

Deutsche EuroShop AG

Valuation gains of € 260 m

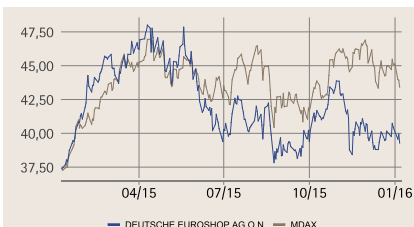
08/01/2016

Buy (Buy)
45.00 EUR (45.00 EUR)

Close 06/01/2016 39.27 EUR
Bloomberg: DEQ GY WKN: 748020
Sector Real Estate

Share price performance

52 week high 48.00 EUR
52 week low 37.38 EUR
Compared to MDAX
YTD 0.8%
1 month 3.8%
12 months -12.3%



Share data

EV (m EUR; 2016) 3,618
Market Cap (m EUR) 2,118
No. of shares (m) 54
Free float 82.7%

Next event

Annual Results 28/04/2016

Change in model

	Sales	FFO	EPS
2015e	---	---	-2.4%
2016e	---	---	16.3%
2017e	---	0.0%	0.0%

Analyst

Dr. Georg Kanders, Analyst
Phone: +49 (0)211 4952-718
georg.kanders@bankhaus-lampe.de

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In an ad hoc statement today Deutsche EuroShop announced that it expects valuation gains for 2015 of about € 260 m. This is slightly lower than we anticipated (BHLe € 284 m) but also leaves potential for further valuation gains in 2016, in our view. Consequently, our price target remains unchanged, and we reiterate our BUY recommendation for this solid dividend stock.

2015 SHORTFALL MEANS POTENTIAL FOR 2016

Deutsche EuroShop today announced that it expects valuation gains for 2015 of about € 260 m. About € 45 m of these gains are booked in the participation result and the remainder in the consolidated property portfolio.

The valuation result fell slightly short of our estimate of € 284 m. As a result, we have reduced our NAV estimate for 2015 by € 0.45 to € 38.94 per share.

However, this leaves potential for further valuation gains in 2016. We think that the yield compression on high quality retail assets is still not reflected in the valuation of Deutsche EuroShop's assets.

As a result, we have raised our expectations for the valuation result in 2016 by € 24 m to € 42 m. Our estimate for the 2016 NAV remains at € 40.66 per share. We have not touched our estimates for the operating results.

VALUATION

As we have roughly carried forward the deviation from our estimated valuation result to 2016, our price target remains unchanged. We reiterate our BUY recommendation for Deutsche EuroShop, which we believe offers high quality assets and a rock solid balance sheet. The stock is no longer trading at a premium to the NAV (BHLe 2016), and despite its asset quality, it offers a dividend yield roughly in line with the sector average.

in m EUR	2013	2014	2015e	2016e	2017e
Sales	188	201	203	204	205
FFO	112	121	168	124	126
FFO margin	59.6%	60.0%	82.6%	60.8%	61.6%
Net financial debt	1,443	1,372	1,304	1,237	1,170
Net asset value per share	30.59	33.17	38.94	40.66	41.78
FFOPS (in EUR)	2.08	2.23	3.11	2.30	2.34
DPS (in EUR)	1.25	1.30	1.35	1.40	1.45
Dividend yield	3.9%	3.6%	3.3%	3.6%	3.7%
EV/EBITDA	20.3	20.0	21.1	20.3	19.9
P/NAV	1.0	1.1	1.0	1.0	0.9
P/FFO	15.3	16.2	13.0	17.1	16.8

Source: Company information, Bankhaus Lampe Research estimates

Key figures

Deutsche EuroShop AG – Income statement

in m EUR	2013	2014	2015e	2016e	2017e
Sales	188	201	203	204	205
Cost of Sales	0	0	0	0	0
Gross profit	188	201	203	204	205
Sales and marketing	-8	-9	-10	-9	-9
General and administration	-9	-10	-10	-10	-10
Research and development	0	0	0	0	0
Other operating result	-4	-4	-7	-7	-7
EBITDA	166	178	177	178	179
Depreciation	0	0	0	0	0
EBITA	166	178	177	178	179
Amortisation of goodwill	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0
EBIT	166	178	177	178	179
Financial result	-34	-40	-4	-48	-46
Income on ordinary activities	132	138	172	130	133
Extraordinary income/loss	56	77	215	42	11
EBT	188	215	388	172	144
Taxes	-17	-37	-83	-43	-36
Net income from cont. operations	171	177	305	129	107
Net income from discount. operations	0	0	0	0	0
Minority interest	0	0	0	0	0
Net income (adj.)	171	177	305	129	107
No. of shares	54	54	54	54	54
EPS (in EUR)	3.17	3.29	5.65	2.40	1.99

Source: Company information, Bankhaus Lampe Research estimates

	2013	2014	2015e	2016e	2017e
Gross margin	-	-	-	-	-
EBITDA margin	88.2%	88.4%	87.2%	87.4%	87.4%
EBITA margin	88.2%	88.4%	87.2%	87.4%	87.4%
EBIT margin	88.2%	88.4%	87.2%	87.4%	87.4%
EBT margin	99.8%	106.9%	191.1%	84.5%	70.3%
Net profit margin	91.0%	88.4%	150.2%	63.5%	52.5%
Tax rate	8.8%	17.4%	21.4%	24.9%	25.3%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2013	2014	2015e	2016e	2017e
Sales	-11.0%	6.8%	1.0%	0.5%	0.5%
EBITDA	-8.4%	7.1%	-0.4%	0.8%	0.5%
EBIT	-8.4%	7.1%	-0.4%	-0.4%	0.5%
EBT	80.2%	14.4%	80.5%	-55.6%	-16.4%
Net income (adj.)	39.0%	3.7%	71.7%	-57.5%	-17.0%
EPS	33.7%	3.7%	71.7%	-57.5%	-17.0%

Source: Company information, Bankhaus Lampe Research estimates

Deutsche EuroShop AG – Balance sheet

Assets (in m EUR)	2013	2014	2015e	2016e	2017e
Fixed assets	3,339	3,420	3,681	3,725	3,737
Property, plant and equipment	2,963	3,061	3,276	3,318	3,329
Intangible assets	0	0	0	0	0
Financial assets	377	360	406	407	408
Other long-term assets	0	0	0	0	0
Current assets	56	72	84	96	107
Inventories	0	0	0	0	0
Accounts receivable	6	5	5	5	5
Other current assets	6	9	9	9	9
Securities	3	0	0	0	0
Cash	41	58	71	82	94
Total assets	3,395	3,492	3,766	3,821	3,844
Equity and liabilities (in m EUR)					
Shareholders' equity	1,642	1,751	2,003	2,078	2,128
Shareholders' equity (before minority)	1,429	1,524	1,759	1,815	1,847
Minorities	213	227	245	263	281
Non-current liabilities	1,629	1,661	1,688	1,674	1,653
Pension provisions	0	0	0	0	0
Other provisions	0	0	0	0	0
Long-term financial debt	1,390	1,375	1,325	1,275	1,225
Other long-term debt	240	286	363	399	428
Current liabilities	123	80	74	69	63
Short-term debt	97	55	50	44	39
Other accruals short-term	8	11	11	11	11
Accounts payable	3	1	1	1	1
Other liabilities	15	13	13	13	13
Total equity and liabilities	3,395	3,492	3,766	3,821	3,844

Source: Company information, Bankhaus Lampe Research estimates

Deutsche EuroShop AG – Balance sheet structure

Assets	2013	2014	2015e	2016e	2017e
Fixed assets	98.4%	97.9%	97.8%	97.5%	97.2%
Property, plant and equipment	87.3%	87.6%	87.0%	86.8%	86.6%
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets	1.6%	2.1%	2.2%	2.5%	2.8%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.2%	0.1%	0.1%	0.1%	0.1%
Cash	1.2%	1.7%	1.9%	2.2%	2.4%
Equity and liabilities					
Shareholders' equity	48.4%	50.1%	53.2%	54.4%	55.4%
Non-current liabilities	48.0%	47.6%	44.8%	43.8%	43.0%
Pension provisions	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial debt	40.9%	39.4%	35.2%	33.4%	31.9%
Current liabilities	3.6%	2.3%	2.0%	1.8%	1.6%
Short-term debt	2.9%	1.6%	1.3%	1.2%	1.0%
Accounts payable	0.1%	0.0%	0.0%	0.0%	0.0%

Source: Company information, Bankhaus Lampe Research estimates

Deutsche EuroShop AG – Cash flow statement

in m EUR	2013	2014	2015e	2016e	2017e
Net income (adj.)	171	177	305	129	107
Depreciation	0	0	0	0	0
Amortisation of goodwill & intangible assets	0	0	0	0	0
Change of provisions	-29	2	0	0	0
Other	-66	-78	-197	-24	7
Operating Cash-flow before changes in w/c	76	102	107	105	115
Change in inventory	0	0	0	0	0
Change in accounts receivable	-1	1	0	0	0
Change in accounts payable	1	-2	0	0	0
Change in other working capital positions	3	-2	0	0	0
Operating Cash-flow	79	99	107	105	115
Capex, excluding maintenance	424	-21	0	0	0
Payments for acquisitions	0	0	0	0	0
Financial investments	-342	17	-46	-1	-1
Income from asset disposals	0	0	0	0	0
Income from financial investments	0	0	0	0	0
Cash-flow from investing activities	82	-4	-46	-1	-1
Free cash-flow	161	95	61	104	114
Capital measures	0	0	0	0	0
Increase/decrease in debt position	-170	-57	-56	-56	-56
Purchase of own shares	0	0	0	0	0
Other financing Cash-flow	8	47	77	36	29
Dividend paid	-65	-67	-70	-73	-76
Cash-flow from financing activities	-227	-77	-49	-93	-102
Increase/ decrease in liquid assets	-67	17	12	12	11
Effects of exchange rate changes	-47	0	0	0	0
Cash at beginning of period	154	41	58	71	82
Change in total cash and cash equivalents	-113	17	12	12	11
Cash at end of period	41	58	71	82	94

Source: Company information, Bankhaus Lampe Research estimates

Deutsche EuroShop AG – Ratios

	2013	2014	2015e	2016e	2017e
Per Share Data					
EPS	3.17	3.29	5.65	2.40	1.99
Book value per share	30.44	32.46	37.14	38.52	39.46
Free Cash-flow per share	2.98	1.76	1.14	1.93	2.11
Dividend per share	1.25	1.30	1.35	1.40	1.45
Valuation ratios					
EV/Sales	17.9	17.7	18.4	17.7	17.4
EV/EBITDA	20.3	20.0	21.1	20.3	19.9
EV/EBIT	20.3	20.0	21.1	20.3	19.9
Price Earnings ratio (P/E)	10.0	11.0	7.2	16.4	19.7
Price to book (total equity)	1.0	1.1	1.1	1.0	1.0
Dividend yield	3.9%	3.6%	3.3%	3.6%	3.7%
Profitability ratios					
EBITDA margin	88.2%	88.4%	87.2%	87.4%	87.4%
EBIT margin	88.2%	88.4%	87.2%	87.4%	87.4%
Net return on sales	91.0%	88.4%	150.2%	63.5%	52.5%
Return on capital employed (ROCE)	5.3%	5.6%	5.2%	5.2%	5.3%
Productivity ratios					
Capital turnover	1,777.5%	1,705.1%	1,817.0%	1,828.6%	1,825.4%
Operating leverage	0.8	1.0	-0.4	1.5	0.9
Sales per employee	31,331,167	33,464,167	33,798,456	33,979,330	34,149,727
EBIT per employee	27,627,333	29,584,333	29,465,673	29,696,181	29,833,864
Number of employees (in thousands)	0.0	0.0	0.0	0.0	0.0
Financial ratios					
Equity ratio	48.4%	50.1%	53.2%	54.4%	55.4%
Net financial debt (in m EUR)	1,443	1,372	1,304	1,237	1,170
Net debt / Equity	87.9%	78.3%	65.1%	59.5%	55.0%
Interest cover	> 10	> 10	> 10	> 10	> 10
Net debt / EBITDA	8.70	7.73	7.37	6.94	6.53
Working Capital (in m EUR)	2	3	3	3	3
Change Working Capital (in m EUR)	0	1	0	0	0
WC /sales	1.2%	1.7%	1.7%	1.7%	1.7%
Stocks in days of sales	0	0	0	0	0
Trade debtors in days of sales	11	8	8	8	8
Trade creditors in days of COGS/Material cost	7	2	2	2	2
Cash conversion cycle	4	6	6	6	6
Invest. (property/plant/equity) / Depreciation	-2118975.0%	105195.0%	100.0%	100.0%	100.0%
Others					
Sales CAGR (last 3 years)	9.2%	1.9%	-1.4%	2.7%	0.7%
EBIT CAGR (last 3 years)	10.2%	2.3%	-0.8%	2.4%	0.3%
Net income CAGR (last 3 years)	27.9%	23.9%	35.3%	-8.9%	-15.4%
Pay out ratio	39.4%	39.5%	23.9%	58.4%	72.8%
Free cash-flow (in m EUR)	161	95	61	104	114
Free cash flow yield	9.4%	4.9%	2.8%	4.9%	5.4%

Source: Company information, Bankhaus Lampe Research estimates

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Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (06/01/2016): 39.27 EUR, Analyst: Dr. Georg Kandera (Analyst).

Date of publication	Price at recommendation	Rating	Price target
11/09/2015	39.33 EUR	Buy	45.00 EUR
24/04/2015	45.85 EUR	Hold	47.00 EUR
03/02/2015	41.93 EUR	Hold	43.00 EUR

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

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
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Hold	42.6%	62.5%
Sell	4.4%	0.0%
Under Review	0.0%	0.0%

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Company	Disclosure
Deutsche EuroShop AG	---

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Bankhaus Lampe KG, Jägerhofstraße 10, D-40479 Düsseldorf is responsible for this study.

Further information may be obtained from Bankhaus Lampe KG.

08 January 2016

Contacts

HEAD OF CAPITAL MARKETS & ADVISORY

Ute Gerbaulet

+ 49 (0)211 4952-656

ute.gerbaulet@bankhaus-lampe.de

HEAD OF EQUITY

Ralf Menzel

+ 49 (0)211 4952-282

ralf.menzel@bankhaus-lampe.de

VIA

INTERNATIONAL KBR FINANCE LLC CHAPERONE
OF BANKHAUS LAMPE KG IN THE US

EQUITY SALES CONTINENTAL EUROPE

Ulrich Klingmüller

+ 49 (0)211 4952-784

ulrich.klingmueller@bankhaus-lampe.de

EQUITY SALES IN GB

Yusuf Bilgic

+ 44 (0)203 405 4318

yb@lampe-capital.com

EQUITY SALES IN US

Florian Hartmann

+1 212 218 7401

fhartmann@kbr-group.com

EQUITY SALES TRADING CONTINENTAL EUROPE

Nils Carstens

+ 49 (0)211 4952-758

nils.carstens@bankhaus-lampe.de

EQUITY SALES TRADING IN GB

Chris Ford

+ 44 (0)203 405 1083

cf@lampe-capital.com

EQUITY SALES TRADING IN US

Kim Last

+1 212 218 7412

kl@ikbrfinance.com

Bankhaus Lampe Research

Jägerhofstraße 10

D - 40479 Düsseldorf

research@bankhaus-lampe.de

📞 + 49 (0)211 4952-678

📠 + 49 (0)211 4952-494