

Basic report update

Analysts

Dr. Roger Becker, CEFA
David Szabadvari, CEFA
+49 69 71 91 838-46, -48
roger.becker@bankm.de, david.szabadvari@bankm.de

Evaluation result

BUY

(previous: NEUTRAL)

Fair value

€16.02

(previous: €14.09)

BankM Research on Bloomberg,
Thomson/Reuters, Factset, CapitalIQ
and www.BankM.de

Difficult Year 2013 - Recovery in Sight?

Fiscal year 2013 bore the stamp of the challenges the whole fish processing sector in China became confronted with. Both wild catch and aquaculture supply was compromised resulting in a shortage of raw materials, especially high-margin shrimps and crabs. While cost prices consistently increased, selling prices came down due to an intensified competitive environment. In addition, the recognition of revenues was delayed by the extended official inspection time of products intended for export. Therefore, top line declined by 38.9% (constant currency) and hence ranks in the upper mid-range of the drastically reduced guidance (-35 to -45%). The decline of margins is a consequence of the above market conditions.

In the following quarters/years, development of the supply base remains unsecure. The EMS disease seems to be better understood and according to several industry analysts is most likely not going to spread to unaffected areas. However, a fast recovery to previously seen output levels is quite unlikely, keeping purchasing prices for shrimps high.

Due to its broad processing capabilities, Haikui has been able to adapt to these circumstances. It will further shift its production mix towards seafood species, which are more abundant and less exposed to supply constraints and price fluctuations, as long as high value products are not available in sufficient quantity.

After a careful diligence process, a subsidiary of the German development bank KfW granted Haikui a loan in Dec 2013. It paved the way for the construction of the envisaged factory. Consistently, the Company has acquired the necessary land use rights in Jan 2014. Construction works are planned to start within the next few months.

For FY 2014 management guides top line growth between 5 to 10% with an EBIT margin between 11 to 13%. This forecast comprises a subdued first half and the release of the supply constraints at the end of the year, specifically in Q4.

Now that 1. there is a glimmer of light at the end of the tunnel regarding the shrimp disease and 2. the financing of the factory is secured, we are more confident about the prospects of Haikui. We therefore revise our previous rating from "Neutral" to "Buy". We calculate a fair value of €16.02 per share. The short term "trading target" of €4.90, which we derive from the "sentiment" multiple analysis, is slightly above the current price level and - compared to our fair value - signals a moderate upward potential.

Key data / Earnings

Year	Sales (mln €)	EBITDA (mln €)	EBIT (mln €)	EBT (mln €)	Net Profit (mln €)	EPS (€)	DPS* (€)	EBIT- Margin	Net- Margin
2012a	195.1	45.6	44.0	43.5	32.2	3.16	0.00	35.9%	20.4%
2013a	117.6	17.6	15.9	14.7	10.2	1.00	0.00	-63.8%	-68.2%
2014e	123.5	16.3	13.8	13.9	10.4	1.02	0.00	-13.1%	2.0%
2015e	134.6	18.3	15.5	15.5	11.7	1.13	0.00	11.6%	11.8%
2016e	154.8	24.5	19.9	19.0	14.2	1.39	0.14	28.9%	22.2%
2017e	178.1	35.3	30.6	29.9	22.4	2.18	0.22	53.8%	57.4%

*Not considering withholding taxes and transaction costs

Source: Haikui Seafood AG, BankM Research

Sector	Food processing
WKN	A1JH3F9
ISIN	DE000A1JH3F9
Bloomberg/Reuters	H8K GY/ H8K.DE
Accounting standard	IFRS
Financial year	Dec 31
Financial reporting Q1 2014	May 21, 2014
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	2014e	2015e	2016e
EV/Sales	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.
EV/EBIT	neg.	neg.	neg.
P/E adj.	4.3	3.9	3.2
Price/Bookvalue	0.3	0.3	0.2
Price/FCF	neg.	neg.	neg.
ROE (in %)	6.3	6.6	7.4
Dividend yield (in %)	0.0	0.0	3.2

Number of shares outs. (in ths)	10,173		
MarketCap / EV (in € mln)	45.12 / -1.47		
Free float (in %)	15.3		
Ø daily trading vol. (3M, in €)	11,889		
12M high / low (in €; XETRA-close)	8.80 / 4.30		
Price April 28, 2014 (in €; XETRA-close)	4.40		
Performance	1M 6M 12M		
absolute (in %)	-4.6	-30.8	-43.8
relative (in %)	-2.0	-31.8	-48.0

Benchmark index DaxSubsec. All Food Perf.



Haikui Seafood AG (red/grey), Performance 1y vs. DAXsubsector All Food Performance (black)

Source: Bloomberg

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Discussion of Operations and Outlook

Compression of revenues and margins

In fiscal year 2013, Haikui's financial results mirror the difficult market environment. Revenues came down to €117.6 (-39.7%, yoy) resulting in a net profit of €10.2 mln (-53.2%). On all operating levels, margins decreased compared to previous year.

Growth margin came down by 8.8%-age points owing to increased material costs (75.1% vs. 69.6% of revenues), higher wages (3.9% vs. 2.4% of revenues) and increased overhead expenses (3.0% vs. 2.3% of revenues).

Operating costs remained constant at €5.9 mln despite the decrease in sales reflecting a rise of wage rates and marketing expenditures. In light of the reduced revenue and gross profit, this entailed a decrease of operating result by 63.8%. Altogether, margins contracted on all operating levels, i.e. gross profit margin (-8.8 pts.), EBIT margin (-8.9 pts.), and net profit margin (-7.8 pts.). The main impact on margins resulted from the above mentioned shift of the product mix towards lower margin seafood species as well as from the convergence of costs and selling prices.

The extended CIQ inspection period not only affected operating cash flow by delayed revenue recognition, but also absorbed liquidity by means of an increased inventory position (as long as the finished goods are under inspection of the CIQ they count as inventory). Due to its export-focused business (89% of sales are generated in foreign countries) Haikui has a greater exposure to this policy compared to the domestic-oriented competitors.

Outlook:

Regarding our forecasts, we have to take into consideration the following aspects

- Yield from wild catch, sales mix
- Probability of the solution of the EMS shrimp disease
- Consolidation of the competitive environment

En face the tight supply situation of the high margin products, Haikui will react by flexibly shifting its product mix towards more abundant species which provide more stable sales and reliable cash flows. Thereby, the Company is also going to extend the utilization on its existing capacity. Based on the most current data (from "undercurrentnews April 22, 2014" and "seafoodbusiness.com December 01, 2013"), it seems that some measures have been introduced to gain control over the shrimp disease. We expect first positive effects not before end of the year.

Race to the bottom will force market to consolidate

As already elaborated in our last update, some degree of industry consolidation may take place in the short to medium term since the competition in price discounting provokes a "race to the bottom". This should lead to the disappearance of market participants, which are not adequately provided with sufficient capital resources. Consistently, price pressure is likely to ease resulting in gradual improvements in profit margins from 2016 ongoing.

With the acquisition of the land use rights end of 2013, the Company has finally fired the starting pistol for the construction of the new factory. It plans to build the factory over two phases whereby phase 1 consists of production for canned seafood, crabmeat processing and a marine biotech factory. Output capacity will leap by 33,000 tonnes (of different products) per year. The necessary land preparation is anticipated to begin in 2Q14. We expect the start of production in the mid to end of 2016 and estimate the total construction costs for the first phase to amount to €55 - 60 mln including the land use rights and ancillary facilities. The

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second phase is anticipated to start six month after the completion of phase 1; its realization is subject to the success of the first expansion step.

Haikui's Stock and Valuation

Stock performance:

During the last 12 months, Haikui's stock declined by 43.8% from €7.77 to €4.40 (XETRA close April 29, 2013) and clearly underperformed the benchmark Daxsubsec. All Food Performance (+8.08%). Based on daily stock price returns in the last 12 months, the annualized volatility is at 51% with a mean daily trading volume of ca. 2,600 pieces.

Valuation:

Pertaining to our short-term forecast until 2016, we reduce the top line according to the following rationale:

- The issues encountered in 2013 may persist throughout 2014
- The growth of 9% in 2015 anticipates a rebound of revenues subject to improving wild catch yield and the solution of the EMS issue; this forecast is in line with the CAGR estimate of 9.2% for the industry (IBISWorld-ACMR Industry Report, Frozen Seafood Processing in China, April 2013)
- We anticipate a top line growth of 15% in 2016, reflecting the beginning of operations of the new factory

In our projection we consider the start of the construction of the factory as well as the increase in inventory due to longer inspection periods. We also factor in gradually improving margins from 2016 onwards due to an anticipated market consolidation.

Consistently, we have adjusted our forecasts and analysis of free cash flows. We now calculate a DCF-based value of €12.63 per share. The peer group analysis results in an implicit price of €19.89. Equally weighted we calculate a fair value per Haikui share of €16.02.

The multiple analysis of the Chinese companies listed in the Prime Standard ("sentiment peer group") results in an implicit price (trading target) of €4.90.

Dividend:

Subject to the regeneration of the adverse market situation and the successful construction of the new factory, we consider a first dividend payment in 2017 for fiscal year 2016. In its ad hoc release from Dec 4, 2013 management and supervisory board announced that it will, in the next AGM, propose not to pay a dividend for 2013. Instead, the liquid funds at hand shall be used for the financing of the expansion.

Considerations of short-term projection

**Fair value per share:
€16.02**

DCF Analysis

	2013a	Phase 1				Phase 2				Terminal Value
		2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	
in T€										
Growth	-39.7%	5.0%	9.0%	15.0%	15.0%	CAGR 8.0%				1.0%
Revenues	117,638	123,520	134,637	154,832	178,057	192,302	207,686	224,301	242,245	244,667
EBIT	15,940	13,846	15,452	19,918	30,628	30,290	29,702	28,826	27,619	24,467
- Tax	3,985	3,461	3,863	4,980	7,657	7,573	7,425	7,206	6,905	6,117
+ Depreciation and amortization	1,637	2,478	2,845	4,607	4,691	5,852	5,863	5,883	5,665	200
+ Change in long-term provisions	0	0	0	0	0	0	0	0	0	0
- Change in net working capital	-1,764	1,398	7,360	12,814	12,736	9,175	9,909	10,701	10,628	0
- Other non-cash items	0	0	0	0	0	0	0	0	0	0
- Capex	9,681	21,263	7,582	19,674	-2,135	12,806	200	200	200	200
= Free Cash Flow	5,675	-9,798	-507	-12,943	17,062	6,589	18,031	16,601	15,551	18,350
Terminal Value										140,613
Discount factor	n.a.	0.90	0.81	0.73	0.66	0.59	0.53	0.48	0.43	0.43
NPV of Free Cash Flows	n.a.	-8,827	-412	-9,455	11,209	3,891	9,567	7,910	6,651	60,141
NPV of Terminal Value										
Valuation		Proportion of EV								
Result of Future Cash Flows	20,535	25%								
+ Result of Terminal Value	60,141	75%								
= Value of the Entity	80,676									
+ Cash (as of Dec. 31)	49,814									
- Debt (as of Dec. 31)	2,006									
= Value of Equity	128,484									
Current No. of Shares (in '000)	10,173									
Price per Share	12.63									

Source: BankM Research

Key Model Assumptions

	Source	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	TV
Riskfree Return*	Bloomberg	0.43%	0.48%	0.61%	0.78%	0.96%	1.14%	1.31%	1.46%	2.33%
Expected Market Return		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Sector Beta (Food Processing Ind.)	Damodaran	0.75	0.75	0.75	0.75	0.69	0.69	0.69	0.69	1.00
Country Risk Premium China	Damodaran	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%
Company Specific Risk Premium		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cost of Equity		11.63%	11.65%	11.68%	11.72%	11.25%	11.30%	11.35%	11.40%	14.05%
Target Weight		90%	90%	90%	90%	100%	100%	100%	100%	100%
Cost of Debt		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Target Weight		10%	10%	10%	10%	0%	0%	0%	0%	0%
Tax Shield		25%	25%	25%	25%	25%	25%	25%	25%	25%
WACC		10.99%	11.01%	11.04%	11.07%	11.25%	11.30%	11.35%	11.40%	14.05%

* Spot Rate Curve of German Government Bond (1-8 years); Terminal Value: 20 years

Source: Bloomberg, Damodaran, BankM Research

Sensitivity Analysis

		Discount rate of Terminal Value						
		12.00%	13.00%	14.00%	14.05%	15.00%	16.00%	17.00%
Growth in Terminal Value	-1.00%	12.54	12.12	11.76	11.74	11.44	11.17	10.92
	0.00%	13.08	12.59	12.17	12.15	11.81	11.49	11.21
	1.00%	13.73	13.15	12.65	12.63	12.23	11.86	11.54
	2.00%	14.51	13.80	13.21	13.18	12.71	12.28	11.91
	3.00%	15.46	14.59	13.87	13.84	13.27	12.77	12.34
		EBIT Margin in Terminal Value						
		7.00%	8.00%	9.00%	10.00%	11.00%	12.00%	13.00%
Growth in Terminal Value	-1.00%	10.24	10.74	11.24	11.74	12.25	12.75	13.25
	0.00%	10.52	11.07	11.61	12.15	12.70	13.24	13.79
	1.00%	10.86	11.45	12.04	12.63	13.22	13.81	14.40
	2.00%	11.24	11.89	12.54	13.18	13.83	14.48	15.12
	3.00%	11.70	12.41	13.13	13.84	14.55	15.26	15.97

Source: BankM Research

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Peer Group Analysis

China Prime Standard peer group

Peer Group	Mkt Cap		EV			EV/Revenues			EV/EBITDA			P/E			P/B		
	prev. Day	prev. Day	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e
Multiples																	
Asian Bamboo AG	23.9	40.0	1.18	0.52	-	1.20	1.15	-	neg.	1.30	-	n.a.	-	-	-	-	-
China Specialty Glass AG	44.3	-27.34	neg.	neg.	-	neg.	-	-	0.92	0.71	-	n.a.	-	-	-	-	-
FAST Casualwear AG	11.8	21.8	-	-	-	-	-	-	-	-	-	n.a.	-	-	-	-	-
Firstextile AG	115.6	95.56	0.47	0.39	0.30	2.08	1.65	1.27	3.44	2.92	2.25	n.a.	0.89	0.71	-	-	-
Joyou AG	305.3	299.5	0.84	0.78	0.72	4.91	4.45	4.07	12.79	8.41	7.47	n.a.	0.73	0.68	-	-	-
Ming Le Sports AG	28.6	-60.53	neg.	neg.	neg.	neg.	neg.	neg.	1.77	0.62	0.53	n.a.	0.19	0.15	-	-	-
Powerland AG	27.5	67.3	-	-	-	-	-	-	-	-	-	n.a.	-	-	-	-	-
Ultrasonic AG	90.0	20.90	0.21	0.11	0.10	0.78	0.45	0.40	3.25	2.72	2.42	n.a.	-	-	-	-	-
United Power Technology AG	35.9	3.0	0.07	0.03	0.03	0.35	0.17	0.15	3.78	3.65	3.12	n.a.	0.30	0.28	-	-	-
Tintbright AG	32.5	-	-	-	-	-	-	-	-	1.38	1.25	n.a.	-	-	-	-	-
Vancamel AG	66.60	20.02	0.02	0.11	0.10	0.09	0.44	0.41	1.41	1.96	1.82	n.a.	-	-	-	-	-
Vtion Wireless Technology AG	42.6	-80.03	-	neg.	neg.	-	neg.	neg.	10.93	9.69	10.40	n.a.	0.31	0.30	-	-	-
Youbisheng Green Paper AG	39.85	16.59	0.05	0.17	0.16	0.19	0.63	0.60	2.54	2.18	2.08	n.a.	-	-	-	-	-
Zhongde Waste Technology AG	35.9	0.70	1.56	0.01	0.01	neg.	0.27	0.47	neg.	239.20	neg.	n.a.	0.32	0.32	-	-	-
Median	37.88	20.02	0.34	0.14	0.10	0.78	0.54	0.47	3.25	2.45	2.25	n.a.	0.31	0.31	-	-	-
Mean (for information purposes, only)	64.31	32.11	0.55	0.27	0.20	1.37	1.15	1.05	4.54	22.89	3.48	n.a.	0.46	0.41	-	-	-
Haikui Seafood AG	45.1	-1.5	0.07	neg.	neg.	0.48	neg.	neg.	5.12	4.33	3.87	0.34	0.27	0.25	-	-	-

*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates																	
Enterprise Value Haikui Seafood	n.a.	17.36	13.61	n.a.	8.82	8.57	n.a.	25.54	26.29	n.a.	52.08	54.89	-	-	-	-	-
-net debt	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81
Value of the Equity	n.a.	65.17	61.42	n.a.	56.63	56.38	n.a.	25.54	26.29	n.a.	52.08	54.89	n.a.	52.08	54.89	n.a.	54.89

Year	2014	2015
Implicit Price	4.90	4.84

	2014	2015
Equity value based on EV/Revenues (€ mln)	65.17	61.42
Equity value based on EV/EBITDA (€ mln)	56.63	56.38
Equity value based on P/E (€ mln)	25.54	26.29
Equity value based on P/B (€ mln)	52.08	54.89
Mean	49.85	49.74
No. of shares ('000)*	10,173	10,276
Price/share (€)	4.90	4.84

Source: Bloomberg, BankM Research

International seafood related companies peer group

Peer Group	Mkt Cap		EV			EV/Revenues			EV/EBITDA			P/E			P/B		
	prev. Day	prev. Day	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e
Multiples																	
Cermaq ASA	766.6	455.5	11.19	0.65	0.62	23.09	2.60	2.36	2.39	7.88	6.76	1.04	1.18	1.08	-	-	-
Thai Union Frozen Products PCL	1,780.5	2,758.4	45.49	0.96	0.88	813.18	11.73	10.03	25.98	15.46	12.61	2.08	1.87	1.73	-	-	-
Marine Harvest ASA	3,526.7	4,466.6	15.49	1.49	1.44	74.20	6.32	5.95	11.13	8.46	7.87	1.85	1.73	1.64	-	-	-
Leroy Seafood Group ASA	1,330.7	1,686.3	9.14	1.19	1.16	50.77	5.97	5.75	5.18	7.76	7.45	1.42	1.40	1.28	-	-	-
Oceana Group Ltd	707.8	725.1	-	1.89	1.70	-	10.81	9.68	16.68	17.34	15.37	4.89	4.77	4.29	-	-	-
Sanford Ltd/NZ	250.5	350.9	2.07	1.19	1.14	36.63	9.49	8.59	20.46	15.60	13.40	0.74	6.67	5.92	-	-	-
Tassal Group Ltd	412.0	450.2	2.56	2.35	2.11	11.84	9.77	8.80	11.77	19.35	16.28	1.14	1.86	1.77	-	-	-
High Liner Foods Inc	490.0	676.7	-	0.89	0.87	-	8.81	7.95	24.12	14.49	11.57	n.a.	3.02	2.43	-	-	-
Nutreco NV	2,306.6	2,678.0	0.75	0.68	0.66	11.58	9.97	9.59	16.89	14.90	14.18	2.64	2.22	2.09	-	-	-
Median	766.6	725.1	9.14	1.19	1.14	36.63	9.49	8.59	16.68	14.90	12.61	1.64	1.87	1.77	-	-	-
Mean (for information purposes, only)	1,285.7	1,583.1	12.38	1.25	1.18	145.90	8.39	7.63	14.96	13.45	11.72	1.98	2.75	2.47	-	-	-
Haikui Seafood AG	45.1	-1.5	0.07	neg.	neg.	0.48	neg.	neg.	5.12	4.33	3.87	0.34	0.27	0.25	-	-	-

*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates																	
Enterprise Value Haikui Seafood	n.a.	146.52	153.81	n.a.	154.93	157.21	n.a.	155.47	147.08	n.a.	310.76	313.44	-	-	-	-	-
-net debt	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81	-47.81	n.a.	-47.81
Value of the Equity	n.a.	194.32	201.61	n.a.	202.73	205.02	n.a.	155.47	147.08	n.a.	310.76	313.44	n.a.	310.76	313.44	n.a.	313.44

Year	2014	2015
Implicit Price	21.22	21.31

	2014	2015
Equity value based on EV/Revenues (€ mln)	194.32	201.61
Equity value based on EV/EBITDA (€ mln)	202.73	205.02
Equity value based on P/E (€ mln)	155.47	147.08
Equity value based on P/B (€ mln)	310.76	313.44
Mean	215.82	216.79
No. of shares ('000)*	10,173	10,173
Price/share (€)	21.22	21.31

Source: Bloomberg, BankM Research

Chinese seafood related companies peer group

Peer Group	Mkt Cap		EV			EV/Revenues			EV/EBITDA			P/E			P/B		
	prev. Day	prev. Day	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e
Multiples																	
Zhangzidao Group Co Ltd	1,133.2	1,328.6	37.07	3.44	2.91	328.33	24.21	15.64	104.69	44.01	21.55	4.30	3.54	3.06			
Shandong Oriental Ocean Sci-Te	230.2	327.8	39.99	3.96	3.42	123.79	-	-	38.04	26.86	20.91	n.a.	1.32	1.25			
Dalian Tianbao Green Foods Co	352.3	500.6	25.41	1.99	1.72	124.56	11.27	9.27	24.97	15.94	12.35	n.a.	1.64	1.46			
Shandong Homey Aquatic Develop	438.1	524.0	41.32	4.16	3.83	147.94	17.03	15.61	34.69	27.25	19.39	n.a.	1.21	1.16			
China Fishery Group Ltd	464.8	1,300.9	5.30	2.38	2.38	11.40	6.04	5.75	7.05	5.03	4.84	0.62	0.65	0.59			
Median	438.1	524.0	37.07	3.44	2.91	124.56	14.15	12.44	34.69	26.86	19.39	2.46	1.32	1.25			
Mean (for information purposes, only)	523.73	796.37	29.82	3.19	2.85	147.20	14.64	11.57	41.89	23.82	15.81	2.46	1.67	1.50			
Haikui Seafood AG	45.1	-1.5	0.07	neg.	neg.	0.48	neg.	neg.	5.12	4.33	3.87	0.34	0.27	0.25			
*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates																	
Enterprise Value Haikui Seafood			n.a.	424.70	391.46	n.a.	231.00	227.59	n.a.	280.25	226.13	n.a.	219.23	220.98			
-net debt			n.a.	-47.81	-47.81	n.a.	-47.81	-47.81									
Value of the Equity			n.a.	472.51	439.27	n.a.	278.81	275.40	n.a.	280.25	226.13	n.a.	219.23	220.98			

Year	2014	2015
Implicit Price	30.74	28.55

	2014	2015
Equity value based on EV/Revenues (€ mln)	472.51	439.27
Equity value based on EV/EBITDA (€ mln)	278.81	275.40
Equity value based on P/E (€ mln)	280.25	226.13
Equity value based on P/B (€ mln)	219.23	220.98
Mean	312.70	290.45
No. of shares ('000)*	10,173	10,173
Price/share (€)	30.74	28.55

Source: Bloomberg, BankM Research

International small/mid cap food processing companies

Peer Group	Mkt Cap		EV			EV/Revenues			EV/EBITDA			P/E			P/B		
	prev. Day	prev. Day	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e	2013a	2014e	2015e
Multiples																	
Aryzta AG	5,953.1	7,025.9	1.66	1.48	1.37	12.98	11.15	9.82	39.60	19.14	15.85	1.54	2.17	2.04			
Barry Callebaut AG	5,294.7	6,690.7	1.92	1.38	1.29	21.37	14.90	13.67	27.44	23.98	20.88	2.72	3.34	3.04			
Bonduelle S.C.A.	666.2	1,385.2	0.70	0.72	0.69	7.37	7.60	7.03	11.82	13.44	10.58	1.16	1.17	1.05			
Ebro Foods SA	2,472.6	2,820.1	1.52	1.37	1.33	11.04	9.75	9.12	19.74	16.46	15.06	1.54	1.39	1.33			
Emmi AG	1,451.4	1,896.9	0.75	0.68	0.67	9.16	8.24	7.94	14.05	16.81	15.86	1.37	1.50	1.39			
Greencore Group PLC	1,282.2	1,580.2	0.80	1.01	0.95	9.50	11.84	10.70	12.86	17.77	15.36	2.35	3.70	3.25			
Koninklijke Wessanen NV	314.1	362.3	0.52	0.66	0.65	10.37	9.46	8.83	neg.	17.62	15.01	2.04	2.57	2.32			
Median	1,451.4	1,896.9	0.80	1.01	0.95	10.37	9.75	9.12	16.90	17.62	15.36	1.54	2.17	2.04			
Mean (for information purposes, only)	2,490.6	3,108.8	1.13	1.04	0.99	11.68	10.42	9.59	20.92	17.89	15.51	1.82	2.26	2.06			
Haikui Seafood AG	45.1	-1.5	0.07	neg.	neg.	0.48	neg.	neg.	5.12	4.33	3.87	0.34	0.27	0.25			
*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates																	
Enterprise Value Haikui Seafood			n.a.	125.13	127.65	n.a.	159.14	166.90	n.a.	183.87	179.13	n.a.	359.40	362.65			
-net debt			n.a.	-47.81	-47.81	n.a.	-47.81	-47.81									
Value of the Equity			n.a.	172.94	175.46	n.a.	206.95	214.71	n.a.	183.87	179.13	n.a.	359.40	362.65			

Year	2014	2015
Implicit Price	22.69	22.90

	2014	2015
Equity value based on EV/Revenues (€ mln)	172.94	175.46
Equity value based on EV/EBITDA (€ mln)	206.95	214.71
Equity value based on P/E (€ mln)	183.87	179.13
Equity value based on P/B (€ mln)	359.40	362.65
Mean	230.79	232.99
No. of shares ('000)*	10,173	10,173
Price/share (€)	22.69	22.90

Source: Bloomberg, BankM Research

Valuation Results

Fair Value DCF	12.63
Implicit Price PG China Prime Standard	4.90
Implicit Price PG Intl. Fish companies	21.22
Implicit Price PG China Fish companies	30.74
Implicit Price PG Intl. Food production compani	22.69
Average Peer Groups	19.89
Fair Value resulting from DCF und PG	16.02

Source: BankM Research

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Tables

Profit & Loss Account

Fiscal Year 31.12 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
in € '000							
Total Sales	195,121	117,638	123,520	134,637	154,832	178,057	
<i>Growth rate in %</i>	28.3	-39.7	5.0	9.0	15.0	15.0	10.9
Cost of sales	144,839	96,418	103,757	113,095	128,511	140,665	
Gross Profit	50,282	21,220	19,763	21,542	26,321	37,392	
<i>Growth rate in %</i>	32.6	-57.8	-6.9	9.0	22.2	42.1	15.2
Selling and marketing expenses	1,669	1,826	1,917	2,090	2,403	2,764	
General and administration expenses	4,186	4,065	4,000	4,000	4,000	4,000	
Other income	238	810	0	0	0	0	
Other expenses	683	199	0	0	0	0	
EBIT	43,982	15,940	13,846	15,452	19,918	30,628	
<i>Growth rate in %</i>	35.9	-63.8	-13.1	11.6	28.9	53.8	17.7
Finance Result (+inc./-exp)	-440	-1,285	64	96	-923	-732	
<i>Finance income</i>	228	585	185	217	215	152	
<i>Finance expense</i>	668	1,870	121	121	1,138	884	
EBT	43,542	14,655	13,910	15,548	18,995	29,896	
<i>Growth rate in %</i>	41.6	-66.3	-5.1	11.8	22.2	57.4	19.5
Taxes on Income (Exp./Inc.-)	11,358	4,423	3,477	3,887	4,749	7,474	
Net profit	32,184	10,232	10,432	11,661	14,246	22,422	
<i>Growth rate in %</i>	20.4	-68.2	2.0	11.8	22.2	57.4	21.7
<i>For information purposes</i>							
Depreciation and amortization	1,630	1,637	2,478	2,845	4,607	4,691	
EBITDA	45,612	17,577	16,324	18,297	24,525	35,319	
No. of shares (Ø outstanding)	10,173	10,276	10,276	10,276	10,276	10,276	
Net profit / share (EPS)	3.16	1.00	1.02	1.13	1.39	2.18	
Adj. net profit / share (adj. EPS)	3.16	1.00	1.02	1.13	1.39	2.18	

Source: Haikui Seafood AG, BankM Research

Profit & Loss Margins

in %	2012a	2013a	2014e	2015e	2016e	2017e
Gross Profit Margin	25.8	17.0	16.0	16.0	17.0	21.0
EBITDA Margin	23.4	14.9	13.2	13.6	15.8	19.8
EBIT Margin	22.5	13.6	11.2	11.5	12.9	17.2
EBT Margin	22.3	12.5	11.3	11.5	12.3	16.8
Net Profit Margin	16.5	8.7	8.4	8.7	9.2	12.6

Source: Haikui Seafood AG, BankM Research

Cash Flow Statement

Fiscal Year 31.12 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
in € '000							
Earnings before Taxes	43,542	14,655	13,910	15,548	18,995	29,896	
+ Depreciation and amortization	1,630	1,637	2,478	2,845	4,607	4,691	
- income taxes paid	8,881	7,936	3,072	3,785	4,533	6,793	
= Cash Earnings	36,291	8,356	13,316	14,609	19,068	27,794	
<i>Growth rate (in %)</i>	12.7	-77.0	59.4	9.7	30.5	45.8	35.0
- Chg. in net working capital	11,095	-1,764	1,398	7,360	12,814	12,736	
+ finance expenses	14	14	121	121	1,138	884	
- finance income	162	182	185	217	215	152	
+ Other non-cash item	521	1,422	0	0	0	0	
= Operating Cash Flow	25,569	11,374	11,854	7,153	7,177	15,791	
<i>Growth rate (in %)</i>	141.4	-55.5	4.2	-39.7	0.3	120.0	8.5
- Capex	1,300	9,681	21,263	7,582	19,674	-2,135	
= Free Cash Flow	24,269	1,693	-9,408	-429	-12,497	17,926	
<i>Growth rate (in %)</i>	163.2	-93.0	-655.7	-95.4	2,813.3	-243.4	80.4
+ Other net items	148	-131	-121	-121	-923	-732	
- Dividends (previous year)	0	0	0	0	0	1,425	
- Payout interest-free loan	1,972	0	0	0	0	0	
+ Increase in share capital (net)	2,052	0	0	0	0	0	
+ Bank loans	-290	-233	18,158	0	-3,632	-3,632	
= Incr. in Cash (+)/Decr. in Cash (-)	24,207	1,329	8,628	-550	-17,051	12,138	

Source: Haikui Seafood AG, BankM Research

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Balance sheet

Fiscal Year 31.12 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e
in € '000						
Assets						
Tangible assets	13,566	12,210	27,384	32,543	47,805	45,881
Intangible assets	2,189	11,279	15,082	14,709	14,336	13,963
<i>t/o Goodwill</i>	746	740	740	740	740	740
Deferred tax assets	295	226	0	0	0	0
Other non-current assets	1,118	3,964	4,182	4,351	4,528	0
Total Fixed Assets	17,168	27,679	46,648	51,603	66,670	59,844
Inventories	37,995	43,576	38,376	41,830	47,531	52,027
Accounts receivable	43,546	29,853	37,225	40,575	46,662	53,661
Total liquid funds	48,938	49,814	58,442	57,892	40,840	52,978
Other current assets	7,949	8,645	9,077	9,894	11,378	13,085
Total Current Assets	138,428	131,888	143,120	150,191	146,412	171,751
Balance Sheet Total	155,596	159,567	189,769	201,794	213,082	231,595
Shareholder's Equity / Liabilities						
Subscribed capital	10,276	10,276	10,276	10,276	10,276	10,276
Share premium	2,164	2,164	2,164	2,164	2,164	2,164
Retained earnings and other reserves	134,229	142,958	153,390	165,051	179,298	200,295
Shareholders Equity	146,669	155,398	165,830	177,491	191,738	212,735
Long term liabilities	2,036	1,735	19,893	19,893	16,261	12,630
<i>t/o Bank loans (interest bearing)</i>	2,036	1,735	19,893	19,893	16,261	12,630
ST Liab. < 1 year	6,891	2,434	4,046	4,409	5,083	6,230
<i>t/o Trade payables</i>	1,133	15	1,137	1,239	1,408	1,542
<i>t/o Bank loans</i>	281	271	271	271	271	271
<i>t/o Tax payables</i>	3,932	464	869	972	1,187	1,868
<i>t/o other current liabilities</i>	1,545	1,684	1,768	1,927	2,216	2,549
Total Liabilities	8,927	4,169	23,939	24,302	21,344	18,860
Balance Sheet Total	155,596	159,567	189,769	201,794	213,082	231,595

Source: Haikui Seafood AG, BankM Research

Balance Sheet Ratios

in % of Total Assets	2012a	2013a	2014e	2015e	2016e	2017e
Total Fixed Assets	11.0	17.3	24.6	25.6	31.3	25.8
Total Current Assets	89.0	82.7	75.4	74.4	68.7	74.2
Inventories	24.4	27.3	20.2	20.7	22.3	22.5
Trade receivables	28.0	18.7	19.6	20.1	21.9	23.2
Total liquid funds	31.5	31.2	30.8	28.7	19.2	22.9
Shareholders Equity	94.3	97.4	87.4	88.0	90.0	91.9
Long Term Liabilities	1.3	1.1	10.5	9.9	7.6	5.5
Short Term Liabilities	4.4	1.5	2.1	2.2	2.4	2.7
Total Liabilities	5.7	2.6	12.6	12.0	10.0	8.1

Source: Haikui Seafood AG, BankM Research

Key Ratios

	2012a	2013a	2014e	2015e	2016e	2017e
Return on Assets (in %)	23.1	6.5	6.0	6.0	6.9	10.1
Return on Equity (in %)	24.6	6.8	6.5	6.8	7.7	11.1
Gross Profit Margin (in %)	25.8	17.0	16.0	16.0	17.0	21.0
EBIT Margin (in %)	22.5	13.6	11.2	11.5	12.9	17.2
Net Profit Margin (in %)	16.5	8.7	8.4	8.7	9.2	12.6
Current Ratio	20.09	54.19	35.38	34.06	28.80	27.57
Quick Ratio	13.42	32.73	23.65	22.33	17.21	17.12
Leverage	0.06	0.03	0.13	0.12	0.10	0.08
Gearing	0.06	0.03	0.14	0.14	0.11	0.09
Interest Coverage Ratio	65.84	8.52	114.00	127.23	17.50	34.64
Earnings per Share in €	3.16	1.00	1.02	1.13	1.39	2.18
Dividends per Share in €	0.00	0.00	0.00	0.00	0.14	0.22
Dividend Payout Ratio	0.00	0.00	0.00	0.00	0.10	0.00
FCF per Share in €	2.39	0.16	-0.92	-0.04	-1.22	1.74
Book Value per Share in €	14.42	15.12	16.14	17.27	18.66	20.70
Days Sales Outstanding	87.44	113.87	99.11	105.46	102.83	102.83
Days in Inventory	77.98	154.40	144.15	129.43	126.90	129.17
Days in Payables	3.36	2.17	2.03	3.83	3.76	3.83
Cash Conversion Cycle	162.06	266.09	241.23	231.05	225.97	228.17
Total Asset Turnover	1.25	0.74	0.65	0.67	0.73	0.77
Working Capital to Sales	0.46	0.70	0.69	0.69	0.68	0.67
CAPEX to Sales	0.01	0.08	0.17	0.06	0.13	-0.01
Depreciation/Sales	0.01	0.01	0.02	0.02	0.03	0.03
Tax Rate (in %)	26.1	30.2	25.0	25.0	25.0	25.0
Number of Employees	2,131	1,722	1,800	2,000	2,400	2,800
Sales/Employee in € '000	91.56	68.31	68.62	67.32	64.51	63.59
Net Profit/Employee in € '000	15.10	5.94	5.80	5.83	5.94	8.01

Source: Haikui Seafood AG, BankM Research

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I. Information about author, company held accountable, regulatory authority:

Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG, Willich, Germany.

Authors: Dr. Roger Becker, CEFA und David Szabadvari, CEFA, Analysts

Regulatory authority for biw Bank für Investments und Wertpapiere AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analyzed instrument is Haikui Seafood AG.

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Analysts	Date	Evaluation result	Fair value
Dr. Roger Becker	April 16, 2012	Not rated (pre-IPO)	€31.35
Dr. Roger Becker, David Szabadvari	October 11, 2012	Buy	€27.55
Dr. Roger Becker, David Szabadvari	December 12, 2012	Buy	€26.94
Dr. Roger Becker, David Szabadvari	May 15, 2013	Buy	€24.05
Dr. Roger Becker, David Szabadvari	June 4, 2013	Buy	€23.80
Dr. Roger Becker, David Szabadvari	September 3, 2013	Buy	€20.00
Dr. Roger Becker, David Szabadvari	December 4, 2013	Neutral	€14.09

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3. Date of first publication of this document:

April 29, 2014

4. Date and time of prices of the instruments quoted in this document:

Prices as of April 28, 2014

5. Updates:

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