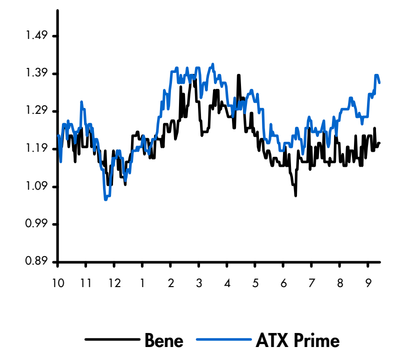
Company Update
Bene

September 19, 2012 **Construction & Materials/Austria**

Hold

Price 18.09.12*	1.21
Price target	1.40
Volatility risk	high
Year high/low	1.39/1.07
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	24.35
Market capitalisation (total shares) in EUR mn	29.3
Free float	55.8%
Free float in EUR mn	16.4
Avg. daily turnover (12 m) in EUR mn	0.01
Index	ATX Prime
ISIN code	AT00000BENE6
Bloomberg	BENE AV
Reuters	BENE.VI
www.bene.com	



Source: Raiffeisen Centrobank

Road still bumpy but momentum is building up

Investment case: Though refinancing is still the predominant topic, with a sizeable portion of short-term debt due end of 2013 as well as a bond redemption April 30 2014, we notice recent positive developments in operations, both on the volume and profitability side as outlined in our DCF case. Apart from strong project business in both UK and Russia we believe a currently (compared to competitors and overall market volumes) underrepresented seating segment as well as the expansion into Asian Pacific markets to provide triggers for an ongoing volume and margin expansion.

2Q 12 result: For 2Q 12/13 we saw a yoy top line increase by 21% to absolute levels around EUR 53 mn, mainly driven by expected strong UK sales (120% yoy) as well as sales from other regions (74% yoy) as a couple of mid-sized projects won during 1Q 12/13 hit the P&L during the second quarter. Top line contributions from Russia and Germany are down 40% and up 6% yoy, respectively. For the Austrian business on the other hand we saw a drop in quarterly sales from previous quarter's levels around EUR 14 mn to levels around EUR 10 mn for 2Q 12/13, following Bene's decision to withdraw from further public tenders by Austrian Bundesbeschaffung GmbH. Though we do not expect any major impact on margins from this decision, due to on average at best neutral project-margin contributions, we nonetheless notice the negative operating profit from the Austrian business, as Bene AG (holding), which is consolidated within the Austrian business, incurred some extraordinary costs relating to the start-up of the Asian operations (around EUR 1.5 mn) as well as modernizations/upgrades of a couple of showrooms. For a full overview of 2Q 12/13e financials please see page 2/3.

Liquidity situation: EUR 15 mn of short-term debt (funds from Unternehmensliquiditätssicherungs-Gesetz as well as various bank loans/overdraft facilities) has to be repayed by the end of January 2013 corresponding to Bene's 4Q 12/13. According to Bene projections EUR 11 mn may be gained through extended group factoring. Further, projected EUR 9 mn should be drawn from two existing export financing facilities – please see page 10/11 for a more detailed analysis.

Recommendation: Based on our DCF case (page 12-14) we derive a 12-months target price of EUR 1.40, thus reinitiating our coverage of Bene AG with a "Hold" recommendation.

Key figures and ratios

EUR	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Sales (mn)	170.8	193.9	217.8	227.4	236.2
EBITDA (mn)	0.5	10.0	13.0	13.8	16.2
EBIT (mn)	-8.2	1.7	4.4	5.3	7.4
Net profit a.m. (mn)	-12.4	-2.5	1.5	1.7	3.1
Earnings per share (adj.)	-0.51	-0.10	0.06	0.07	0.13
EPS adjusted growth	28.3%	79.9%	n.a.	15.2%	76.1%
Adjusted PE ratio	-3.7	-12.1	19.3	16.8	9.5
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	117.1	4.5	3.8	3.6	3.1
Price book value	1.2	0.9	0.8	0.8	0.7

Source: Bene, Raiffeisen Centrobank estimates

Analyst: Bernhard Selinger
Tel.: +43 1 51520 - 705
e-mail: selinger@rcb.at
Published by: Raiffeisen Centrobank,
A-1015 Vienna, Tegetthoffstrasse 1
Bloomberg: RCBR <GO>
Disclosures: www.rcb.at
Supervisory authority: Financial Market Authority
* The indicated price is the last price as available at 6.30 AM on 19.09.12

Share price triggers

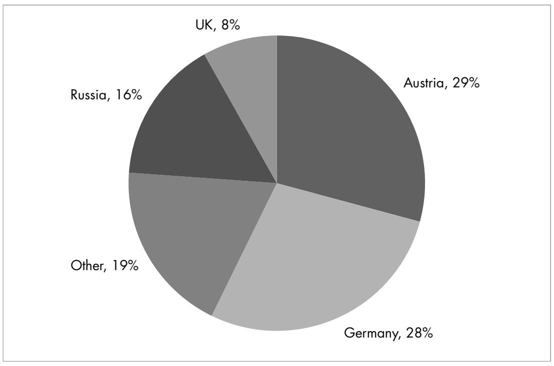
Trigger	Momentum	Explanation
FY 12/13e	Positive	▪ Good 2H 12/13e outlook as operating profitability is expected to pick up on higher volumes processed
2Q 12/13e	Neutral	▪ Exceptionally good project business from the UK – biggest segment EBIT contribution ▪ Weak volumes in Austria after decision not to take part in further tenders by Austrian Bundesbeschaffung GmbH
Refinancing	Neutral	▪ Refinancing of EUR 15 mn short-term debt due January 2013 ▪ Strengthening of group-wide factoring + further export loans should cover the biggest parts (please see page 10)
Covenant risk	Negative	▪ Bond covenants require positive full year cash flow or equity ratio of at least 20% – both quite challenging for FY 12/13e ▪ 200bp step-up (currently 6.875% coupon) in case of covenant breach

Source: Raiffeisen Centrobank

2Q 12/13 result

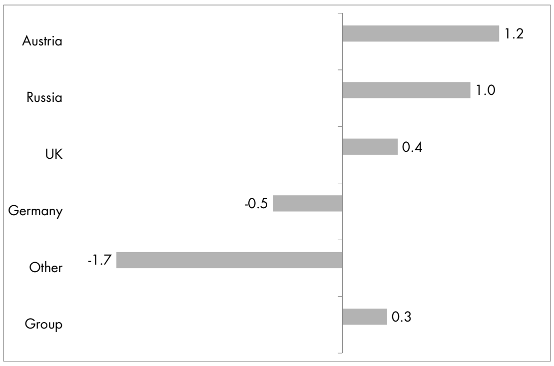
1Q 12/13 was characterized by healthy volumes in Austria and Germany as well as solid project activity in Russia pushing quarterly sales by about 8% yoy. The group EBIT was slightly positive again, following the break-even in 3Q 11/12.

1Q 12/13e country sales split %



Source: Raiffeisen Centrobank estimates

1Q 12/13e country EBIT EUR mn



Source: Raiffeisen Centrobank estimates

Group top line benefitting from strong UK project business…

For 2Q 12/13 saw a yoy top line increase by 21% to absolute levels around EUR 53 mn, mainly driven by expected strong UK sales (120% yoy) as well as sales from other regions (74% yoy) as a couple of mid-sized projects won during 1Q 12/13 hit the P&L during the second quarter. Top line contributions from Russia and Germany are down 40% and up 6% yoy, respectively. Thus the share of export markets is at extraordinary high levels around 76%.

Bene 2Q 12/13 result

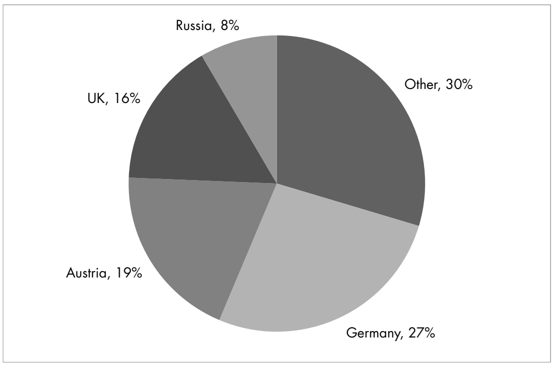
	2Q 12/13e	2Q 11/12	yoy	RCB est.	+/-	1Q 12/13	qoq
Sales	53.0	43.9	21%	49.5	7%	47.8	11%
EBITDA	0.7	1.0	-27%	0.5	46%	2.5	-72%
Margin	*1.3%*	*2.2%*		*1.0%*		*5.2%*	
EBIT	-1.4	-1.1	32%	-1.7	-14%	0.3	-531%
Margin	*-2.7%*	*-2.5%*		*-3.4%*		*0.7%*	
EBT	-2.5	-2.0	28%	-2.3	11%	-0.6	337%
Margin	*-4.7%*	*-4.5%*		*-4.6%*		*-1.2%*	
Net profit a.m.	-2.4	-2.2	12%	-1.7	45%	-0.8	205%
Margin	*-4.6%*	*-5.0%*		*-3.4%*		*-1.7%*	
EPS basic	-0.10	-0.09	12%	-0.07	45%	-0.03	205%

Source: Bene, Raiffeisen Centrobank estimates

…while operating profitability is taking a hit from the Austrian business

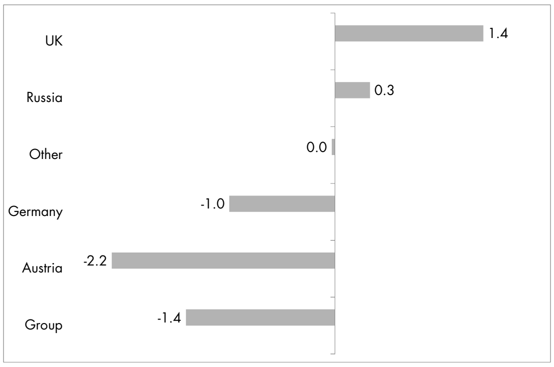
For the Austrian business on the other hand we saw a drop in quarterly sales from previous quarter's levels around EUR 14 mn to levels around EUR 10 mn for 2Q 12/13, following Bene's decision to withdraw from further public tenders by Austrian Bundesbeschaffung GmbH due to recently hefty price wars with competitors resulting in at best neutral project margin contributions.

2Q 12/13 country sales split %



Source: Raiffeisen Centrobank estimates

2Q 12/13 country EBIT EUR mn



Source: Raiffeisen Centrobank estimates

We notice the negative operating profit from the Austrian business, as Bene AG (holding), which is consolidated within the Austrian business, incurred some extraordinary costs relating to the start-up of the Asian operations (around EUR 1.5 mn) as well as modernizations/upgrades of a couple of showrooms. Additionally according to company information this quarter's pricing/gross profit also was clearly lower compared to previous quarter's levels as some price concession to newly won customers had to be made. Contributions from the Bene Asia Pacific amount to EUR 2.5 mn sales during the first 6 months of 2012 as well as an EBIT around EUR -1 mn.

Outlook-wise the company is cautiously optimistic for FY 12/13e and expects, against the background of increased project activity in core markets as well as further growth from the Asian business, a growth in sales and earnings as well as an overall slightly positive FY 12/13e result.

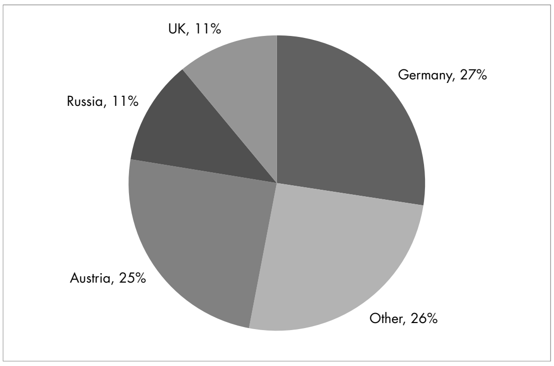
Company overview

#5 European office supplier

Headquartered in Waidhofen/Ybbs, Lower Austria, Bene offers a full-line range of furniture, seating products, various trade goods as well as planning and consultancy services, being the #5 European office furniture supplier with a market share around 2.6% as of 2011.

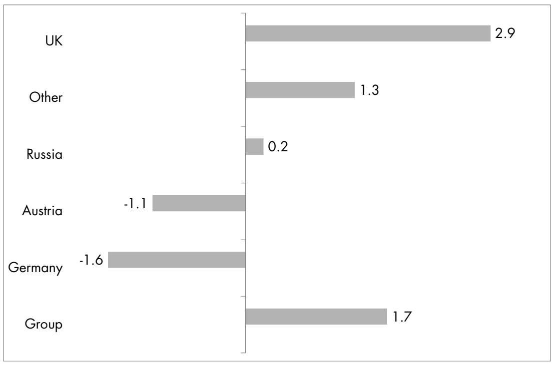
Main markets comprise of Austria (#1 market position), Germany (#13 market position) as well as the UK (#7 market position), Russia or the United Arab Emirates.

FY 11/12 sales split countries %



Source: Bene

FY 11/12 country EBIT EUR mn



Source: Bene

Full product range

In the highly fragmented European furniture market Bene is positioned as a high quality, highly design oriented supplier offering the full product range with a high share of own products. Just-in-time-production is performed at a single highly automated production site in Waidhofen, Lower Austria.

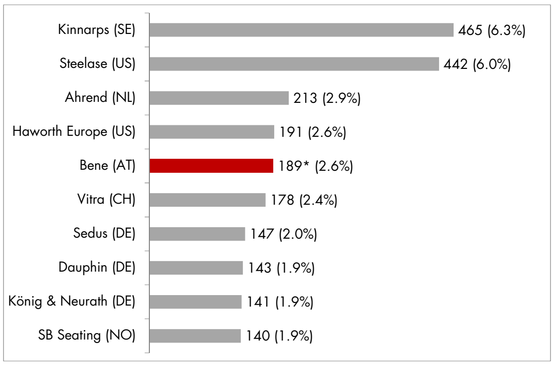
Direct sales

Bene relies on direct distribution channels, with the majority of total sales (roughly 80-90%) generated via its own points of sales and sales force accounting for roughly 40% of total staff of around 1,340.

FY 11/12 sales split product groups %

Source: Bene

Europe 2011 sales EUR mn (market share %)



Source: Bene
**Note: excluding services (FY 11/12 full revenue EUR 194 mn)*

Kinnarps, Europe's market leader, also relies on direct distribution channels, however, contrary to Bene mainly focuses on high volume and low-to-mid priced workplace furniture with little focus on design. Bene's closest peer from a corporate strategy point of view would most likely be Netherland group Ahrend, both focusing on a full product range and direct sales as well. Steelcase and Haworth Europe, both parts of large multinational groups, are pushing their products through multiple distribution channels to mostly global accounts. Sedus and Dauphin are mainly active in marketing seating products.

Core shareholder Bene Privatstiftung

55.8% of the total amount of 24,347,352 shares are freefloat with the remainder held by the Bene Privatstiftung as well as the Management, accounting for 42.4% and 1.8%, respectively.

Core markets

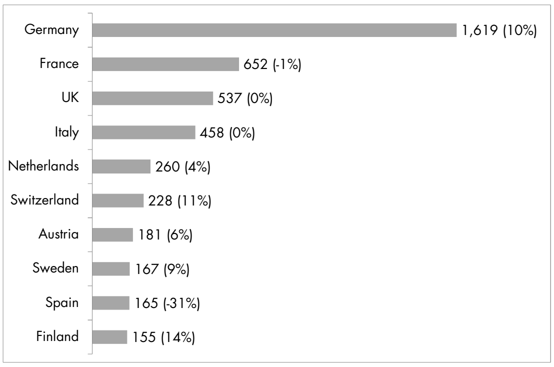
#1 Austria – limited growth potential

Austria: Historically, in one of its strongest markets (market share around 16.5% as of 2011) the company almost solely focuses on direct sales, operating 7 distribution sites with around 221 employees. Further, a showroom in Vienna was opened in summer 2010.

Generally, tough competition in Austria as well as a somewhat saturated market limits further potential volume expansion by Bene, which is already the undisputed market leader in Austria. The rather erratic EBIT-margin dynamic reflects pricing differences of various projects, though operating margins considerably improved since 2H 11/12.

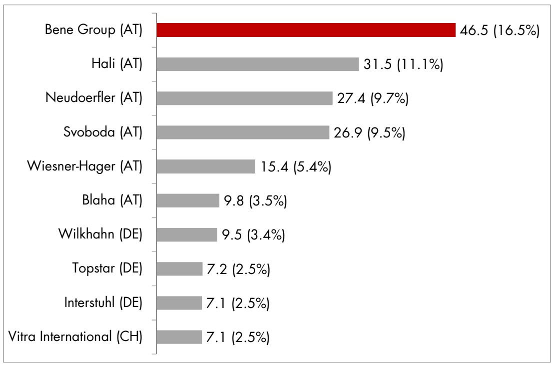
More generally, a sustainable upwards shift of operating margins will most likely be driven by higher volumes of speciality products like communication places or seating products.

European office furniture consumption EUR mn (change yoy %)



Source: Bene

Main players Austrian market revenue EUR mn (market share %)



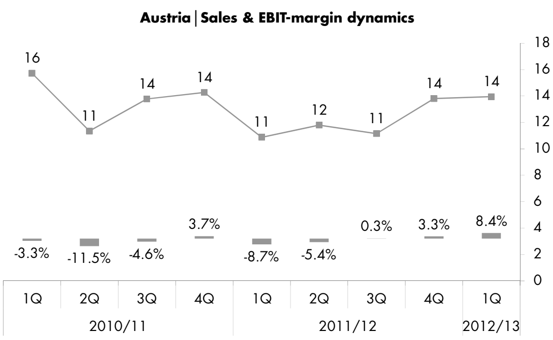
Source: Bene

#13 Germany – volume play

Germany: Bene entered the market in 1987. Following an acquisition of Objektform Group in 1998, Bene was struggling with transforming the traget's corporate structure from being a retailer solely marketing 3rd party products to becoming a direct sales player. In recent years the ratio of 3rd party to own Bene products has changed from initially 80:20 to around 60:40, with obvious positive effects on operating profitability. Total staff amounts to around 172.

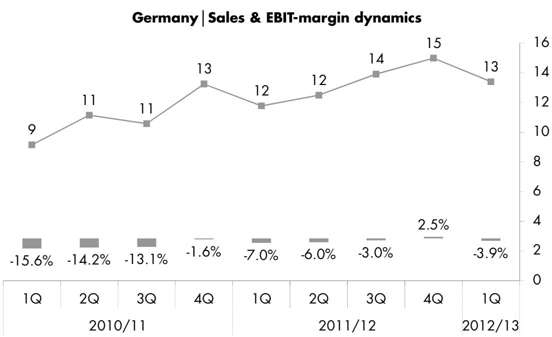
Similar to Austria Germany is less of a high price/margin market but rather a volume play. However, contrary to Austria Bene is a rather small player in Germany (market share around 2.3% as of 2011) allowing for a potentially significant volume expansion. In the mid-term the company deems a doubling of the current top line as quite realistic.

Bene Austria sales & EBIT-margin dynamics



Source: Bene

Bene Germany sales & EBIT-margin dynamics



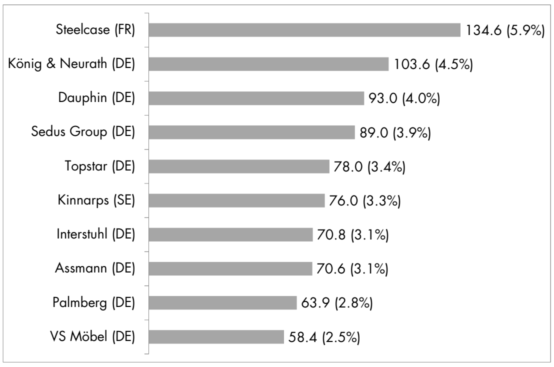
Source: Bene

#7 UK – margin upside

UK: Focusing on the greater London area, Bene operates an own sales organization as well as a showroom with staff of around 43. Bene's client structure mostly comprises of a couple of key accounts e.g. international corporations/banks accounting. Thus around mid-sized 4-5 projects can make up to 70% of total quarterly sales.

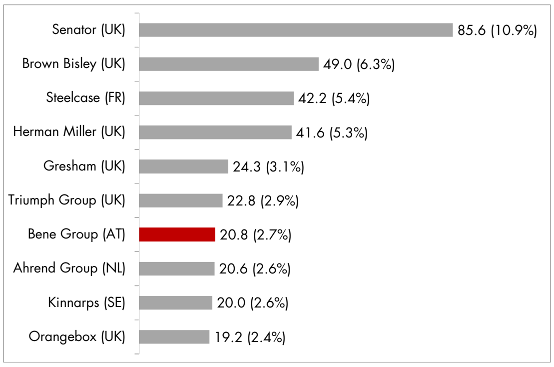
Price levels are generally much better compared to Austria/Germany, thus making Bene's UK operations less dependent on volumes to cover the fixed costs of the sales and distribution force. The 4Q 11/12 operating profitability outlier was related to one-off charges.

Main players German market (market share %)



Source: Bene

Main players UK market (market share %)

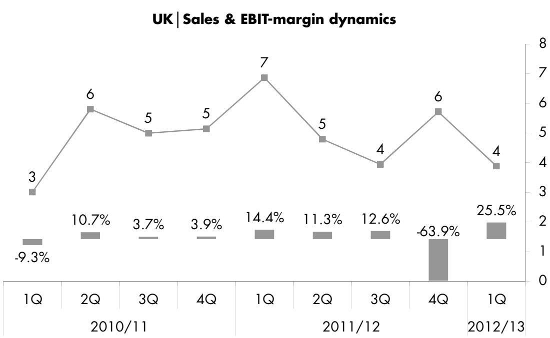


Source: Bene

Russia: Present in Moscow for around 20 years Bene expanded to St. Petersburg in 2008, in total employing around 96 people.

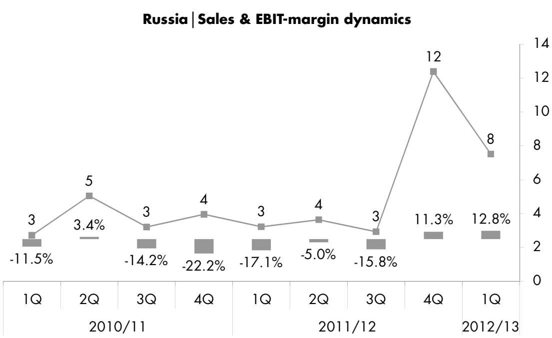
Regarding Bene's market position, client structure and pricing levels Russia is comparable to UK markets. The boost in quarterly top line from 3Q FY 11/12 levels around EUR 3 mn to EUR 12 mn in 4Q was attributable to a single sizable project realized with an international account.

Bene UK sales & EBIT-margin dynamics



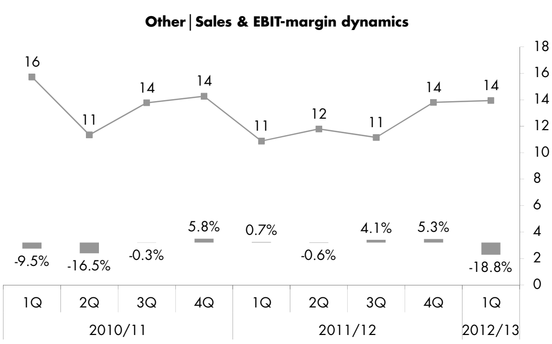
Source: Bene, Raiffeisen Centrobank

Bene Russia sales & EBIT-margin dynamics



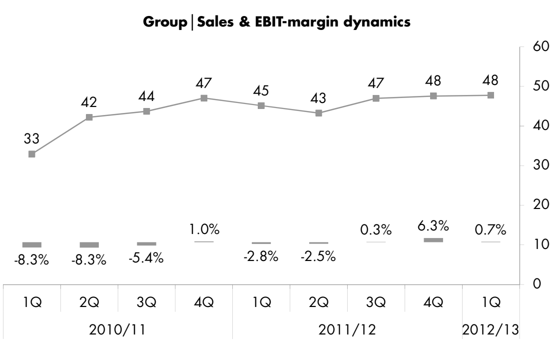
Source: Bene, Raiffeisen Centrobank

Bene other sales & EBIT-margin dynamics



Source: Bene, Raiffeisen Centrobank

Bene group sales & EBIT-margin dynamics



Source: Bene, Raiffeisen Centrobank

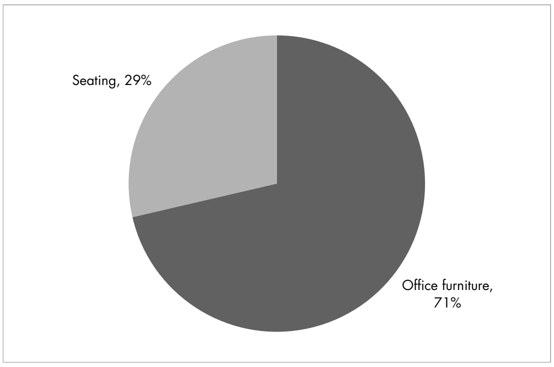
Investment case

Bene contributions from seating segment well below market potential

Seating segment: According to company information in 2011 total European office seating products amounted to around EUR 2.1 bn (roughly 30% of the total office furniture production), up around 3% from 2010 levels after contracting by around 24% in 2009. Thus, despite last year's growth the market is still well below pre-crisis levels.

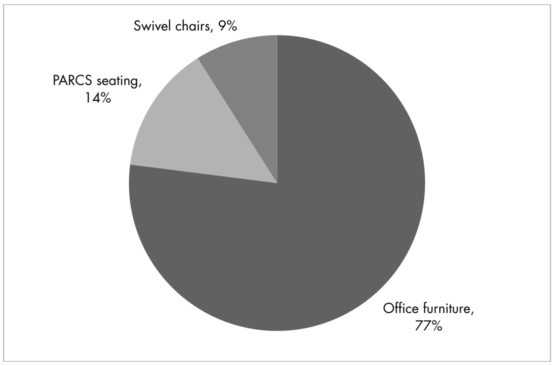
Comparing the share of seating products of nearly 30% of the total FY 11/12 European office furniture market to Bene's seating segment group top line contribution of around 23% (please see pie charts below) highlights this segment's growth potential quite well. Further, Bene PARCS seating products (14%) share actually represent an exception to conventional office/swivel chairs thus reducing the comparable revenue contribution to around 9% vs. roughly 30% market size.

FY 11/12 European office furniture market



Source: Bene

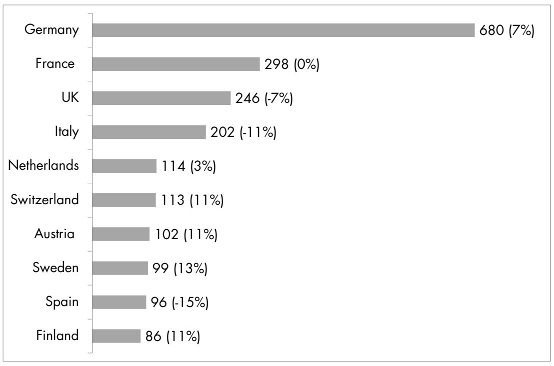
FY 11/12 Bene share of seating products



Source: Bene

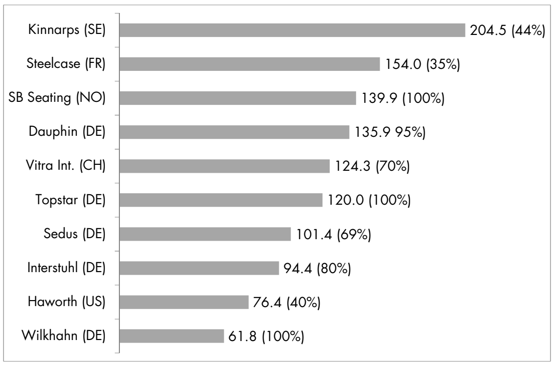
This is also reflected in Bene's mid-term strategy of further reducing the share of lower margin trade goods while increasingly pushing office swivel chairs or other seating products, which on a standalone product basis offer the highest gross profit levels, similar to communication places furniture (e.g. PARCS product group). Further, the average lifetime of an office swivel chair of around 6-7 years is below half of an office desk averaging around 10 years. The European office seating market is considerably less fragmented than its primary market, as the top five companies control around 36% of the market vs. 20% in the European office furniture market (please see the graph on page 4). Kinnarps provides around 10% of the total output.

European office seating consumption EUR mn (change yoy %)



Source: Bene

Main players office seating Europe production EUR mn (seating % total revenues)



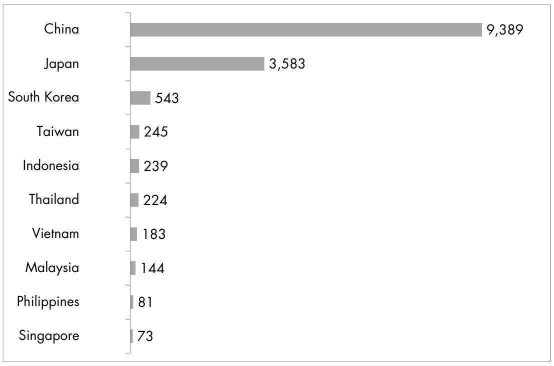
Source: Bene

Bene, with a FY 11/12 annual production of seating products (including seating products from the communication products segment) around EUR 42 mn is still a relatively small player in Europe, ranked #15. However, compared to major competitors such as Kinnarps or Steelcase with 44% and 35% respectively, we notice Bene's still well below average levels seating products share of group revenues at around 23% (swivel chairs 9% + communication seating products around 14%) – definitely highlighting further growth potential in these areas.

Targeting new markets…

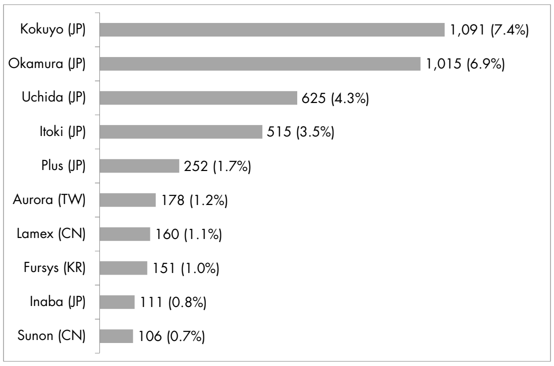
Asia Pacific: According to industry sources the 2010 office furniture market in the Asian Pacific region amounted to roughly USD 17 bn, having shown a 12% CAGR since 2002. Growth was primarily driven by China, which became the region's leading producer in 2003 and accounted for roughly 70% of total output by 2010. Recently China has also overtaken the US and Western Europe in terms of office furniture output by multinational corporations. Downsizings/closures of US and Western European facilities in the wake of the financial crisis have further strengthened this trend. As of today most multinational groups (e.g. Haworth – one of Bene's European competitors) operate a manufacturing facility in China.

Office furniture consumption 2010 USD mn



Source: Bene

Main players Asia Pacific revenue USD mn (market share %)



Source: Bene

…through presence in key regions

In recent years, from the existing volume driven highly price sensitive mass market, a top segment increasingly focused on quality and design evolved in many key regions which serve as headquarter-locations of many multinational corporations e.g. Hong Kong or Singapore. Bene is currently in the process of setting up a direct sales structure with 6 points-of-sale across the region:

Start-up costs related to the expansion are estimated around EUR 1.5 mn, partly booked during 1H 12/13. According to company projections full year sales projections for the region amount to around EUR 7 mn – small contributions from first projects are apparently already booked with 2Q 12/13 figures. The operations are expected to break-even within 3 years at a top line between EUR 18-20 mn according to company projections.

Procurement & assembling entity founded

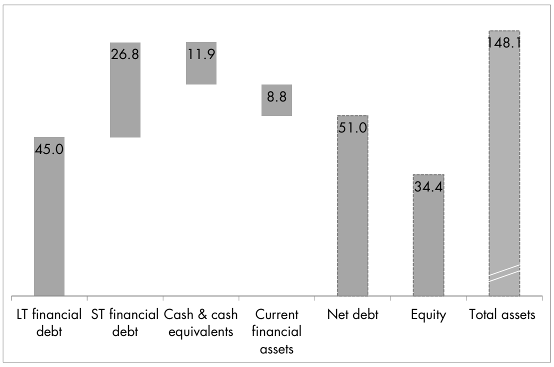
Since full shipping of material/products from Waidhofen, Austria is commercially not viable, Bene founded an entity during 1Q 12/13 in charge of local procurement as well as partial assembling of PARCS or seating products. More conventional products e.g. workplaces or storage solutions are still manufactured at the plant in Waidhofen before, together with locally assembled parts, being shipped to the customer. In the mid-term (5-6 years), at the latest when reaching a revenue threshold of around EUR 40 mn, Bene plans to set up own production capacities in the region.

Current financials

1Q 12/13 gearing around 60%

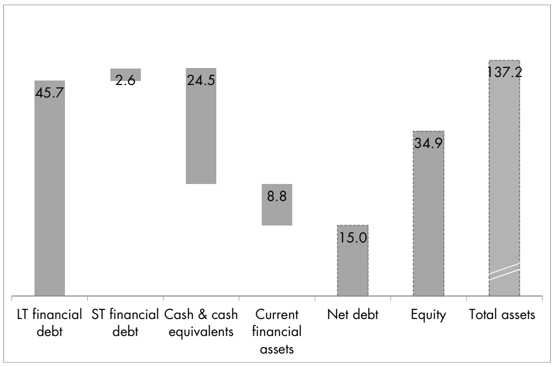
In 1Q 12 a gearing of 60% (vs. 4Q 11 of around 30%) is at the upper range of the group wide target of 50-60% as stated in the last annual report. The increase in interest-bearing debt is mostly of short term nature. The residual interest-bearing short-term debt comprises of various overdraft facilities.

1Q 12/13 gearing around 60% / equity ratio 23%



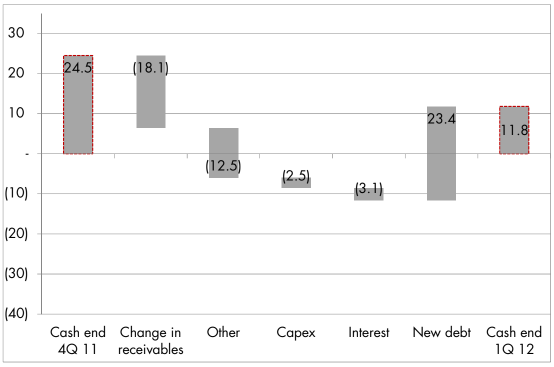
Source: Bene, Raiffeisen Centrobank

4Q 11/12 gearing around 30% / equity ratio 25%



Source: Bene, Raiffeisen Centrobank

1Q 12/13 cash flow development



Source: Bene, Raiffeisen Centrobank

The 1Q 12/13 strongly negative cash flow from operations of EUR -30.5 mn is mainly due to the increase of receivables as the balance sheet position again reached around EUR 30 mn at the end of 1Q 12/13 owing to a typically stronger invoicing in the first quarter as well as an due to an extraordinary low 4Q 11/12 trade receivables position of around EUR 11 mn, relating to usually strong factoring activity solely in the last quarter. According to Bene's FY 11/12 statement during the course of the business year (respectively during 4Q 11/12) the group sold trade receivables with a book value of around EUR 21 mn (FY 10/11 EUR 8.5 mn) to a factoring partner.

Refinancing

EUR 40 mn bond due April 2014

The EUR 40 mn senior unsecured bond (6.875% coupon) is due on April 30 2014. Covenants require a positive full year cash flow figure or an equity ratio of at least 20%. (FY 11/12 cash flow of EUR -10 mn and an equity ratio around 25%). In case of a convent breach a coupon step-up of 200bp will become effective.

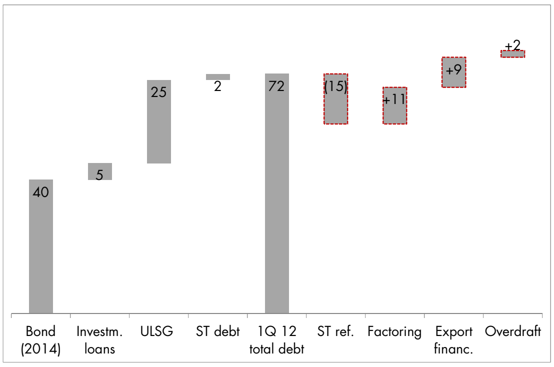
Further long-term debt comprises of EUR 5 mn state/EU granted (ERP) investment loans on average due 2014.

EUR 15 mn to be refinanced by January 2013

EUR 15 mn of short-term debt (funds from Unternehmensliquiditätssicherungs-Gesetz as well as various bank loans/overdraft facilities) has to be repayed by the end of January 2013 corresponding to Bene's 4Q 12/13.

According to Bene projections EUR 11 mn may be gained through factoring. Bene plans to extend its factoring activities from current year-end receivable sales of its Austrian operations to a group-wide throughout the business year ongoing factoring model which also includes receivables from the German and UK subsidiary.

Potential refinancing gap at end FY 12/13



Source: Bene, Raiffeisen Centrobank estimates

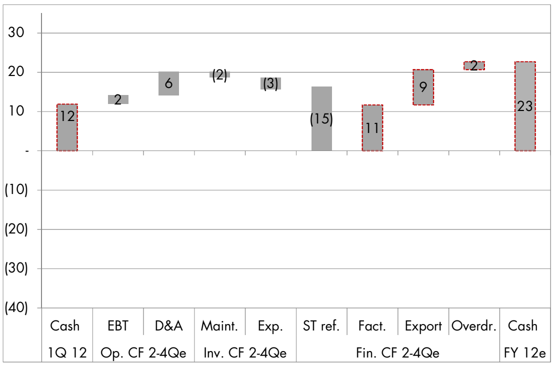
Further, projected EUR 9 mn should be drawn from two existing export financing facilities. On top of the EUR 15 mn refinancing, roughly EUR 2 mn from an existing overdraft facility could be drawn providing somewhat of a liquidity cushion for the ongoing operations.

FY 12/13e planning assumptions

Starting from 1Q 12/13 cash levels of around EUR 12 mn we try to assess the cash impacts (including refinancing issues) for the remainder of FY 12/13e.

FY 12/13e cash flow

1Q 12 – FY 12/13e cash flow bridge



Source: Bene, Raiffeisen Centrobank estimates

Operating profitability to pick up in 2H 12/13 on stronger volumes…

Following an EBIT breakeven in 1Q 12/13 (EBT at EUR -0.6 mn) as well as an expected 2Q 12/13e figure around EUR -1.5 mn (EBT seen around EUR -2.4 mn – please see page 2 for a detailed overview of our 2Q 12/13e estimates) we reckon with a clear uptake of operating profitability during 2H 12/13 driven by stronger volumes in the second half of the year e.g. from Germany or UK. This can be explained by a usually higher portion of orders being booked during 3Q, as investment decisions taken at the beginning of the year usually take 7-8 months until being realized. Further support for 3Q/4Q 12/13 should come from an ongoing strong project business in the UK and Russia as well as most likely further contributions from the Asian business. An expected 2-4Q EBT of around EUR 2.3 mn would thus result in a FY 12/13e pre-tax profit of around EUR 2.0 mn. Adjustments for non-cash effects – mostly D&A at around EUR 2 mn per quarter – could amount to around EUR 6 mn.

…while refinancing is expected as outlined by the company

Capex assumptions for the remainder of the year are around EUR 4.5 mn (1H 12/13 at around EUR 5 mn), comprising – besides around EUR 1.5 mn of maintenance capex – around EUR 2 mn for new/modernized showrooms as well as EUR 0.5 mn for additional metal processing machinery at the main plant in Waidhofen. Refinancing-wise we assume the EUR 15 mn gap to go through as outlined on page 10, thus arriving at a year-end cash position of around EUR 23 mn (excluding marketable securities of around EUR 9.0 mn).

Overview mid-term assumptions

Overview mid-term assumptions

	Forecasts		
	2012/13e	**2013/14e**	**2014/15e**
Sales	217.8	227.4	236.2
Growth yoy	*12.3%*	*4.4%*	*3.9%*
EBITDA	13.0	13.8	16.2
EBITDA margin	*6.0%*	*6.1%*	*6.9%*
EBIT	4.4	5.3	7.4
EBIT margin	*2.0%*	*2.3%*	*3.1%*
EBT	2.0	2.4	4.1
EBT margin	*0.9%*	*1.0%*	*1.8%*
Net profit a.m.	1.5	1.7	3.1
Net profit a.m. margin	*0.7%*	*0.8%*	*1.3%*
EPS	0.06	0.07	0.13

Source: Raiffeisen Centrobank estimates

We see the group top line mainly driven by strong project business from UK and Russia while seeing less upside from volume play markets like Austria or Germany. No noticeable yoy hike in profitability is expected yet for FY 13/14 as structural changes in core markets (e.g. Austria) as well as the ongoing expansion to Asian Pacific regions might dampen positive effects from higher volumes. For FY14/15 we reckon with positive effects from a higher portion of seating/PARCS sales as well as first positive margin contributions from the Asia Pacific business.

Countries mid-term assumptions

	Forecasts		
	2012/13e	***2013/14e***	***2014/15e***
Austria			
Sales	51.447	52.733	53.788
Growth yoy	*8.0%*	*2.5%*	*2.0%*
EBIT	0.772	1.582	2.098
EBIT margin	*1.5%*	*3.0%*	*3.9%*
Germany			
Sales	58.646	60.961	62.807
Growth yoy	*10.3%*	*3.9%*	*3.0%*
EBIT	(0.880)	1.219	1.507
EBIT margin	*-1.5%*	*2.0%*	*2.4%*
UK			
Sales	28.490	30.313	31.238
Growth yoy	*33.6%*	*6.4%*	*3.1%*
EBIT	4.274	2.213	2.280
EBIT margin	*15.0%*	*7.3%*	*7.3%*
Russia			
Sales	23.199	24.868	27.230
Growth yoy	*4.6%*	*7.2%*	*9.5%*
EBIT	2.552	1.741	1.634
EBIT margin	*11.0%*	*7.0%*	*6.0%*
Other			
Sales	56.031	58.552	61.187
Growth yoy	*12.9%*	*4.5%*	*4.5%*
EBIT	(2.299)	(1.463)	(0.167)
EBIT margin	*-4.1%*	*-2.5%*	*-0.3%*
Group			
Sales	217.8	227.4	236.2
Growth yoy	*12.3%*	*4.4%*	*3.9%*
EBIT	4.4	5.3	7.4
EBIT margin	*2.0%*	*2.3%*	*3.1%*

Source: Raiffeisen Centrobank estimates

Austria – cautious about saturated market & tough pricing

For Austria we are most cautious volume-wise, as we do not believe that making up for the "lost Bundesbeschaffung GmbH volumes" (compared to 1Q 12/13 levels) will be an easy task in a quite saturated market, characterized by numerous local players desperately trying to keep capacity utilization rates up. Also from operating margins we expect, after a sustainable turnaround by FY 12/13e to rather normalized levels, again first upside by FY 14/15e, assuming higher shares of high margin speciality (e.g. PARCS) and seating products.

Potential volume upside through market share gains

For Germany we see the picture quite similar, although Bene's #13 market position potentially allows for a better volume upside through market share gains in case of an ongoing market consolidation, as reflected by a bit higher mid-term growth rate assumptions. Margin-wise we expect mid-term positive effects from the ongoing increase of own Bene products vs. 3rd party trade goods sold.

UK/Russia project business to expand

Volume-wise we are most optimistic about the project business driven countries UK and Russia, as Bene's current global key account initiative could prove most beneficial in those markets.

Though pricing is highly fluctuating – depending on individual projects – we believe the generally higher pricing levels to sustain in the mid-term, supported by the market's generally higher affinity for design and upmarket products. e.g. workplaces or storage solutions are still manufactured at the plant in Waidhofen and then shipped to the region.

Other markets & Asia Pacific

Other markets – including Asia Pacific, which will be reported separately by the company after surpassing a certain revenue threshold – should grow somewhat above group levels, though Asia Pacific operations just started and are not expected to show sizeable contributions still in FY 12/13e. We reckon with FY 12/13e revenues around EUR 4 mn, growing in FY 13/14e and FY 14/15e to EUR 6 mn and EUR 10 mn. Regarding operating profitability, though we reckon with a break-even of Asian operations within 3 years, we would see own production capacities in the region as a major trigger – as currently solely seating or PARCS products are locally sourced and assembled, whereas more conventional

"Hold" EUR 1.40 TP

We derive our 12-months target price of EUR 1.40 using a DCF model, which is our preferred approach given the lack of listed peers with comparable business models and regional exposure (please see table below).

Lack of comparable listed peers

Trading multiples overview

Company	Country	MCAP	EV	EV/Sales				EV/EBITDA				EV/EBIT				P/E			
		EUR mn	EUR mn	12A/E	13E	14E	15E	12A/E	13E	14E	15E	12A/E	13E	14E	15E	12A/E	13E	14E	15E
Bene AG																			
Bene AG (DCF)	AUSTRIA	29	47	0.2x	0.2x	0.2x	0.2x	4.5x	4.1x	3.9x	3.2x	27.0x	13.0x	11.3x	7.4x	n/m	22.5x	20.9x	10.2x
1. Quartile				**0.2x**	**0.2x**	**0.2x**	**0.2x**	**4.5x**	**4.1x**	**3.9x**	**3.2x**	**27.0x**	**13.0x**	**11.3x**	**7.4x**	**n/a**	**22.5x**	**20.9x**	**10.2x**
Median				**0.2x**	**0.2x**	**0.2x**	**0.2x**	**4.5x**	**4.1x**	**3.9x**	**3.2x**	**27.0x**	**13.0x**	**11.3x**	**7.4x**	**n/a**	**22.5x**	**20.9x**	**10.2x**
3. Quartile				**0.2x**	**0.2x**	**0.2x**	**0.2x**	**4.5x**	**4.1x**	**3.9x**	**3.2x**	**27.0x**	**13.0x**	**11.3x**	**7.4x**	**n/a**	**22.5x**	**20.9x**	**10.2x**
Office furniture | Tier 1																			
Steelcase Inc	UNITED STATES	1,007	771	0.5x	0.5x	0.4x	n/a	6.9x	6.7x	5.1x	n/a	9.9x	n/a	n/a	n/a	22.9x	13.1x	9.8x	8.1x
Herman Miller Inc	UNITED STATES	934	972	0.6x	0.7x	0.6x	n/a	6.2x	6.0x	4.9x	n/a	7.8x	n/a	n/a	n/a	16.0x	13.4x	11.4x	9.3x
HNI Corp	UNITED STATES	1,041	1,154	0.8x	0.7x	0.6x	n/a	10.5x	9.2x	7.7x	n/a	n/a	n/a	n/a	n/a	28.2x	21.6x	17.5x	13.8x
Knoll Inc	UNITED STATES	569	777	1.0x	1.1x	1.0x	n/a	7.9x	9.2x	8.0x	n/a	n/a	n/a	n/a	n/a	12.3x	13.9x	11.8x	10.4x
1. Quartile				**0.6x**	**0.6x**	**0.5x**	**n/a**	**6.7x**	**6.5x**	**5.1x**	**n/a**	**8.3x**	**n/a**	**n/a**	**n/a**	**15.1x**	**13.4x**	**11.0x**	**9.0x**
Median				**0.7x**	**0.7x**	**0.6x**	**n/a**	**7.4x**	**7.9x**	**6.4x**	**n/a**	**8.8x**	**n/a**	**n/a**	**n/a**	**19.5x**	**13.7x**	**11.6x**	**9.8x**
3. Quartile				**0.8x**	**0.8x**	**0.7x**	**n/a**	**8.5x**	**9.2x**	**7.8x**	**n/a**	**9.4x**	**n/a**	**n/a**	**n/a**	**24.2x**	**15.8x**	**13.2x**	**11.3x**
Peers | Tier 2																			
Zumtobel AG	AUSTRIA	398	817	0.5x	0.4x	0.4x	0.4x	6.6x	5.9x	4.7x	4.3x	16.9x	13.8x	8.7x	6.6x	24.6x	16.9x	9.7x	7.7x
1. Quartile				**0.5x**	**0.4x**	**0.4x**	**0.4x**	**6.6x**	**5.9x**	**4.7x**	**4.3x**	**16.9x**	**13.8x**	**8.7x**	**6.6x**	**24.6x**	**16.9x**	**9.7x**	**7.7x**
Median				**0.5x**	**0.4x**	**0.4x**	**0.4x**	**6.6x**	**5.9x**	**4.7x**	**4.3x**	**16.9x**	**13.8x**	**8.7x**	**6.6x**	**24.6x**	**16.9x**	**9.7x**	**7.7x**
3. Quartile				**0.5x**	**0.4x**	**0.4x**	**0.4x**	**6.6x**	**5.9x**	**4.7x**	**4.3x**	**16.9x**	**13.8x**	**8.7x**	**6.6x**	**24.6x**	**16.9x**	**9.7x**	**7.7x**

Source: Raiffeisen Centrobank estimates

After a detailed planning period until 2014 we reckon with a 2015-19 sales CAGR of 3%, gradually declining to levels around 2% approaching the terminal value steady state. For terminal value calculations we assumed a long-term growth rate of 1.5% as well as an EBITDA margin of 6.2% (TV/normalized EBITDA of 3.7x).

Given the high cyclicality of the sector we believe an industry beta of 1.1 as well as a company beta of 1.2, reflecting Bene's higher risk profile due to size and financial constraints, to be adequate arriving at a 12-months target price of EUR 1.40.

DCF Valuation

FCF projection (EUR mn)	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Consolidated sales	**217.8**	**227.4**	**236.2**	**244.8**	**253.1**	**260.9**	**275.2**
EBITDA	13.0	13.8	16.2	17.4	18.2	18.3	17.1
EBITA	4.4	5.3	7.4	9.2	9.8	9.6	7.6
Taxes paid on EBITDA	-0.5	-0.6	-1.8	-2.3	-2.5	-2.4	-1.9
NOPLAT	**3.3**	**4.0**	**5.5**	**6.9**	**7.4**	**7.2**	**5.7**
Adj. NOPLAT	3.3	4.0	5.5	6.9	7.4	7.2	5.7
Depreciation of PPE & intangibles	8.6	8.5	8.8	8.2	8.4	8.7	9.5
Gross investment in PPE & intangibles	-9.5	-9.7	-10.0	-10.1	-11.3	-12.9	-11.1
Change in working capital	-4.8	-1.8	-1.1	-0.9	-0.2	-0.2	-0.1
NWC/Sales	1.6%	2.3%	2.7%	3.0%	3.0%	3.0%	3.0%
Change in LT provisions other than tax	0.0	0.0	0.0	n.a.	n.a.	n.a.	0.0
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	-2.4	1.0	3.3	4.0	4.2	2.7	3.9
Adj. free cash flow to firm	**-2.4**	**1.0**	**3.3**	**4.0**	**4.2**	**2.7**	**3.9**
EV DCF, mid-year assumption	**50.5**	**53.0**					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	19.6	20.9					
- MV of minorities eop	0.0	0.0					
Adjustments to EV eop	1.0	1.0					
Fair value of equity	**31.9**	**33.1**					
Shares outstanding (mn)	24.3	24.3					
Fair value per share (in EUR)	**1.31**	**1.36**					

Value drivers	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Consolidated sales yoy	12.3%	4.4%	3.9%	3.6%	3.4%	3.1%	1.5%
EBITDA margin	6.0%	6.1%	6.9%	7.1%	7.2%	7.0%	6.2%
Rate of taxes paid	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	1.6%	2.3%	2.7%	3.0%	3.0%	3.0%	3.0%
Capex/depreciation	110.4%	113.9%	113.2%	123.2%	134.5%	148.2%	117.3%
Free cash flow margin	-1.1%	0.4%	1.4%	1.7%	1.7%	1.0%	1.4%

WACC	2012e	2013e	2014e	2015e	2016e	2017e	TV CF
Target capital structure (at MV)	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Debt/equity ratio (at MV)	53.8%	53.8%	53.8%	53.8%	53.8%	53.8%	53.8%
Risk free rate (local)	1.1%	1.3%	2.2%	2.5%	3.3%	3.9%	4.2%
Equity market premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Levered beta	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Cost of equity	7.6%	7.8%	8.7%	9.0%	9.8%	10.4%	10.7%
Cost of debt	6.5%	7.0%	7.0%	7.0%	6.5%	6.5%	6.0%
Tax rate	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	**6.6%**	**6.9%**	**7.5%**	**7.7%**	**8.1%**	**8.5%**	**8.5%**

Sensitivity analysis

Growth sensitivity (EUR)			Terminal growth rate				
WACC	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
7.0%	1.5	1.6	1.8	2.0	2.2	2.4	2.8
7.5%	1.3	1.5	1.6	1.7	1.9	2.1	2.4
8.0%	1.2	1.3	1.4	1.5	1.7	1.8	2.1
8.5%	1.1	1.2	1.3	**1.4**	1.5	1.6	1.8
9.0%	1.0	1.0	1.1	1.2	1.3	1.4	1.6
9.5%	0.9	0.9	1.0	1.1	1.2	1.3	1.4
10.0%	0.8	0.8	0.9	1.0	1.0	1.1	1.2

Margin sensitivity (EUR)			FCF margin TV				
WACC	**-0.1%**	**0.4%**	**0.9%**	**1.4%**	**1.9%**	**2.4%**	**2.9%**
7.0%	-0.2	0.5	1.2	2.0	2.7	3.4	4.1
7.5%	-0.2	0.4	1.1	1.7	2.4	3.0	3.7
8.0%	-0.2	0.4	1.0	1.5	2.1	2.7	3.3
8.5%	-0.2	0.3	0.8	**1.4**	1.9	2.4	2.9
9.0%	-0.2	0.3	0.7	1.2	1.7	2.2	2.6
9.5%	-0.2	0.2	0.7	1.1	1.5	2.0	2.4
10.0%	-0.2	0.2	0.6	1.0	1.4	1.8	2.2

Source: Raiffeisen Centrobank estimates

Income statement (EUR mn)	*1/2010*	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Consolidated sales	**179.3**	**170.8**	**193.9**	**217.8**	**227.4**	**236.2**
Changes in inventories & own work capitalised	-2.0	4.9	2.3	4.1	4.3	4.5
Other operating income	3.4	3.3	3.8	2.3	2.4	2.5
Total revenues	**180.7**	**179.0**	**200.0**	**224.2**	**234.1**	**243.2**
Material costs	-82.2	-81.4	-91.9	-104.4	-108.6	-112.0
Personnel expenses	-65.4	-61.3	-66.7	-71.7	-73.9	-75.8
Other operating expenses	-38.3	-35.8	-31.4	-35.1	-37.8	-39.2
EBITDA	**-5.2**	**0.5**	**10.0**	**13.0**	**13.8**	**16.2**
Adjusted EBITDA	-5.2	0.5	10.0	13.0	13.8	16.2
Depreciation of PPE and intangibles	-8.7	-8.7	-8.3	-8.6	-8.5	-8.8
EBITA	**-13.9**	**-8.2**	**1.7**	**4.4**	**5.3**	**7.4**
Amortisation, impairment of goodwill	-0.1	0.0	0.0	0.0	0.0	0.0
EBIT	**-14.0**	**-8.2**	**1.7**	**4.4**	**5.3**	**7.4**
Adjusted EBIT	-14.0	-8.2	1.7	4.4	5.3	7.4
Investment income	0.0	0.0	0.0	0.3	0.2	0.2
Net interest income	-2.6	-3.4	-3.7	-2.6	-3.2	-3.4
Other financial result	-0.2	0.3	1.2	0.0	0.0	0.0
Financial result	**-2.8**	**-3.1**	**-2.5**	**-2.4**	**-2.9**	**-3.2**
Earnings before taxes	**-16.8**	**-11.3**	**-0.8**	**2.0**	**2.4**	**4.1**
Taxes on income	-0.3	-1.0	-1.6	-0.5	-0.6	-1.0
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**-17.2**	**-12.3**	**-2.4**	**1.5**	**1.8**	**3.1**
Minority interests	-0.1	-0.1	-0.1	-0.0	-0.0	-0.0
Net profit after minorities	**-17.3**	**-12.4**	**-2.5**	**1.5**	**1.7**	**3.1**
Adjusted Net profit	-17.3	-12.4	-2.5	1.5	1.7	3.1

Changes yoy	*1/2010*	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Consolidated sales yoy	-32.4%	-4.7%	13.5%	12.3%	4.4%	3.9%
EBITDA yoy	-127.4%	n.a.	2,088.0%	30.2%	6.0%	17.2%
EBITA yoy	-220.7%	40.8%	n.a.	164.4%	19.8%	38.9%
EBIT yoy	-223.1%	41.4%	n.a.	164.4%	19.8%	38.9%
EBT yoy	-293.2%	33.0%	92.5%	n.a.	15.0%	76.1%
Net profit after minorities yoy	-475.5%	28.3%	79.9%	n.a.	15.2%	76.1%

Margins	*1/2010*	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Material costs margin	-45.9%	-47.7%	-47.4%	-47.9%	-47.8%	-47.4%
EBITDA margin	-2.9%	0.3%	5.2%	6.0%	6.1%	6.9%
EBITA margin	-7.7%	-4.8%	0.9%	2.0%	2.3%	3.1%
EBIT margin	-7.8%	-4.8%	0.9%	2.0%	2.3%	3.1%
EBT margin	-9.4%	-6.6%	-0.4%	0.9%	1.0%	1.8%
Net margin	-9.6%	-7.2%	-1.3%	0.7%	0.8%	1.3%

Profitability	*1/2010*	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Return on assets	-9.2%	-5.4%	5.8%	2.8%	2.7%	3.5%
Return on equity	-29.0%	-27.7%	-6.8%	4.3%	4.7%	7.7%
Return on capital employed	-13.9%	-8.4%	9.6%	4.6%	4.5%	5.8%

Cash flow statement (EUR mn)	*1/2010*	*1/2011*	*1/2012*	*1/2013e*	*1/2014e*	*1/2015e*
Earnings before taxes	**-16.8**	**-11.3**	**-1.8**	**2.0**	**2.4**	**4.1**
Taxes paid	-0.9	-0.6	-0.5	-0.5	-0.6	-1.0
Amortisation and depreciation	8.8	8.7	8.0	8.6	8.5	8.8
Other non-cash items	0.9	-0.0	-11.5	0.0	0.0	0.0
Cash flow from result	**-8.0**	**-3.2**	**-5.8**	**10.1**	**10.3**	**11.9**
Change in working capital	14.8	14.0	-7.6	-5.3	-1.8	-1.1
Operating cash flow	**6.8**	**10.8**	**-13.4**	**4.8**	**8.5**	**10.9**
Capex PPE and intangible assets	-14.2	-6.2	-7.7	-9.5	-9.7	-10.0
Acquisitions	-0.2	-0.2	0.0	0.0	0.0	0.0
Disposal of fixed assets (total)	1.4	0.6	0.0	0.0	0.0	0.0
Other items (investments)	-0.0	-4.6	-0.1	-0.1	-0.1	0.0
Investing cash flow	**-13.1**	**-10.5**	**-7.8**	**-9.6**	**-9.8**	**-10.0**
Dividend payments	0.0	0.0	0.0	0.0	0.0	0.0
Other changes in equity	0.0	0.0	-0.0	0.0	0.0	0.0
Change in financial liabilities	38.4	-9.8	12.6	4.2	4.5	4.0
Other items	0.0	0.0	0.0	-0.0	-0.0	-0.0
Financing cash flow	**38.4**	**-9.8**	**12.5**	**4.2**	**4.5**	**4.0**

Source: Bene, Raiffeisen Centrobank estimates

Balance sheet (EUR mn)	1/2010	1/2011	1/2012	1/2013e	1/2014e	1/2015e
Current assets	**92.4**	**82.8**	**71.7**	**84.6**	**91.0**	**97.9**
Liquid funds	48.2	43.5	33.3	32.8	35.9	40.8
Receivables	30.4	23.0	21.5	33.3	35.7	37.1
Inventories	13.8	16.3	16.9	18.5	19.3	20.1
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**62.5**	**59.9**	**59.0**	**59.9**	**61.1**	**62.3**
Property, plant & equipment	48.2	45.6	43.5	46.2	49.1	52.2
Intangible assets	9.6	9.4	11.0	9.2	7.5	5.5
Goodwill	4.4	4.4	4.4	4.4	4.4	4.4
Financial assets	0.4	0.4	0.0	0.1	0.1	0.1
Deferred tax assets	**6.8**	**6.5**	**6.5**	**6.5**	**6.5**	**6.5**
Total assets	**161.7**	**149.2**	**137.2**	**151.0**	**158.6**	**166.7**
Current liabilities	**47.1**	**49.4**	**42.9**	**54.9**	**60.7**	**65.8**
Short-term borrowings	9.8	2.6	2.6	6.5	11.0	15.0
Notes & trade payables, payments received	18.8	23.2	19.8	23.1	23.7	24.6
Other current liabilities	18.5	23.5	20.4	25.3	26.1	26.2
Long-term liabilities	**63.1**	**61.0**	**59.0**	**59.3**	**59.3**	**59.3**
Long-term borrowings	50.9	48.3	45.7	46.0	46.0	46.0
Long-term provisions	10.7	11.5	12.1	12.1	12.1	12.1
Other long-term liabilities	1.5	1.2	1.2	1.2	1.2	1.2
Hybrid & other mezzanine capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Shareholders' equity	**51.0**	**38.4**	**34.9**	**36.5**	**38.2**	**41.3**
Minority interests	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax liabilities	**0.2**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**
Total liabilities	**161.7**	**149.2**	**137.2**	**151.0**	**158.6**	**166.7**

Balance sheet (EUR mn)	1/2010	1/2011	1/2012	1/2013e	1/2014e	1/2015e
Net working capital	7.0	-7.4	-1.8	3.5	5.3	6.4
Net interest-bearing debt	12.3	7.0	15.0	19.6	20.9	20.0
Capital employed	112.0	89.5	83.2	89.0	95.2	102.3
Market capitalisation	34.1	46.3	30.1	29.3	29.3	29.3
Enterprise value	46.6	53.5	45.1	48.9	50.2	49.4

Financing (x)	1/2010	1/2011	1/2012	1/2013e	1/2014e	1/2015e
Interest cover	-1.6	0.2	2.7	4.2	4.4	4.7
Internal financing ratio	0.5	1.9	-1.7	0.5	0.9	1.1
Net gearing	23.9%	18.2%	42.9%	53.6%	54.6%	48.5%
Quick ratio	1.7	1.3	1.3	1.2	1.2	1.2
Fixed assets cover	1.8	1.7	1.6	1.6	1.6	1.6
Capex / depreciation	1.6	0.7	0.9	1.1	1.1	1.1
Equity ratio	31.7%	25.9%	25.5%	24.1%	24.1%	24.8%

Per share data (EUR)	1/2010	1/2011	1/2012	1/2013e	1/2014e	1/2015e
Weighted avg. no. of shares (mn)	24.3	24.3	24.3	24.3	24.3	24.3
EPS reported	-0.71	-0.51	-0.10	0.06	0.07	0.13
Earnings per share (adj.)	-0.71	-0.51	-0.10	0.06	0.07	0.13
Operating cash flow per share	0.28	0.44	-0.55	0.20	0.35	0.45
Book value per share	2.10	1.58	1.44	1.50	1.57	1.70
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Valuation (x)	1/2010	1/2011	1/2012	1/2013e	1/2014e	1/2015e
PE reported	-2.0	-3.7	-12.1	19.3	16.8	9.5
Adjusted PE ratio	-2.0	-3.7	-12.1	19.3	16.8	9.5
Price cash flow	5.0	4.3	-2.3	6.1	3.5	2.7
Price book value	0.7	1.2	0.9	0.8	0.8	0.7
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash flow yield	-18.8%	11.2%	-70.0%	-15.9%	-4.3%	2.9%
EV/sales	0.3	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	-9.0	117.1	4.5	3.8	3.6	3.1
EV/EBIT	-3.3	-6.5	27.0	11.1	9.5	6.7
EV/operating cash flow	6.9	5.0	-3.4	10.1	5.9	4.5
Adjusted EV/CE	0.8	1.1	0.9	0.9	0.9	0.9
Adjusted EV/CE vs. ROCE/WACC				1.3	1.4	1.1

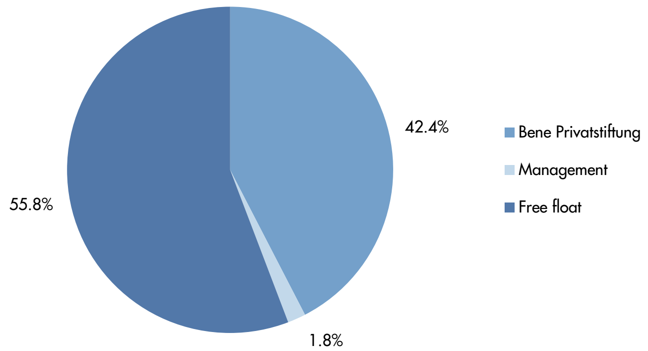
Source: Bene, Raiffeisen Centrobank estimates

Fact Sheet

Company description

Bene, which has its headquarters in Waidhofen/Ybbs, Lower Austria, is the Austrian #1 and European #6 office furniture supplier, with sales of EUR 179.3 mn and 1,248 employees as of FY 2009/10. Sales are mainly generated in Austria (29.8%), Germany (about 28.4%), UK (8.8%), Russia (13.2%) and several CEE as well as Western European countries and the United Arab Emirates (19.8%). The group offers a full-line range of office furniture as well as consultancy and related services. In the very fragmented European office furniture industry, Bene is positioned as a high-quality, highly design-oriented supplier. In contrast to most of its competitors Bene counts on direct distribution, with 94% of sales generated via its own points of sale. Thus more than 50% of the total workforce are salespeople. While the competitors run up to 12 specialist production sites, Bene concentrates on one highly automated factory and an integrated just-in-time production system.

Shareholder structure



Strengths/Opportunities

- Trend-setter with a strong brand and one of the leaders in the office furniture industry
- Strong market shares: #1 in Austria, #6 in Europe, leading market shares in CEE
- Productivity advantages due to innovative production and supply-chain management
- Bene should benefit from the ongoing consolidation process in the very fragmented European market
- Large liquidity reserve
- Trend toward increasing gross margins due to the renewal of the product portfolio and the introduction of new high margin product lines

Weaknesses/Threats

- Very (late)-cyclical industry
- Threat of increasing price pressure from low-cost producers from CEE and Asia
- Low liquidity of the share due to the small market capitalization
- Very fragmented industry with no clear leader

Income statement	1/2012	1/2013e	1/2014e	1/2015e
(EUR mn)				
Consolidated sales	193.9	217.8	227.4	236.2
EBITDA	10.0	13.0	13.8	16.2
EBIT	1.7	4.4	5.3	7.4
EBT	-0.8	2.0	2.4	4.1
Net profit bef. min.	-2.4	1.5	1.8	3.1
Net profit after min.	-2.5	1.5	1.7	3.1
Balance sheet				
Total assets	137.2	151.0	158.6	166.7
Shareholders' equity	34.9	36.5	38.2	41.3
Goodwill	4.4	4.4	4.4	4.4
NIBD	15.0	19.6	20.9	20.0
Cash flow statement				
Operating cash flow	-13.4	4.8	8.5	10.9
Investing cash flow	-7.8	-9.6	-9.8	-10.0
Change NIBD	-8.0	-4.6	-1.3	0.8

Per share data	1/2012	1/2013e	1/2014e	1/2015e
(EUR)				
EPS pre-goodwill	-0.10	0.06	0.07	0.13
Adj. EPS diluted	-0.10	0.06	0.07	0.13
Operating cash flow	-0.55	0.20	0.35	0.45
Book value	1.44	1.50	1.57	1.70
Dividend	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%
Valuation (x)				
PE pre-goodwill	-12.1	19.3	16.8	9.5
Adj. PE diluted	-12.1	19.3	16.8	9.5
Price cash flow	-2.3	6.1	3.5	2.7
Price book value	0.9	0.8	0.8	0.7
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-70.0%	-15.9%	-4.3%	2.9%
EV/EBITDA	4.5	3.8	3.6	3.1
EV/EBIT	27.0	11.1	9.5	6.7
EV/operating CF	-3.4	10.1	5.9	4.5

Source: Bene, Raiffeisen Centrobank estimates

Publication schedule

Date	Publication
19.09.2012	2Q Earnings release
12.12.2012	3Q Earnings release

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended	UR
Universe	53	56	4	1	12	6
Universe %	40%	42%	3%	1%	9%	5%
Investment banking services	16	12	0	0	1	1
Investment banking services %	53%	40%	0%	0%	3%	3%

Source: Raiffeisen Centrobank, rounding differences may occur

Disclaimer for non-US distribution

Raiffeisen Centrobank´s rating and risk classification system:

Risk ratings: indicators of potential price fluctuations are: low, medium, high.
Risk ratings take into account volatility. Fundamental criteria might lead to a change in the risk classification. Also, the classification may change over the course of time.
Investment rating: Investment ratings are based on expected total return within a 12-month period from the date of the initial rating.
Buy: Buy stocks are expected to have a total return of at least 15% (20% for shares with a high volatility risk) and are the most attractive stocks in our coverage universe on a 12 month horizon.
Hold: Hold stocks are expected to deliver a positive total return of up to 15% (20% for shares with a high volatility risk) within a 12-month period.
Reduce: Reduce stocks are expected to achieve a negative total return up to -10% within a 12-month period.
Sell: Sell stocks are expected to post a negative total return of more than -10% within a 12-month period.

Price targets are determined by the fair value derived from a peer group comparison and/or our DCF model. Other fundamental factors (M&A activities, capital markets transactions, share buybacks, sector sentiment etc.) are taken into account as well.
Upon the release of a research paper, investment ratings are determined by the ranges described above. Interim deviations from the above mentioned ranges will not cause a change in the recommendation automatically but will become subject to review.
Due to its organisational structure Raiffeisen Centrobank has ensured that any improper influence on the way in which securities services are provided by Raiffeisen Centrobank is prevented.
Raiffeisen Centrobank may have effected an own account transaction in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. Raiffeisen Centrobank may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security.
Save as otherwise stated, the indicated prices are the last prices as available at 6.30 AM on the business day following the respective indicated date. Indicated prices refer to the stock exchange according to the Bloomberg/Reuters code stated.
This document does not constitute an offer or invitation to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. Raiffeisen Centrobank is regulated by the Austrian Financial Markets Authority.

Footnotes
The following disclosures apply to the security when stated under the applicable disclosures section:

1. RCB or an affiliated company (individually or together) owns more than 5% of the issued share capital of the issuer.
2. The issuer owns more than 5% of the issued share capital of RCB or an affiliated company.
3. RCB or an affiliated company acts as a market maker (or specialist) or designated sponsor or stabilizing manager of the securities of the issuer.
4. RCB or an affiliated company was a manager or co-manager of a public offering of securities of the issuer within the last 12 months.
5. RCB or an affiliated company has agreed to render (and to receive compensation for) other investment banking services to the issuer within the last 12 months.
6. The analyst owns securities of the issuer analysed by him.
7. The analyst is on the Supervisory Board/Board of Directors of the issuer analysed by him.
8. The analyst has received or acquired securities of the issuer before launch of the public offering of such securities.
9. The remuneration of the analyst is linked to investment banking services rendered by RCB or an affiliated company.

Applicable disclosures: 3, 5

Disclaimer for US distribution

This report and any recommendation (including any opinion, projection, forecast or estimate) contained herein have been prepared by Raiffeisen Centrobank AG or any of its affiliated companies ("Centrobank") and distributed in the United States by Centrobank´s affiliate, RB International Markets (USA) LLC ("RBIM"), a broker-dealer registered with FINRA®. This report constitutes the current judgment of the author as of the date of this report and is subject to change without notice. Centrobank and its affiliated companies and employees have no obligation to update, modify or amend or otherwise notify a recipient of this report if the information or recommendation stated herein changes or subsequently becomes inaccurate. The frequency of subsequent reports, if any, remains in the discretion of the author and Centrobank.

Raiffeisen Centrobank´s rating and risk classification system:
Buy: Buy stocks are expected to have a total return of at least 15% (20% for shares with a high volatility risk) and are the most attractive stocks in our coverage universe on a 12 month horizon.
Hold: Hold stocks are expected to deliver a positive total return of up to 15% (20% for shares with a high volatility risk) within a 12-month period.
Reduce: Reduce stocks are expected to achieve a negative total return up to -10% within a 12-month period.
Sell: Sell stocks are expected to post a negative total return of more than -10% within a 12-month period.

Price targets are determined by the fair value derived from a peer group comparison and/or our DCF model. Other fundamental factors (M&A activities, capital markets transactions, share buybacks, sector sentiment etc.) are taken into account as well. This report does not constitute an offer to purchase or sell securities. The information contained herein is not a complete analysis of every material fact regarding the respective company, industry or security. This report may contain forward-looking statements, which involve risks and uncertainties, does not guarantee future performances whatsoever and is, accordingly, subject to change. Though the information and opinions contained in this report are based on sources believed to be reliable, neither Centrobank nor RBIM has independently verified the facts, assumptions and estimates contained in this report. Accordingly, no representation or warranty, expressed or implied, is made to, and reliance should not be placed on, the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Although the opinions and estimates stated reflect the current judgment of Centrobank and RBIM, opinions and estimates are subject to change without notice. This report is being furnished to you for informational purposes only and investors should consider this report as only a single factor in making their investment decision. Investors must make their own determination of the appropriateness of an investment in any securities referred to in this report based on the tax, or other considerations applicable to such investor and its own investment strategy.

Investment Risks
Investments in securities generally involve various and numerous risks and may even result in the complete loss of the invested capital. This report does not take into account the investment objectives, financial situation or particular needs of any specific client of RBIM. Before making an investment decision on the basis of this report, the recipients of this report should consider whether this report or any information contained herein are appropriate or suitable with regard to their own investment needs, objectives and suitability. Any recommendation contained in this report may not be suitable for all investors. Past performance of securities and other financial instruments

are not indicative of future performance. RBIM can be neither a price guarantor nor an insurer of market conditions.

For individual company report:
Given the cyclical nature of the construction and the construction materials sector in which this company, Bene, operates, this industry can be regarded as very volatile. The main risks are the overall health of the global economy as well as the macroeconomic conditions of the countries this company operates in. This also includes currency, interest rate and political risks especially as public infrastructure investments and subsidies for private home building are a key driver for this industry. In addition, changes in the regulatory environment may limit the scope and profitability of the business and require additional expenditures or capital. Finally, given the volatility of input prices and the high capital intensity of this industry, it is crucial to evaluate counterparty risk to mitigate default risk.

For sector report:
Given the cyclical nature of the construction and the construction materials sector, this industry can be regarded as very volatile. The main risks are the overall health of the global economy as well as the macroeconomic conditions of the countries the companies operate in. This also includes currency, interest rate and political risks especially as public infrastructure investments and subsidies for private home building are a key driver for this industry. In addition, changes in the regulatory environment may limit the scope and profitability of the business and require additional expenditures or capital. Finally, given the volatility of input prices and the high capital intensity of this industry, it is crucial to evaluate counterparty risk to mitigate default risk.

This report may discuss numerous securities, some of which may not be qualified for sale in certain states and may therefore not be offered to investors in such states. This document should not be construed as providing investment advice. Investing in non-U.S. securities, including ADRs, involves significant risks such as fluctuation of exchange rates that may have adverse effects on the value or price of income derived from the security. Securities of some foreign companies may be less liquid and prices more volatile than securities of U.S. companies. Securities of non-U.S. issuers may not be registered with or subject to Securities and Exchange Commission reporting requirements; therefore, information regarding such issuers may be limited.
This report and the contents therein are the copyright product, and property of, RBIM or Centrobank. It is intended solely for those to whom RBIM directly distributes this report. Any reproduction, republication dissemination, and/or other use of this report by any recipient of it, or by any third party, without the express written consent of RBIM, is strictly prohibited.
RBIM assumes responsibility for content of this research report. U.S. persons receiving the research and wishing to effect any transactions in any security discussed in the report should do so through RBIM, and not the issuer of the research.
Centrobank is a stock corporation, incorporated under the laws of the Republic of Austria and registered in the companies register of the commercial court in Vienna, Austria. The principal executive office of Centrobank is at Tegetthoffstraße 1, 1010 Vienna, Austria. The shares of Centrobank are not listed on any stock exchange.
Centrobank strives to offer a wide spectrum of services and products associated with stock, derivatives, and equity capital transactions. The services being offered by Centrobank include (i) Securities Trading & Sales and Treasury, (ii) Equity Capital Markets, (iii) Private Banking, (iv) Credit Department and (v) Other Departments and Commodity Trading, which contain Private Equity and Countertrade departments of Centrobank. **U.S. persons receiving the research and wishing to effect any transactions in any security discussed in the report should do so through RBIM, and not the issuer of the research.**

Centrobank´s research department (non-cash generating unit) covers Austrian and Eastern European companies from the business fields: steel & materials, industry, banking, construction and building materials, IT & technology, oil & gas, real estate, telecommunications, utilities and cyclical and defensive consumer sectors. In addition, Centrobank covers a range of services to be provided in connection with mergers and acquisitions as well as privatisations. In addition to the core business of Centrobank, its currently wholly owned subsidiary, Centrotrade Holding AG, is active in commodities trading. **U.S. persons receiving this research report and wishing to effect any transactions in any security discussed in this report should do so through RBIM, and not the issuer of this research report.**

Responsible Supervisory Authority of Raiffeisen Centrobank AG:
Financial Market Authority (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria

Footnotes
The following disclosures apply to the security when stated under the applicable disclosures section (RB International Markets (USA) LLC is hereinafter being referred to as "RBIM"):

10. RBIM, or an affiliate, has acted as manager, co-manager, or underwriting participant of a public offering for this company in the past twelve (12) months.
11. RBIM, or an affiliate, has performed investment banking, capital markets, or other comparable services for this company or its officers in the past twelve (12) months.
12. RBIM, or an affiliate, expects to receive or intends to seek compensation for investment banking services from the subject company in the next three (3) months.
13. Securities, or derivatives thereof, of this company are owned either directly by the securities analyst, or an affiliate, covering the stock, or a member of his/her team, or indirectly by the household family members.
14. An officer, or a household family member of an officer, of RBIM, or an affiliate, is a director or an officer of the company.
15. RBIM, or an affiliate, beneficially owns 1% or more of any class of this company(ies) common equity.

Applicable disclosures: 11

RBIM´s ultimate parent company is Raiffeisen Bank International AG ("RBI") (Vienna Stock Exchange; ticker RBI AV). RBI is a corporate investment bank and domiciled in Austria. For 25 years RBI has been operating in Central and Eastern Europe (CEE), where it maintains a network of subsidiary banks, leasing companies and numerous financial service providers in currently 17 markets. As a result of its position within Austria and CEE, RBI has an established course of dealing, stretching in some cases over many decades, with participants in the following industries: oil & gas, technology, utilities, real estate, telecommunications, financials, basic materials, cyclical and non-cyclical consumers, healthcare and industrials. Although RBI or its affiliated entities may have concluded transactions for products or services (including but not limited to investment banking services) with the subject company, Bene, or companies in the past 12 months, no employee of RBI or of its affiliates has the ability to influence the substance of the research reports prepared by the research analysts of Centrobank or RBIM.

RBIM is a broker-dealer registered with the SEC, FINRA and SIPC.

Raiffeisen Centrobank AG - Your contacts

A-1015 Vienna, Tegetthoffstrasse 1, Internet: http://www.rcb.at

Sales & Trading

Tel.:+43/1515 20-0

Wilhelm Celeda (Head) **ext. 402**

European Institutional Sales

Klaus della Torre (Head) ext. 472
Pawel Czupryna ext. 398
Ozgur Guyuldar ext. 336
Reinhard Haushofer ext. 477
Anita Hunkar ext. 496
György Karolyi ext. 437
Juliusz Mozdzierz ext. 436
Tomislav Pasalic ext. 435

Salestrading Blocktrades

Adem Soyak (Head) ext. 497
Günter Englhart (DMA) ext. 268
Robert Hein ext. 476
Wojciech Kolacz ext. 343
Michael Kriechbaum ext. 464
Cedric Monnier (DMA) ext. 466
Lana Soldo (DMA) ext. 485
Stefan Waidhofer ext. 463
Christof Wallner ext. 457

Email: surname@rcb.at

US Institutional Sales

Tel.:+1/212 600

Sinan Cao ext. 2594
Joe Rivello ext. 2594

Email: firstname.surname@rbimusa.com

Company Research

Tel.:+43/1515 20-0

Stefan Maxian (Head) **ext. 710**

Company Research Austria

Daniel Damaska ext. 707
Natalia Frey ext. 712
Oleg Galbur ext. 714
Bernd Maurer ext. 706
Markus Remis ext. 718
Teresa Schinwald ext. 709
Bernhard Selinger ext. 705
Jovan Sikimic ext. 713
Arno Supper ext. 702
Christoph Thurnberger ext. 703
Iryna Trygub-Kainz ext. 708

Poland

Jakub Krawczyk ext. 711
Bartlomiej Kubicki ext. 716
Dominik Niszcz +48/22585 2630

Email: surname@rcb.at

Company Research CEE

Croatia Tel.: +385/16174-0

Ana Franin ext. 388
ana.franin@rba.hr

Nada Harambašić Néreau ext. 870
nada.harambasic-nereau@rba.hr

Czech Republic Tel.: +420/22114-0

Jindrich Svatek ext. 1841
jindrich.svatek@rb.cz

Hungary Tel.: +36/1484-0

Levente Blahó ext. 4301
levente.blaho@raiffeisen.hu

Romania Tel.: +40/21306-0

Iuliana Mocanu (Head) ext. 1202
iuliana-simona.mocanu@raiffeisen.ro

Alexandru Combei ext. 1239
alexandru.combei@raiffeisen.ro

Alexandru Neagu ext. 1229
alexandru.neagu@raiffeisen.ro

Russia Tel.: +7/495 221

Natalya Kolupaeva ext. 9852
natalya.kolupaeva@raiffeisen.ru

Fedor Kornachev ext. 9851
fedor.kornachev@raiffeisen.ru

Sergey Libin ext. 9838
sergey.libin@raiffeisen.ru

Andrey Polischuk ext. 9849
andrey.polischuk@raiffeisen.ru

Konstantin Yuminov ext. 9842
konstantin.yuminov@raiffeisen.ru

Serbia Tel.: +381/11220-0

Ljiljana Grubic ext. 7178
ljiljana.grubic@raiffeisenbank.rs