

VanCamel AG

September 09, 2014

Information Analysis

Analysts

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

Evaluation result

BUY

(prev.: Buy)

Fair value

€18.80

(prev.: €16.31)



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

Withstanding the weakened domestic Market

In the first half year of 2014, VanCamel AG resisted the negative trend observable on side of its domestic competitors and kept revenues at a stable level (-0.5% in € terms). If we factor out the effect of the increased sales rebates, which disproportionally lowers revenue growth, and the exchange rate development since beginning of the year, the revenue growth amounted to 7.6%. Marketing expenses have come down in the second quarter causing H1 EBIT to be slightly better than expected by us. According to management, marketing activities will be ramped up again in the second half of the year, especially in the fourth quarter when the main holiday and sales seasons begin. Due to the better than expected half year results and the success of the in-house sales fair, the Company has adjusted its guidance for EBT margin upwards from 21% to 25% which now exceeds our own projections.

The extension of the store network went on as planned. During the reporting period, the number of stores rose by 44 to 2,360 whereby two of the new stores are categorized as flagship stores. According to management, 120 new stores shall be opened until end of the year. In extension of the existing strategy, sales activities will be expanded to tier 4 cities in China to tap on the more rapid population and income growth.

The domestic competitors in the men's apparel market such as Septwolves (revenues -28.1% in H1, in RMB terms), Joeone (-16.5% in H1), Zuoan (-36.1% in Q1) or China Xiniya (-7.5% in Q1) have significantly lost ground during the first half year. Besides VanCamel, only China Lilang (-0.2% in H1) reported a stable development. We see this as evidence that VanCamel has chosen the right strategy to focus on the extrovert man with a distinct attitude towards fashion and to position itself within the upper market segment.

Our financial forecasts and DCF valuation remain unaltered. Along with our updated peer group analysis, we calculate a fair value of €18.80 per share and confirm our Buy rating. Considering the sentiment peer group, we expect a short to mid-term trading target of €6.52.

Key data / Earnings

Year	Sales (€ m)	EBITDA (€ m)	EBIT (€ m)	EBT (€ m)	Net Profit (€ m)	EPS (€)	DPS* (€)	EBIT- Margin	Net- Margin
2013a	175.4	49.0	48.9	49.0	33.3	2.22	0.31	27.9%	19.0%
2014e	182.8	44.4	44.3	44.3	29.0	1.94	0.29	24.2%	15.9%
2015e	196.0	47.3	47.2	47.2	31.5	2.10	0.31	24.1%	16.0%
2016e	210.8	50.5	50.5	50.5	33.6	2.24	0.34	23.9%	15.9%
2017e	226.3	55.5	55.5	55.5	37.1	2.47	0.37	24.5%	16.4%

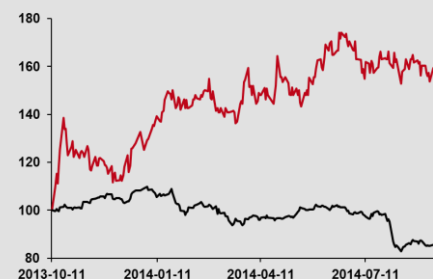
*Not considering withholding taxes and transaction costs

Source: VanCamel AG, BankM Research

Sector	Clothing and Footwear
WKN	A1RFMM
ISIN	DE000A1RFMM9
Bloomberg/Reuters	VC8
Accounting standard	IFRS
Financial year	Dec 31
Financial reporting Q3 2014	November 28, 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.	2.1	2.0	1.9
Price/Bookvalue	0.6	0.5	0.4
Price/FCF	5.1	2.5	1.2
ROE (in %)	31.0	26.4	22.8
Dividend yield (in %)	6.8	7.3	7.8

Number of shares outs. (in '000)	15,000		
MarketCap / EV (in € m)	62.27 / neg.		
Free float (in %)	19.5		
Ø daily trading vol. (3M, in €)	20,679		
12M high/low (in €; XETRA-close)	4.45 / 2.10		
Price Sept. 8, 2014 (in €; XETRA-close)	4.30		
Performance	1M	6M	12M
absolute (in %)	-0.2	11.7	n.a.
relative (in %)	-1.8	29.7	n.a.
Benchmark index	DAXSubsector Clothing and Footwear		



VANCAMEL AG (red/grey), Performance since IPO vs. DAXSubsec. Clothing & Footwear (black)

Source: Bloomberg

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Outlook, Dividends, Stock Performance

In the upcoming months, the Company is going to focus on improving the same-store-sales which are rather at the lower end compared to competitors. Regional marketing activities shall accompany the opening of the flagship stores to increase the visibility of the brand. In addition, sales personnel will receive a more intense coaching to advance the spending behavior of each customer.

At this year's AGM, the recommended dividend payment of €0.31 per share has been approved whereby the pre-IPO investors have decided to waive their right to the dividend in order to keep the funds in the Company. The dividend payments should be understood as part of a long term policy which we appreciate.

Since beginning of the year, the stock has increased by 23.21%. Including the dividend payment, the total return amounted to 32.09%. Hence, VC8 has outperformed the comparable sector index (Dax Subsector Clothing and Footwear) which lost 21.47%. Based on daily stock price returns since beginning of the year, the annualized volatility is at 37.10% with a mean daily trading volume of ca. 5,000 pieces.

Valuation

The fair value of €18.80 results from equally weighting the DCF and peer group analysis. Compared to our last update, the fundamental value derived from the DCF model remained unchanged. In contrast, the implicit value derived from the sector peer group has significantly increased by almost €9.48 per share; the multiples for Chinese fashion companies listed in China or Hong Kong have gone up significantly. The implicit value of the sentiment peer group just slightly rose by €0.43 per share. Regarding VanCamel's fair value, the increase of ca. €2.50 compared to our last update almost entirely results from revaluations within the sector peer group.

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Tables

Profit & Loss Account

Fiscal Year Dec. 31 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
in € '000							
Total Sales	168,313	175,426	182,794	196,034	210,768	226,272	
<i>Growth Rate (in %)</i>	28.5	4.2	4.2	7.2	7.5	7.4	6.6
<i>included Sales Rebates to Distributor resulting Gross Sales</i>	2,044	8,266	14,821	15,895	17,089	18,346	
<i>Growth Rate (in %)</i>	30.1	7.8	7.6	7.2	7.5	7.4	7.4
Cost of Sales	108,793	116,499	127,218	136,806	147,538	158,390	
Gross Profit	59,520	58,927	55,577	59,228	63,230	67,882	
<i>Growth Rate (in %)</i>	26.6	-1.0	-5.7	6.6	6.8	7.4	3.6
Selling and Marketing Expenses	6,466	7,561	8,166	8,819	9,525	9,051	
General and Administration Expenses	1,595	2,017	2,611	2,637	2,663	2,690	
R&D Expenses	457	486	495	531	571	613	
EBIT	51,002	48,863	44,304	47,240	50,471	55,527	
<i>Growth Rate (in %)</i>	107.2	-4.2	-9.3	6.6	6.8	10.0	3.2
Net Finance Result (Inc.+ / Exp.-)	158	186	0	0	0	0	
EBT	51,160	49,049	44,304	47,240	50,471	55,527	
<i>Growth Rate (in %)</i>	106.9	-4.1	-9.7	6.6	6.8	10.0	3.1
Taxes on Income (Exp.+ / Inc.-)	12,358	15,790	15,276	15,784	16,890	18,468	
Net profit	38,802	33,259	29,028	31,457	33,581	37,059	
<i>Growth Rate (in %)</i>	103.7	-14.3	-12.7	8.4	6.8	10.4	2.7
<i>Depreciation and amortization</i>	111	108	116	21	25	21	
EBITDA	51,113	48,971	44,420	47,261	50,496	55,548	
<i>Growth Rate (in %)</i>	106.8	-4.2	-9.3	6.4	6.8	10.0	3.2
No. of shares (Ø outstanding)	15,000	15,000	15,000	15,000	15,000	15,000	
Net profit / share (EPS)	2.59	2.22	1.94	2.10	2.24	2.47	

Source: VanCamel AG, BankM Research

P&L Margins

in %	2012a	2013a	2014e	2015e	2016e	2017e
Gross Profit Margin	35.4	33.6	30.4	30.2	30.0	30.0
EBITDA Margin	30.4	27.9	24.3	24.1	24.0	24.5
EBIT Margin	30.3	27.9	24.2	24.1	23.9	24.5
EBT Margin	30.4	28.0	24.2	24.1	23.9	24.5
Net Profit Margin	23.1	19.0	15.9	16.0	15.9	16.4

Source: VanCamel AG, BankM Research

Cash Flow Statement

Fiscal Year Dec. 31 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	4y - CAGR 2013 - 2017
in € '000							
EBT	51,160	49,049	44,304	47,240	50,471	55,527	
+ Depreciation and Amortization	111	108	116	21	25	21	
- Income Taxes paid	7,801	10,299	14,284	15,533	16,614	18,074	
= Cash Earnings	43,470	38,858	30,137	31,728	33,883	37,474	
<i>Growth Rate (in %)</i>	105.7	-10.6	-22.4	5.3	6.8	10.6	-0.9
+ Other non-cash Items	-158	-186	0	0	0	0	
- Change in net Working Capital	2,092	4,246	1,378	2,476	2,756	1,814	
= Operating Cash Flow	41,220	34,426	28,759	29,252	31,127	35,660	
<i>Growth Rate (in %)</i>	82.9	-16.5	-16.5	1.7	6.4	14.6	0.9
- Capex	10	1	18	18	18	18	
= Free Cash Flow	41,210	34,425	28,741	29,234	31,109	35,642	
<i>Growth Rate (in %)</i>	82.9	-16.5	-16.5	1.7	6.4	14.6	0.9
+ Other net items	-263	186	-11,472	0	0	0	
- Dividends	11,681	16,624	4,989	4,354	4,718	5,037	
+ Bank and other loans	-842	2,688	0	0	0	0	
= Incr. in Cash (+)/Decr. in Cash (-)	28,424	20,675	12,280	24,879	26,390	30,605	

Source: VanCamel AG, BankM Research

Balance Sheet

Fiscal Year Dec. 31 (IFRS)	2012a	2013a	2014e	2015e	2016e	2017e	
in € '000							
Assets							
Tangible Assets	31	27	32	29	22	19	
Intangible Assets	207	102	0	0	0	0	
Deferred Tax Assets	1,085	495	0	0	0	0	
Total Fixed Assets	1,323	624	32	29	22	19	
Inventories	556	403	420	450	484	506	
Trade Receivables	35,824	38,509	40,126	43,033	46,267	48,396	
Amounts Receivable from rel. Parties	7,413	59	0	0	0	0	
Total liquid Funds	46,578	66,200	78,480	103,359	129,749	160,355	
Total Current Assets	90,371	105,171	119,026	146,842	176,501	209,257	
Balance Sheet Total	91,694	105,795	119,058	146,871	176,522	209,276	
Shareholder's Equity / Liabilities							
Subscribed Capital	4,650	15,000	15,000	15,000	15,000	15,000	
Foreign Currency Translation Reserve	5,786	4,453	4,453	4,453	4,453	4,453	
Retained Earnings and other Reserves	55,805	62,126	86,165	113,267	142,130	174,152	
Shareholders Equity	66,241	81,579	105,618	132,720	161,583	193,605	
Long term Liabilities	0	0	0	0	0	0	
ST Liabilities < 1 Year	25,453	24,216	13,440	14,150	14,939	15,671	
<i>t/o Trade Payables & pre-Paymts.</i>	7,716	6,099	6,355	6,815	7,328	7,665	
<i>t/o Short term Tax Liabilities</i>	10,203	14,728	3,695	3,946	4,223	4,617	
<i>t/o Dividends Payable</i>	4,869	0	0	0	0	0	
<i>t/o Other short term Liabilities</i>	2,665	3,389	3,389	3,389	3,389	3,389	
Total Liabilities	25,453	24,216	13,440	14,150	14,939	15,671	
Balance Sheet Total	91,694	105,795	119,058	146,871	176,522	209,276	

Source: VanCamel AG, BankM Research

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Balance Sheet Ratios

in %	2012a	2013a	2014e	2015e	2016e	2017e
Total Fixed Assets	1.4	0.6	0.0	0.0	0.0	0.0
Total Current Assets	98.6	99.4	100.0	100.0	100.0	100.0
Inventories	0.6	0.4	0.4	0.3	0.3	0.2
Trade receivables	39.1	36.4	33.7	29.3	26.2	23.1
Total liquid funds	50.8	62.6	65.9	70.4	73.5	76.6
Shareholders Equity	72.2	77.1	88.7	90.4	91.5	92.5
Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Short Term Liabilities	27.8	22.9	11.3	9.6	8.5	7.5
Total Liabilities	27.8	22.9	11.3	9.6	8.5	7.5

Source: VanCamel AG, BankM Research

Key Ratios

	2012a	2013a	2014e	2015e	2016e	2017e
Return on Assets (in %)	51.5	33.7	25.8	23.7	20.8	19.2
Return on Equity (in %)	70.1	45.0	31.0	26.4	22.8	20.9
Gross Profit Margin (in %)	35.4	33.6	30.4	30.2	30.0	30.0
EBIT Margin (in %)	30.3	27.9	24.2	24.1	23.9	24.5
Net Profit Margin (in %)	23.1	19.0	15.9	16.0	15.9	16.4
Current Ratio	3.55	4.34	8.86	10.38	11.81	13.35
Quick Ratio	3.24	4.32	8.83	10.35	11.78	13.32
Leverage	0.28	0.23	0.11	0.10	0.08	0.07
Gearing	0.38	0.30	0.13	0.11	0.09	0.08
Interest Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earnings per Share in € '000	2.59	2.22	1.94	2.10	2.24	2.47
Dividends per Share in € '000	1.11	0.33	0.29	0.31	0.34	0.00
Dividend Payout Ratio	0.43	0.15	0.15	0.15	0.15	0.00
FCF per Share in € '000	2.75	2.30	1.92	1.95	2.07	2.38
Book Value per Share in € '000	4.42	5.44	7.04	8.85	10.77	12.91
Days Sales Outstanding	74.37	77.33	78.51	77.42	77.32	76.35
Days in Inventory	1.21	1.50	1.18	1.16	1.16	1.14
Days in Payables	21.89	21.64	17.87	17.57	17.49	17.27
Cash Conversion Cycle	53.68	57.19	61.82	61.01	60.98	60.22
Total Asset Turnover	2.23	1.78	1.63	1.47	1.30	1.17
Working Capital to Sales	0.22	0.22	0.22	0.22	0.22	0.22
CAPEX to Sales	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation/Sales	0.00	0.00	0.00	0.00	0.00	0.00
Tax Rate (in %)	24.2	32.2	34.5	33.4	33.5	33.3
Number of Employees	197	204	215	215	215	215
Sales/Employee in € '000	854.38	859.93	850.21	911.79	980.32	1,052.43
Net Profit/Employee in € '000	196.96	163.03	135.01	146.31	156.19	172.37

Source: VanCamel AG, BankM Research

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Authors: David Szabadvari, CIIA and Dr. Roger Becker, CEFA, Analysts

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Analysts	Date	Evaluation result	Fair value
David Szabadvari, Dr. Roger Becker	September 29, 2013	Not rated (IPO)	€15.10
David Szabadvari, Dr. Roger Becker	December 13, 2013	Buy	€15.80
David Szabadvari, Dr. Roger Becker	May 21, 2014	Buy	€17.00
David Szabadvari, Dr. Roger Becker	June 24, 2014	Buy	€16.31

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September 09, 2014

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

Prices as of September 08, 2014

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