

### 9 May 2012

DAX index	6,445
Market cap. (€mn / \$mn)	75.0 / 97.6
Free float (€mn / %)	12.8 / 17.1
12 Month High / Low (€)	21.35 / 18.75
Daily trading volume	3,000
H1/2012	19-July-2012
Bloomberg / Reuters	ECK GR / ECKG.DE

31/12 (€mn)	2010	2011	2012e	2013e
Net sales	90.1	86.8	89.6	92.4
Gross profit	45.5	44.3	45.3	46.9
EBITDA	16.9	15.6	17.9	18.8
EBIT	13.7	12.9	15.1	15.9
Net income	6.4	8.8	8.3	8.8

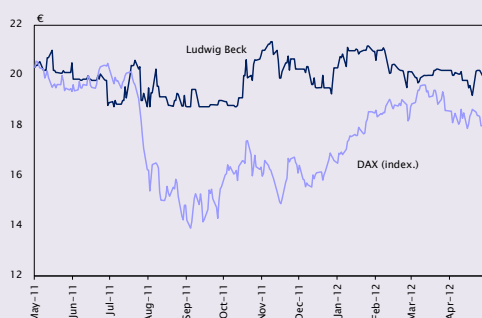
(€)	2010	2011	2012e	2013e
EPS	1.74	2.37	2.23	2.38
CFPS	3.53	3.81	4.10	4.34
BVPS	8.79	14.54	16.25	18.04
Dividend	0.35	0.45	0.40	0.45

(%)	2010	2011	2012e	2013e
Gross margin	50.5	51.1	50.5	50.8
EBITDA margin	18.7	18.0	20.0	20.4
EBIT margin	15.2	14.8	16.8	17.2
Dividend yield	2.4	2.3	2.0	2.2

(x)	2010	2011	2012e	2013e
P/E	8.3	8.2	9.1	8.5
P/E rel. DAX	0.6	0.6	0.7	0.7
P/CF	4.1	5.1	5.0	4.7
EV/sales	1.07	1.23	1.17	1.06
EV/EBITDA	5.7	6.8	5.9	5.2
EV/EBIT	7.0	8.3	7.0	6.2

Main Shareholders	%
INTRO GmbH	49.2
HRW Verwaltungs GmbH	25.7
Ost-West AG	5.0

Performance (%)	-1M	-3M	-12M
Absolute	0.5	-1.4	0.0
Relative to DAX	5.4	3.7	13.0



Source: Capital IQ

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## Royal news flow from the AGM

Ludwig Beck held its annual shareholder meeting yesterday. Overall, the news flow from the AGM was largely positive, suggesting that Ludwig Beck is on track to reach full year guidance. After the shares have outperformed the DAX by 13.0% LTM, we reiterate our Buy rating and our price target of €29.30 per share.

### Trading up important growth driver

In our view, trading up remains to be an important element in Ludwig Beck's corporate strategy. The adopted strategy of trading up, i.e. shifting the range to higher-quality products and strengthening the medium and higher price lines, is Ludwig Beck's main strategy to boost LFL sales. Two examples clearly demonstrate our stance: Firstly, Ludwig Beck became the exclusive German distribution platform for Ciaté, with intensely pigmented colours one of UK's leading nail fashion brand. Secondly, Ludwig Beck became the sole retailer worldwide to the fragrance Numero 3 from L'Artisan Parfumeur, one of the most unique and iconoclastic fragrance houses in the world. Numero 3 is one of eight fragrances, each of which is available from just one department store worldwide.

### Enjoying high revenue growth with foreign customers

On the AGM, Ludwig Beck reported strong revenue increase with foreign customers. In 2011, revenues with foreign tourists amounted to 15% of total revenues, compared to 12% in 2010. Strong growth was reported with tourists from Russia (revenue share 3%), Switzerland (2%), and UAE (1%).

### Cosmetics store Hautnah goes online

From fall 2012 on, Ludwig Beck is going to sell cosmetics through its online shop ludwigbeck.de. Management considers online cosmetics to become an important growth driver in the medium-term. Management expects the online store to break even at the end of 2013e.

### Trade sale of Esprit shop in OEZ shopping mall

Management reported the trade sale of the Esprit franchise store located in the OEZ shopping mall in Munich. After the trade sale, Ludwig Beck's business is exclusively conducted through the Marienplatz store, including the store in the adjacent Fünf Höfe. Management expects a small gain from the sale of the Esprit shop.

### Royal Bavarian Court Trimmer award

150 years after company founder Mr Ludwig Beck supplied King Ludwig II's fairy tale castles with gold and silver ornamental trimmings, earning him the title of "Royal Bavarian Court Trimmer", the company was officially awarded the Wittelsbacher coat of arms of a "Former Royal Bavarian Court Trimmer".

### **Dividend increase**

Management proposal of a dividend increase to €0.45 from €0.35 per share was accepted by the AGM. Since the dividend proposal includes a special dividend of €0.10 per share due to the 150<sup>th</sup> anniversary, we reiterate our dividend estimate of €0.40 per share for the current fiscal year.

### **Guidance for FY2012e reiterates after an excellent start into 2012**

The management reiterated its guidance for FY2012e, with EBT expected to be between €10mn and €12mn. Revenues should increase by 2–3%. The seasonally weak Q1/12 with revenues up 3.8%, was followed by a satisfying April and an excellent May with revenues up 20% YoY so far. Even though the first half of the year is traditionally the weaker half year, we consider these figures as excellent and believe the guidance should be well funded. Since the mid-point of management guidance indicates flat profits, we furthermore believe Ludwig Beck has the potential to deliver earnings upgrades through the course of the year, similar to the previous years.

### **Stock remains inexpensive**

With a 2013e P/E of 8.5x and EV/EBITDA 2013e of 5.2x, based on our estimates, and mid-teens earnings growth 2011–13e, the stock remains inexpensive in our view. The company's strong equity ratio of 51.7%, high margins and €7.1mn of 2012e free cash flow generation warrant a premium to the German stationary retail as well.

### **Maintaining Buy rating and PT of €29.30**

Our primary valuation method for Ludwig Beck is via DCF. Our standardized three stage DCF derived fair value for the share is €29.30, implying a 44% upside to yesterday's close price of €20.15.

We assume:

- sales growth to decrease from 3.2% and 3.1% in 2012e and 2013e, respectively, to 2.0% in 2022e, which is the end of our detailed 10 years planning phase.
- EBIT margins to improve from 17.2% in 2013e to 17.6% in 2022e. TV EBIT margins are expected to be 17.5%.
- a corporate tax rate of 33.0% over the detailed planning phase from 2013e to 2021e.
- a terminal growth rate of 2.0%, similar to the current risk-free rate of 10 year Bunds.
- WACC of 6.3% (risk free rate of 2.0%, implied equity risk premium of 5.0%, beta of 1.1, D/E of 60/40).
- Ludwig Beck to have a cost of capital similar to that of typical mature companies during terminal value. Therefore, we expect WACC to increase from 6.3% in 2012e to 9.5% in the terminal value stage.
- stable sales-to-capital ratio of 100% (i. e. on 2011 levels of 99%) over the planning horizon.
- insolvency risk of 0.1%.

### **Downsides and upsides to our target price**

We see upside from increased property value creation in the Marienplatz store. Key downside risks to our price target include the cyclical nature of

retail trade and a dependence on German retail trade, in particular the Munich region, with its exposure to the automotive industry and to financials.

**Company description**

Founded 1861, Ludwig Beck is one of the leading retailers in Munich, offering an unusual range of selected fashion and designer brands, international cosmetics, classical music and jazz and a large lingerie and haberdashery department. Ludwig Beck unites the benefits of department store and specialist retailers, offering the range of a department store and the advisory services of a specialist retailer. Its merchandise is focused on the middle and higher price segment. In some lines of goods, Ludwig Beck is the market leader not only in Germany but also in Europe, e.g. in hosiery, buttons, haberdashery and swimwear as well as in its niche of classical music and jazz CDs.

**Profit and loss account, 2005–13e**

		2005	2006	2007	2008	2009	2010	2011	2012e	2013e
Gross sales	€mn	101.7	101.3	103.5	102.6	103.7	107.2	103.3	106.6	109.8
VAT	€mn	-14.0	-13.9	-16.5	-16.4	-16.5	-17.1	-16.5	-17.0	-17.5
<b>Net sales</b>	<b>€mn</b>	<b>87.7</b>	<b>87.4</b>	<b>87.0</b>	<b>86.2</b>	<b>87.2</b>	<b>90.1</b>	<b>86.8</b>	<b>89.6</b>	<b>92.4</b>
<i>YoY</i>	%	1.2%	-0.3%	-0.5%	-0.9%	1.2%	3.3%	-3.7%	3.2%	3.1%
Material expenses	€mn	-46.7	-46.1	-46.0	-44.8	-44.2	-44.6	-42.5	-44.3	-45.5
<i>in % of total net sales</i>	%	-53.3%	-52.7%	-52.9%	-52.0%	-50.7%	-49.5%	-48.9%	-49.5%	-49.2%
<b>Gross profit</b>	<b>€mn</b>	<b>41.0</b>	<b>41.3</b>	<b>41.0</b>	<b>41.4</b>	<b>43.0</b>	<b>45.5</b>	<b>44.3</b>	<b>45.3</b>	<b>46.9</b>
<i>in % of total net sales</i>	%	46.7%	47.3%	47.1%	48.0%	49.3%	50.5%	51.1%	50.5%	50.8%
Other operating income	€mn	2.6	3.0	2.6	3.3	3.0	3.5	3.1	3.1	3.1
<i>in % of total net sales</i>	%	3.0%	3.4%	3.0%	3.8%	3.4%	3.9%	3.6%	3.4%	3.4%
Personnel expenses	€mn	-17.6	-17.4	-17.2	-16.9	-16.8	-17.0	-16.7	-16.8	-17.5
<i>in % of total net sales</i>	%	-20.0%	-20.0%	-19.7%	-19.7%	-19.3%	-18.9%	-19.2%	-18.7%	-18.9%
Depreciations	€mn	-3.8	-3.4	-3.8	-4.1	-3.5	-3.1	-2.8	-2.9	-2.9
<i>in % of total net sales</i>	%	-4.3%	-3.9%	-4.4%	-4.7%	-4.1%	-3.5%	-3.2%	-3.2%	-3.2%
Own work capitalized	€mn	0.0	0.1	0.2	0.2	0.1	0.0	0.1	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.1%	0.2%	0.3%	0.1%	0.0%	0.1%	0.0%	0.0%
Other operating expenses	€mn	-16.5	-16.8	-15.7	-15.7	-15.9	-15.1	-15.1	-13.6	-13.7
<i>in % of total net sales</i>	%	-18.8%	-19.2%	-18.0%	-18.3%	-18.3%	-16.7%	-17.4%	-15.2%	-14.9%
<b>EBIT</b>	<b>€mn</b>	<b>5.8</b>	<b>6.8</b>	<b>7.2</b>	<b>8.1</b>	<b>9.8</b>	<b>13.7</b>	<b>12.9</b>	<b>15.1</b>	<b>15.9</b>
<i>in % of total net sales</i>	%	6.6%	7.7%	8.2%	9.4%	11.2%	15.2%	14.8%	16.8%	17.2%
<i>YoY</i>	%	76.0%	17.7%	6.0%	13.5%	20.1%	40.5%	-6.4%	17.3%	5.1%
Financial result	€mn	-4.0	-3.7	-3.3	-3.1	-2.7	-3.2	-1.6	-2.3	-2.3
Minorities	€mn	-0.6	-0.5	-0.7	-0.6	-0.7	-0.6	0.0	-0.5	-0.4
<b>EBT</b>	<b>€mn</b>	<b>1.2</b>	<b>2.5</b>	<b>3.1</b>	<b>4.4</b>	<b>6.4</b>	<b>9.9</b>	<b>11.3</b>	<b>12.3</b>	<b>13.1</b>
<i>YoY</i>	%	n/a	111.2%	23.4%	42.8%	43.5%	55.2%	13.9%	9.1%	6.5%
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes	€mn	-0.6	-1.1	-0.5	-1.7	-4.1	-3.5	-2.5	-4.0	-4.3
<i>in % of EBT</i>	%	-47.3%	-44.7%	-16.9%	-38.9%	-64.9%	-35.0%	-22.2%	-32.8%	-33.0%
<b>Net income after minorities</b>	<b>€mn</b>	<b>0.6</b>	<b>1.4</b>	<b>2.6</b>	<b>2.7</b>	<b>2.2</b>	<b>6.4</b>	<b>8.8</b>	<b>8.3</b>	<b>8.8</b>
<i>YoY</i>	%	n/a	121.7%	85.3%	4.9%	-17.6%	187.8%	36.2%	-5.9%	6.3%
Number of shares	mn	3.360	3.360	3.388	3.695	3.695	3.695	3.695	3.695	3.695
<b>EPS</b>	<b>€</b>	<b>0.19</b>	<b>0.42</b>	<b>0.76</b>	<b>0.73</b>	<b>0.61</b>	<b>1.74</b>	<b>2.37</b>	<b>2.23</b>	<b>2.38</b>

Source: Ludwig Beck, VISCARDI

**Profit and loss account (Quarterly statement), 2012e**

		Q1/12	Q2/12e	H1/12e	Q3/12e	9M/12e	Q4/12e	2012e
Gross sales	€mn	22.9	23.7	46.6	25.3	71.9	34.7	106.6
VAT	€mn	-3.7	-3.8	-7.5	-4.0	-11.5	-5.5	-17.0
<b>Net sales</b>	<b>€mn</b>	<b>19.2</b>	<b>19.9</b>	<b>39.1</b>	<b>21.3</b>	<b>60.4</b>	<b>29.2</b>	<b>89.6</b>
<i>YoY</i>	%	3.8%	3.2%	3.5%	2.9%	3.3%	3.1%	3.2%
Material expenses	€mn	-9.9	-9.5	-19.4	-10.8	-30.2	-14.1	-44.3
<i>in % of total net sales</i>	%	-51.6%	-47.7%	-49.6%	-50.7%	-50.0%	-48.5%	-49.5%
<b>Gross profit</b>	<b>€mn</b>	<b>9.3</b>	<b>10.4</b>	<b>19.7</b>	<b>10.5</b>	<b>30.2</b>	<b>15.0</b>	<b>45.3</b>
<i>in % of total net sales</i>	%	48.4%	52.3%	50.4%	49.3%	50.0%	51.5%	50.5%
Other operating income	€mn	0.7	0.6	1.3	0.9	2.2	0.8	3.1
<i>in % of total net sales</i>	%	3.6%	3.1%	3.4%	4.4%	3.7%	2.8%	3.4%
Personnel expenses	€mn	-3.9	-4.5	-8.4	-4.1	-12.5	-4.3	-16.8
<i>in % of total net sales</i>	%	-20.3%	-22.6%	-21.5%	-19.1%	-20.6%	-14.8%	-18.7%
Depreciations	€mn	-0.7	-0.8	-1.5	-0.7	-2.2	-0.6	-2.9
<i>in % of total net sales</i>	%	-3.6%	-4.1%	-3.9%	-3.4%	-3.7%	-2.1%	-3.2%
Own work capitalized	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	€mn	-3.6	-2.5	-6.1	-3.5	-9.6	-4.0	-13.6
<i>in % of total net sales</i>	%	-18.5%	-12.6%	-15.5%	-16.4%	-15.8%	-13.8%	-15.2%
<b>EBIT</b>	<b>€mn</b>	<b>1.8</b>	<b>3.2</b>	<b>5.1</b>	<b>3.1</b>	<b>8.2</b>	<b>6.9</b>	<b>15.1</b>
<i>in % of total net sales</i>	%	9.6%	16.2%	12.9%	14.7%	13.6%	23.6%	16.8%
<i>YoY</i>	%	130.6%	34.6%	58.7%	4.4%	32.3%	3.4%	17.3%
Financial result	€mn	-0.5	-0.7	-1.1	-0.7	-1.8	-0.6	-2.3
Minorities	€mn	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.5
<b>EBT</b>	<b>€mn</b>	<b>1.4</b>	<b>2.5</b>	<b>3.9</b>	<b>2.3</b>	<b>6.2</b>	<b>6.1</b>	<b>12.3</b>
<i>YoY</i>	%	595.0%	35.0%	89.9%	-20.9%	24.4%	-3.1%	9.1%
Extraordinary result	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>in % of total net sales</i>	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes	€mn	-0.4	-0.8	-1.3	-0.8	-2.0	-2.0	-4.0
<i>in % of EBT</i>	%	-31.7%	-33.0%	-32.5%	-33.0%	-32.7%	-33.0%	-32.8%
<b>Net income after minorities</b>	<b>€mn</b>	<b>0.9</b>	<b>1.7</b>	<b>2.6</b>	<b>1.6</b>	<b>4.2</b>	<b>4.1</b>	<b>8.3</b>
<i>YoY</i>	%	672.4%	35.4%	93.3%	49.9%	74.4%	-36.1%	-5.9%
Number of shares	mn	3.695	3.695	3.695	3.695	3.695	3.695	3.695
<b>EPS</b>	<b>€</b>	<b>0.26</b>	<b>0.45</b>	<b>0.71</b>	<b>0.42</b>	<b>1.13</b>	<b>1.10</b>	<b>2.23</b>

Source: Ludwig Beck, VISCARDI

# Balance sheet, 2005–2013e

		2005	2006	2007	2008	2009	2010	2011	2012e	2013e
<b>Assets</b>										
Intangible assets	€mn	2.8	2.8	3.3	3.2	3.0	3.0	3.2	3.5	3.5
Property, plant and equipment	€mn	88.9	87.8	88.9	93.3	92.0	90.7	89.1	89.2	89.3
Deferred taxes	€mn	4.8	4.0	2.2	1.1	0.0	0.0	0.0	0.0	0.0
Other assets	€mn	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2
<b>Long-term assets</b>	<b>€mn</b>	<b>96.7</b>	<b>94.8</b>	<b>94.6</b>	<b>97.8</b>	<b>95.2</b>	<b>93.9</b>	<b>92.5</b>	<b>92.9</b>	<b>93.0</b>
Inventories	€mn	9.5	9.2	9.1	9.1	8.3	8.8	9.5	9.9	10.3
Receivables and other assets	€mn	1.5	1.7	2.0	5.5	1.4	1.3	1.7	1.7	1.8
Cash	€mn	0.5	0.8	1.7	0.6	4.4	4.8	3.9	4.0	3.1
<i>in % of total assets</i>	<i>%</i>	<i>0.5%</i>	<i>0.7%</i>	<i>1.6%</i>	<i>0.5%</i>	<i>4.0%</i>	<i>4.4%</i>	<i>3.7%</i>	<i>3.7%</i>	<i>2.9%</i>
Own shares	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Short-term assets</b>	<b>€mn</b>	<b>11.6</b>	<b>11.7</b>	<b>12.8</b>	<b>15.1</b>	<b>14.1</b>	<b>14.9</b>	<b>15.2</b>	<b>15.6</b>	<b>15.2</b>
Prepaid expenses	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>€mn</b>	<b>108.2</b>	<b>106.5</b>	<b>107.4</b>	<b>112.9</b>	<b>109.3</b>	<b>108.8</b>	<b>107.6</b>	<b>108.6</b>	<b>108.2</b>
<b>Liabilities</b>										
Subscribed capital	€mn	8.6	8.6	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Capital reserve	€mn	8.4	8.9	14.0	14.8	3.5	3.5	3.5	3.5	3.5
Retained earnings	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/Loss	€mn	0.6	0.9	1.2	1.9	14.4	19.6	31.9	38.2	44.8
Minorities	€mn	15.5	15.4	15.6	15.5	15.4	15.1	0.0	0.0	0.0
<b>Equity</b>	<b>€mn</b>	<b>33.1</b>	<b>33.8</b>	<b>40.2</b>	<b>41.8</b>	<b>42.8</b>	<b>47.6</b>	<b>53.7</b>	<b>60.0</b>	<b>66.7</b>
<i>Equity ratio</i>	<i>%</i>	<i>30.6%</i>	<i>31.8%</i>	<i>37.4%</i>	<i>37.0%</i>	<i>39.1%</i>	<i>43.7%</i>	<i>49.9%</i>	<i>55.3%</i>	<i>61.6%</i>
Financial liabilities	€mn	35.1	34.4	36.2	36.5	37.0	29.9	27.6	25.0	18.0
Accruals	€mn	1.0	1.0	0.5	0.6	1.5	0.6	0.6	1.0	1.0
Deferred taxes	€mn	4.5	4.5	4.3	2.7	3.7	3.5	1.2	0.8	0.8
Other liabilities	€mn	6.6	6.5	2.7	4.0	3.4	3.4	4.1	3.0	3.0
<b>Total non-current liabilities</b>	<b>€mn</b>	<b>47.1</b>	<b>46.4</b>	<b>43.7</b>	<b>43.7</b>	<b>45.6</b>	<b>37.5</b>	<b>33.5</b>	<b>29.8</b>	<b>22.8</b>
Financial liabilities	€mn	12.2	11.0	3.1	8.2	3.5	3.4	10.4	9.0	8.0
Trade payables	€mn	2.1	1.8	1.9	5.2	1.3	1.6	1.4	1.4	1.5
<i>in % of total sales</i>	<i>%</i>	<i>2.4%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>6.0%</i>	<i>1.5%</i>	<i>1.8%</i>	<i>1.6%</i>	<i>1.6%</i>	<i>1.7%</i>
Other revenues	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	€mn	4.7	4.3	9.1	4.8	5.2	5.7	5.0	4.8	5.2
Tax liabilities	€mn	0.0	0.3	0.6	0.4	2.1	3.8	3.6	3.5	4.0
<b>Total current liabilities</b>	<b>€mn</b>	<b>19.1</b>	<b>17.4</b>	<b>14.7</b>	<b>18.6</b>	<b>12.0</b>	<b>14.5</b>	<b>20.4</b>	<b>18.7</b>	<b>18.7</b>
Potential severance pay minorities	€mn	8.9	8.9	8.8	8.8	9.0	9.3	0.0	0.0	0.0
<b>Total liabilities</b>	<b>€mn</b>	<b>108.2</b>	<b>106.5</b>	<b>107.4</b>	<b>112.9</b>	<b>109.3</b>	<b>108.8</b>	<b>107.6</b>	<b>108.6</b>	<b>108.2</b>

Source: Ludwig Beck, VISCARDI

**Cash flow statement, 2006–2013e**

		2006	2007	2008	2009	2010	2011	2012e	2013e
Net income	€mn	2.5	3.1	4.4	6.4	9.9	11.3	12.3	13.1
Depreciations	€mn	3.4	3.8	4.1	3.5	3.1	2.8	2.9	2.9
Write-ups on fixed assets	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Non-current accruals	€mn	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Cash affecting income	€mn	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash items	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	€mn	5.7	6.4	8.5	9.9	13.0	14.1	15.1	16.0
Δ Inventories and trade receivables	€mn	0.0	-0.1	-3.4	4.9	-0.3	-1.2	-0.5	-0.4
Δ Trade payables and other liabilities	€mn	-0.8	1.1	0.3	-4.2	0.9	-0.2	-1.2	0.5
Financial income	€mn	0.0	0.0	-0.1	0.0	0.0	-1.0	-1.0	-1.0
Paid interest	€mn	-3.7	-3.3	-3.1	-2.7	-3.2	-1.6	-2.3	-2.3
Profit from the sale of fixed assets	€mn	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earned interest	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating adjustments	€mn	4.2	3.4	5.5	3.8	0.8	-2.8	0.0	0.0
<b>Operating cash flow</b>	<b>€mn</b>	<b>5.5</b>	<b>7.5</b>	<b>7.7</b>	<b>11.6</b>	<b>11.2</b>	<b>7.3</b>	<b>10.1</b>	<b>12.8</b>
YoY	%	-13.0%	36.9%	3.1%	50.6%	-3.5%	-34.6%	38.1%	26.0%
Purchases of fixed assets	€mn	0.2	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Investments in PPE / intangibles	€mn	-2.5	-5.7	-8.6	-2.1	-1.9	-1.4	-3.0	-3.0
Payments for purchase other assets	€mn	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
<b>Investing cash flow</b>	<b>€mn</b>	<b>-2.5</b>	<b>-5.8</b>	<b>-8.6</b>	<b>-2.2</b>	<b>-1.9</b>	<b>-11.6</b>	<b>-3.0</b>	<b>-3.0</b>
YoY	%	218.7%	131.4%	47.3%	-74.7%	-10.3%	495.5%	-74.1%	0.0%
<b>Free cash flow</b>	<b>€mn</b>	<b>3.0</b>	<b>1.7</b>	<b>-0.8</b>	<b>9.5</b>	<b>9.3</b>	<b>-4.2</b>	<b>7.1</b>	<b>9.8</b>
YoY	%	-46.2%	-43.3%	n/a	n/a	-2.0%	n/a	n/a	36.9%
Payments of minority shareholders	€mn	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payments	€mn	-0.3	-0.7	-1.1	-1.1	-1.3	-1.3	-1.7	-1.5
Purchase own shares	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Financial debt	€mn	-1.9	-6.1	5.3	-4.2	-7.1	4.7	-4.1	-8.0
Repayment of financial debt	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflow of financial debt	€mn	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial lease (net)	€mn	-0.5	-0.6	0.0	0.0	-0.5	0.0	-0.6	-0.6
Outflow for minority shareholders	€mn	-0.7	-0.7	0.0	-0.7	-0.7	0.0	-0.7	-0.7
Other operating expenses	€mn	0.0	7.1	-3.7	0.4	0.7	0.0	-0.1	0.1
<b>Financing cash flow</b>	<b>€mn</b>	<b>-3.1</b>	<b>-1.5</b>	<b>0.6</b>	<b>-5.6</b>	<b>-8.9</b>	<b>3.4</b>	<b>-7.1</b>	<b>-10.6</b>
YoY	%	-50.7%	-52.3%	n/a	n/a	58.1%	n/a	n/a	50.7%
Net increase in cash	€mn	-0.1	0.2	-0.3	3.8	0.4	-0.9	0.1	-0.9
Cash beginning of fiscal year	€mn	0.5	0.8	0.8	0.6	4.4	4.8	3.9	4.0
<b>Cash end of fiscal year</b>	<b>€mn</b>	<b>0.4</b>	<b>1.0</b>	<b>0.6</b>	<b>4.4</b>	<b>4.8</b>	<b>3.9</b>	<b>4.0</b>	<b>3.1</b>

Source: Ludwig Beck, VISCARDI

Segments, 2005–2013e										
		2005	2006	2007	2008	2009	2010e	2011	2012e	2013e
<b>Sales</b>	<b>€mn</b>	<b>87.7</b>	<b>87.4</b>	<b>87.0</b>	<b>86.2</b>	<b>87.2</b>	<b>90.1</b>	<b>86.8</b>	<b>89.6</b>	<b>92.4</b>
Ludwig Beck/Retail	€mn	80.7	79.7	80.6	74.9	76.6	81.0	82.5	86.3	88.9
Franchise	€mn	6.9	7.7	6.4	11.3	10.6	9.1	4.3	3.3	3.4
<b>Share</b>	<b>%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Ludwig Beck/Retail	%	92.1%	91.2%	92.6%	86.8%	87.8%	89.9%	95.0%	96.3%	96.3%
Franchise	%	7.9%	8.8%	7.4%	13.2%	12.2%	10.1%	5.0%	3.7%	3.7%
<b>YoY</b>	<b>%</b>	<b>1.2%</b>	<b>-0.3%</b>	<b>-0.5%</b>	<b>-0.9%</b>	<b>1.2%</b>	<b>3.3%</b>	<b>-3.7%</b>	<b>3.2%</b>	<b>3.1%</b>
Ludwig Beck/Retail	%	2.9%	-1.3%	1.1%	-7.1%	2.3%	5.8%	1.8%	4.7%	3.0%
Franchise	%	-15.8%	10.9%	-16.5%	76.2%	-6.5%	-14.3%	-52.2%	-23.9%	4.1%
<b>EBIT</b>	<b>€mn</b>	<b>5.8</b>	<b>6.8</b>	<b>7.2</b>	<b>16.6</b>	<b>19.0</b>	<b>22.3</b>	<b>12.9</b>	<b>15.1</b>	<b>15.9</b>
Ludwig Beck/Retail	€mn	5.5	6.2	6.6	15.6	17.8	21.3	12.4	14.7	15.5
Franchise	€mn	0.3	0.5	0.6	1.1	1.2	0.9	0.5	0.4	0.4
<b>EBIT margin</b>	<b>%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>19.3%</b>	<b>21.8%</b>	<b>24.7%</b>	<b>14.8%</b>	<b>16.8%</b>	<b>17.2%</b>
Ludwig Beck/Retail	%	6.8%	7.8%	8.2%	20.8%	23.2%	26.3%	15.0%	17.0%	17.4%
Franchise	%	3.8%	6.8%	9.2%	9.6%	11.0%	10.1%	10.8%	11.5%	11.6%
<b>Gross sales</b>	<b>€mn</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>107.2</b>	<b>103.3</b>	<b>106.6</b>	<b>109.8</b>
Textile	€mn	n/a	n/a	n/a	n/a	n/a	82.5	78.3	97.8	100.2
Non-Textile	€mn	n/a	n/a	n/a	n/a	n/a	24.7	24.9	8.8	9.6
<b>Share</b>	<b>%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Textile	%	n/a	n/a	n/a	n/a	n/a	76.9%	75.9%	91.7%	91.3%
Non-Textile	%	n/a	n/a	n/a	n/a	n/a	23.1%	24.1%	8.3%	8.7%
<b>YoY</b>	<b>%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>0.0%</b>	<b>-3.7%</b>	<b>3.2%</b>	<b>3.0%</b>
Textile	%	n/a	n/a	n/a	n/a	n/a	0.0%	-5.0%	24.8%	2.5%
Non-Textile	%	n/a	n/a	n/a	n/a	n/a	0.0%	0.8%	-64.6%	8.7%

Source: Ludwig Beck, VISCARDI



**Key figures, 2005–2013e**

		2005	2006	2007	2008	2009	2010	2011	2012e	2013e
Gross sales	€mn	101.7	101.3	103.5	102.6	103.7	107.2	103.3	106.6	109.8
Net sales	€mn	87.7	87.4	87.0	86.2	87.2	90.1	86.8	89.6	92.4
Gross profit	€mn	41.0	41.3	41.0	41.4	43.0	45.5	44.3	45.3	46.9
EBITDA	€mn	9.5	10.2	11.0	12.2	13.3	16.9	15.6	17.9	18.8
EBIT	€mn	5.8	6.8	7.2	8.1	9.8	13.7	12.9	15.1	15.9
EBT	€mn	1.2	2.5	3.1	4.4	6.4	9.9	11.3	12.3	13.1
Net income	€mn	0.6	1.4	2.6	2.7	2.2	6.4	8.8	8.3	8.8
Nr. of employees		540	543	544	524	529	509	500	443	452

**Per Share data**

Price high	€	6.24	9.18	14.70	13.62	12.95	19.10	21.35		
Price low	€	4.65	5.96	7.80	6.30	8.90	11.80	18.29		
Price average/last	€	5.38	7.27	11.35	10.47	11.20	14.39	19.56	20.31	20.31
EPS	€	0.19	0.42	0.76	0.73	0.61	1.74	2.37	2.23	2.38
CFPS	€	1.48	1.77	2.04	2.31	2.69	3.53	3.81	4.10	4.34
BVPS	€	5.24	5.47	7.26	7.09	7.39	8.79	14.54	16.25	18.04
NAV	€	9.84	10.06	11.87	11.30	11.57	12.87	14.54	16.25	18.04
Dividend	€	0.10	0.20	0.30	0.30	0.35	0.35	0.45	0.40	0.45
Price target	€									29.30
Performance to price target	%									44.3%

**Profitability ratios**

Gross margin	%	46.7%	47.3%	47.1%	48.0%	49.3%	50.5%	51.1%	50.5%	50.8%
EBITDA margin	%	10.9%	11.7%	12.6%	14.2%	15.3%	18.7%	18.0%	20.0%	20.4%
EBIT margin	%	6.6%	7.7%	8.2%	9.4%	11.2%	15.2%	14.8%	16.8%	17.2%
Pre-tax margin	%	1.4%	2.9%	3.6%	5.2%	7.3%	11.0%	13.0%	13.7%	14.2%
Net margin	%	0.7%	1.6%	3.0%	3.1%	2.6%	7.1%	10.1%	9.2%	9.5%
FCF margin	%	6.3%	3.4%	1.9%	-1.0%	10.9%	10.3%	-4.9%	8.0%	10.6%
ROE	%	3.6%	7.5%	7.7%	10.6%	14.9%	20.8%	21.0%	20.5%	19.7%
ROCE	%	6.4%	6.9%	7.3%	8.3%	8.9%	11.4%	10.6%	12.1%	12.6%
CE/Sales	%	113.0%	112.2%	114.3%	116.5%	117.0%	112.0%	115.8%	112.9%	110.0%
NWC/Sales	%	8.4%	8.5%	8.3%	4.5%	8.1%	8.0%	9.4%	9.4%	9.5%
Sales per head	€k	162.3	160.9	159.9	164.5	164.8	177.0	173.6	202.3	204.4
EBIT per head	€k	10.6	12.5	13.2	15.5	18.5	27.0	25.7	34.1	35.1
DSO	d	6	7	8	23	6	5	7	7	7
Inventory days	d	34	33	32	32	29	29	33	33	34
Capex/Sales	%	1.8%	2.9%	6.6%	9.9%	2.4%	2.1%	1.6%	3.3%	3.2%
Fixed cost coverage ratio	x	0.5	0.5	0.6	0.7	0.9	1.2	1.6	1.7	1.8

**Growth ratios**

Gross sales	%	1.1%	-0.4%	2.2%	-0.9%	1.1%	3.3%	-3.7%	3.2%	3.0%
Net sales	%	1.2%	-0.3%	-0.5%	-0.9%	1.2%	3.3%	-3.7%	3.2%	3.1%
LFL sales	%	3.1%	1.7%	3.2%	1.8%	1.8%	5.3%	1.7%	3.2%	3.0%
EBITDA	%	35.5%	6.7%	7.8%	11.3%	9.0%	26.8%	-7.3%	14.6%	4.8%
EBIT	%	76.0%	17.7%	6.0%	13.5%	20.1%	40.5%	-6.4%	17.3%	5.1%
EBT	%	n/a	111.2%	23.4%	42.8%	43.5%	55.2%	13.9%	9.1%	6.5%
Net income	%	n/a	121.7%	85.3%	4.9%	-17.6%	187.8%	36.2%	-5.9%	6.3%
EPS	%	n/a	121.7%	83.7%	-3.8%	-17.6%	187.8%	36.2%	-5.9%	6.3%
CFPS	%	95.8%	19.1%	15.5%	13.0%	16.4%	31.5%	7.8%	7.7%	5.9%

Source: Ludwig Beck, VISCARDI

**Key figures, 2005–2013e**

<b>Balance sheet ratios</b>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>
Fixed assets	€mn	96.7	94.8	94.6	97.8	95.2	93.9	92.5	92.9	93.0
Current assets	€mn	11.6	11.7	12.8	15.1	14.1	14.9	15.2	15.6	15.2
Equity	€mn	33.1	33.8	40.2	41.8	42.8	47.6	53.7	60.0	66.7
Liabilities	€mn	66.2	63.8	58.4	62.4	57.6	51.9	53.9	48.5	41.5
Intensity of investments	%	82.1%	82.4%	82.8%	82.6%	84.2%	83.4%	82.8%	82.2%	82.5%
Equity ratio	%	30.6%	31.8%	37.4%	37.0%	39.1%	43.7%	49.9%	55.3%	61.6%
Gearing (Net debt/equity)	%	141.4%	132.0%	93.6%	105.7%	84.4%	60.0%	63.5%	50.0%	34.3%
Debt/EBIT	x	8.2	6.7	5.5	5.5	4.1	2.4	3.0	2.3	1.6
Working capital	€mn	7.4	7.4	7.2	3.9	7.1	7.2	8.2	8.5	8.8
Capital employed	€mn	99.1	98.0	99.4	100.4	102.1	100.9	100.5	101.2	101.6
<b>Enterprise Value</b>										
Nr. of shares	mn	3.4	3.4	3.4	3.7	3.7	3.7	3.7	3.7	3.7
Market cap. (average)	€mn	18.1	24.4	38.5	38.7	41.4	53.2	72.3	75.0	75.0
Market cap. (high)	€mn	21.0	30.8	49.8	50.3	47.9	70.6	78.9		
Market cap. (low)	€mn	15.6	20.0	26.4	23.3	32.9	43.6	67.6		
Net debt	€mn	46.8	44.6	37.7	44.1	36.1	28.6	34.1	30.0	22.9
Pension reserves	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	€mn	15.5	15.4	15.6	15.5	15.4	15.1	0.0	0.0	0.0
Enterprise Value (average)	€mn	80.3	84.5	91.7	98.3	92.9	96.8	106.4	105.0	97.9
Enterprise Value (high)	€mn	83.2	90.9	103.1	110.0	99.4	114.2	113.0		
Enterprise Value (low)	€mn	77.9	80.1	79.7	82.9	84.4	87.2	101.7		
<b>Valuation ratios</b>										
EV/sales (average)	x	0.92	0.97	1.05	1.14	1.07	1.07	1.23	1.17	1.06
EV/sales (high)	x	0.95	1.04	1.19	1.28	1.14	1.27	1.30		
EV/sales (low)	x	0.89	0.92	0.92	0.96	0.97	0.97	1.17		
EV/EBITDA	x	8.4	8.3	8.4	8.0	7.0	5.7	6.8	5.9	5.2
EV/EBIT	x	14.0	12.5	12.8	12.1	9.5	7.0	8.3	7.0	6.2
P/E (average)	x	28.7	17.5	14.9	14.2	18.5	8.3	8.2	9.1	8.5
P/E rel. to DAX	x	2.2	1.2	1.0	1.4	1.3	0.6	0.6	0.7	0.7
P/CF	x	3.6	4.1	5.6	4.5	4.2	4.1	5.1	5.0	4.7
P/BV	x	1.0	1.3	1.6	1.5	1.5	1.6	1.3	1.2	1.1
FCF yield	%	1.6	0.9	0.5	-0.2	2.6	2.5	-1.1	1.9	2.6
Pay-out ratio	%	6.1%	22.7%	60.6%	-132.1%	13.7%	13.9%	-39.2%	20.7%	17.0%
Dividend yield	%	1.9%	2.8%	2.6%	2.9%	3.1%	2.4%	2.3%	2.0%	2.2%
<b>Economic Value Added</b>										
WACC	%	6.6%	6.6%	6.2%	7.3%	7.5%	6.4%	6.3%	6.3%	6.3%
ROCE/WACC	x	0.96	1.03	1.17	1.14	1.19	1.77	1.69	1.92	2.01
EV/CE	x	0.90	0.95	1.01	1.07	1.00	1.05	1.06	1.03	0.96
Fair value per share	€	7.10	9.60	15.90	12.30	16.40	34.00	36.70	44.60	49.00
Price target	€	5.30	7.20	11.90	9.30	12.30	25.50	27.60	31.20	34.30
<b>Cash flow</b>										
Cash flow from Operations	€mn	6.3	5.5	7.5	7.7	11.6	11.2	7.3	10.1	12.8
Cash flow from Investments	€mn	-0.8	-2.5	-5.8	-8.6	-2.2	-1.9	-11.6	-3.0	-3.0
Free Cash flow	€mn	5.5	3.0	1.7	-0.8	9.5	9.3	-4.2	7.1	9.8
Cash flow from Financing	€mn	-6.3	-3.1	-1.5	0.6	-5.6	-8.9	3.4	-7.1	-10.6

Source: Ludwig Beck, VISCARDI

DFC model		2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	TV
Revenues	€mn	89.6	92.4	95.1	97.7	100.2	102.5	104.7	106.9	109.1	111.3	113.5	113.5
Sales growth	%	3.2%	3.1%	3.0%	2.8%	2.5%	2.3%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%
EBIT	€mn	15.1	15.9	16.4	16.9	17.4	17.8	18.3	18.7	19.1	19.6	20.0	19.9
EBIT margin	%	16.8%	17.2%	17.2%	17.3%	17.3%	17.4%	17.4%	17.5%	17.5%	17.6%	17.6%	17.5%
Tax rate	%	32.8%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
EBIT(1-t)	€mn	10.1	10.6	11.0	11.3	11.6	11.9	12.2	12.5	12.8	13.1	13.4	13.3
Reinvestment	€mn	-4.7	-2.9	-2.7	-2.6	-2.5	-2.3	-2.2	-2.2	-2.2	-2.2	-2.2	-2.1
<b>FCFF</b>	<b>€mn</b>	<b>5.4</b>	<b>7.7</b>	<b>8.2</b>	<b>8.7</b>	<b>9.2</b>	<b>9.6</b>	<b>10.0</b>	<b>10.4</b>	<b>10.6</b>	<b>10.9</b>	<b>11.2</b>	<b>11.3</b>
WACC	%	6.3%	6.3%	6.3%	6.3%	6.3%	6.9%	7.6%	8.2%	8.9%	9.5%	10.1%	9.5%
Discount rate	%	94.1%	88.6%	83.3%	78.4%	73.8%	69.0%	64.2%	59.3%	54.5%	49.8%	45.2%	0.0%
PC(FCFF)	€mn	5.1	6.8	6.9	6.8	6.8	6.6	6.4	6.1	5.8	5.4	5.0	
Terminal cash flow	€mn	11.3											
Terminal Cost of capital	%	9.5%											
Terminal value	€mn	150.1											
PV(Terminal value)	€mn	74.7											
PV(CF over next 10 years)	€mn	67.8											
<b>Sum of PV</b>	<b>€mn</b>	<b>142.5</b>											
Insolvency risk	%	0.1%											
PV operating assets	€mn	142.3											
Debt	€mn	38.1											
Cash	€mn	3.9											
Value of equity	€mn	108.2											
Number of shares	mn	3.7											
<b>Estimated value per share</b>	<b>€</b>	<b>29.30</b>											

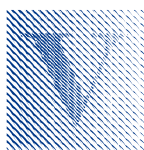
Source: Ludwig Beck, VISCARDI



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## VISCARDI AG

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Date	Target Price	Investment Recommendation	Conflict of Interest (Key)
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19/04/2012	29.30	Buy	1, 4
15/03/2012	28.80	Buy	1, 4
05/01/2012	28.50	Buy	1, 4
24/10/2011	23.50	Buy	1, 4
20/07/2011	23.50	Buy	1, 4

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