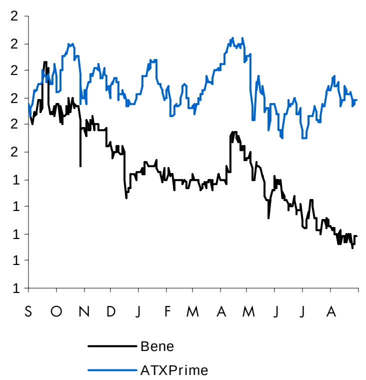
Company Update

August 30, 2010 | Construction & Materials/Austria

Bene

Hold

Price 27.08.10	1.19
Price target	1.30
Volatility risk	medium
Year high/low	1.83/1.15
Currency	EUR
EUR/EUR	1.00
ADR rate	n.a.
Market capitalisation in EUR mn	29.0
Free float	51.6%
Free float in EUR mn	15.0
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	



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Bottom in sight?

Following a recent management meeting and the disappointing 1Q 10/11 earnings in June we have cut our forecasts further which results in a reduction of the target price to EUR 1.30 from EUR 1.55 before. However, given the weak performance of the share price (down 24.2% from the most recent highs in April) we view the lowered outlook as priced in already and we confirm our "hold"-recommendation. From a long-term strategic perspective we expect Bene to continue the ongoing substitution of merchandise swivel chairs with in-house designed products and to drive the market introduction of PARCS which is extra revenue potential with gross margins (as defined by Bene) above 50%. Moreover, the company boasts an attractive positioning for a recovery scenario due to the ample liquidity reserves which allow Bene to weather current difficult market conditions and to finance the potential organic growth in excess of EUR 100 mn given the existing capacity reserves which also means that investment needs will remain limited to maintenance capex for the foreseeable future. However, as a late-cyclical company with non-residential construction and business spending being the main revenue drivers the outlook remains uncertain and difficult.

2Q Preview: We expect another weak quarter to follow the disappointing 1Q 10/11. While we forecast an only moderate uptick of revenues qoq we expect even lower profitability with a still rather unfavourable product mix and the build-up of some cost items as sales seem to bottom out slowly (for instance, due to the end of short-term work). On a positive note the impact of the cost-cutting measures becomes obvious in a yoy comparison, where we forecast another drop of sales by 17.7% yoy but expect EBIT and net profit to be up 37.2% and 38.2% yoy, respectively. However, in our view Bene cannot return to operating profitability in 2Q 10/11e as the company cannot fully compensate for the dramatic loss of volumes with cost cuts. We forecast EBITDA to stand at EUR -1.3 mn.

Recommendation: Our target price is based on our DCF model and a median EV/EBITDA peer group multiple (FY 11 and FY 12) of 5.0x. We cut the target price to EUR 1.30 from EUR 1.55 and confirm our "hold"-recommendation.

Key ratios

EUR	1/2009	1/2010	1/2011e	1/2012e	1/2013e
EPS reported	0.19	-0.71	-0.48	-0.14	0.12
PE reported	7.2	neg.	neg.	neg.	10.3
Adjusted EPS diluted	0.19	-0.71	-0.48	-0.14	0.12
Adjusted PE diluted	7.2	neg.	neg.	neg.	10.3
Operating cash flow per share	0.60	0.28	-0.10	0.13	0.37
Price cash flow	2.3	5.0	neg.	9.5	3.2
Book value per share	2.79	2.10	1.61	1.47	1.59
Price book value	0.5	0.7	0.7	0.8	0.7
Dividend per share	0.00	0.00	0.00	0.00	0.05
Dividend yield	0.0%	0.0%	0.0%	0.0%	4.2%
EV/adjusted EBITDA	2.2	neg.	74.5	6.4	3.7

Source: Bene, Raiffeisen Centrobank estimates

Share price triggers

Trigger	Momentum	Explanation
Gross profit	positive	▪ Bene could raise the gross profit margin in the difficult environment of FY 09/10 which illustrates the trend towards a higher-margin product mix. With the ongoing substitution of merchandise swivel chairs through in-house designed chairs and the introduction of the PARCS product line we think that this positive trend will continue in FY 10/11e.
2Q 10/11e	negative	▪ We expect another weak quarter to follow the disappointing 1Q 10/11. While we forecast an only moderate uptick of revenues qoq we expect even lower profitability with a still rather unfavourable product mix and the build-up of some cost items as sales seem to bottom out slowly (for instance, due to the end of short-term work). We expect that Bene cannot return to operating profitability in 2Q 10/11 as the company cannot fully compensate for the dramatic loss of volumes with cost cuts. We forecast EBITDA to stand at EUR -1.3 mn.
Liquidity reserves	positive	▪ EUR 40 mn raised through a private bond placement 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 amounted to EUR 48.2 mn and had declined to EUR 39.0 mn at the end of 1Q 10. ▪ Management guides that capex requirements can be limited to about EUR 10 mn or less per year. When deducting short-term liabilities from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for about three years. ▪ This provides Bene with the opportunity to increase its market share in a highly fragmented industry which already is going through a natural consolidation.
Planning model vs. Guidance	negative	▪ While we had already assumed a negative net result in FY 10/11e in-line with the management guidance, we now expect that Bene will also remain in the reds in FY 11/12e with a return to positive earnings only in FY 12/13e.
Covenant risk	negative	▪ The bond issued last year does not carry a cross default clause. However, if the equity ratio declines below 25% the interest rate on the bond increases by 200 bp. Our model suggests that this might happen in FY 11/12e. This would add another EUR 0.8 mn to our interest expense forecast but would not change our view that Bene will only return to positive earnings in FY 12/13e.

Source: Raiffeisen Centrobank

Preview 2Q 10 & Management meeting

Management expects markets to have bottomed out in 1H 10/11

In a recent meeting with CEO Frank Wiegmann the impression of the development of business and the market environment was twofold. Firstly, our expectation of a weak 2Q 10/11e was confirmed by management statements. Secondly, Mr. Wiegmann was cautiously optimistic on upcoming months as he expects markets to have bottomed out in 1H 10/11 and as he is seeing a moderate uptick of order activity and inquiries in some markets in July and August.

Mixed pictures of stabilizing and still weak regional markets

Regionally Western Europe shows the most solid development with the UK leading the way. Germany is lagging behind somewhat on tough comparables as a result of the still relatively strong performance in 1H 09/10 (especially in 1Q), but also there an uptick of activity is observable. In Eastern Europe Russia (our forecast stands at a more than 70% plunge due to demanding comparables yoy) and Hungary remain the most difficult markets with Poland, Slovakia, Bulgaria and Romania outperforming on a relative basis. Growth in international markets such as Asia cannot compensate for weakness in other markets on group level. Positive FX effects from a weakening EUR are negligible given the share of revenues generated in non-EUR currencies.

The development of the new product line of room-shaping furniture, PARCS, is satisfactory and the company is on track to reach the target of EUR 5 mn in additional revenue for FY 10/11. With regard to the sales and substitution target for the in-house designed swivel chair Bene is also on track to reach the target of 18,000 for FY 10/11 and the most recent success was a single large-scale order of 6,000 chairs.

2Q 10/11e

We expect another weak quarter to follow the disappointing 1Q 10/11. While we forecast an only moderate uptick of revenues qoq we expect even lower profitability with a still rather unfavourable product mix and the build-up of some cost items as

1Q 10/11 disappointed

sales seem to bottom out slowly (for instance, due to the end of short-term work). On a positive note the impact of the cost-cutting measures becomes obvious in a yoy comparison, where we forecast another drop of sales by 17.7% yoy but expect EBIT and net profit to be up 37.2% and 38.2% yoy, respectively. However, Bene cannot return to operating profitability in 2Q 10/11 as the company cannot fully compensate for the dramatic loss of volumes with cost cuts. We forecast EBITDA to stand at EUR -1.3 mn.

2Q 10/11e

in EUR mn	*1H 10/11e*	*2Q 10/11e*	*2Q 09/10*	*yoy*	*1Q 10/11*	*qoq*
Sales	76.9	39.6	48.1	-17.7%	37.3	6.1%
EBITDA	-2.2	-1.3	-3.5	62.4%	-0.9	-45.7%
EBIT	-6.6	-3.5	-5.6	37.2%	-3.1	-13.5%
EBT	-8.3	-4.4	-6.4	31.3%	-3.9	-12.6%
Net profit a.m.	-8.0	-4.1	-6.6	38.2%	-3.9	-3.6%
EPS	-0.3	-0.17	-0.27	38.2%	-0.16	-3.6%
EBITDA margin	-2.8%	-3.3%	-7.2%		-2.4%	
EBIT margin	-8.6%	-8.8%	-11.6%		-8.3%	
EBT margin	-10.7%	-11.0%	-13.2%		-10.4%	
Net profit margin	-10.4%	-10.3%	-13.6%		-10.5%	

Source: Bene, Raiffeisen Centrobank estimates

Looking back: 1Q 10/11

Bene's 1Q 10/11 was another disappointing quarter missing our forecasts on all levels. 1Q 10/11 sales amounted to EUR 37.3 mn vs. our estimate of EUR 38.7 mn. Keeping in mind that the first quarter is usually the seasonally weakest quarter, the qoq decline of 15.7% is not as disappointing as the yoy contraction by 21.6%. EBITDA at EUR -0.9 mn (down 177% yoy and 111% below our forecast) marks the fourth consecutive quarter with a negative print on operating earnings before depreciation and amortization as weak volumes offset cost saving efforts. EBIT at EUR -3.1 mn was down 269% yoy and net profit at EUR -3.9 mn was down 101% yoy, missing our forecasts by 18.8% and 18.0%, respectively. The gross margin (defined as sales plus changes in inventories less material costs) declined to 52.7% from 55.9% in 1Q 09/10 due to a higher share of merchandise and a continuation of price pressure in large contracts. Operating CF at EUR -6.3 mn turned negative vs. EUR 1.1 mn in 1Q 09/10. The equity ratio at 31.6% remained stable compared to 31.7% at eop 4Q 09/10.

Bene 1Q 10/11 result

in EUR mn	*1Q 10*	*1Q 09*	*yoy*	*4Q 09*	*qoq*	*RCB*	*+/-*
Sales	37.3	47.6	-21.6%	44.3	-15.7%	38.7	-3.5%
EBITDA	-0.9	1.2	-176.5%	-2.7	67.1%	-0.4	-111.3%
EBIT	-3.1	-0.8	-269.2%	-5.2	40.9%	-2.6	-18.8%
EBT	-3.9	-1.4	-183.1%	-5.9	34.5%	-3.5	-9.6%
Net profit a.m.	-3.9	-1.9	-101.2%	-5.5	29.0%	-3.3	-18.7%
EPS	-0.16	-0.08	-100.0%	-0.23	29.4%	-0.14	-18.0%
EBITDA margin	-2.4%	2.4%		-6.1%		-1.1%	
EBIT margin	-8.3%	-1.8%		-11.8%		-6.7%	
EBT margin	-10.4%	-2.9%		-13.4%		-9.1%	
Net profit margin	-10.5%	-4.1%		-12.5%		-8.5%	

Source: Bene, Raiffeisen Centrobank estimates

Planning model

Sharp cuts of forecasts on all levels with a return to positive earnings only in FY 12/13e

After the weak first quarter and as we gained the impression that our low expectations for 2Q 10/11e results appear realistic while at the same time management is only cautiously optimistic on the short-term development, we sharply revise down our estimates in the detailed planning period. Cutting our top-line estimate by 12.4% on average for FY 10/11e – FY 12/13e our bottom line estimates decrease by 172% on average in the same period. This implies that Bene will only break even on EBITDA level in FY 10/11e while EBIT is already deeply in the reds and will turn positive only one year later. We currently expect the turnaround of earnings only for FY 12/13e. Comparing to the peak sales year 2008/09 this leaves our FY 12/13e top-line and earnings forecasts 19.7% and 38.8% below that print, respectively. That said, it is crucial to highlight that we regard the secured liquidity cushion as large enough to weather the difficult years ahead and to keep the capacity reserves in place despite the negative impact on earnings resulting from both higher fixed costs and financing costs.

Changes of estimates

	Old			New			
	FY 10/11e	FY 11/12e	FY 12/13e	FY 10/11e	FY 11/12e	FY 12/13e	comment
Sales	187.3	206.1	223.4	164.6	187.6	213.1	Forecasts cut by 12.4% on average in FY 10/11e – FY 12/13e
EBITDA	8.7	14.8	18.2	0.7	9.0	15.9	Break-even on EBITDA level in FY 10/11e ...
EBIT	0.0	6.0	9.2	-8.0	0.4	7.3	... but still deep in the reds on EBIT level following a dramatic plunge of volumes
EBT	-3.7	2.2	5.3	-11.4	-3.0	3.8	
Net income a.m.	-4.3	1.6	4.0	-11.7	-3.4	2.8	Liquidity cushion to weigh on bottom line; return to profits only in FY 12/13e
EPS	-0.18	0.07	0.16	-0.48	-0.14	0.12	
DPS	0.00	0.03	0.06	0.00	0.00	0.05	
EBITDA margin	4.7%	7.2%	8.2%	0.4%	4.8%	7.5%	
EBIT margin	0.0%	2.9%	4.1%	-4.9%	0.2%	3.4%	
EBT margin	-2.0%	1.1%	2.4%	-6.9%	-1.6%	1.8%	
Net income a.m. margin	-2.3%	0.8%	1.8%	-7.1%	-1.8%	1.3%	

Source: Raiffeisen Centrobank estimates

Risks to our planning model

Macroeconomic environment

Due to the late-cyclical character of the industry it is difficult to assess how quickly Bene will benefit from an economic recovery with the shape and the pace of the recovery itself still being difficult to pin down.

FX risk

Bene is exposed to foreign currency risk due to the invoicing of sales and purchases in other currencies than EUR (GBP and RUB). As regards the currency sensitivity a 10% move of EUR/RUB would have resulted in exchange gains/losses of EUR 1.9 mn and a 10% move of EUR/GBP would have resulted in exchange gains/losses of EUR 1.1 mn in FY 09/10. As regards billing policies and cash collection, for instance, Bene bills Russian projects in EUR and collects the cash in RUB, however, with the exchange rate on the day of payment. Hence, the cash currency exposure only occurs during the time period of exchanging collected RUB into EUR.

Fragmented markets

The highly fragmented character of the office furniture industry offers a great opportunity for a lot of companies to strive for the leading market position. Furthermore there are a lot of privately-owned companies, whose corporate policy is not geared towards capital market-oriented return expectations. The struggle for market shares and market positions could hence further intensify the price competition – especially in the current market environment as management has already acknowledged. On the upside a natural consolidation of the industry is observable in this downturn.

Input costs

Strong increases in raw material prices (mainly wood, steel and aluminium) could have negative earnings effects. But due to the high-quality positioning, raw material costs have a lesser impact than in lower-end markets. Since material cost increases affect the whole industry, an increase in raw material prices mainly filters through to customers in the form of price adjustments, which however are usually delayed.

Planning model

in EUR mn	1Q 09/10	2Q 09/10	FY 09/10	1Q 10/11	FY 10/11e	FY 11/12e	FY 12/13e
Sales revenues	**47.6**	**48.1**	**179.3**	**37.3**	**164.6**	**187.6**	**213.1**
yoy growth	-20.2%	-27.6%	-32.4%	-21.6%	-8.2%	13.9%	13.6%
Austria	14.5	12.3	53.5	15.7	62.6	68.2	75.0
yoy growth	-26.2%	-30.6%	-30.3%	8.4%	17.0%	9.0%	10.0%
Germany	14.3	12.6	50.9	9.1	41.8	48.7	55.5
yoy growth	-10.0%	-27.8%	-27.7%	-36.2%	-17.9%	16.5%	14.0%
UK	5.3	3.1	15.8	3.0	15.0	17.8	20.2
yoy growth	-22.2%	-44.1%	-26.5%	-43.0%	-4.9%	18.8%	13.2%
Russia	5.1	12.1	23.6	2.7	14.0	16.9	20.0
yoy growth	51.0%	8.5%	-40.6%	-46.6%	-40.9%	20.9%	18.7%
Other markets	8.4	8.0	35.4	6.7	31.2	35.9	42.3
yoy growth	-39.7%	-45.3%	-37.6%	-20.1%	-12.0%	15.0%	17.8%
Total revenues	**49.7**	**50.4**	**180.7**	**37.7**	**168.7**	**193.1**	**219.3**
yoy growth	-20.1%	-26.1%	-34.1%	-24.2%	-6.6%	14.4%	13.6%
Materials and supplies	**-21.1**	**-25.4**	**-82.2**	**-16.6**	**-74.6**	**-85.3**	**-96.7**
yoy growth	23.5%	22.7%	38.2%	21.2%	9.3%	-14.4%	-13.4%
Personnel expenses	**-17.9**	**-17.7**	**-65.4**	**-15.0**	**-61.2**	**-65.2**	**-70.0**
yoy growth	7.4%	7.1%	15.6%	16.0%	6.4%	-6.6%	-7.4%
Other expenses	**-9.5**	**-10.7**	**-38.3**	**-6.9**	**-32.2**	**-33.5**	**-36.6**
yoy growth	7.7%	6.7%	14.5%	27.7%	15.8%	-4.1%	-9.2%
EBITDA	**1.2**	**-3.5**	**-5.2**	**-0.9**	**0.7**	**9.0**	**15.9**
yoy growth	-76.6%	-174.1%	-127.4%	-176.6%	113.6%	1171.2%	76.6%
EBITDA margin	**2.4%**	**-7.2%**	**-2.9%**	**-2.4%**	**0.4%**	**4.8%**	**7.5%**
Depreciation and Amortization	-2.0	-2.1	-8.8	-2.2	-8.7	-8.6	-8.6
yoy growth	-20.2%	-16.1%	-16.8%	-9.7%	1.4%	0.9%	-0.1%
EBIT	**-0.8**	**-5.6**	**-14.0**	**-3.1**	**-8.0**	**0.4**	**7.3**
yoy growth	-125.2%	-295.1%	-223.1%	-269.5%	43.0%	105.0%	1725.0%
EBIT margin	**-1.8%**	**-11.6%**	**-7.8%**	**-8.3%**	**-4.9%**	**0.2%**	**3.4%**
Net interest result	-0.3	-0.8	-2.6	-0.8	-3.5	-3.6	-3.7
yoy growth	-92.7%	-314.3%	-200.7%	-173.2%	-31.3%	-3.5%	-3.7%
Financial result	**-0.5**	**-0.8**	**-2.8**	**-0.8**	**-3.4**	**-3.4**	**-3.5**
yoy growth	-269.0%	-358.1%	-5.8%	-48.6%	-19.9%	-0.5%	-3.2%
EBT	**-1.4**	**-6.4**	**-16.8**	**-3.9**	**-11.4**	**-3.0**	**3.8**
yoy growth	-143.2%	-336.9%	-293.2%	-183.2%	32.5%	73.6%	225.8%
EBT margin	-2.9%	-13.2%	-9.4%	-10.4%	-6.9%	-1.6%	1.8%
Taxes on income	-0.5	-0.2	-0.3	0.0	-0.2	-0.5	-0.9
effective tax rate	37.7%	3.5%	1.9%	1.1%	2.0%	15.0%	-25.0%
Net income b.m.	**-1.9**	**-6.6**	**-17.2**	**-3.9**	**-11.6**	**-3.5**	**2.8**
yoy growth	-178.7%	-428.4%	-466.0%	-108.0%	32.4%	70.2%	182.1%
Minority interests	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0
yoy growth	-138.5%	350.0%	6.3%	106.5%	8.7%	129.8%	-193.8%
Net income a.m.	**-1.9**	**-6.6**	**-17.3**	**-3.9**	**-11.7**	**-3.4**	**2.8**
yoy growth	-182.2%	-427.6%	-475.5%	-101.2%	32.3%	70.6%	182.0%
Net income a.m. margin	-4.1%	-13.6%	-9.6%	-10.5%	-7.1%	-1.8%	1.3%
EPS	**-0.08**	**-0.27**	**-0.71**	**-0.16**	**-0.48**	**-0.14**	**0.12**
yoy growth	0.0%	0.0%	-475.5%	0.0%	-32.3%	-70.6%	-182.0%
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.05**

Source: Bene, Raiffeisen Centrobank estimates

Valuation

Recommendation: Hold
Target price: EUR 1.30

Following a recent management meeting and the disappointing 1Q 10/11e earnings in June we have cut our forecasts further which results in a cut of the target price to EUR 1.30 from before EUR 1.55. However, given the weak performance of the share price (down 26.1% from the most recent highs in April) we view the lowered outlook as priced in already and we confirm our "hold"-recommendation. From a long-term strategic perspective we expect Bene to continue the ongoing substitution of merchandise swivel chairs with in-house designed products and to drive the market introduction of PARCS which brings additional revenue potential with gross margins (as defined by Bene) above 50%. Moreover, the company boasts an attractive positioning for a recovery scenario due to the ample liquidity reserves which allow Bene to weather current difficult market conditions and to finance potential organic growth in excess of EUR 100 mn given the existing capacity reserves which also means that investment needs will remain limited to maintenance capex for the foreseeable future. However, as a late-cyclical company with non-residential construction and business spending as the main revenue drivers the outlook remains uncertain and difficult.

Our target price is based on our DCF model and a median EV/EBITDA peer group multiple (FY 11 and FY 12) of 5.0x. We cut the target price to EUR 1.30 from EUR 1.55 and confirm our "hold"-recommendation.

Peer group overview

	P/E			EV/EBITDA			EV/EBIT			P/BV		
	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e
Steelcase	71.4	17.6	7.9	7.9	4.9	3.1	19.3	8.0	4.4	1.2	1.1	1.0
Herman Miller	17.5	13.0	10.4	7.3	5.6	4.2	10.3	7.7	5.4	6.4	4.3	3.0
HNI	31.9	16.6	11.6	8.2	6.3	4.7	14.4	9.3	6.4	2.6	2.5	2.2
Knoll	23.7	13.4	10.0	13.2	8.4	6.3	14.5	10.3	7.3	6.1	4.3	3.1
Zumtobel	14.0	9.4	7.9	5.8	4.7	3.9	9.9	7.3	5.8	1.5	1.3	1.2
Mean	**31.7**	**14.0**	**9.5**	**8.5**	**6.0**	**4.4**	**13.7**	**8.5**	**5.9**	**3.6**	**2.7**	**2.1**
Median	**23.7**	**13.4**	**10.0**	**7.9**	**5.6**	**4.2**	**14.4**	**8.0**	**5.8**	**2.6**	**2.5**	**2.2**
Bene	**neg.**	**neg.**	**10.3**	**74.5**	**6.4**	**3.7**	**neg.**	**145.0**	**8.2**	**0.7**	**0.8**	**0.7**

Source: Reuters, Raiffeisen Centrobank estimates

DCF valuation

FCF projection (EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
NOPLAT	1.0	-0.1	6.4	6.8	8.1	9.5	6.5
Adj. NOPLAT	1.0	-0.1	6.4	6.8	8.1	9.5	6.5
Depreciation of PPE & intangibles	8.7	8.6	8.6	8.9	9.1	9.2	10.0
Gross investment in PPE & intangibles	-8.6	-8.1	-10.7	-11.1	-11.3	-11.5	-11.1
Change in working capital	1.0	-2.3	-2.6	-2.3	-2.3	-1.3	-0.2
NWC/Sales	3.9%	4.6%	5.3%	5.8%	6.3%	6.5%	6.5%
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	1.9	-1.6	1.9	2.3	3.6	5.9	5.2
Adj. free cash flow to firm	**1.9**	**-1.6**	**1.9**	**2.3**	**3.6**	**5.9**	**5.2**
EV DCF, mid-year assumption		**54.6**	**59.0**				
MV of non-operating assets		0.0	0.0				
MV of net debt		23.7	28.8				
MV of minorities		0.2	0.2				
Adjustments to EV		1.0	1.0				
Fair value of equity		**31.7**	31.0				
Shares outstanding (mn)		24.3	24.3				
Price target per share per 01/02 (in EUR)		**1.3**	**1.3**				

Value drivers	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Consolidated sales yoy	-8.2%	13.9%	13.6%	9.5%	7.5%	5.2%	1.0%
EBITDA margin	0.4%	4.8%	7.5%	7.7%	7.9%	8.3%	6.5%
Rate of taxes paid	-112.8%	-112.8%	-13.0%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	3.9%	4.6%	5.3%	5.8%	6.3%	6.5%	6.5%
Capex/depreciation	98.9%	94.0%	124.1%	124.7%	124.7%	124.7%	111.3%
Free cash flow margin	1.1%	-0.9%	0.9%	1.0%	1.4%	2.2%	1.8%

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)	0.6%	1.4%	3.0%	3.6%	4.1%	4.2%	4.5%
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	7.9%	8.0%	9.6%	10.2%	10.7%	10.8%	11.1%
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	-112.8%	-112.8%	-13.0%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	**4.8%**	**4.9%**	**8.1%**	**8.2%**	**8.5%**	**8.6%**	**8.8%**

Sensitivity analysis

Growth sensitivity (EUR)			Terminal growth rate				
WACC	**-0.5%**	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**
7.3%	1.5	1.6	1.8	2.0	2.2	2.4	2.7
7.8%	1.3	1.4	1.6	1.7	1.9	2.1	2.3
8.3%	1.2	1.3	1.4	1.5	1.6	1.8	2.0
8.8%	1.0	1.1	1.2	**1.3**	1.4	1.6	1.7
9.3%	0.9	1.0	1.0	1.1	1.2	1.4	1.5
9.8%	0.8	0.8	0.9	1.0	1.1	1.2	1.3
10.3%	0.7	0.7	0.8	0.9	0.9	1.0	1.1

Margin sensitivity (EUR)			FCF margin TV				
WACC	**0.3%**	**0.8%**	**1.3%**	**1.8%**	**2.3%**	**2.8%**	**3.3%**
7.3%	0.1	0.7	1.3	2.0	2.6	3.2	3.8
7.8%	0.0	0.6	1.1	1.7	2.3	2.8	3.4
8.3%	0.0	0.5	1.0	1.5	2.0	2.5	3.0
8.8%	-0.1	0.4	0.8	**1.3**	1.8	2.2	2.7
9.3%	-0.1	0.3	0.7	1.1	1.6	2.0	2.4
9.8%	-0.2	0.2	0.6	1.0	1.4	1.8	2.1
10.3%	-0.2	0.2	0.5	0.9	1.2	1.6	1.9

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**	**164.6**	**187.6**	**213.1**
Changes in inventories	1.2	0.4	-4.8	0.2	0.9	1.1
Own work capitalised	2.6	3.5	2.7	2.1	2.6	3.0
Other operating income	4.2	4.9	3.4	1.8	2.0	2.1
Total revenues	**260.5**	**274.1**	**180.7**	**168.7**	**193.1**	**219.3**
Material costs	-128.2	-133.0	-82.2	-74.6	-85.3	-96.7
Personnel expenses	-71.3	-77.5	-65.4	-61.2	-65.2	-70.0
Other operating expenses	-39.2	-44.7	-38.3	-32.2	-33.5	-36.6
EBITDA	**21.7**	**18.9**	**-5.2**	**0.7**	**9.0**	**15.9**
Depreciation of PPE and intangibles	-6.5	-7.5	-8.7	-8.7	-8.6	-8.6
EBITA	**15.2**	**11.5**	**-13.9**	**-8.0**	**0.4**	**7.3**
Amortisation, impairment of goodwill	0.0	-0.1	-0.1	0.0	0.0	0.0
EBIT	**15.2**	**11.4**	**-14.0**	**-8.0**	**0.4**	**7.3**
Investment income	0.2	0.0	0.0	0.1	0.2	0.2
Net interest income	-0.7	-0.9	-2.6	-3.5	-3.6	-3.7
Other financial result	0.6	-1.8	-0.2	0.0	0.0	0.0
Financial result	**0.0**	**-2.7**	**-2.8**	**-3.4**	**-3.4**	**-3.5**
Earnings before taxes	**15.2**	**8.7**	**-16.8**	**-11.4**	**-3.0**	**3.8**
Taxes on income	-3.8	-4.0	-0.3	-0.2	-0.5	-0.9
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**11.4**	**4.7**	**-17.2**	**-11.6**	**-3.5**	**2.8**
Minority interests	-0.4	-0.1	-0.1	-0.1	0.0	0.0
Net profit after minorities	**11.0**	**4.6**	**-17.3**	**-11.7**	**-3.4**	**2.8**

Balance sheet (EUR mn)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Current assets	**90.4**	**79.7**	**92.4**	**78.6**	**79.3**	**83.9**
Liquid funds	22.5	15.5	48.2	37.0	31.9	30.2
Receivables	48.5	45.1	30.4	28.0	32.3	37.1
Inventories	19.4	19.1	13.8	13.7	15.2	16.6
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**44.6**	**59.1**	**62.5**	**62.4**	**61.9**	**64.1**
Property, plant & equipment	34.8	45.3	48.2	49.8	50.9	54.4
Intangible assets	5.2	8.9	9.6	7.8	6.3	4.9
Goodwill	4.1	4.3	4.4	4.4	4.4	4.4
Financial assets	0.6	0.7	0.4	0.4	0.5	0.5
Deferred tax assets	**6.9**	**6.7**	**6.8**	**6.8**	**6.8**	**6.8**
Total assets	**142.0**	**145.6**	**161.7**	**147.8**	**148.1**	**154.8**
Current liabilities	**53.6**	**61.3**	**47.1**	**45.1**	**48.6**	**52.3**
Long-term liabilities	**19.1**	**16.1**	**63.1**	**63.0**	**63.2**	**63.4**
Shareholders' equity	**69.0**	**67.9**	**51.0**	**39.3**	**35.9**	**38.7**
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**	**147.8**	**148.1**	**154.8**

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**	**-11.4**	**-3.0**	**3.8**
Taxes paid	-3.6	-3.7	-0.9	-0.2	-0.5	-0.9
Amortisation and depreciation	6.5	7.6	8.8	8.7	8.6	8.6
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**	**-3.1**	**5.4**	**11.7**
Change in working capital	-7.9	-0.7	14.8	0.7	-2.3	-2.6
Operating cash flow	**9.8**	**14.6**	**6.8**	**-2.5**	**3.1**	**9.1**
Capex PPE and intangible assets	-17.4	-20.9	-14.2	-8.6	-8.1	-10.7
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	-0.1	-0.1	-0.1
Investing cash flow	**-3.2**	**-20.1**	**-13.1**	**-8.7**	**-8.2**	**-10.8**
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**	**-11.4**	**-5.1**	**-1.7**

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%	-8.2%	13.9%	13.6%
EBITDA yoy	16.6%	-12.8%	-127.4%	-113.6%	1,171.2%	76.6%
EBITA yoy	16.2%	-24.4%	-220.7%	-42.4%	-105.0%	1,725.0%
EBIT yoy	16.2%	-25.1%	-223.1%	-43.0%	-105.0%	1,725.0%
EBT yoy	23.0%	-42.8%	-293.2%	-32.5%	-73.6%	-225.8%
Net profit after minorities yoy	30.9%	-58.3%	-475.5%	-32.3%	-70.6%	-182.0%

Margins	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Material costs margin	-50.8%	-50.1%	-45.9%	-45.3%	-45.5%	-45.4%
EBITDA margin	8.6%	7.1%	-2.9%	0.4%	4.8%	7.5%
EBITA margin	6.0%	4.3%	-7.7%	-4.9%	0.2%	3.4%
EBIT margin	6.0%	4.3%	-7.8%	-4.9%	0.2%	3.4%
EBT margin	6.0%	3.3%	-9.4%	-6.9%	-1.6%	1.8%
Net margin	4.4%	1.7%	-9.6%	-7.1%	-1.8%	1.3%

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	6.4	8.7	11.2
Net interest-bearing debt	-6.4	7.8	12.3	23.7	28.8	30.4
Capital employed	85.4	91.7	112.0	100.3	96.9	99.7
Market capitalisation	92.5	33.1	34.1	29.0	29.0	29.0
Enterprise value	85.9	40.7	46.6	52.9	58.0	59.6

Financing (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Interest cover	22.0	15.6	-1.6	0.3	2.4	4.0
Internal financing ratio	0.6	0.7	0.5	-0.3	0.4	0.9
Net gearing	-9.3%	11.4%	23.9%	59.9%	79.7%	78.2%
Quick ratio	1.3	1.0	1.7	1.4	1.3	1.3
Fixed assets cover	2.0	1.4	1.8	1.6	1.6	1.6
Capex / depreciation	2.7	2.8	1.6	1.0	0.9	1.2
Equity ratio	48.7%	46.8%	31.7%	26.7%	24.4%	25.1%

Profitability	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Return on assets	8.6%	3.7%	-9.2%	-4.9%	0.7%	3.9%
Return on equity	16.7%	6.7%	-29.0%	-25.9%	-9.1%	7.6%
Return on capital employed	14.1%	6.1%	-13.9%	-7.2%	1.1%	6.0%

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	-0.48	-0.14	0.12
EPS pre-goodwill	0.45	0.19	-0.71	-0.48	-0.14	0.12
Adjusted EPS diluted	0.45	0.19	-0.71	-0.48	-0.14	0.12
Operating cash flow per share	0.40	0.60	0.28	-0.10	0.13	0.37
Book value per share	2.83	2.79	2.10	1.61	1.47	1.59
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%	43.3%

Valuation (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
PE reported	8.4	7.2	-2.0	-2.5	-8.4	10.3
PE pre-goodwill	8.4	7.0	-2.0	-2.5	-8.4	10.3
Adjusted PE diluted	8.4	7.2	-2.0	-2.5	-8.4	10.3
Price cash flow	9.5	2.3	5.0	-11.7	9.5	3.2
Price book value	1.3	0.5	0.7	0.7	0.8	0.7
Dividend yield	5.8%	0.0%	0.0%	0.0%	0.0%	4.2%
Free cash flow yield	-6.7%	-17.9%	-18.8%	-37.9%	-17.3%	-5.4%
EV/sales	0.3	0.2	0.3	0.3	0.3	0.3
EV/EBITDA	4.0	2.2	-9.0	74.5	6.4	3.7
EV/EBIT	5.7	3.6	-3.3	-6.6	145.0	8.2
EV/operating cash flow	8.8	2.8	6.9	-21.4	19.0	6.5
Adjusted EV/CE	1.3	0.6	0.8	0.9	0.9	0.9
Adjusted EV/CE vs. ROCE/WACC				-0.6	4.2	1.2

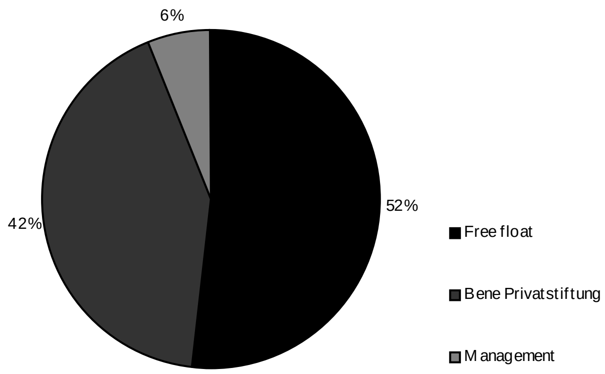
Source: Bene, Raiffeisen Centrobank estimates

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 2008/09. 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 towards increasing the gross margin because high-margin products are being added to the portfolio (PARCS) and due to the substitution of merchandise swivel chairs through in-house designed and outlicensed chairs

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
- Weak 2Q 10/11e ahead

Income statement (EUR mn)	1/2010	1/2011e	1/2012e	1/2013e
Consolidated sales	179.3	164.6	187.6	213.1
EBITDA	-5.2	0.7	9.0	15.9
EBIT	-14.0	-8.0	0.4	7.3
EBT	-16.8	-11.4	-3.0	3.8
Net profit bef. min.	-17.2	-11.6	-3.5	2.8
Net profit after min.	-17.3	-11.7	-3.4	2.8
Balance sheet				
Total assets	161.7	147.8	148.1	154.8
Shareholders' equity	51.0	39.3	35.9	38.7
Goodwill	4.4	4.4	4.4	4.4
NIBD	12.3	23.7	28.8	30.4
Cash flow statement				
Operating cash flow	6.8	-2.5	3.1	9.1
Investing cash flow	-13.1	-8.7	-8.2	-10.8
Change NIBD	-4.5	-11.4	-5.1	-1.7

Per share data (EUR)	1/2010	1/2011e	1/2012e	1/2013e
EPS pre-goodwill	-0.71	-0.48	-0.14	0.12
Adj. EPS diluted	-0.71	-0.48	-0.14	0.12
Operating cash flow	0.28	-0.10	0.13	0.37
Book value	2.10	1.61	1.47	1.59
Dividend	0.00	0.00	0.00	0.05
Payout ratio	0.0%	0.0%	0.0%	43.3%
Valuation (x)				
PE pre-goodwill	-2.0	-2.5	-8.4	10.3
Adj. PE diluted	-2.0	-2.5	-8.4	10.3
Price cash flow	5.0	-11.7	9.5	3.2
Price book value	0.7	0.7	0.8	0.7
Dividend yield	0.0%	0.0%	0.0%	4.2%
FCF yield	-18.8%	-37.9%	-17.3%	-5.4%
EV/EBITDA	-9.0	74.5	6.4	3.7
EV/EBIT	-3.3	-6.6	145.0	8.2
EV/operating CF	6.9	-21.4	19.0	6.5

Source: Bene, Raiffeisen Centrobank estimates

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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.

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