6 %

Est.chg	2016e	2017e
EPS	-	-

Feedback from the 11th Oddo German Conference

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Capital

DEQ GY DEQn.DE	
Market Cap (EURm)	2,093
Enterprise value (EURm)	3,539
Extrema 12 months	35.92 - 42.52
Free Float (%)	78.5

Performance (%)	1m	3m	12m
Absolute	1.0	7.3	3.8
Perf. rel. Country Index	-0.9	-1.9	-10.2
Perf. rel. Property, holding	-4.0	-1.6	-13.2

P&L	12/16e	12/17e	12/18e
NRI (EURm)	183	187	188
EBIT (EURm)	294	207	209
Attr. net profit (EURm)	231	144	148

Adjusted EPS (EUR)	4.28	2.67	2.75
FFOI ps (EUR)	2.30	2.39	2.46
Dividend (EUR)	1.42	1.48	1.54
NAV ps (EUR)	35.71	36.97	38.24
EPRA NAV ps (EUR)	41.45	42.93	44.42

P/E (x)	9.3	14.5	14.1
P/NAV (x)	1.11	1.05	1.01
P/EPRA NAV (x)	0.96	0.90	0.87
FFOI Yield (%)	5.8	6.2	6.3
Dividend Yield (%)	3.6	3.8	4.0
FCF Yield (%)	2.85	4.22	4.38
ROE (%)	12.5	7.4	7.3
Net LTV (%)	39.8	39.4	38.9

Next Events

28.04.2017	FY Results
11.05.2017	Q1 Results
15.08.2017	Q2 Results

New elements

During our MidCap Forum in Frankfurt, Deutsche Euroshop (DES) confirmed its view of shopping centres as an attractive asset class and reiterated its preliminary pre-tax valuation gain for FY 2016 of ~€ 145m, of which approx. € 117m came from the results of group companies and representing around 3.5% of the total investment portfolio. The company reiterated its caution with regard to overpaying for acquisitions, which limits its external growth potential. However, DES should benefit from refinancing, thereby offsetting its subdued rental growth in this low-inflation environment.

Positive outlook for shopping centres

Going forward, DES sees market prices for shopping centres appreciating as demand for high-quality assets remains very strong. With the company's latest acquisition, a 50% stake in the Saarpark Center for a price of € 113m including debt and a NOI yield of 5%, DES expanded its portfolio again for the first time since 2013.

Negotiations for a tender offer

Currently, DES is participating in a tender offer to acquire 100% of a shopping centre in a CEE country where the company is not yet invested. If this deal should go through, it would increase DES's portfolio by around 10%. A final decision is expected within the next weeks.

Refinancing as a main cash driver

Management is in negotiations to refinance debt of around €80m and €130m in new loans for financing the Saarpark Center. As a result, the company's average cost of debt should drop below 3% in 2017 (vs 3.68% 9M 2016). In our view, the company's main cash driver at present is a gradual decrease in interest cost via refinancing (Germany: 10 years: 1.5%, abroad: 2%), as rental growth looks to remain subdued in this low-inflation environment and also given the company's limited external growth opportunities.

Impact on EPS/Recommendation/Target Price - Conclusion

We leave our estimates unchanged. In our view, DES is a defensive investment with reliable cash flows. However, the company's external growth potential is limited as it is careful not to overpay on acquisitions. We confirm our Neutral rating with an unchanged TP of €40.00.

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DEQn.DE | DEQ GY
Property | Germany

Neutral

Price 38.79EUR

Upside 5.70%

TP 41.00EUR

PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EPRA NAV per share	28.53	30.59	33.17	38.51	41.45	42.93	44.42
NAV per share	24.50	26.49	28.26	32.77	35.71	36.97	38.24
FFO I per share	1.68	2.08	2.23	2.29	2.30	2.39	2.46
Reported EPS	2.36	3.17	3.29	5.73	4.28	2.67	2.75
Net dividend per share	1.20	1.25	1.30	1.35	1.42	1.48	1.54
FCF to equity per share	-1.45	0.68	2.92	2.30	1.14	1.64	1.70
Number of shares market cap	53.95	53.95	53.95	53.95	53.95	53.95	53.95
Number of diluted shares	52.26	56.90	57.01	53.95	53.95	53.95	53.95
VALUATION	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	31.99	34.60	37.93	47.92	42.52	39.00	
12m lowest price	23.78	29.45	30.64	36.18	35.86	37.89	
(*) Reference price	28.48	31.79	34.49	41.82	39.81	38.79	38.79
Capitalization	1,536	1,715	1,861	2,256	2,148	2,093	2,093
P/E (x)	12.2	10.6	11.1	7.3	9.3	14.5	14.1
P/FFO I (x)	17.0	15.3	15.4	18.3	17.3	16.2	15.8
FFO I Yield (%)	5.9	6.5	6.5	5.5	5.8	6.2	6.3
Dividend Yield (%)	4.2	3.9	3.8	3.2	3.6	3.8	4.0
Payout ratio (%)	71.6	60.2	58.2	59.0	61.5	62.0	62.5
FCF Yield (%)	neg	2.1	8.5	5.5	2.9	4.2	4.4
P/NAV (x)	1.16	1.20	1.22	1.28	1.11	1.05	1.01
P/EPRA NAV (x)	1.00	1.04	1.04	1.09	0.96	0.90	0.87
(*) historical average price							
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Rental revenue	178	188	201	203	204	208	210
NRI	160	170	182	183	183	187	188
Total revenue	160	170	182	183	183	187	188
Property revaluation	13.9	56	77	221	117	27.2	28.0
EBITDA	166	222	254	397	294	207	209
Adj. EBITDA	152	166	178	176	177	180	181
EBIT	166	222	254	397	294	207	209
Net financial income	-62.1	-34.1	-39.8	-2.1	-42.9	-38.5	-36.1
Corporate tax	19.1	-16.6	-37.2	-85.4	-20.7	-24.8	-24.8
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	122	171	177	309	231	144	148
FFO I	87	112	121	123	124	129	133
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment properties	2,824	2,962	3,060	3,357	3,494	3,541	3,589
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	161	40.8	58.3	70.7	59.1	57.8	74.3
Ordinary shareholders equity	1,322	1,429	1,524	1,768	1,927	1,994	2,063
Minorities interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder equity							
Net debt	1,307	1,446	1,372	1,337	1,391	1,394	1,397
Deferred tax liabilities	181	198	227	310	310	321	334
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Attributable net profit	122	171	177	309	231	144	148
Property revaluation	-36.5	-60.5	-88.3	-285.4	-117.5	-27.2	-28.0
Interest & taxes	0.0	-29.7	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	122	115	133	136	106	109	113
Cash flow from investing activities	-197.4	-78.6	24.5	-11.9	-45.1	-20.9	-21.0
Cash flow from financing activities	179	-136.8	-139.8	-109.4	-72.9	-89.6	-75.3
Free cash flow	-75.5	36.6	157	124	61.3	88.3	91.7
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Rental revenue growth		5.5%	6.8%	1.0%	0.4%	2.3%	0.8%
FFO I growth		28.7%	7.6%	2.4%	0.7%	3.8%	2.8%
EPS growth		28.3%	3.5%	84.2%	-25.4%	-37.5%	2.9%
NRI margin	89.6%	90.5%	90.5%	90.4%	90.1%	90.0%	89.7%
EBITDA margin	92.9%	118%	127%	196%	145%	99.6%	99.6%
Adj. EBITDA margin	94.9%	97.4%	97.6%	96.1%	96.5%	96.2%	96.2%
Tax rate	-18.4%	8.8%	17.4%	21.6%	8.2%	14.7%	14.3%
SG&A / NRI	6.8%	4.3%	3.4%	4.3%	4.3%	4.3%	4.3%
FFO I / Real estate (Total properties)	5.4%	5.6%	5.8%	5.3%	5.1%	5.1%	5.0%
FFO I / Rental revenues	54.5%	65.8%	66.3%	67.2%	67.8%	68.8%	70.4%
Property revaluation / Investment properties	0.5%	1.9%	2.5%	6.6%	3.4%	0.8%	0.8%
ROA	3.7%	5.0%	5.1%	8.0%	5.7%	3.5%	3.5%
ROE		12.4%	12.0%	18.8%	12.5%	7.4%	7.3%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Equity ratio							
Net LTV	46%	49%	45%	40%	40%	39%	39%
Gearing							
Net debt / Adj. EBITDA	8.6	8.7	7.7	7.6	7.9	7.7	7.7
Adj. EBITDA / net financial charges	-2.4	-2.9	-3.0	-3.2	-2.9	-3.1	-3.2

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Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
18.01.17	Neutral	41.00	38.46	Manuel Martin, CEFA,CREA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(417)	48%	43%	9%
Liquidity providers coverage	(152)	53%	42%	5%
Research service coverage	(67)	60%	37%	3%
Investment banking services	(40)	73%	23%	5%

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