

18 July 2013

DAX index	8,255
Market cap. (€mn / \$mn)	102.9 / 134.8
Free float (€mn / %)	17.6 / 17.1
12 Month High / Low (€)	31.50 / 20.60
Daily trading volume	3,000
Q3/2013	17-Oct-2013
Bloomberg / Reuters	ECK GR / ECKG.DE

31/12 (€mn)	2011	2012	2013e	2014e
Net sales	86.8	86.7	89.0	94.3
Gross profit	44.3	43.8	46.0	49.0
EBITDA	15.6	16.8	17.2	18.7
EBIT	12.9	13.9	14.2	15.7
Net income	8.8	8.4	8.0	9.0

(€)	2011	2012	2013e	2014e
EPS	2.37	2.27	2.17	2.44
CFPS	3.81	4.08	4.17	4.61
BVPS	14.54	16.22	17.95	19.92
Dividend	0.45	0.50	0.50	0.55

(%)	2011	2012	2013e	2014e
Gross margin	51.1	50.6	51.8	52.0
EBITDA margin	18.0	19.4	19.3	19.9
EBIT margin	14.8	16.0	16.0	16.6
Dividend yield	2.3	2.3	1.8	2.0

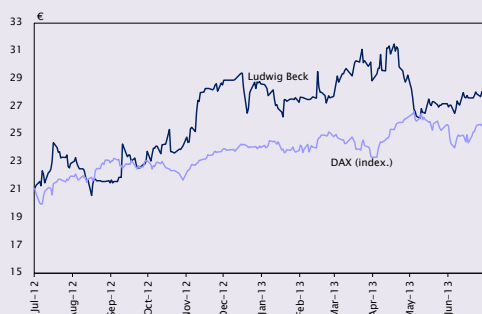
(x)	2011	2012	2013e	2014e
P/E	8.2	9.6	12.8	11.4
P/E rel. DAX	0.6	0.5	0.9	0.9
P/CF	5.1	5.3	6.7	6.0
EV/sales	1.23	1.35	1.51	1.33
EV/EBITDA	6.8	7.0	7.8	6.7
EV/EBIT	8.3	8.4	9.4	8.0

Main Shareholders

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

Performance (%)

	-1M	-3M	-12M
Absolute	3,3	-3,5	31,9
Relative to DAX	2,5	-13,9	9,8



Source: Capital IQ

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Full year guidance confirmed

Ludwig Beck released H1/13 figures today. The results were below our estimates, but bode well for the full year, when we expect a 2.5% YoY EBIT growth, driven by ongoing trading up and an improving German retail environment in the second half of the year.

We continue to favour Ludwig Beck due to its strong position in the Munich retail market, its meaningful growth opportunities and superior returns on investment. With an upside of 23.2% to our €34.30 DCF based price target, we reiterate our Buy rating, since we believe the market underestimates the returns improvement that should materialize from continued growth.

Q2 at a glance

Ludwig Beck reported Q2/12 results below our estimates. Q2 gross revenues decreased by -1.7% to €22.6mn from €23.0mn in Q2/12. Gross margin for the second quarter fell to 51.1% from 51.6% in Q2/12. With €2.0mn, Q2/13 operating profit was 24.8% below last year's levels of €2.7mn. Q2/13 EPS was €0.27, down from €0.42 in Q2/12.

H1 overview

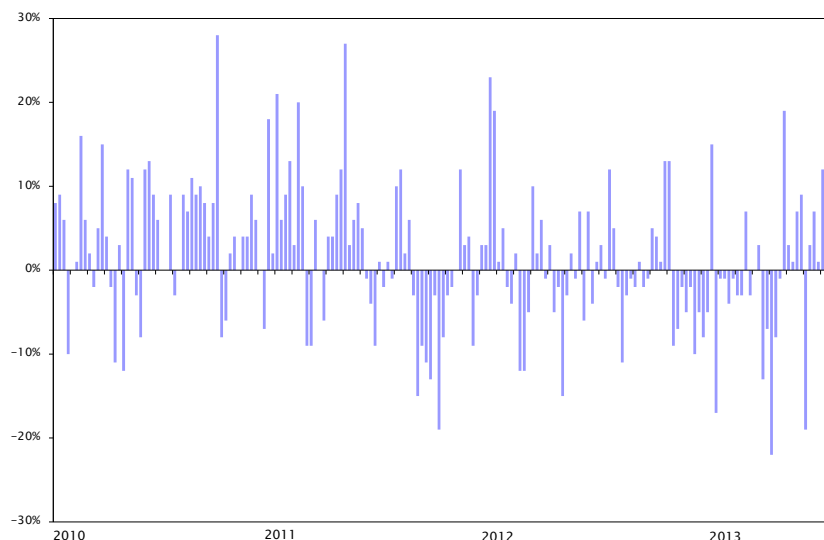
After six months, Q2 gross revenues were €43.9mn, down from 45.9mn in H1/2012 (-4.4%). LFL, the shortfall was 0.9% due to the closure of the Esprit branch in the Olympia shopping centre. Gross margin for the first six months was basically unchanged YoY. H1/13 operating profit was €3.0mn, down from €4.6mn in H1/12, and H1/13 EPS was €0.35, down from €0.68 in H1/12.

H1/13		actual	eViscardi	Δ
Gross sales	€mn	43.9	46.1	-4.9%
YoY	%	-4.4%	0.5%	-4.9pp
EBT	€mn	2.1	3.2	-34.3%
Pre tax margin	%	4.8%	6.9%	-2.1pp
Net income	€mn	1.3	2.1	-36.7%
EPS	€	0.35	0.56	-36.7%

Sources: Ludwig Beck, VISCARDI

German retail

In H1/13, German textile market was down approximately -3%. This is due in part to the long and cold winter this year and a warm Q1 last year as well as a rainy Q2 this year.

TW Testclub, 01/2010–07/2013


Sources: TW Testclub, Viscardi

2013e guidance

Management reiterated its guidance of EBT between €11mn and €13mn. However, no guidance for revenue growth was provided anymore (which was 4%–6% including substantial online revenues). Given (i) strong business momentum, (ii) non-recurring costs of €0.6mn which were included in 2012 EBT, (iii) best-in-class operating margins of 16.0% (2012), (iv) high Munich area exposure with above average consumer spending and (v) new growth opportunities such as internet retail, we believe that the guidance should well be achievable.

Only slight changes to our 2013e estimates

We have updated our estimates for 2013e and 2014e. Notwithstanding performance to be below our expectations, we do not view these changes as material, and there is no change to our investment thesis, rating or price target. For 2013e, we now expect net sales of €89.0mn (+2.6% YoY) instead of €91.1mn. EBIT should be €14.2mn (+2.5% YoY) instead of €14.4mn. This is slightly below our previous estimates reflecting the weak H1 which we believe Ludwig Beck will not be able to fully compensate for in the following quarters. Net profit should be €8.0mn, down from our previous estimates of €8.2mn.

Strong online performance

We believe that adoption of the online channel provides a strong opportunity for the cosmetics players, with meaningful margin improvement in the near term for Ludwig Beck. In the long term, the online channel should help Ludwig Beck to get access to substantial market share opportunities at lower capital cost than the traditional store-based model.

PT of €34.30 (unchanged), Buy rating reiterated

Ultimately, we believe the ideal position for a retailer is to have a strong, secure and cash generative market. Therefore, our primary valuation method for Ludwig Beck is via DCF. Our standardized three stage DCF derived equity value for the share is €34.30, implying a 23.2% upside to yesterday's close price of €27.85.

We are reiterating our Buy rating. With a 2014e P/E of 11.4x and EV/EBITDA

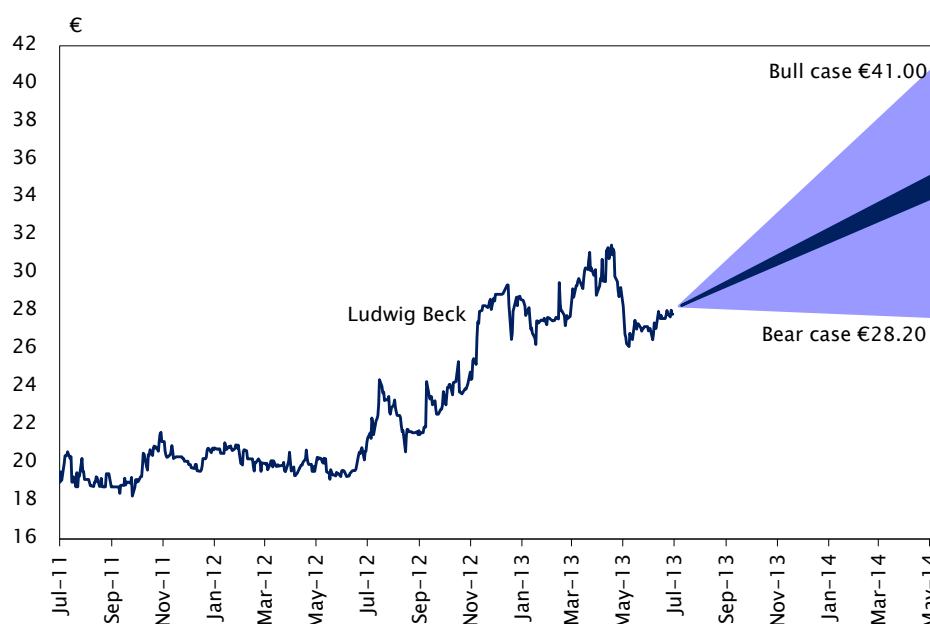
2014e of 6.7x, based on our estimates, and mid-teens earnings growth 2010–14e, the stock remains inexpensive in our view.

Assumptions of our model

We assume:

- sales growth to decrease from 2.6% and 6.0% in 2013e and 2014e, respectively, to 1.4% in 2023e, which is the end of our detailed 10 years planning phase.
- EBIT margins to improve from 16.0% in 2012e to 17.0% in 2023e. TV EBIT margins are expected to be 17.0%, too.
- a corporate tax rate of 33.0% over the detailed planning phase from 2013e to 2023e.
- a terminal growth rate of 1.4%, similar to the current risk-free rate of 10 year Bunds.
- a fundamental beta of 1.1 (diversification risk of 0.05, competition of 0.05, market beta of 1.0)
- WACC of 5.6% (risk free rate of 1.4%, implied equity risk premium of 4.6%, beta of 1.1, D/E of 60/40).
- Ludwig Beck to have costs of capital similar to that of typical mature companies during terminal value. Therefore, we expect WACC to increase from 5.6% in 2012e to 6.4% in the terminal value stage.
- stable sales-to-capital ratio of 100% (i. e. on 2012 levels of 90%) over the planning horizon.
- Ludwig Beck's credit rating of BBB, which is equivalent to an annual insolvency risk of approximately 0.4%.

DCF based price target and share price



Sources: Capital IQ, VISCARDI

We have analysed the following scenarios in a stress test:

- **Bull-case scenario:** Our bull-case scenario would be realized in the event of even faster up-selling than in the past. Catalysts of such a development might be a growing number of international visitors in the Munich area. In our bull-case scenario, we have assumed average annual growth of 2.0% in the terminal-value phase and an improvement in the operating margin to 20.0% by 2023e. In this case, we would increase our price target to €41.00 per share.
- **Bear-case scenario:** In our bear-case scenario, we have revised the terminal-value EBIT margin downward by 300 basis points, from 17.0% to 14.0%, and reduced the average annual growth rate during the terminal value phase from 1.4% to 0.8%. We are therefore assuming that Ludwig Beck would enter in a substantial economic recession and several segments fail to have the envisaged success. In this scenario, Ludwig Beck's equity value would decline to €28.20 per share.

Downsides and upsides to our target price

A more rapid margin improvement and increased property value creation in the Marienplatz store pose an upside risk to our price target. Key downside risks to our price target include the cyclical nature of retail trade and a dependence on German retail sales, in particular the Munich area, 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, 2006–2014e

		2006	2007	2008	2009	2010	2011	2012	2013e	2014e
Gross sales	€mn	101.3	103.5	102.6	103.7	107.2	103.3	103.2	105.8	112.1
VAT	€mn	-13.9	-16.5	-16.4	-16.5	-17.1	-16.5	-16.5	-16.8	-17.8
Net sales	€mn	87.4	87.0	86.2	87.2	90.1	86.8	86.7	89.0	94.3
<i>YoY</i>	%	-0.3%	-0.5%	-0.9%	1.2%	3.3%	-3.7%	-0.1%	2.6%	6.0%
Material expenses	€mn	-46.1	-46.0	-44.8	-44.2	-44.6	-42.5	-42.9	-42.9	-45.3
<i>in % of total net sales</i>	%	-52.7%	-52.9%	-52.0%	-50.7%	-49.5%	-48.9%	-49.4%	-48.2%	-48.0%
Gross profit	€mn	41.3	41.0	41.4	43.0	45.5	44.3	43.8	46.0	49.0
<i>in % of total net sales</i>	%	47.3%	47.1%	48.0%	49.3%	50.5%	51.1%	50.6%	51.8%	52.0%
Other operating income	€mn	3.0	2.6	3.3	3.0	3.5	3.1	3.5	3.4	3.5
<i>in % of total net sales</i>	%	3.4%	3.0%	3.8%	3.4%	3.9%	3.6%	4.1%	3.8%	3.7%
Personnel expenses	€mn	-17.4	-17.2	-16.9	-16.8	-17.0	-16.7	-16.4	-17.4	-18.2
<i>in % of total net sales</i>	%	-20.0%	-19.7%	-19.7%	-19.3%	-18.9%	-19.2%	-18.9%	-19.5%	-19.3%
Depreciations	€mn	-3.4	-3.8	-4.1	-3.5	-3.1	-2.8	-2.9	-3.0	-3.1
<i>in % of total net sales</i>	%	-3.9%	-4.4%	-4.7%	-4.1%	-3.5%	-3.2%	-3.4%	-3.4%	-3.3%
Own work capitalized	€mn	0.1	0.2	0.2	0.1	0.0	0.1	0.1	0.1	0.0
<i>in % of total net sales</i>	%	0.1%	0.2%	0.3%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
Other operating expenses	€mn	-16.8	-15.7	-15.7	-15.9	-15.1	-15.1	-14.3	-15.0	-15.6
<i>in % of total net sales</i>	%	-19.2%	-18.0%	-18.3%	-18.3%	-16.7%	-17.4%	-16.5%	-16.8%	-16.5%
EBIT	€mn	6.8	7.2	8.1	9.8	13.7	12.9	13.9	14.2	15.7
<i>in % of total net sales</i>	%	7.7%	8.2%	9.4%	11.2%	15.2%	14.8%	16.0%	16.0%	16.6%
<i>YoY</i>	%	17.7%	6.0%	13.5%	20.1%	40.5%	-6.4%	7.8%	2.5%	10.3%
Financial result	€mn	-3.7	-3.3	-3.1	-2.7	-3.2	-1.6	-1.7	-1.8	-1.7
Minorities	€mn	-0.5	-0.7	-0.6	-0.7	-0.6	0.0	0.0	0.0	0.0
EBT	€mn	2.5	3.1	4.4	6.4	9.9	11.3	12.1	12.4	13.9
<i>YoY</i>	%	111.2%	23.4%	42.8%	43.5%	55.2%	13.9%	7.7%	2.4%	12.1%
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	-1.1	-0.5	-1.7	-4.1	-3.5	-2.5	-3.5	-4.1	-4.6
<i>in % of EBT</i>	%	-44.7%	-16.9%	-38.9%	-64.9%	-35.0%	-22.2%	-28.8%	-33.0%	-33.0%
Minorities	€mn	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3	-0.3
Net income after minorities	€mn	1.4	2.6	2.7	2.2	6.4	8.8	8.4	8.0	9.0
<i>YoY</i>	%	121.7%	85.3%	4.9%	-17.6%	187.8%	36.2%	-4.3%	-4.3%	12.4%
Number of shares	mn	3.360	3.388	3.695	3.695	3.695	3.695	3.695	3.695	3.695
EPS	€	0.42	0.76	0.73	0.61	1.74	2.37	2.27	2.17	2.44

Source: Ludwig Beck, VISCARDI forecasts

Profit and loss account (Quarterly statement), 2013e

		Q1/13	Q2/13	H1/13	Q3/13e	9M/13e	Q4/13e	2013e
Gross sales	€mn	21.3	22.6	43.9	26.5	70.4	35.4	105.8
VAT	€mn	-3.4	-3.6	-7.0	-4.2	-11.2	-5.6	-16.8
Net sales	€mn	17.9	19.0	36.9	22.3	59.2	29.8	89.0
YoY	%	-6.8%	-1.5%	-4.2%	7.8%	-0.1%	8.3%	2.6%
Material expenses	€mn	-9.1	-9.3	-18.4	-10.7	-29.1	-13.8	-42.9
<i>in % of total net sales</i>	%	-50.8%	-48.9%	-49.9%	-48.3%	-49.3%	-46.2%	-48.2%
Gross profit	€mn	8.8	9.7	18.5	11.5	30.0	16.0	46.0
<i>in % of total net sales</i>	%	49.2%	51.1%	50.1%	51.7%	50.7%	53.8%	51.8%
Other operating income	€mn	0.7	0.6	1.3	1.0	2.3	1.1	3.4
<i>in % of total net sales</i>	%	3.9%	3.2%	3.5%	4.6%	3.9%	3.6%	3.8%
Personnel expenses	€mn	-4.1	-4.2	-8.3	-4.4	-12.7	-4.7	-17.4
<i>in % of total net sales</i>	%	-22.7%	-22.3%	-22.5%	-19.6%	-21.4%	-15.8%	-19.5%
Depreciations	€mn	-0.7	-0.7	-1.4	-0.7	-2.1	-0.9	-3.0
<i>in % of total net sales</i>	%	-3.8%	-3.8%	-3.8%	-3.1%	-3.5%	-3.0%	-3.4%
Own work capitalized	€mn	0.0	0.1	0.1	0.0	0.1	0.0	0.1
<i>in % of total net sales</i>	%	0.0%	0.5%	0.3%	0.0%	0.2%	0.0%	0.1%
Other operating expenses	€mn	-3.8	-3.4	-7.2	-3.7	-10.9	-4.1	-15.0
<i>in % of total net sales</i>	%	-21.0%	-18.1%	-19.5%	-16.7%	-18.4%	-13.7%	-16.8%
EBIT	€mn	1.0	2.0	3.0	3.8	6.8	7.4	14.2
<i>in % of total net sales</i>	%	5.6%	10.6%	8.1%	17.0%	11.5%	24.9%	16.0%
YoY	%	-45.8%	-24.8%	-34.0%	26.1%	-10.1%	17.6%	2.5%
Financial result	€mn	-0.4	-0.5	-0.9	-0.5	-1.4	-0.4	-1.8
Minorities	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	€mn	0.6	1.5	2.1	3.3	5.4	7.0	12.4
YoY	%	-56.8%	-33.2%	-42.9%	33.3%	-12.1%	17.5%	2.4%
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	-0.2	-0.5	-0.7	-1.1	-1.8	-2.3	-4.1
<i>in % of EBT</i>	%	-33.3%	-33.2%	-33.2%	-33.0%	-33.1%	-33.0%	-33.0%
Minorities	€mn	-0.1	0.0	-0.1	-0.1	-0.2	-0.1	-0.3
Net income after minorities	€mn	0.3	1.0	1.3	2.1	3.4	4.6	8.0
YoY	%	-66.3%	-35.7%	-48.3%	25.5%	-18.6%	10.2%	-4.3%
Number of shares	mn	3.695	3.695	3.695	3.695	3.695	3.695	3.695
EPS	€	0.09	0.27	0.35	0.58	0.93	1.24	2.17

Source: Ludwig Beck, VISCARDI forecasts

Balance sheet, 2006–2014e

		2006	2007	2008	2009	2010	2011	2012	2013e	2014e
Assets										
Intangible assets	€mn	2.8	3.3	3.2	3.0	3.0	3.2	3.1	3.5	3.5
Property, plant and equipment	€mn	87.8	88.9	93.3	92.0	90.7	89.1	88.6	88.6	88.6
Deferred taxes	€mn	4.0	2.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	€mn	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2
Long-term assets	€mn	94.8	94.6	97.8	95.2	93.9	92.5	91.8	92.3	92.3
Inventories	€mn	9.2	9.1	9.1	8.3	8.8	9.5	10.2	10.6	11.0
Receivables and other assets	€mn	1.7	2.0	5.5	1.4	1.3	1.7	2.6	2.6	2.7
Cash	€mn	0.8	1.7	0.6	4.4	4.8	3.9	1.0	5.9	14.3
<i>in % of total assets</i>	<i>%</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>0.9%</i>	<i>5.3%</i>	<i>11.9%</i>
Own shares	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term assets	€mn	11.7	12.8	15.1	14.1	14.9	15.2	13.8	19.1	28.0
Prepaid expenses	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	€mn	106.5	107.4	112.9	109.3	108.8	107.6	105.6	111.5	120.3
Liabilities										
Subscribed capital	€mn	8.6	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Capital reserve	€mn	8.9	14.0	14.8	3.5	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	0.9	1.2	1.9	14.4	19.6	31.9	39.0	45.5	52.8
Minorities	€mn	15.4	15.6	15.5	15.4	15.1	0.0	0.0	0.0	0.0
Equity	€mn	33.8	40.2	41.8	42.8	47.6	53.7	59.9	66.3	73.6
<i>Equity ratio</i>	<i>%</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>56.8%</i>	<i>59.5%</i>	<i>61.2%</i>
Financial liabilities	€mn	34.4	36.2	36.5	37.0	29.9	27.6	30.8	29.0	29.0
Accruals	€mn	1.0	0.5	0.6	1.5	0.6	0.6	0.6	1.0	1.0
Deferred taxes	€mn	4.5	4.3	2.7	3.7	3.5	1.2	1.2	1.3	1.3
Other liabilities	€mn	6.5	2.7	4.0	3.4	3.4	4.1	0.0	1.0	2.0
Total non-current liabilities	€mn	46.4	43.7	43.7	45.6	37.5	33.5	32.7	32.3	33.3
Financial liabilities	€mn	11.0	3.1	8.2	3.5	3.4	10.4	6.6	8.0	8.0
Trade payables	€mn	1.8	1.9	5.2	1.3	1.6	1.4	1.1	1.2	1.3
<i>in % of total sales</i>	<i>%</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>1.3%</i>	<i>1.3%</i>	<i>1.3%</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	4.3	9.1	4.8	5.2	5.7	5.0	4.7	3.2	3.6
Tax liabilities	€mn	0.3	0.6	0.4	2.1	3.8	3.6	0.5	0.5	0.6
Total current liabilities	€mn	17.4	14.7	18.6	12.0	14.5	20.4	12.9	12.9	13.4
Potential severance pay minorities	€mn	8.9	8.8	8.8	9.0	9.3	0.0	0.0	0.0	0.0
Total liabilities	€mn	106.5	107.4	112.9	109.3	108.8	107.6	105.6	111.5	120.3

Source: Ludwig Beck, VISCARDI forecasts

Cash flow statement, 2007-2014e

		2007	2008	2009	2010	2011	2012	2013e	2014e
Net income	€mn	3.1	4.4	6.4	9.9	11.3	12.1	12.4	13.9
Depreciations	€mn	3.8	4.1	3.5	3.1	2.8	2.9	3.0	3.1
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	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash affecting income	€mn	0.0	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	1.8	1.7
Cash flow	€mn	6.4	8.5	9.9	13.0	14.1	15.1	17.2	18.7
Δ Inventories and trade receivables	€mn	-0.1	-3.4	4.9	-0.3	-1.2	-1.5	-0.5	-0.5
Δ Trade payables and other liabilities	€mn	1.1	0.3	-4.2	0.9	-0.2	-4.7	0.0	1.5
Financial income	€mn	0.0	-0.1	0.0	0.0	-1.0	-1.0	0.0	0.0
Paid interest	€mn	-3.3	-3.1	-2.7	-3.2	-1.6	-1.7	-1.8	-1.7
Profit from the sale of fixed assets	€mn	0.0	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	3.4	5.5	3.8	0.8	-2.8	0.1	0.0	0.0
Operating cash flow	€mn	7.5	7.7	11.6	11.2	7.3	6.2	14.9	18.0
YoY	%	36.9%	3.1%	50.6%	-3.5%	-34.6%	-15.3%	139.4%	21.2%
Purchases of fixed assets	€mn	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Investments in PPE / intangibles	€mn	-5.7	-8.6	-2.1	-1.9	-1.4	-2.3	-3.0	-3.0
Payments for purchase other assets	€mn	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Investing cash flow	€mn	-5.8	-8.6	-2.2	-1.9	-11.6	-2.4	-3.0	-3.0
YoY	%	131.4%	47.3%	-74.7%	-10.3%	495.5%	-79.1%	24.0%	0.0%
Free cash flow	€mn	1.7	-0.8	9.5	9.3	-4.2	3.8	11.9	15.0
YoY	%	-43.3%	n/a	n/a	-2.0%	n/a	n/a	213.0%	26.5%
Payments of minority shareholders	€mn	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payments	€mn	-0.7	-1.1	-1.1	-1.3	-1.3	-1.7	-1.8	-1.8
Purchase own shares	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Financial debt	€mn	-6.1	5.3	-4.2	-7.1	4.7	-0.6	-0.5	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial lease (net)	€mn	-0.6	0.0	0.0	-0.5	0.0	-0.6	0.0	0.0
Outflow for minority shareholders	€mn	-0.7	0.0	-0.7	-0.7	0.0	-0.7	0.0	0.0
Other operating expenses	€mn	7.1	-3.7	0.4	0.7	0.0	-3.2	-4.6	-4.8
Financing cash flow	€mn	-1.5	0.6	-5.6	-8.9	3.4	-6.7	-7.0	-6.6
YoY	%	-52.3%	n/a	n/a	58.1%	n/a	n/a	4.0%	-5.3%
Net increase in cash	€mn	0.2	-0.3	3.8	0.4	-0.9	-2.9	4.9	8.4
Cash beginning of fiscal year	€mn	0.8	0.8	0.6	4.4	4.8	3.9	1.0	5.9
Cash end of fiscal year	€mn	1.0	0.6	4.4	4.8	3.9	1.0	5.9	14.3

Source: Ludwig Beck, VISCARDI forecasts

Key figures, 2006–2014e

		2006	2007	2008	2009	2010	2011	2012	2013e	2014e
Gross sales	€mn	101.3	103.5	102.6	103.7	107.2	103.3	103.2	105.8	112.1
Net sales	€mn	87.4	87.0	86.2	87.2	90.1	86.8	86.7	89.0	94.3
Gross profit	€mn	41.3	41.0	41.4	43.0	45.5	44.3	43.8	46.0	49.0
EBITDA	€mn	10.2	11.0	12.2	13.3	16.9	15.6	16.8	17.2	18.7
EBIT	€mn	6.8	7.2	8.1	9.8	13.7	12.9	13.9	14.2	15.7
EBT	€mn	2.5	3.1	4.4	6.4	9.9	11.3	12.1	12.4	13.9
Net income	€mn	1.4	2.6	2.7	2.2	6.4	8.8	8.4	8.0	9.0
Nr. of employees		543	544	524	529	509	500	451	461	470

Per Share data

Price high	€	9.18	14.70	13.62	12.95	19.10	21.35	28.95		
Price low	€	5.96	7.80	6.30	8.90	11.80	18.29	19.15		
Price average/last	€	7.27	11.35	10.47	11.20	14.39	19.56	21.77	27.85	27.85
EPS	€	0.42	0.76	0.73	0.61	1.74	2.37	2.27	2.17	2.44
CFPS	€	1.77	2.04	2.31	2.69	3.53	3.81	4.08	4.17	4.61
BVPS	€	5.47	7.26	7.09	7.39	8.79	14.54	16.22	17.95	19.92
Dividend	€	0.20	0.30	0.30	0.35	0.35	0.45	0.50	0.50	0.55
Price target	€									34.30
Performance to price target	%									23.2%

Profitability ratios

Gross margin	%	47.3%	47.1%	48.0%	49.3%	50.5%	51.1%	50.6%	51.8%	52.0%
EBITDA margin	%	11.7%	12.6%	14.2%	15.3%	18.7%	18.0%	19.4%	19.3%	19.9%
EBIT margin	%	7.7%	8.2%	9.4%	11.2%	15.2%	14.8%	16.0%	16.0%	16.6%
Pre-tax margin	%	2.9%	3.6%	5.2%	7.3%	11.0%	13.0%	14.0%	14.0%	14.8%
Net margin	%	1.6%	3.0%	3.1%	2.6%	7.1%	10.1%	9.7%	9.0%	9.6%
FCF margin	%	3.4%	1.9%	-1.0%	10.9%	10.3%	-4.9%	4.4%	13.3%	15.9%
ROE	%	7.5%	7.7%	10.6%	14.9%	20.8%	21.0%	20.3%	18.8%	18.9%
ROCE	%	6.9%	7.3%	8.3%	8.9%	11.4%	10.6%	11.3%	11.5%	12.5%
CE/Sales	%	112.2%	114.3%	116.5%	117.0%	112.0%	115.8%	116.2%	114.2%	108.0%
NWC/Sales	%	8.5%	8.3%	4.5%	8.1%	8.0%	9.4%	10.4%	10.6%	10.3%
Sales per head	€k	160.9	159.9	164.5	164.8	177.0	173.6	192.2	193.0	200.5
EBIT per head	€k	12.5	13.2	15.5	18.5	27.0	25.7	30.7	30.8	33.3
DSO	d	7	8	23	6	5	7	11	11	10
Inventory days	d	33	32	32	29	29	33	36	36	35
Capex/Sales	%	2.9%	6.6%	9.9%	2.4%	2.1%	1.6%	2.7%	3.4%	3.2%
Fixed cost coverage ratio	x	0.5	0.6	0.7	0.9	1.2	1.6	1.7	1.8	2.0

Growth ratios

Gross sales	%	-0.4%	2.2%	-0.9%	1.1%	3.3%	-3.7%	-0.1%	2.5%	6.0%
Net sales	%	-0.3%	-0.5%	-0.9%	1.2%	3.3%	-3.7%	-0.1%	2.6%	6.0%
LFL sales	%	1.7%	3.2%	1.8%	1.8%	5.3%	1.7%	2.9%	4.2%	6.0%
EBITDA	%	6.7%	7.8%	11.3%	9.0%	26.8%	-7.3%	7.4%	2.3%	9.0%
EBIT	%	17.7%	6.0%	13.5%	20.1%	40.5%	-6.4%	7.8%	2.5%	10.3%
EBT	%	111.2%	23.4%	42.8%	43.5%	55.2%	13.9%	7.7%	2.4%	12.1%
Net income	%	121.7%	85.3%	4.9%	-17.6%	187.8%	36.2%	-4.3%	-4.3%	12.4%
EPS	%	121.7%	83.7%	-3.8%	-17.6%	187.8%	36.2%	-4.3%	-4.3%	12.4%
CFPS	%	19.1%	15.5%	13.0%	16.4%	31.5%	7.8%	7.2%	2.3%	10.3%

Source: Ludwig Beck, VISCARDI forecasts

Key figures, 2006–2014e

Balance sheet ratios		2006	2007	2008	2009	2010	2011	2012	2013e	2014e
Fixed assets	€mn	94.8	94.6	97.8	95.2	93.9	92.5	91.8	92.3	92.3
Current assets	€mn	11.7	12.8	15.1	14.1	14.9	15.2	13.8	19.1	28.0
Equity	€mn	33.8	40.2	41.8	42.8	47.6	53.7	59.9	66.3	73.6
Liabilities	€mn	63.8	58.4	62.4	57.6	51.9	53.9	45.6	45.2	46.7
Intensity of investments	%	82.4%	82.8%	82.6%	84.2%	83.4%	82.8%	83.9%	79.5%	73.6%
Equity ratio	%	31.8%	37.4%	37.0%	39.1%	43.7%	49.9%	56.8%	59.5%	61.2%
Gearing (Net debt/equity)	%	132.0%	93.6%	105.7%	84.4%	60.0%	63.5%	60.9%	46.9%	30.8%
Debt/EBIT	x	6.7	5.5	5.5	4.1	2.4	3.0	2.7	2.6	2.4
Working capital	€mn	7.4	7.2	3.9	7.1	7.2	8.2	9.1	9.4	9.7
Capital employed	€mn	98.0	99.4	100.4	102.1	100.9	100.5	100.7	101.5	101.8

Enterprise Value

Nr. of shares	mn	3.4	3.4	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Market cap. (average)	€mn	24.4	38.5	38.7	41.4	53.2	72.3	80.4	102.9	102.9
Market cap. (high)	€mn	30.8	49.8	50.3	47.9	70.6	78.9	107.0		
Market cap. (low)	€mn	20.0	26.4	23.3	32.9	43.6	67.6	70.8		
Net debt	€mn	44.6	37.7	44.1	36.1	28.6	34.1	36.5	31.1	22.7
Pension reserves	€mn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	€mn	15.4	15.6	15.5	15.4	15.1	0.0	0.0	0.0	0.0
Enterprise Value (average)	€mn	84.5	91.7	98.3	92.9	96.8	106.4	116.9	134.0	125.6
Enterprise Value (high)	€mn	90.9	103.1	110.0	99.4	114.2	113.0	143.5		
Enterprise Value (low)	€mn	80.1	79.7	82.9	84.4	87.2	101.7	107.3		

Valuation ratios

EV/sales (average)	x	0.97	1.05	1.14	1.07	1.07	1.23	1.35	1.51	1.33
EV/sales (high)	x	1.04	1.19	1.28	1.14	1.27	1.30			
EV/sales (low)	x	0.92	0.92	0.96	0.97	0.97	1.17			
EV/EBITDA	x	8.3	8.4	8.0	7.0	5.7	6.8	7.0	7.8	6.7
EV/EBIT	x	12.5	12.8	12.1	9.5	7.0	8.3	8.4	9.4	8.0
P/E (average)	x	17.5	14.9	14.2	18.5	8.3	8.2	9.6	12.8	11.4
P/E rel. to DAX	x	1.2	1.0	1.4	1.3	0.6	0.6	0.5	0.9	0.9
P/CF	x	4.1	5.6	4.5	4.2	4.1	5.1	5.3	6.7	6.0
P/BV	x	1.3	1.6	1.5	1.5	1.6	1.3	1.3	1.6	1.4
FCF yield	%	0.9	0.5	-0.2	2.6	2.5	-1.1	1.0	3.2	4.1
Pay-out ratio	%	22.7%	60.6%	-132.1%	13.7%	13.9%	-39.2%	48.7%	15.6%	13.5%
Dividend yield	%	2.8%	2.6%	2.9%	3.1%	2.4%	2.3%	2.3%	1.8%	2.0%

Economic Value Added

WACC	%	6.6%	6.2%	7.3%	7.5%	6.4%	6.3%	5.7%	5.6%	5.6%
ROCE/WACC	x	1.03	1.17	1.14	1.19	1.77	1.69	1.99	2.05	2.23
EV/CE	x	0.95	1.01	1.07	1.00	1.05	1.06	1.16	1.32	1.23
Fair value per share	€	9.60	15.90	12.30	16.40	34.00	36.70	44.40	48.00	55.40
Price target	€	7.20	11.90	9.30	12.30	25.50	27.60	31.10	33.60	38.80

Cash flow

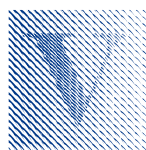
Cash flow from Operations	€mn	5.5	7.5	7.7	11.6	11.2	7.3	6.2	14.9	18.0
Cash flow from Investments	€mn	-2.5	-5.8	-8.6	-2.2	-1.9	-11.6	-2.4	-3.0	-3.0
Free Cash flow	€mn	3.0	1.7	-0.8	9.5	9.3	-4.2	3.8	11.9	15.0
Cash flow from Financing	€mn	-3.1	-1.5	0.6	-5.6	-8.9	3.4	-6.7	-7.0	-6.6

Source: Ludwig Beck, VISCARDI forecasts

DFC model													
		2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	TV
Revenues	€mn	89.0	94.3	99.2	103.3	106.5	109.1	111.1	112.8	114.4	116.0	117.6	116.1
Sales growth	%	2.6%	6.0%	5.2%	4.1%	3.1%	2.4%	1.8%	1.6%	1.4%	1.4%	1.4%	1.4%
EBIT	€mn	14.2	15.7	16.5	17.3	17.9	18.3	18.7	19.1	19.4	19.7	20.1	19.7
EBIT margin	%	16.0%	16.6%	16.7%	16.7%	16.8%	16.8%	16.9%	16.9%	17.0%	17.0%	17.1%	17.0%
Tax rate	%	33.0%	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	9.5	10.5	11.1	11.6	12.0	12.3	12.5	12.8	13.0	13.2	13.4	13.2
Reinvestment	€mn	-3.6	-1.0	-4.9	-4.1	-3.3	-2.5	-2.0	-1.7	-1.6	-1.6	-1.6	-2.9
FCFF	€mn	6.0	9.5	6.2	7.5	8.7	9.8	10.5	11.1	11.4	11.6	11.8	10.2
WACC	%	5.6%	5.6%	5.6%	5.6%	5.7%	5.8%	6.0%	6.1%	6.2%	6.3%	6.4%	6.4%
Discount rate	%	100.0%	94.7%	89.7%	84.9%	80.3%	75.9%	71.6%	67.5%	63.6%	59.8%	56.2%	56.2%
PC(FCFF)	€mn	6.0	9.0	5.5	6.3	7.0	7.4	7.6	7.5	7.2	6.9	6.6	
Terminal cash flow	€mn	10.2											
Terminal Cost of capital	%	6.4%											
Terminal value	€mn	149.0											
PV(Terminal value)	€mn	83.7											
PV(CF over next 10 years)	€mn	77.1											
Sum of PV	€mn	160.8											
Debt	€mn	38.1											
Cash	€mn	3.9											
Value of equity	€mn	126.6											
Number of shares	mn	3.7											
Estimated value per share	€	34.30											

		TV growth rate						
TV EBIT margin		0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%
	14.0%	32.30	31.70	31.00	30.30	29.60	28.90	28.20
	15.0%	33.80	33.10	32.40	31.70	30.90	30.20	29.40
	16.0%	35.20	34.50	33.80	33.00	32.20	31.40	30.60
	17.0%	36.70	35.90	35.10	34.30	33.50	32.70	31.80
	18.0%	38.10	37.30	36.50	35.70	34.80	33.90	33.00
	19.0%	39.60	38.70	37.90	37.00	36.10	35.20	34.30
	20.0%	41.00	40.10	39.30	38.40	37.40	36.50	35.50

Source: Ludwig Beck, VISCARDI forecasts



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Investment Recommendations (12 months):

Date	Target Price	Investment Recommendation	Conflict of Interest (Key)
18/07/2013	34.30	Buy	1, 4
19/04/2013	34.30	Buy	1, 4
18/03/2013	35.50	Buy	1, 4
08/01/2013	33.00	Buy	1, 4
18/10/2012	29.30	Buy	1, 4
19/07/2012	29.30	Buy	1, 4

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Buy: We expect a stock to rise by at least 20% and outperform the benchmark by over 10%.

Hold: We expect a stock to move within 10% of the benchmark.

Sell: We expect a stock to fall by at least 20% and underperform the benchmark.

The benchmark for the stocks analysed in this publication is the DAX.

An overview on the allocation of VISCARDI's investment recommendations is available under

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Sources of information

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