

Company Update

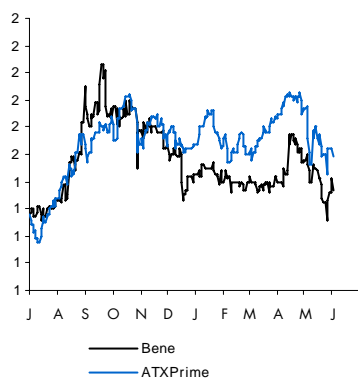
June 2, 2010

Construction & Materials/Austria

Bene

Hold

Price 02.06.10	1.40
Price target	1.55
Volatility risk	medium
Year high/low	1.83/1.26
Currency	EUR
EUR/EUR	1.00
ADR rate	n.a.
Market capitalisation in EUR mn	33.4
Free float	51.6%
Free float in EUR mn	17.2
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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Bouncing off bottom but still in difficult environment

The yoy increase of the gross margin shows that the shift to designing and producing (outlicencing model) swivel chairs and increasing the share of in-house production has positive effects and is underlining the strategic efforts to develop the product mix towards higher-margin products. This is a positive indication for the mid- to long-term profitability and the earnings recovery. However, our forecast that Bene will not return to a positive bottom-line in FY 10/11 was confirmed by the management outlook. Given the weaker than expected profitability in FY 09/10e we are lowering our earnings forecasts for FY 10/11e despite increasing our top-line estimates. As the market will also be very difficult in FY 10/11e we currently see no trigger for Bene and hence confirm our "hold" recommendation and cut the target price to EUR 1.55 from previously EUR 1.65. As regards the liquidity reserve we see no risks for Bene as the funds from the bond issue are still largely untouched and as management guides that capex requirements can be limited to about EUR 10 mn per year. When deducting short-term liabilities from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for more than three years.

FY 09/10 results: FY 09/10 sales amounted to EUR 179.3 mn which is a 32.4% decline yoy but slightly ahead of our estimate of EUR 177.1 mn. Despite the dramatic decline in volumes and the resulting price pressure Bene managed to increase the gross profit margin by 160 bp yoy to 52.3% owing to the shift towards a higher-margin product mix and the increased share of in-house production. On the back of higher than expected personnel expenses and other operating expenses EBITDA of EUR -5.2 mn clearly missed our estimate of EUR -3.4 mn.

Planning model: For FY 10/11e we moderately increase our sales forecast as order intake was guided to have stabilized and to have shown a slight uptick. However, as the profitability disappointed in FY 09/10 we lower our EBIT forecast and expect Bene to only break even.

Recommendation: We base our valuation on our DCF model, peer group multiples and an ROCE/WACC to EV/CE comparison. We confirm our "hold" recommendation and cut the target price to EUR 1.55 from previously EUR 1.65.

Key ratios

EUR	1/2009	1/2010	1/2011e	1/2012e	1/2013e
EPS reported	0.19	-0.71	-0.18	0.07	0.16
PE reported	7.2	-2.0	-7.7	20.7	8.4
Adjusted EPS diluted	0.19	-0.71	-0.18	0.07	0.16
Adjusted PE diluted	7.2	-2.0	-7.7	20.7	8.4
Operating cash flow per share	0.60	0.28	0.03	0.27	0.50
Price cash flow	2.3	5.0	43.9	5.1	2.8
Book value per share	2.79	2.10	1.92	1.98	2.12
Price book value	0.5	0.7	0.7	0.7	0.6
Dividend per share	0.00	0.00	0.00	0.03	0.06
Dividend yield	0.0%	0.0%	0.0%	2.2%	4.4%
EV/adjusted EBITDA	2.2	-9.0	6.4	4.0	3.2

Source: Bene, Raiffeisen Centrobank estimates

Share price triggers

Trigger	Momentum	Explanation
Gross profit	positive	<ul style="list-style-type: none"> 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.
FY 09/10 results & Guidance	negative	<ul style="list-style-type: none"> Despite higher than expected sales FY 09/10 profitability clearly missed our expectations which is a negative indication for FY 10/11 as the market environment will stay difficult and some cost cuts will reverse as short-time work will end and the voluntary pay-cut of employees of the holding company Bene AG ceases to apply as of 1.8.2010. The guidance on a negative bottom line in FY 10/11 confirmed our expectations.
Liquidity reserves	positive	<ul style="list-style-type: none"> 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 reserved amounted to EUR 48.2 mn. Management guides that capex requirements can be limited to about EUR 10 mn per year. When deducting short-term liabilities from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for more than 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.
Balance sheet structure	positive	<ul style="list-style-type: none"> Bene boasts one of the most conservative balance sheet structures among the industry leaders which together with the cash reserves puts the company in the position to be one of the potential beneficiaries of the downturn.

Source: Raiffeisen Centrobank

EBITDA and net profit below expectations, but the gross margin increases yoy

FY 09/10 results

FY 09/10 results showed sales in-line with our estimates but a weaker than expected operating profitability. FY 09/10 sales amounted to EUR 179.3 mn which is a 32.4% decline yoy but slightly ahead of our estimate of EUR 177.1 mn. Despite the dramatic decline in volumes and the resulting price pressure Bene managed to increase the gross profit margin by 160 bp yoy to 52.3% owing to the shift towards a higher-margin product mix (swivel chairs) and the increased share of in-house production. On the back of higher than expected personnel expenses and other operating expenses EBITDA of EUR -5.2 mn clearly missed our estimate of EUR -3.4 mn. With only marginally higher than expected D&A charges EBIT amounted to EUR -14.0 mn compared to our forecast of EUR -11.9 mn. Net profit a.m. came in at EUR -17.3 mn (RCB: EUR -16.3 mn). Thanks to a more pronounced positive effect from more restrictive WC-management the Operating CF amounted to EUR 7.4 mn vs. our expectation of EUR -1.7 mn but was down from EUR 14.6 mn in FY 08/09. The Investing CF amounted to EUR -12.7 mn after EUR -20.1 mn a year ago as expansion projects have been put on hold but exceeds our forecast of EUR -7.5 mn. After issuing a bond to have a liquidity cushion the liquid funds increased by 311% yoy to EUR 48.2 mn, underlining the strong liquidity position. The equity ratio has fallen from 46.8% a year ago to 31.7%.

Outlook

Management is still highlighting the difficult and uncertain market environment as all group markets have recorded dramatic declines in sales. Earnings are guided to remain negative in FY 10/11. Order intake was outlined to have picked up from a very low level since 3Q 09/10.

FY 09/10 results

<i>in EUR mn</i>	FY 09	FY 08	yoy	4Q 09	4Q 08	yoy	RCB	+/-
Sales	179.3	265.3	-32.4%	44.3	72.9	-39.2%	177.1	1.2%
EBITDA	-5.2	18.9	-127.4%	-2.7	2.8	-196.3%	-3.4	-50.9%
EBIT	-14.0	11.4	-223.1%	-5.2	0.6	-945.2%	-11.9	-17.9%
EBT	-16.8	8.7	-293.2%	-5.9	-1.6	-260.2%	-15.0	-12.5%
Net profit a.m.	-17.3	4.6	-475.5%	-5.5	-3.0	-84.0%	-16.3	-6.1%
EPS	-0.71	0.19	-476.1%	-0.23	-0.12	-85.0%	-0.67	-6.3%
EBITDA margin	-2.9%	7.1%		-6.1%	3.9%		-1.9%	
EBIT margin	-7.8%	4.3%		-11.8%	0.8%		-6.7%	
EBT margin	-9.4%	3.3%		-13.4%	-2.3%		-8.5%	
Net profit margin	-9.6%	1.7%		-12.5%	-4.1%		-9.2%	

Source: Bene, Raiffeisen Centrobank

Planning model**More optimistic top-line scenario**

In a recent meeting with management CEO Frank Wiegmann stated that the bottom of order intake was found in 3Q 09 and that since then a stabilization and an improvement from the low level has been observed. Consequently we up our sales forecast from a flat development to a moderate growth of 5.5% in FY 10/11e, despite the fact that we expect FY 10/11 to be another year with a very weak economic environment for office furniture producers. However, after the weaker than expected profitability we cut our forecast on EBIT to only breaking even and accordingly estimate an even higher net loss for the period at EUR -4.3 mn as FY 10/11 is also burdened by the first full-year effect of the bond issue. With the liquid funds at eop FY 09/10 increasing to EUR 48.2 mn from EUR 15.5 mn this illustrates that the EUR 40 mn raised in the bond issue in April 2009 is still only serving as cash cushion and that this safety measure to assure sufficient liquidity alone burdens the net interest result with more than EUR 2.3 mn when assuming that Bene earns 1% on its cash reserves. Returning costs are related to the end of the short-time work for sales personnel in Austria, which took place one month earlier than originally planned due to an uptick of demand, and the end of the 20% pay cut for employees of the holding company Bene AG which expires on July 31.

Positive trend in gross margin to continue

Reporting in the total cost format, Bene has defined its measure of gross profit as sales plus changes in inventories and own work capitalized and deducts material costs. Hence, there is no direct labour and other items included that are usually part of costs of goods sold. Owing to an improving product mix and the higher share of in-house production Bene could improve their gross margin in the difficult FY 09/10. We expect this trend to continue as the company now targets to sell 1,500 self-designed swivel chairs per month in FY 10/11 and hence further increase the substitution of low-margin merchandise with high-margin self-designed products. Moreover, the new PARCS product line is not only adding an additional high-margin product to the portfolio but compared to the swivel chair is also on top in terms of revenue potential and not a pure substitution effect. We forecast that the gross profit margin will improve further as the trend of an improving sales mix will continue in our view.

Changes of estimates

	Old			New			comment
	FY 10/11e	FY 11/12e	FY 12/13e	FY 10/11e	FY 11/12e	FY 12/13e	
Sales	177.5	194.9	-	187.3	206.1	223.4	Top-line forecast upped on the back of guided uptick in demand
EBITDA	10.0	14.1	-	8.7	14.8	18.2	
EBIT	1.7	6.0	-	0.0	6.0	9.2	More conservative stance on EBIT recovery as FY 09/10 profitability disappointed
EBT	-2.1	2.3	-	-3.7	2.2	5.3	
Net income a.m.	-2.7	1.4	-	-4.3	1.6	4.0	Liquidity cushion to weigh on bottom line
EPS	-0.11	0.06	-	-0.18	0.07	0.16	
DPS	0.00	0.00	-	0.00	0.03	0.06	
EBITDA margin	5.6%	7.2%	-	4.7%	7.2%	8.2%	
EBIT margin	1.0%	3.1%	-	0.0%	2.9%	4.1%	
EBT margin	-1.2%	1.2%	-	-2.0%	1.0%	2.4%	
Net income a.m. margin	-1.5%	0.7%	-	-2.3%	0.8%	1.8%	

Source: Raiffeisen Centrobank estimates

Acquisitions

Risks to our planning model:

With a war chest of EUR 48.2 mn Bene might eye acquisitions in 2010. Since there are only signs of demand stabilization on a low level in the industry we do not account for any acquisitions in our model which could potentially be margin dilutive and/or mean the extension of the business model into a complementary technology the company has so far little experience in. On the other hand, in a mid-term perspective it may also sustainably enhance the competitive position of Bene and raise the mid-cycle margin potential.

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 08/09. 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	3Q 09/10	4Q 09/10e	FY 09/10	FY 10/11e	FY 11/12e	FY 12/13e
Sales revenues	47.6	48.1	39.2	44.3	179.3	187.3	206.1	223.4
yoy growth	-20.2%	-27.6%	-40.8%	-39.2%	-32.4%	4.4%	10.1%	8.4%
Austria	14.5	12.3	13.2	13.5	53.5	56.2	60.1	64.3
yoy growth	-26.2%	-30.6%	-35.5%	-28.5%	-30.3%	5.0%	7.0%	7.0%
Germany	14.3	12.6	10.9	13.0	50.9	54.1	58.1	62.3
yoy growth	-10.0%	-27.8%	-35.4%	-35.3%	-27.7%	6.3%	7.3%	7.2%
UK	5.3	3.1	4.7	2.8	15.8	17.4	20.1	21.6
yoy growth	-22.2%	-44.1%	-4.9%	-35.7%	-26.5%	10.0%	15.4%	7.9%
Russia	5.1	12.1	2.9	3.5	23.6	22.7	26.9	29.7
yoy growth	51.0%	8.5%	-74.4%	-74.9%	-40.6%	-3.9%	18.5%	10.5%
Other markets	8.4	8.0	7.5	11.5	35.4	36.9	40.9	45.4
yoy growth	-39.7%	-45.3%	-40.6%	-26.1%	-37.6%	4.0%	11.0%	10.9%
Total revenues	49.7	50.4	40.7	39.9	180.7	193.0	212.2	229.9
yoy growth	-20.1%	-26.1%	-43.0%	-44.9%	-34.1%	6.8%	9.9%	8.3%
Materials and supplies	-21.1	-25.4	-19.3	-16.4	-82.2	-85.3	-93.7	-101.4
yoy growth	23.5%	22.7%	44.2%	56.7%	38.2%	-3.7%	-9.9%	-8.2%
Personnel expenses	-17.9	-17.7	-14.1	-15.6	-65.4	-66.4	-70.1	-73.9
yoy growth	7.4%	7.1%	29.0%	18.4%	15.6%	-1.5%	-5.7%	-5.4%
Other expenses	-9.5	-10.7	-7.5	-10.5	-38.3	-32.6	-33.6	-36.4
yoy growth	7.7%	6.7%	28.4%	15.5%	14.5%	14.7%	-2.8%	-8.4%
EBITDA	1.2	-3.5	-0.2	-2.7	-5.2	8.7	14.8	18.2
yoy growth	-76.6%	-174.1%	-103.0%	-196.3%	-127.4%	268.0%	69.4%	23.3%
EBITDA margin	2.4%	-7.2%	-0.5%	-6.1%	-2.9%	4.7%	7.2%	8.2%
Depreciation and Amortization	-2.0	-2.1	-2.2	-2.5	-8.8	-8.7	-8.8	-9.1
yoy growth	-20.2%	-16.1%	-17.7%	-13.9%	-16.8%	1.4%	-1.4%	-2.8%
EBIT	-0.8	-5.6	-2.4	-5.2	-14.0	0.0	6.0	9.2
yoy growth	-125.2%	-295.1%	-152.1%	-945.2%	-223.1%	100.3%	15405.1%	53.6%
EBIT margin	-1.8%	-11.6%	-6.1%	-11.8%	-7.8%	0.0%	2.9%	4.1%
Net interest result	-0.3	-0.8	-0.9	-0.7	-2.6	-3.9	-4.0	-4.1
yoy growth	-92.7%	-314.3%	-228.9%	-158.4%	-200.7%	-46.0%	-4.1%	-1.2%
Financial result	-0.5	-0.8	-0.8	-0.7	-2.8	-3.8	-3.8	-3.8
yoy growth	-269.0%	-358.1%	-740.0%	68.7%	-5.8%	-33.3%	-1.2%	-0.8%
EBT	-1.4	-6.4	-3.2	-5.9	-16.8	-3.7	2.2	5.3
yoy growth	-143.2%	-336.9%	-170.9%	-260.2%	-293.2%	77.9%	157.9%	146.8%
EBT margin	-2.9%	-13.2%	-8.2%	-13.4%	-9.4%	-2.0%	1.0%	2.4%
Taxes on income	-0.5	-0.2	0.0	0.4	-0.3	-0.6	-0.5	-1.3
effective tax rate	37.7%	3.5%	-0.6%	-6.7%	1.9%	15.0%	-25.0%	-25.0%
Net income b.m.	-1.9	-6.6	-3.2	-5.5	-17.2	-4.3	1.6	4.0
yoy growth	-178.7%	-428.4%	-197.9%	-87.1%	-466.0%	75.0%	137.8%	146.8%
Minority interests	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
yoy growth	-138.5%	350.0%	-75.0%	112.8%	6.3%	66.3%	62.2%	-182.0%
Net income a.m.	-1.9	-6.6	-3.2	-5.5	-17.3	-4.3	1.6	4.0
yoy growth	-182.2%	-427.6%	-200.0%	-83.9%	-475.5%	75.0%	137.3%	146.5%
Net income a.m. margin	-4.1%	-13.6%	-8.2%	-12.5%	-9.6%	-2.3%	0.8%	1.8%
EPS	-0.08	-0.27	-0.13	-0.23	-0.71	-0.18	0.07	0.16
yoy growth	0.0%	0.0%	0.0%	0.0%	-475.5%	-75.0%	-137.3%	146.5%
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.06

Source: Bene, Raiffeisen Centrobank estimates

Valuation

Recommendation: Hold
Target price: EUR 1.55

The yoy increase of the gross margin shows that the shift to designing and producing (outlicencing model) swivel chairs and increasing the share of in-house production has positive effects and is underlining the strategic efforts to develop the product mix towards higher-margin products. This is a positive indication for the mid- to long-term profitability and the earnings recovery. However, our forecast that Bene will not return to a positive bottom-line in FY 10/11 was confirmed by the management

outlook. Given the weaker than expected profitability in FY 09/10e we are lowering our earnings forecasts for FY 10/11e despite increasing our top-line estimates. As the market environment will also be very difficult in FY 10/11e we currently see no trigger for Bene and hence confirm our "hold" recommendation and cut the target price to EUR 1.55 from previously EUR 1.65. As regards the liquidity reserve we see no risks for Bene as the funds from the bond are still largely untouched and as management guides that capex requirements can be limited to about EUR 10 mn per year. When deducting short-term liabilities from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for more than three years.

Peer group overview

	P/E			EV/EBITDA			EV/EBIT			P/BV		
	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e
Steelcase	76.3	24.3	11.1	11.6	6.6	4.4	29.7	11.5	6.4	1.5	1.4	1.3
Herman Miller	20.3	15.4	12.2	8.3	6.8	0.0	11.6	9.0	7.8	7.4	4.9	3.5
HNI	37.0	20.2	14.1	9.4	7.5	5.7	16.4	11.4	7.9	3.1	2.9	2.6
Knoll	34.8	15.0	11.8	13.4	9.1	6.9	14.9	11.1	8.6	6.9	4.9	3.6
Zumtobel	14.1	10.0	8.2	6.6	5.2	4.4	11.8	8.3	6.6	1.1	1.0	0.9
Mean	36.5	17.0	11.5	9.9	7.0	4.3	16.9	10.3	7.5	4.0	3.1	2.4
Median	34.8	15.4	11.8	9.4	6.8	4.4	14.9	11.1	7.8	3.1	2.9	2.6
Bene	neg.	20.7	8.4	6.4	4.0	3.2	n.a.	10.0	6.4	0.7	0.7	0.6

Source: Reuters, Raiffeisen Centrobank estimates

ROCE/WACC vs. EV/CE

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11e	2011/12e	2012/13e	Mid-Cycle
ROCE	15.6%	13.8%	14.1%	6.1%	-13.9%	0.6%	4.5%	6.6%	8.8%
WACC	9.9%	9.9%	9.9%	10.6%	8.1%	7.5%	7.6%	8.9%	9.1%
ROCE/WACC	1.6	1.4	1.4	0.6	-1.7	0.1	0.6	0.7	1.0
CE	53.9	87.2	85.4	91.7	112.0	107.7	109.3	112.6	112.6
avg. CE	57.7	70.6	86.3	88.5	101.8	109.9	108.5	110.9	110.9
EV	91.1	98.9	123.2	50.5	-175.0	8.1	64.3	82.2	107.4
MV of non-operating assets	0.0	2.2	1.8	0.4	0.4	0.0	0.0	0.0	0.0
MV of net debt	13.8	5.0	-18.2	-6.4	7.8	12.3	21.9	25.9	25.9
MV of minorities	0.6	0.7	0.9	0.2	0.2	0.2	0.2	0.2	0.2
Adjustments to EV	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Fair value of equity	76.6	95.3	142.3	58.1	-181.6	-3.4	43.2	57.1	82.3
Fair value per share	3.15	3.92	5.84	2.39	-7.46	-0.14	1.77	2.34	3.38
EOY share price	n.a.	6.55	3.80	1.36	1.40	1.40			

*Share price as of June 1, 2010; Source: Bene, Raiffeisen Centrobank estimates

DCF valuation

FCF projection (EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
NOPLAT	0.0	5.4	7.8	8.2	9.4	10.5	6.7
Adj. NOPLAT	0.0	5.4	7.8	8.2	9.4	10.5	6.7
Depreciation of PPE & intangibles	8.7	8.8	9.1	9.1	9.2	9.4	10.1
Gross investment in PPE & intangibles	-10.1	-10.5	-10.7	-11.1	-11.3	-11.5	-10.9
Change in working capital	-3.1	-4.1	-1.2	-1.2	-1.3	-0.3	-0.2
NWC/Sales	5.6%	7.0%	7.0%	7.0%	7.0%	6.8%	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	-4.7	-0.1	5.2	5.0	6.1	8.0	5.7
Adj. free cash flow to firm	-4.7	-0.1	5.2	5.0	6.1	8.0	5.7
EV DCF, mid-year assumption		57.8	62.3				
MV of non-operating assets		0.0	0.0				
MV of net debt		21.9	25.9				
MV of minorities		0.2	0.2				
Adjustments to EV		1.0	1.0				
Fair value of equity		36.7	37.2				
Shares outstanding (mn)		24.3	24.3				
Price target per share per 01/02 (in EUR)		1.5	1.5				

Value drivers	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Consolidated sales yoy	4.4%	10.1%	8.4%	8.0%	7.5%	4.8%	1.0%
EBITDA margin	4.7%	7.2%	8.2%	8.3%	8.4%	8.6%	6.5%
Rate of taxes paid	-9.0%	-9.0%	-14.5%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	5.6%	7.0%	7.0%	7.0%	7.0%	6.8%	6.5%
Capex/depreciation	116.1%	119.0%	118.0%	122.3%	122.5%	122.6%	107.6%
Free cash flow margin	-2.5%	0.0%	2.3%	2.1%	2.3%	3.0%	2.0%

WACC	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Target capital structure (at MV)	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Debt/equity ratio (at MV)	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%
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	-9.0%	-9.0%	-14.5%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	7.5%	7.6%	8.9%	9.3%	9.8%	9.9%	10.1%

Sensitivity analysis

Growth sensitivity (EUR)	Terminal growth rate						
	WACC	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%
8.6%	1.7	1.8	1.9	2.0	2.2	2.3	2.5
9.1%	1.5	1.6	1.7	1.8	2.0	2.1	2.3
9.6%	1.4	1.5	1.6	1.7	1.8	1.9	2.0
10.1%	1.3	1.4	1.4	1.5	1.6	1.7	1.8
10.6%	1.2	1.2	1.3	1.4	1.5	1.5	1.6
11.1%	1.1	1.1	1.2	1.3	1.3	1.4	1.5
11.6%	1.0	1.0	1.1	1.1	1.2	1.3	1.3

Margin sensitivity (EUR)	FCF margin TV						
	WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
8.6%	0.6	1.1	1.5	2.0	2.5	3.0	3.5
9.1%	0.5	0.9	1.4	1.8	2.3	2.7	3.1
9.6%	0.5	0.9	1.3	1.7	2.1	2.5	2.9
10.1%	0.4	0.8	1.1	1.5	1.9	2.2	2.6
10.6%	0.4	0.7	1.0	1.4	1.7	2.0	2.4
11.1%	0.3	0.6	0.9	1.3	1.6	1.9	2.2
11.6%	0.3	0.6	0.9	1.1	1.4	1.7	2.0

Source: Raiffeisen Centrobank estimates

**Financial statements
(IFRS)**

<i>Income statement (EUR mn)</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010</i>	<i>1/2011e</i>	<i>1/2012e</i>	<i>1/2013e</i>
Consolidated sales	252.5	265.3	179.3	187.3	206.1	223.4
Changes in inventories	1.2	0.4	-4.8	0.9	1.0	1.1
Own work capitalised	2.6	3.5	2.7	2.7	2.9	3.1
Other operating income	4.2	4.9	3.4	2.1	2.2	2.2
Total revenues	260.5	274.1	180.7	193.0	212.2	229.9
Material costs	-128.2	-133.0	-82.2	-85.3	-93.7	-101.4
Personnel expenses	-71.3	-77.5	-65.4	-66.4	-70.1	-73.9
Other operating expenses	-39.2	-44.7	-38.3	-32.6	-33.6	-36.4
EBITDA	21.7	18.9	-5.2	8.7	14.8	18.2
Depreciation of PPE and intangibles	-6.5	-7.5	-8.7	-8.7	-8.8	-9.1
EBITA	15.2	11.5	-13.9	0.0	6.0	9.2
Amortisation, impairment of goodwill	0.0	-0.1	-0.1	0.0	0.0	0.0
EBIT	15.2	11.4	-14.0	0.0	6.0	9.2
Investment income	0.2	0.0	0.0	0.1	0.2	0.2
Net interest income	-0.7	-0.9	-2.6	-3.9	-4.0	-4.1
Other financial result	0.6	-1.8	-0.2	0.0	0.0	0.0
Financial result	0.0	-2.7	-2.8	-3.8	-3.8	-3.8
Earnings before taxes	15.2	8.7	-16.8	-3.7	2.2	5.3
Taxes on income	-3.8	-4.0	-0.3	-0.6	-0.5	-1.3
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	11.4	4.7	-17.2	-4.3	1.6	4.0
Minority interests	-0.4	-0.1	-0.1	0.0	0.0	0.0
Net profit after minorities	11.0	4.6	-17.3	-4.3	1.6	4.0

<i>Balance sheet (EUR mn)</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010</i>	<i>1/2011e</i>	<i>1/2012e</i>	<i>1/2013e</i>
Current assets	90.4	79.7	92.4	87.4	89.2	93.6
Liquid funds	22.5	15.5	48.2	38.7	34.8	35.3
Receivables	48.5	45.1	30.4	33.1	37.5	40.7
Inventories	19.4	19.1	13.8	15.5	16.9	17.6
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	44.6	59.1	62.5	63.9	65.6	67.3
Property, plant & equipment	34.8	45.3	48.2	51.3	54.6	57.8
Intangible assets	5.2	8.9	9.6	7.8	6.2	4.7
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	158.2	161.6	167.7
Current liabilities	53.6	61.3	47.1	48.1	49.7	52.4
Long-term liabilities	19.1	16.1	63.1	63.0	63.2	63.4
Shareholders' equity	69.0	67.9	51.0	46.7	48.3	51.5
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	158.2	161.6	167.7

<i>Cash flow statement (EUR mn)</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010</i>	<i>1/2011e</i>	<i>1/2012e</i>	<i>1/2013e</i>
Earnings before taxes	15.2	8.7	-16.8	-3.7	2.2	5.3
Taxes paid	-3.6	-3.7	-0.9	-0.6	-0.5	-1.3
Amortisation and depreciation	6.5	7.6	8.8	8.7	8.8	9.1
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	4.2	10.7	13.3
Change in working capital	-7.9	-0.7	14.8	-3.4	-4.1	-1.2
Operating cash flow	9.8	14.6	6.8	0.8	6.6	12.1
Capex PPE and intangible assets	-17.4	-20.9	-14.2	-10.1	-10.5	-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	-10.2	-10.6	-10.8
Dividend payments	-4.9	-5.4	0.0	0.0	0.0	-0.7
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	-9.6	-4.0	0.6

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%	4.4%	10.1%	8.4%
EBITDA yoy	16.6%	-12.8%	-127.4%	-268.0%	69.4%	23.3%
EBITA yoy	16.2%	-24.4%	-220.7%	-100.3%	15,405.1%	53.6%
EBIT yoy	16.2%	-25.1%	-223.1%	-100.3%	15,405.1%	53.6%
EBT yoy	23.0%	-42.8%	-293.2%	-77.9%	-157.9%	146.8%
Net profit after minorities yoy	30.9%	-58.3%	-475.5%	-75.0%	-137.3%	146.5%

Margins	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Material costs margin	-50.8%	-50.1%	-45.9%	-45.5%	-45.5%	-45.4%
EBITDA margin	8.6%	7.1%	-2.9%	4.7%	7.2%	8.2%
EBITA margin	6.0%	4.3%	-7.7%	0.0%	2.9%	4.1%
EBIT margin	6.0%	4.3%	-7.8%	0.0%	2.9%	4.1%
EBT margin	6.0%	3.3%	-9.4%	-2.0%	1.0%	2.4%
Net margin	4.4%	1.7%	-9.6%	-2.3%	0.8%	1.8%

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	10.4	14.5	15.7
Net interest-bearing debt	-6.4	7.8	12.3	21.9	25.9	25.3
Capital employed	85.4	91.7	112.0	107.7	109.3	112.6
Market capitalisation	92.5	33.1	34.1	33.4	33.4	33.4
Enterprise value	85.9	40.7	46.6	55.5	59.5	58.9

Financing (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Interest cover	22.0	15.6	-1.6	2.1	3.5	4.2
Internal financing ratio	0.6	0.7	0.5	0.1	0.6	1.1
Net gearing	-9.3%	11.4%	23.9%	46.7%	53.4%	48.9%
Quick ratio	1.3	1.0	1.7	1.5	1.5	1.5
Fixed assets cover	2.0	1.4	1.8	1.7	1.7	1.7
Capex / depreciation	2.7	2.8	1.6	1.2	1.2	1.2
Equity ratio	48.7%	46.8%	31.7%	29.6%	30.0%	30.8%

Profitability	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Return on assets	8.6%	3.7%	-9.2%	0.4%	3.1%	4.5%
Return on equity	16.7%	6.7%	-29.0%	-8.8%	3.4%	8.0%
Return on capital employed	14.1%	6.1%	-13.9%	0.6%	4.5%	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	-0.18	0.07	0.16
EPS pre-goodwill	0.45	0.19	-0.71	-0.18	0.07	0.16
Adjusted EPS diluted	0.45	0.19	-0.71	-0.18	0.07	0.16
Operating cash flow per share	0.40	0.60	0.28	0.03	0.27	0.50
Book value per share	2.83	2.79	2.10	1.92	1.98	2.12
Dividend per share	0.22	0.00	0.00	0.00	0.03	0.06
Payout ratio	48.6%	0.0%	0.0%	0.0%	45.4%	36.8%

Valuation (x)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
PE reported	8.4	7.2	-2.0	-7.7	20.7	8.4
PE pre-goodwill	8.4	7.0	-2.0	-7.7	20.7	8.4
Adjusted PE diluted	8.4	7.2	-2.0	-7.7	20.7	8.4
Price cash flow	9.5	2.3	5.0	43.9	5.1	2.8
Price book value	1.3	0.5	0.7	0.7	0.7	0.6
Dividend yield	5.8%	0.0%	0.0%	0.0%	2.2%	4.4%
Free cash flow yield	-6.7%	-17.9%	-18.8%	-27.8%	-11.7%	4.1%
EV/sales	0.3	0.2	0.3	0.3	0.3	0.3
EV/EBITDA	4.0	2.2	-9.0	6.4	4.0	3.2
EV/EBIT	5.7	3.6	-3.3	1,439.2	10.0	6.4
EV/operating cash flow	8.8	2.8	6.9	73.0	9.0	4.9
Adjusted EV/CE	1.3	0.6	0.8	0.9	0.9	0.8

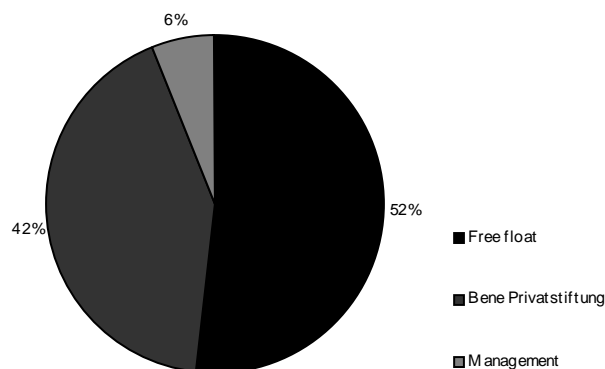
Source: Bene, Raiffeisen Centrobank estimates

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 and solid balance sheet

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	187.3	206.1	223.4
EBITDA	-5.2	8.7	14.8	18.2
EBIT	-14.0	0.0	6.0	9.2
EBT	-16.8	-3.7	2.2	5.3
Net profit bef. min.	-17.2	-4.3	1.6	4.0
Net profit after min.	-17.3	-4.3	1.6	4.0

Balance sheet

	1/2010	1/2011e	1/2012e	1/2013e
Total assets	161.7	158.2	161.6	167.7
Shareholders' equity	51.0	46.7	48.3	51.5
Goodwill	4.4	4.4	4.4	4.4
NIBD	12.3	21.9	25.9	25.3

Cash flow statement

	1/2010	1/2011e	1/2012e	1/2013e
Operating cash flow	6.8	0.8	6.6	12.1
Investing cash flow	-13.1	-10.2	-10.6	-10.8
Change NIBD	-4.5	-9.6	-4.0	0.6

Source: Bene, Raiffeisen Centrobank estimates

Per share data (EUR)	1/2010	1/2011e	1/2012e	1/2013e
EPS pre-goodwill	-0.71	-0.18	0.07	0.16
Adj. EPS diluted	-0.71	-0.18	0.07	0.16
Operating cash flow	0.28	0.03	0.27	0.50
Book value	2.10	1.92	1.98	2.12
Dividend	0.00	0.00	0.03	0.06
Payout ratio	0.0%	0.0%	45.4%	36.8%

Valuation (x)

	1/2010	1/2011e	1/2012e	1/2013e
PE pre-goodwill	-2.0	-7.7	20.7	8.4
Adj. PE diluted	-2.0	-7.7	20.7	8.4
Price cash flow	5.0	43.9	5.1	2.8
Price book value	0.7	0.7	0.7	0.6
Dividend yield	0.0%	0.0%	2.2%	4.4%
FCF yield	-18.8%	-27.8%	-11.7%	4.1%
EV/EBITDA	-9.0	6.4	4.0	3.2
EV/EBIT	-3.3	1,439.2	10.0	6.4
EV/operating CF	6.9	73.0	9.0	4.9

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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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