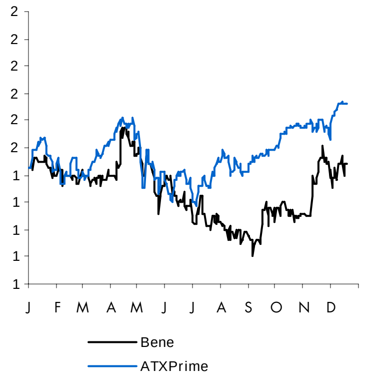
December 20, 2010 | Construction & Materials/Austria

Bene

Buy (from Hold)

Price 19.12.10	1.44
Price target	1.75
Volatility risk	medium
Year high/low	1.57/1.10
Currency	EUR
EUR/EUR	1.00
ADR rate	n.a.
Market capitalisation in EUR mn	34.9
Free float	53.7%
Free float in EUR mn	18.8
Avg. daily turnover (12 m) in EUR mn	0.0
Index	ATX Prime
ISIN code	AT00000BENE6
Bloomberg	BENE AV
Reuters	BENE.VI
Datastream	O:BEN
www.bene.com	



Source: Raiffeisen Centrobank

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Disclosures: www.rcb.at
Supervisory authority: Financial Market Authority

Bottom reached and positive trend ahead

While 3Q 10/11 results appeared uninspiring at first glance we interpret the first uptick in sales and the management outlook on a project pipeline that is filling up as indication that Bene has finally passed the bottom of the cycle. We therefore moderately raise our forecasts for FY 11/12e and FY 12/13e expecting a positive trend of revenues and improving earnings. This is as the company is benefitting from improving fixed cost coverage but also owing to the fact that Bene continued to invest in the renewal and extension of its product portfolio. For instance, with PARCS it introduced a new high-margin product line which constitutes an additional revenue stream and the substitution of trading revenues from third party swivel chairs through revenues from in-house designed swivel chairs is ongoing and improving the margin outlook. Moreover, with our forecast of breaking even on EBITDA level this year called realistic by management the implied significant improvement of profitability in 4Q 10/11e could further boost the momentum and foster trust in the sustainability of the uptrend. In 3Q 10/11 operating earnings failed to follow the sequential top-line improvement as temporary cost cuts such as short-term work or the voluntary pay-cut of employees in the holding company seized to apply in 2Q and 3Q. While the environment will stay tough also in FY 11/12e and revenues will be far below the FY 08/09 peak we believe that Bene has passed the bottom and will record a sequential improvement in sales and earnings going into next year. Blending in the fairly upbeat forward-looking statements of management that "noticeable signs of recovery are observed in almost all markets" and that the project pipeline is filling up again this supports our increased optimism. Despite covenant risk and likely occasional rough patches on a rocky road to recovery we regard Bene as an attractive small cap, late-cyclical industrial stock and expect momentum to build up in 1H 11/12.

Recommendation: Our target price is based on our DCF model peer group multiples (EV/EBITDA and P/E). Deriving fair values of EUR 1.60 from our DCF model and of EUR 2.00 from the multiple valuation, which we rolled forward to 2012, we raise our target price to EUR 1.75 and upgrade Bene to "buy".

Key ratios

EUR	1/2009	1/2010	1/2011e	1/2012e	1/2013e
EPS reported	0.19	-0.71	-0.49	-0.10	0.14
PE reported	7.2	neg.	neg.	neg.	10.5
Adjusted EPS diluted	0.19	-0.71	-0.49	-0.10	0.14
Adjusted PE diluted	7.2	neg.	neg.	neg.	10.5
Operating cash flow per share	0.60	0.28	-0.23	0.20	0.39
Price cash flow	2.3	5.0	neg.	7.0	3.7
Book value per share	2.79	2.10	1.60	1.50	1.64
Price book value	0.5	0.7	0.9	1.0	0.9
Dividend per share	0.00	0.00	0.00	0.00	0.05
Dividend yield	0.0%	0.0%	0.0%	0.0%	3.5%
EV/adjusted EBITDA	2.2	neg.	617.3	7.2	4.0

Source: Bene, Raiffeisen Centrobank estimates

Share price triggers

Trigger	Momentum	Explanation
4Q 10/11e	positive	▪ With our forecast of breaking even on EBITDA level this year called realistic by management the implied significant improvement of profitability in 4Q 10/11e (1-3Q EUR -2.3 mn) could further boost the momentum and foster trust in the sustainability of the uptrend.
Guidance	positive	▪ Management provided fairly upbeat forward-looking statements. ▪ It stated that after stabilization at the beginning of 3Q now positive trends are observable in almost all markets which is reflected in the fact that the project pipeline is filling up in the Middle East, Asia, Western Europe and certain markets in Eastern Europe.
Liquidity reserves	positive	▪ EUR 40 mn raised through a private bond placement in 2009 serve as cash cushion and war chest and should cover all liquidity needs in a worst-case scenario. At eop FY 09/10 the cash reserves had amounted to EUR 48.2 mn and declined to EUR 32.5 mn at the end of 3Q 10/11. ▪ Management guides that capex requirements can be limited to about EUR 10 mn or less per year. When deducting short-term debt from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for more than two years when comparing to our forecasts on capex for FY 10/11e to FY 11/12e. ▪ Moreover, this means that at eop 3Q 10/11 Bene has liquid funds of EUR 1.34 per share on the balance sheet or EUR 0.77 per share when deducting short-term debt which is 53% of the current share price or 45% of our target price.
Covenant risk	negative	▪ The bond issued last year does not carry a cross default clause. However, if Bene generates a negative operating cash flow, the interest rate on the bond increases by 200 bp (EUR 0.8 mn annually) which is a risk for the eop FY 10/11 covenant test and is reflected in our model. The other covenant with a threshold for the equity ratio of at least 17% constitutes no risk in our view.

Source: Raiffeisen Centrobank

3Q 10/11 results & outlook

Uninspiring only at first sight
Worst seems to be behind Bene

3Q 10/11 results came in in-line with our estimates. They remain in negative territory from the EBITDA line downwards and appear uninspiring. However, the top-line showed a positive yoy growth rate for the first time since 4Q 08/09. Sales were up 10.2% yoy and 8.6% qoq and amounted to EUR 43.2 mn beating our estimate by 2.9%. EBITDA remains in negative territory and came in in-line with our estimate of EUR -0.2 mn (-0.6% margin). EBIT at EUR -2.3 mn (+3.4% yoy, -5.4% margin) and net profit after minorities at EUR -3.2 mn (+0.7% yoy, -7.4% margin) were flat in comparison to 3Q 09/10 but please keep in mind that some of the temporary cost cuts such as short-term work and the voluntary 20% pay cut of employees of the holding company already seized to apply during 2Q and 3Q. The equity ratio declined to 26.5% from 32.6% a year earlier. 3Q 10/11 operating CF declined yoy and amounted to EUR 0.7 mn vs. EUR 2.4 mn a year ago due to increased working capital requirements.

Outlook

Management provided fairly upbeat forward-looking statements. It stated that after stabilization at the beginning of 3Q positive trends are now observable in almost all markets which is reflected in a project pipeline that is filling up in the Middle East, Asia, Western Europe and certain markets in Eastern Europe. At the occasion of 2Q results CEO Frank Wiegmann had already indicated that he is seeing a low double-digit improvement in the project pipeline which starts to be reflected in group results as well with an 8.6% qoq increase in sales in 3Q. In all regions apart from Germany EBIT could be increased yoy. Nonetheless, the guidance on net losses in FY 10/11 of course is unchanged but in a recent conference call management stated that our forecast of breaking even on EBITDA level in FY 10/11e is realistic despite the 1-3Q 10/11 print of EUR -2.3 mn. Moreover, also our assumptions of double-digit top-line growth yoy for FY 11/12e, breaking even on EBIT basis and the net result remaining in negative territory were called realistic with the returning momentum of sales already observable.

3Q 10/11 results

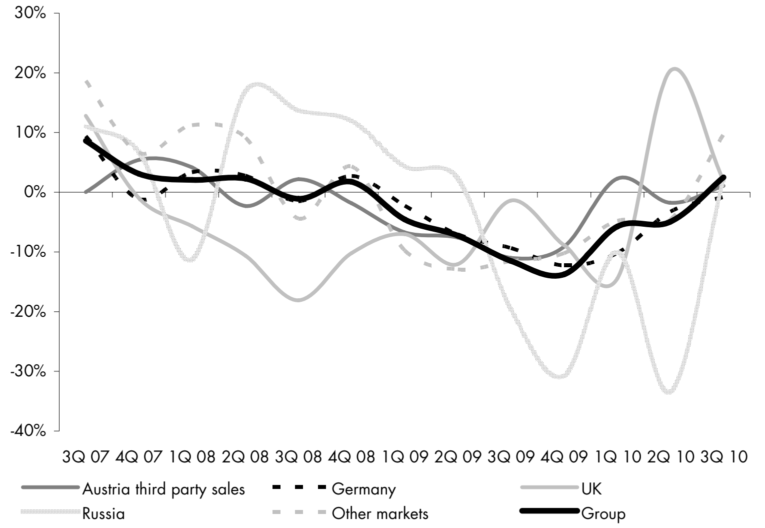
in EUR mn	1-3Q 10/11	3Q 10/11	3Q 09/10	yoy	2Q 10/11	qoq	RCBe	+/-
Sales	120.3	43.2	39.2	10.2%	39.8	8.6%	42.0	2.9%
EBITDA	-2.3	-0.2	-0.2	-28.6%	-1.2	79.5%	-0.2	-23.5%
EBIT	-8.7	-2.3	-2.4	3.4%	-3.3	29.9%	-2.3	1.2%
EBT	-11.0	-3.0	-3.2	5.0%	-4.1	26.3%	-3.2	4.0%
Net profit a.m.	-11.4	-3.2	-3.2	0.7%	-4.3	25.2%	-3.3	3.7%
EPS	-0.47	-0.13	-0.13	0.7%	-0.18	25.2%	-0.14	3.7%
EBITDA margin	-1.9%	-0.6%	-0.5%		-3.0%		-0.5%	
EBIT margin	-7.2%	-5.4%	-6.1%		-8.3%		-5.6%	
EBT margin	-9.2%	-7.0%	-8.2%		-10.4%		-7.5%	
Net profit margin	-9.5%	-7.4%	-8.2%		-10.7%		-7.9%	

Source: Bene, Raiffeisen Centrobank

Calling bottom

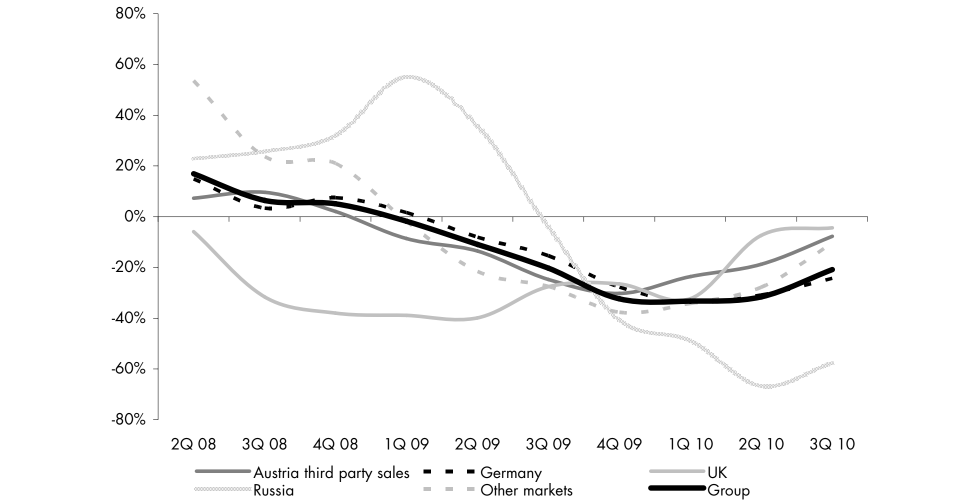
As illustrated by the charts of the qoq and yoy growth rates of 12M rolling sales the top-line momentum has bottomed and on a quarter-on-quarter basis the sequential improvement has already shown a positive print. While the lines representing respective reporting markets highlight the still volatile development, we expect that the group top-line is forming a sustainable positive trend going into 2011.

12M rolling sales qoq



Source: Bene, Raiffeisen Centrobank

12M rolling sales yoy



Source: Bene, Raiffeisen Centrobank

Planning Model

Raised forecasts for FY 11/12e and FY 12/13e

The following bullet points are a summary of our model revisions after the 3Q 10/11 earnings release and highlights on our central assumptions:

- After the moderate top-line beat of 2.9% in 3Q and taking the view that the market has bottomed and will trend up we up our sales forecasts for FY 10/11e – FY 12/13e by 1.6% on average.
- We lower our EBITDA forecast for FY 10/11e but stick to the assumption of Bene breaking even as this was called realistic by the management. After the EUR -2.3 mn print in 1-3Q 10/11 this implies a massive swing for 4Q 10/11e. For the two following years we up our forecast based on slightly higher margin assumptions connected with the moderately raised top-line assumptions.
- We confirm our forecast that Bene will break even on EBIT level in FY 11/12e but also stick to the forecast that it will continue to generate net losses.
- We have increased our expense forecast for the net interest result – in part as a function of covenant risk.
- FY 12/13e is the first year for which we expect a positive net result and as a result the reintroduction of dividend payments out of FY 12/13e net profits.

Changes of estimates

		Old			New		
in EUR mn	**FY 10/11e**	**FY 11/12e**	**FY 12/13e**	**FY 10/11e**	**FY 11/12e**	**FY 12/13e**	**comment**
Sales	164.7	186.9	211.6	169.3	188.7	213.6	Sales upped by 1.6% on average after 2.9% 3Q earnings beat
EBITDA	0.7	9.0	15.8	0.1	9.3	17.1	FY 10/11e forecast cut but sticking to break-even assumption
EBIT	-8.0	0.4	7.2	-8.4	1.0	8.8	Central FY 11/12e assumption: break-even
EBT	-11.3	-2.9	3.8	-11.6	-3.2	4.5	Lowered estimate due to higher interest expenses
Net income a.m.	-11.8	-3.3	2.8	-12.0	-2.4	3.3	
EPS	-0.48	-0.14	0.12	-0.49	-0.10	0.14	
DPS	0.00	0.00	0.05	0.00	0.00	0.05	Unchanged: No dividend before FY 12/13e
EBITDA margin	0.4%	4.8%	7.5%	0.1%	4.9%	8.0%	
EBIT margin	-4.9%	0.2%	3.4%	-4.9%	0.5%	4.1%	
EBT margin	-6.9%	-1.6%	1.8%	-6.8%	-1.7%	2.1%	
Net income a.m. margin	-7.2%	-1.8%	1.3%	-7.1%	-1.2%	1.6%	

Source: Raiffeisen Centrobank estimates

Planning model

in EUR mn	FY 09/10	1Q 10/11	2Q 10/11	3Q 10/11	FY 10/11e	FY 11/12e	FY 12/13e
Sales revenues	**179.3**	**37.3**	**39.8**	**43.2**	**169.3**	**188.7**	**213.6**
yoy growth	-32.4%	-21.6%	-17.3%	10.2%	-5.6%	11.5%	13.2%
Austria	53.5	15.7	11.3	13.8	55.1	60.1	66.1
yoy growth	-30.3%	8.4%	-7.9%	4.4%	3.0%	9.0%	10.0%
Germany	50.9	9.1	11.1	10.6	43.8	47.6	53.0
yoy growth	-27.7%	-36.2%	-11.7%	-3.2%	-14.1%	8.8%	11.4%
UK	15.8	3.0	5.8	5.0	18.2	20.8	23.8
yoy growth	-26.5%	-43.0%	90.1%	6.6%	15.4%	14.1%	14.5%
Russia	23.6	2.7	5.0	3.2	14.9	16.7	20.3
yoy growth	-40.6%	-46.6%	-58.5%	11.6%	-36.8%	11.9%	21.8%
Other markets	35.4	6.7	6.4	10.7	37.2	43.5	50.4
yoy growth	-37.6%	-20.1%	-19.4%	41.4%	5.0%	17.0%	15.8%
Total revenues	**180.7**	**37.7**	**43.0**	**45.2**	**176.1**	**194.3**	**219.8**
yoy growth	-34.1%	-24.2%	-14.7%	11.1%	-2.5%	10.3%	13.1%
Materials and supplies	**-82.2**	**-16.6**	**-20.6**	**-21.0**	**-79.8**	**-85.8**	**-96.8**
yoy growth	38.2%	21.2%	18.8%	-8.8%	3.0%	-7.5%	-12.9%
Personnel expenses	**-65.4**	**-15.0**	**-15.4**	**-15.7**	**-63.3**	**-65.7**	**-70.0**
yoy growth	15.6%	16.0%	12.8%	-10.9%	3.2%	-3.8%	-6.5%
Other expenses	**-38.3**	**-6.9**	**-8.1**	**-8.8**	**-33.0**	**-33.6**	**-35.9**
yoy growth	14.5%	27.7%	24.4%	-17.7%	13.9%	-1.8%	-7.0%
EBITDA	**-5.2**	**-0.9**	**-1.2**	**-0.2**	**0.1**	**9.3**	**17.1**
yoy growth	-127.4%	-176.6%	65.2%	-28.6%	102.0%	8870.9%	84.2%
EBITDA margin	**-2.9%**	**-2.4%**	**-3.0%**	**-0.6%**	**0.1%**	**4.9%**	**8.0%**
D&A	-8.8	-2.2	-2.1	-2.1	-8.5	-8.3	-8.4
yoy growth	-16.8%	-9.7%	0.0%	6.2%	3.9%	1.8%	-0.6%
EBIT	**-14.0**	**-3.1**	**-3.3**	**-2.3**	**-8.4**	**1.0**	**8.8**
yoy growth	-223.1%	-269.5%	40.5%	3.4%	40.3%	111.6%	797.7%
EBIT margin	**-7.8%**	**-8.3%**	**-8.3%**	**-5.4%**	**-4.9%**	**0.5%**	**4.1%**
Net interest result	-2.6	-0.8	-0.8	-0.9	-3.5	-4.4	-4.5
yoy growth	-200.7%	-173.2%	-10.3%	-0.2%	-31.0%	-27.6%	-2.7%
Financial result	**-2.8**	**-0.8**	**-0.8**	**-0.7**	**-3.2**	**-4.1**	**-4.3**
yoy growth	-5.8%	-48.6%	-3.2%	10.0%	-13.6%	-28.9%	-3.5%
EBT	**-16.8**	**-3.9**	**-4.1**	**-3.0**	**-11.6**	**-3.2**	**4.5**
yoy growth	-293.2%	-183.2%	35.1%	5.0%	31.2%	72.7%	241.1%
EBT margin	-9.4%	-10.4%	-10.4%	-7.0%	-6.8%	-1.7%	2.1%
Taxes on income	-0.3	0.0	-0.1	-0.1	-0.3	0.8	-1.1
effective tax rate	1.9%	1.1%	3.3%	4.6%	3.0%	-25.0%	-25.0%
Net income b.m.	**-17.2**	**-3.9**	**-4.3**	**-3.2**	**-11.9**	**-2.4**	**3.4**
yoy growth	-466.0%	-108.0%	35.2%	0.0%	30.5%	80.1%	241.1%
Minority interests	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
yoy growth	6.3%	106.5%	-266.7%	54.8%	46.4%	134.8%	-261.3%
Net income a.m.	**-17.3**	**-3.9**	**-4.3**	**-3.2**	**-12.0**	**-2.4**	**3.3**
yoy growth	-475.5%	-101.2%	34.9%	0.7%	30.6%	80.3%	241.0%
Net income a.m. margin	-9.6%	-10.5%	-10.7%	-7.4%	-7.1%	-1.2%	1.6%
EPS	**-0.71**	**-0.16**	**-0.18**	**-0.13**	**-0.49**	**-0.10**	**0.14**
yoy growth	-475.5%	0.0%	0.0%	0.0%	-30.6%	-80.3%	-241.0%
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.05**

Source: Bene, Raiffeisen Centrobank estimates

Recommendation: Buy
Target price: EUR 1.75

Valuation

While 3Q 10/11 results appeared uninspiring at first glance we interpret the first uptick in sales and the management outlook on a project pipeline that is filling up as indication that Bene has finally passed the bottom of the cycle. We moderately raise our forecasts for FY 11/12e and FY 12/13e expecting a positive trend of revenues and improving earnings. This is as the company is benefitting from improving fixed cost coverage but also owing to the fact that Bene continued to invest in the renewal and extension of its product portfolio. For instance, with PARCS it introduced a new high-margin product line which constitutes an additional revenue stream and the substitution of trading revenues from third party swivel chairs through revenues from in-house designed swivel chairs is ongoing and improving the margin outlook. Moreover, with our forecast of breaking even on EBITDA level this year called realistic by management the implied significant improvement of profitability in 4Q 10/11e could further boost the momentum and foster trust in the sustainability of the uptrend. In 3Q 10/11 operating earnings failed to follow the sequential top-line improvement as temporary cost cuts such as short-term work or the voluntary pay-cut of employees in the holding company seized to apply in 2Q and 3Q. While the environment will stay tough also in FY 11/12e and revenues will be far below the FY 08/09 peak we believe that Bene has passed the bottom and will record a sequential improvement in sales and earnings going into next year. Blending in the fairly upbeat forward-looking statements of management that "noticeable signs of recovery are observed in almost all markets" and that the project pipeline is filling up again this supports our increased optimism. Despite covenant risk and likely occasional rough patches on a rocky road to recovery we regard Bene as an attractive small cap, late-cyclical industrial stock and expect momentum to build up in 1H 11/12.

Our target price is based on our DCF model peer group multiples (EV/EBITDA and P/E). Deriving fair values of EUR 1.60 from our DCF model and of EUR 2.00 from the multiple valuation, which we rolled forward to 2012, we raise our target price to EUR 1.75 and upgrade Bene to "buy".

Peer group overview

	P/E			EV/EBITDA			EV/EBIT			P/BV		
	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e
Steelcase	49.0	17.6	12.6	10.9	7.6	5.7	23.1	11.5	7.9	1.9	1.7	1.6
Herman Miller	23.9	17.4	14.3	10.3	8.3	n.a.	13.8	10.8	n.a.	9.9	6.5	4.5
HNI	51.6	23.7	16.0	11.9	9.2	n.a.	23.5	14.8	n.a.	3.5	3.2	n.a.
Knoll	26.6	15.4	12.4	12.0	8.7	7.1	15.5	10.7	8.4	6.1	4.4	3.4
Zumtobel	16.0	13.0	10.6	8.6	7.4	6.2	12.6	10.1	8.0	2.2	1.9	1.7
Mean	**33.4**	**17.4**	**13.2**	**10.7**	**8.2**	**6.3**	**17.7**	**11.6**	**8.1**	**4.7**	**3.6**	**2.8**
Median	**26.6**	**17.4**	**12.6**	**10.9**	**8.3**	**6.2**	**15.5**	**10.8**	**8.0**	**3.5**	**3.2**	**2.5**
Bene	**neg.**	**neg.**	**10.5**	**617.3**	**7.2**	**4.0**	**neg.**	**68.9**	**7.8**	**0.9**	**1.0**	**0.9**

Source: Bloomberg, Raiffeisen Centrobank estimates

DCF valuation

FCF projection (EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
NOPLAT	-6.3	0.7	6.6	7.9	9.4	10.7	6.8
Adj. NOPLAT	-6.3	0.7	6.6	7.9	9.4	10.7	6.8
Depreciation of PPE & intangibles	8.5	8.3	8.4	8.6	8.8	9.0	9.8
Gross investment in PPE & intangibles	-6.7	-7.7	-10.4	-11.1	-11.3	-11.5	-10.9
Change in working capital	-1.6	-1.2	-2.4	-1.4	-1.1	-0.8	-0.2
NWC/Sales	5.3%	5.4%	5.9%	6.0%	6.0%	6.0%	6.0%
Change in LT provisions other than tax	-0.2	0.2	0.2				0.0
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	-6.3	0.4	2.3	4.0	5.9	7.4	5.5
Adj. free cash flow to firm	**-6.3**	**0.4**	**2.3**	**4.0**	**5.9**	**7.4**	**5.5**
EV DCF, mid-year assumption		**66.9**	**71.1**				
MV of non-operating assets		0.0	0.0				
MV of net debt		28.8	32.1				
MV of minorities		0.2	0.2				
Adjustments to EV		1.0	1.0				
Fair value of equity		**38.9**	39.8				
Shares outstanding (mn)		24.3	24.3				
Price target per share per 01/02 (in EUR)		**1.6**	**1.6**				

Value drivers	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Consolidated sales yoy	-5.6%	11.5%	13.2%	9.5%	7.5%	5.4%	1.0%
EBITDA margin	0.1%	4.9%	8.0%	8.2%	8.5%	8.8%	6.5%
Rate of taxes paid	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	5.3%	5.4%	5.9%	6.0%	6.0%	6.0%	6.0%
Capex/depreciation	79.0%	92.5%	124.2%	128.4%	128.1%	127.8%	111.3%
Free cash flow margin	-3.7%	0.2%	1.1%	1.7%	2.3%	2.8%	1.9%

WACC	2010e	2011e	2012e	2013e	2014e	2015e	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%	1.5%	2.4%	2.8%	3.3%	4.1%	4.3%
Equity market premium	5.5%	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	8.4%	8.1%	9.0%	9.4%	9.9%	10.7%	10.9%
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	**7.0%**	**6.8%**	**7.4%**	**7.7%**	**8.0%**	**8.5%**	**8.7%**

Sensitivity analysis

Growth sensitivity (EUR)			Terminal growth rate				
WACC	**-0.5%**	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**
7.2%	1.8	2.0	2.1	2.3	2.6	2.8	3.2
7.7%	1.6	1.7	1.9	2.0	2.2	2.5	2.7
8.2%	1.4	1.5	1.7	1.8	2.0	2.2	2.4
8.7%	1.3	1.4	1.5	**1.6**	1.7	1.9	2.1
9.2%	1.1	1.2	1.3	1.4	1.5	1.7	1.8
9.7%	1.0	1.1	1.2	1.2	1.3	1.5	1.6
10.2%	0.9	1.0	1.0	1.1	1.2	1.3	1.4

Margin sensitivity (EUR)			FCF margin TV				
WACC	**0.4%**	**0.9%**	**1.4%**	**1.9%**	**2.4%**	**2.9%**	**3.4%**
7.2%	0.4	1.0	1.7	2.3	3.0	3.6	4.3
7.7%	0.3	0.9	1.5	2.0	2.6	3.2	3.8
8.2%	0.2	0.8	1.3	1.8	2.3	2.9	3.4
8.7%	0.2	0.6	1.1	**1.6**	2.1	2.5	3.0
9.2%	0.1	0.5	1.0	1.4	1.8	2.3	2.7
9.7%	0.1	0.5	0.9	1.2	1.6	2.0	2.4
10.2%	0.0	0.4	0.7	1.1	1.5	1.8	2.2

Source: Raiffeisen Centrobank estimates

Financial statements (IFRS)

Income statement (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Consolidated sales	**252.5**	**265.3**	**179.3**	**169.3**	**188.7**	**213.6**
Changes in inventories	1.2	0.4	-4.8	0.3	0.9	1.1
Own work capitalised	2.6	3.5	2.7	2.7	2.6	3.0
Other operating income	4.2	4.9	3.4	3.8	2.0	2.1
Total revenues	**260.5**	**274.1**	**180.7**	**176.1**	**194.3**	**219.8**
Material costs	-128.2	-133.0	-82.2	-79.8	-85.8	-96.8
Personnel expenses	-71.3	-77.5	-65.4	-63.3	-65.7	-70.0
Other operating expenses	-39.2	-44.7	-38.3	-33.0	-33.6	-35.9
EBITDA	**21.7**	**18.9**	**-5.2**	**0.1**	**9.3**	**17.1**
Depreciation of PPE and intangibles	-6.5	-7.5	-8.7	-8.5	-8.3	-8.4
EBITA	**15.2**	**11.5**	**-13.9**	**-8.4**	**1.0**	**8.8**
Amortisation, impairment of goodwill	0.0	-0.1	-0.1	0.0	0.0	0.0
EBIT	**15.2**	**11.4**	**-14.0**	**-8.4**	**1.0**	**8.8**
Investment income	0.2	0.0	0.0	0.3	0.3	0.3
Net interest income	-0.7	-0.9	-2.6	-3.5	-4.4	-4.5
Other financial result	0.6	-1.8	-0.2	0.0	0.0	0.0
Financial result	**0.0**	**-2.7**	**-2.8**	**-3.2**	**-4.1**	**-4.3**
Earnings before taxes	**15.2**	**8.7**	**-16.8**	**-11.6**	**-3.2**	**4.5**
Taxes on income	-3.8	-4.0	-0.3	-0.3	0.8	-1.1
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**11.4**	**4.7**	**-17.2**	**-11.9**	**-2.4**	**3.4**
Minority interests	-0.4	-0.1	-0.1	0.0	0.0	0.0
Net profit after minorities	**11.0**	**4.6**	**-17.3**	**-12.0**	**-2.4**	**3.3**

Balance sheet (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Current assets	**90.4**	**79.7**	**92.4**	**80.8**	**81.9**	**86.7**
Liquid funds	22.5	15.5	48.2	36.1	32.8	31.4
Receivables	48.5	45.1	30.4	28.8	32.5	37.2
Inventories	19.4	19.1	13.8	16.0	16.6	18.2
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**44.6**	**59.1**	**62.5**	**64.7**	**64.6**	**67.1**
Property, plant & equipment	34.8	45.3	48.2	48.0	48.8	52.2
Intangible assets	5.2	8.9	9.6	8.0	6.5	5.2
Goodwill	4.1	4.3	4.4	4.4	4.4	4.4
Financial assets	0.6	0.7	0.4	4.4	4.9	5.4
Deferred tax assets	**6.9**	**6.7**	**6.8**	**6.8**	**6.8**	**6.8**
Total assets	**142.0**	**145.6**	**161.7**	**152.3**	**153.3**	**160.6**
Current liabilities	**53.6**	**61.3**	**47.1**	**49.9**	**53.0**	**56.8**
Long-term liabilities	**19.1**	**16.1**	**63.1**	**63.0**	**63.2**	**63.4**
Shareholders' equity	**69.0**	**67.9**	**51.0**	**39.0**	**36.6**	**40.0**
Minority interests	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Deferred tax liabilities	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**
Total liabilities	**142.0**	**145.6**	**161.7**	**152.3**	**153.3**	**160.6**

Cash flow statement (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Earnings before taxes	**15.2**	**8.7**	**-16.8**	**-11.6**	**-3.2**	**4.5**
Taxes paid	-3.6	-3.7	-0.9	-0.3	0.8	-1.1
Amortisation and depreciation	6.5	7.6	8.8	8.5	8.3	8.4
Other non-cash items	-0.5	2.7	0.9	-0.2	0.2	0.2
Cash flow from result	**17.6**	**15.3**	**-8.0**	**-3.7**	**6.2**	**11.9**
Change in working capital	-7.9	-0.7	14.8	-1.9	-1.2	-2.4
Operating cash flow	**9.8**	**14.6**	**6.8**	**-5.6**	**5.0**	**9.5**
Capex PPE and intangible assets	-17.4	-20.9	-14.2	-6.7	-7.7	-10.4
Acquisitions	-1.4	-0.5	-0.2	0.0	0.0	0.0
Disposal of fixed assets (total)	23.2	1.5	1.4	0.0	0.0	0.0
Other items (investments)	-7.6	-0.1	0.0	-4.0	-0.5	-0.5
Investing cash flow	**-3.2**	**-20.1**	**-13.1**	**-10.7**	**-8.2**	**-10.9**
Dividend payments	-4.9	-5.4	0.0	0.0	0.0	0.0
Other changes in equity	-0.8	0.0	0.0	-0.1	0.0	0.0
Change in interest-bearing financial assets	-12.2	-2.5	0.7	-0.2	0.0	0.0
Other items	-0.5	-0.8	1.1	0.0	0.0	0.0
Change in NIBD	**-11.8**	**-14.2**	**-4.5**	**-16.6**	**-3.2**	**-1.4**

Source: Bene, Raiffeisen Centrobank estimates

Financial ratios

Changes yoy	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Consolidated sales yoy	27.2%	5.1%	-32.4%	-5.6%	11.5%	13.2%
EBITDA yoy	16.6%	-12.8%	-127.4%	-102.0%	8,870.9%	84.2%
EBITA yoy	16.2%	-24.4%	-220.7%	-39.6%	-111.6%	797.7%
EBIT yoy	16.2%	-25.1%	-223.1%	-40.3%	-111.6%	797.7%
EBT yoy	23.0%	-42.8%	-293.2%	-31.2%	-72.7%	-241.1%
Net profit after minorities yoy	30.9%	-58.3%	-475.5%	-30.6%	-80.3%	-241.0%

Margins	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Material costs margin	-50.8%	-50.1%	-45.9%	-47.1%	-45.5%	-45.3%
EBITDA margin	8.6%	7.1%	-2.9%	0.1%	4.9%	8.0%
EBITA margin	6.0%	4.3%	-7.7%	-4.9%	0.5%	4.1%
EBIT margin	6.0%	4.3%	-7.8%	-4.9%	0.5%	4.1%
EBT margin	6.0%	3.3%	-9.4%	-6.8%	-1.7%	2.1%
Net margin	4.4%	1.7%	-9.6%	-7.1%	-1.2%	1.6%

Balance sheet (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Net working capital	23.9	22.8	7.0	8.9	10.2	12.6
Net interest-bearing debt	-6.4	7.8	12.3	28.8	32.1	33.5
Capital employed	85.4	91.7	112.0	104.3	101.9	105.3
Market capitalisation	92.5	33.1	34.1	34.9	34.9	34.9
Enterprise value	85.9	40.7	46.6	64.0	67.2	68.7

Financing (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Interest cover	22.0	15.6	-1.6	0.1	2.1	3.7
Internal financing ratio	0.6	0.7	0.5	-0.8	0.6	0.9
Net gearing	-9.3%	11.4%	23.9%	73.5%	87.0%	83.3%
Quick ratio	1.3	1.0	1.7	1.3	1.2	1.2
Fixed assets cover	2.0	1.4	1.8	1.6	1.5	1.5
Capex / depreciation	2.7	2.8	1.6	0.8	0.9	1.2
Equity ratio	48.7%	46.8%	31.7%	25.7%	24.1%	25.0%

Profitability	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Return on assets	8.6%	3.7%	-9.2%	-5.2%	0.7%	4.4%
Return on equity	16.7%	6.7%	-29.0%	-26.6%	-6.2%	8.7%
Return on capital employed	14.1%	6.1%	-13.9%	-7.6%	1.0%	6.6%

Per share data (EUR)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Weighted avg. no. of shares (mn)	24.3	24.3	24.3	24.3	24.3	24.3
EPS reported	0.45	0.19	-0.71	-0.49	-0.10	0.14
EPS pre-goodwill	0.45	0.19	-0.71	-0.49	-0.10	0.14
Adjusted EPS diluted	0.45	0.19	-0.71	-0.49	-0.10	0.14
Operating cash flow per share	0.40	0.60	0.28	-0.23	0.20	0.39
Book value per share	2.83	2.79	2.10	1.60	1.50	1.64
Dividend per share	0.22	0.00	0.00	0.00	0.00	0.05
Payout ratio	48.6%	0.0%	0.0%	0.0%	0.0%	36.6%

Valuation (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
PE reported	8.4	7.2	neg.	neg.	neg.	10.5
PE pre-goodwill	8.4	7.0	neg.	neg.	neg.	10.5
Adjusted PE diluted	8.4	7.2	neg.	neg.	neg.	10.5
Price cash flow	9.5	2.3	5.0	neg.	7.0	3.7
Price book value	1.3	0.5	0.7	0.9	1.0	0.9
Dividend yield	5.8%	0.0%	0.0%	0.0%	0.0%	3.5%
Free cash flow yield	-6.7%	-17.9%	-18.8%	-35.0%	-7.8%	-2.5%
EV/sales	0.3	0.2	0.3	0.4	0.4	0.3
EV/EBITDA	4.0	2.2	neg.	617.3	7.2	4.0
EV/EBIT	5.7	3.6	neg.	neg.	68.9	7.8
EV/operating cash flow	8.8	2.8	6.9	neg.	13.6	7.2
Adjusted EV/CE	1.3	0.6	0.8	1.0	1.0	1.0
Adjusted EV/CE vs. ROCE/WACC				neg.	6.7	1.1

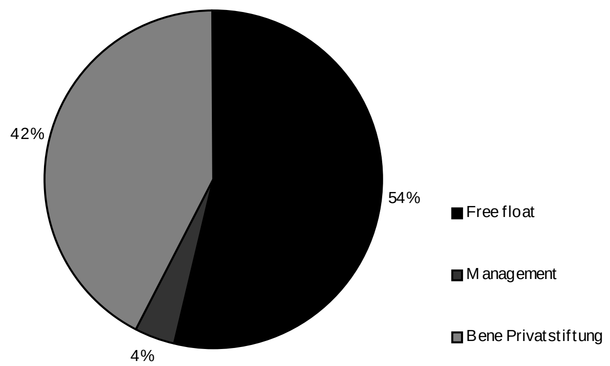
Source: Bene, Raiffeisen Centrobank estimates

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 (EUR mn)	***1/2010***	***1/2011e***	***1/2012e***	***1/2013e***
Consolidated sales	179.3	169.3	188.7	213.6
EBITDA	-5.2	0.1	9.3	17.1
EBIT	-14.0	-8.4	1.0	8.8
EBT	-16.8	-11.6	-3.2	4.5
Net profit bef. min.	-17.2	-11.9	-2.4	3.4
Net profit after min.	-17.3	-12.0	-2.4	3.3
Balance sheet				
Total assets	161.7	152.3	153.3	160.6
Shareholders' equity	51.0	39.0	36.6	40.0
Goodwill	4.4	4.4	4.4	4.4
NIBD	12.3	28.8	32.1	33.5
Cash flow statement				
Operating cash flow	6.8	-5.6	5.0	9.5
Investing cash flow	-13.1	-10.7	-8.2	-10.9
Change NIBD	-4.5	-16.6	-3.2	-1.4

Per share data (EUR)	***1/2010***	***1/2011e***	***1/2012e***	***1/2013e***
EPS pre-goodwill	-0.71	-0.49	-0.10	0.14
Adj. EPS diluted	-0.71	-0.49	-0.10	0.14
Operating cash flow	0.28	-0.23	0.20	0.39
Book value	2.10	1.60	1.50	1.64
Dividend	0.00	0.00	0.00	0.05
Payout ratio	0.0%	0.0%	0.0%	36.6%
Valuation (x)				
PE pre-goodwill	neg.	neg.	neg.	10.5
Adj. PE diluted	neg.	neg.	neg.	10.5
Price cash flow	5.0	neg.	7.0	3.7
Price book value	0.7	0.9	1.0	0.9
Dividend yield	0.0%	0.0%	0.0%	3.5%
FCF yield	-18.8%	-35.0%	-7.8%	-2.5%
EV/EBITDA	neg.	617.3	7.2	4.0
EV/EBIT	neg.	neg.	68.9	7.8
EV/operating CF	6.9	neg.	13.6	7.2

Source: Bene, Raiffeisen Centrobank estimates

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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.

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.
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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.

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