

Company Update

October 12, 2009

Construction & Materials/Austria

Bene

Hold

Price 11.10.09	1.63
Price target	1.85
Volatility risk	medium
Year high/low	1.98/0.97
Currency	EUR
EUR/EUR	1.00
ADR rate	n.a.
Market capitalisation in EUR mn	39.7
Free float	51.6%
Free float in EUR mn	20.5
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	

No bottom in sight yet

Bene's 2Q 09/10 figures were roughly in-line with our estimates and revealed no major surprises. Sales amounted to EUR 48.1 mn which translates into a 27.6% yoy decline but this is 4.4% ahead of our forecast of EUR 46.1 mn. Despite the significant plunge in a yoy perspective this is an outperformance in comparison to peer group companies that have already reported, which all recorded revenue declines by more than 30% yoy and by 33.6% on average. All metrics of profitability are negative from EBITDA downwards. Net profit amounted to EUR -6.6 mn after EUR 2.0 mn last year and vs. our estimate of EUR -6.4 mn. 2Q 09/10 operating cash flow amounted to EUR -4.7 mn down from EUR 10.1 mn a year earlier and was below our estimate of EUR -4.1 mn. Unsurprisingly, the company did not provide an outlook in terms of financial targets due to weakness in all markets and extremely low visibility.

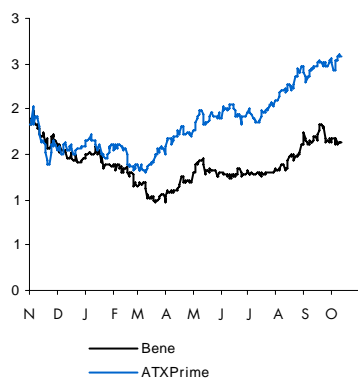
Changes to the model: Despite the slightly better than expected 2Q 09/10 top-line we moderately cut back our FY 09/10e revenue forecast to EUR 175.8 mn and furthermore now expect a stagnation in FY 10/11e at a 1.9% growth rate before a stronger bounce-back at a rate of 10.3% in FY 11/12e. Nonetheless, even with two to three years of strong recovery a return to the peak sales levels of FY 08/09 might take several years given the massive contraction currently under way. Given the lowered sales forecast and the slightly lower than expected profitability in 2Q 09/10 we cut our profitability forecasts for FY 09/10e. But despite this fact, we still reckon with a return to positive operating profits in FY 10/11e due to additional cost-cutting measures and the improving product mix owing to the substitution in the swivel chair business.

Recommendation: Even though Bene has one of the most conservative balance sheets in the industry and at the end of 1H 09/10 had liquidity reserves amounting to 28.4% of total assets, the visibility on the top-line is extremely low and we reckon with a further acceleration of the sales decline in 2H 09/10. As no bottom has been found yet in the industry, we confirm our "hold" recommendation and push the TP to EUR 1.85 from EUR 1.45.

Key ratios

EUR	1/2008	1/2009	1/2010e	1/2011e	1/2012e
EPS reported	0.45	0.19	-0.67	-0.07	0.10
PE reported	8.4	7.2	-2.4	-24.5	16.0
Adjusted EPS diluted	0.45	0.19	-0.67	-0.07	0.10
Adjusted PE diluted	8.4	7.0	-2.4	-24.5	16.0
Operating cash flow per share	0.40	0.60	-0.04	0.26	0.41
Price cash flow	9.5	2.3	-41.9	6.3	4.0
Book value per share	2.83	2.79	2.12	2.05	2.15
Price book value	1.3	0.5	0.8	0.8	0.8
Dividend per share	0.22	0.00	0.00	0.00	0.00
Dividend yield	5.8%	0.0%	0.0%	0.0%	0.0%
EV/adjusted EBITDA	4.0	2.2	-15.6	5.3	3.5

Source: Bene, Raiffeisen Centrobank estimates



Source: Raiffeisen Centrobank

Analyst: Klaus Ofner

Tel.: +43 1 51520 - 178

e-mail: ofner@rcb.at

Published by: Raiffeisen Centrobank,

A-1015 Vienna, Tegetthoffstrasse 1

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Share price triggers

Trigger	Momentum	Explanation
War chest	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 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
Market fundamentals	negative	<ul style="list-style-type: none"> Due to the late-cyclical characteristic of the industry 1Q 09/10 was the first quarter to show a significant contraction of sales. Even after the acceleration in 2Q 09/10 we expect the revenue declines to further pick up pace going into 2H

Source: Raiffeisen Centrobank

2Q 09/10

No major surprises

Bene's 2Q 09/10 figures were roughly in-line with our estimates and revealed no major surprises. Sales amounted to EUR 48.1 mn which translates into a 27.6% yoy decline but this is 4.4% ahead of our forecast of EUR 46.1 mn. Despite the significant plunge in a yoy perspective this is an outperformance in comparison to peer group companies, which all recorded revenue declines by more than 30% yoy and by 33.6% on average. All metrics of profitability are negative from EBITDA downwards. Apart from EBITDA which missed our forecast by 8.1% and which came in at EUR -3.5 mn (-174.1% yoy, RCB -3.2 mn) the deviations are more moderate between 3% and 4%. Net profit amounted to EUR -6.6 mn after EUR 2.0 mn last year and vs. our estimate of EUR -6.4 mn. 2Q 09/10 operating cash flow amounted to EUR -4.7 mn down from EUR 10.1 mn a year earlier and was below our estimate of EUR -4.1 mn. Balance sheet metrics such as the equity ratio at 34.2% and the net gearing at 38.1% underline the strong position of Bene and in our view show why the company will benefit from the natural market consolidation already under way in the industry. After the bond placement earlier this year the cash cushion amounts to EUR 49.2 mn or to 28.4% of total assets.

Outlook

Unsurprisingly, the company did not provide an outlook in terms of financial targets as it calls the market environment unprecedented in that Bene is confronted with weakness in all group markets and it does not expect a turnaround but instead a further weakening of market conditions for the rest of the fiscal year.

2Q 09/10 results

in EUR mn	1H 09/10	2Q 09/10	2Q 08/09	yoy	RCB	+/-
Sales	95.8	48.1	66.5	-27.6%	46.1	4.4%
EBITDA	-2.3	-3.5	4.7	-174.1%	-3.2	-8.1%
EBIT	-6.4	-5.6	2.9	-295.1%	-5.4	-3.7%
EBT	-7.7	-6.4	2.7	-337.0%	-6.2	-3.2%
Net profit a.m.	-8.5	-6.6	2.0	-428.7%	-6.4	-3.1%
EPS	-0.35	-0.27	0.08	-437.5%	-0.26	-3.1%
EBITDA margin	-2.4%	-7.2%	7.0%		-6.9%	
EBIT margin	-6.7%	-11.6%	4.3%		-11.6%	
EBT margin	-8.1%	-13.2%	4.0%		-13.4%	
Net profit margin	-8.9%	-13.7%	3.0%		-13.8%	
OperatingCF	-3.6	-4.7	10.1	-146.6%	-4.1	-14.8%

Source: Bene, Raiffeisen Centrobank

Planning model

Bene the player with the highest stamina?

In the comparison to peer group companies Bene outperformed in terms of a slightly lower revenue contraction but also recorded the sharpest drop in operating profitability. Nonetheless, looking at the balance sheet the conservative structure becomes obvious with one of the highest equity ratios and one of the lowest net gearings despite the recent extension of the balance sheet by the EUR 40 mn bond placement and the EUR 7.5 mn ERP loan. The latter measures also led to a jump of liquid funds to 28.4% of total assets. However, after management previously guided that this was purely a safety measure to assure liquidity throughout the cycle and to become more independent from credit lines by shifting toward longer-term funding we expect that some of those liquidity reserves will have to be tapped at least in FY 09/10e. At the same time, even in a worst-case scenario of an increased cash burn rate all liquidity requirements throughout the cycle should be covered by the current reserves. We estimate the negative impact on the net interest result to amount to about EUR 2.4 mn annually.

Peer group performance (pure-play office furniture companies)

	Sales growth yoy	Operating margin	margin growth yoy in bp	Equity ratio*	Gearing	Liquid Funds in % of TA
Steelcase**	-35.9%	-0.2%	-527	43.0%	31.1%	4.4%
Herman Miller***	-32.4%	4.4%	-746	6.2%	189.6%	13.7%
HNI****	-37.5%	0.2%	-382	41.9%	54.9%	1.9%
Knoll****	-30.9%	9.2%	-284	9.8%	488.7%	2.0%
Mean	-34.2%	3.4%	-485	25.2%	191.1%	5.5%
Median	-34.1%	2.3%	-455	25.8%	122.3%	3.2%
Bene	-27.6%	-11.6%	-1,586	34.2%	31.9%	28.4%

* incl. minority interest, ** 2Q 09/10 ended May, *** 1Q 09/10 ended August, **** 2Q 09 ended July 4, ***** 2Q 09 ended June

Source: Company data, Raiffeisen Centrobank

Lowered forecasts for FY 09/10e

Despite the slightly better than expected 2Q 09/10 top-line we moderately cut back our FY 09/10e forecast to EUR 175.8 mn and furthermore now expect a stagnation in FY 10/11e at a 1.9% growth rate before a stronger bounce-back at a rate of 10.3% in FY 11/12e. Nonetheless, even with a strong recovery of two to three years a return to the peak sales levels of FY 08/09 might take several years given the massive contraction currently under way. Given the lowered sales forecast and the slightly lower than expected profitability in 2Q 09/10 we cut our profitability forecasts for FY 09/10e. But despite this fact, we still reckon with a return to positive operating profits in FY 10/11e and the negative bottom-line is mainly due to the negative effects of the EUR 40 mn bond issue and the EUR 7.5 mn ERP loan on net interest expenses, as already put on display in 2Q 09/10. For FY 11/12e we expect a stronger recovery of profitability than before given additional cost-cutting measures and the further substitution in the product mix towards in-house designed swivel chairs. As regards the health of the balance sheet we expect Bene to remain in a comfortable situation with the equity ratio and the net gearing expected at 29.3% and 32.1%, respectively, at eop FY 09/10e.

Changes of estimates

	Old			New			comment
	FY 09/10e	FY 10/11e	FY 11/12e	FY 09/10e	FY 10/11e	FY 11/12e	
Sales	179.6	188.2	204.4	175.8	179.1	197.5	Top-line forecasts cut back
EBITDA	-2.0	9.8	13.0	-3.6	10.2	14.8	
EBIT	-10.7	1.5	5.1	-11.9	2.2	6.8	FY 11/12e recovery strong due to additional cost cutting measures
EBT	-14.3	-2.1	1.9	-15.0	-1.3	3.6	
Net income a.m.	-13.7	-2.7	1.2	-16.2	-1.6	2.5	Liquidity cushion puts pressure on bottom line
EPS	-0.56	-0.11	0.05	-0.67	-0.07	0.10	
DPS	0.00	0.00	0.00	0.00	0.00	0.00	No dividends
EBITDA margin	-1.1%	5.2%	6.4%	-2.0%	5.7%	7.5%	
EBIT margin	-6.0%	0.8%	2.5%	-6.8%	1.2%	3.4%	
EBT margin	-8.0%	-1.1%	0.9%	-8.5%	-0.7%	1.8%	
Net income a.m. margin	-7.6%	-1.4%	0.6%	-9.2%	-0.9%	1.3%	

Source: Raiffeisen Centrobank estimates

Acquisitions

Risks to our planning model:

With a war chest of EUR 49 mn Bene might eye acquisitions going into 2010. Since the bottom has not yet been found 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 being difficult to pin down currently.

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 3.9 mn and a 10% move of EUR/GBP would have resulted in exchange gains/losses of EUR 1.6 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 already observable.

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. Given the current market environment we regard this risk as low.

Planning model

	1Q 08	2Q 08	3Q 08	4Q 08e	FY 08/09	1Q 09/10	2Q 09/11	FY 09/10e	FY 10/11e	FY 11/12e
Sales revenues	59.7	66.5	66.2	72.9	265.3	47.6	48.1	175.8	179.1	197.5
yoy growth	9.6%	9.7%	-4.2%	6.7%	5.1%	-20.2%	-27.6%	-33.7%	1.9%	10.3%
Austria	19.7	17.7	20.5	18.9	76.7	14.5	12.3	52.8	53.3	57.6
yoy growth	18.8%	-9.2%	8.9%	-7.2%	2.0%	-26.2%	-30.6%	-31.2%	1.0%	8.0%
Germany	15.9	17.5	16.9	20.1	70.5	14.3	12.6	48.2	46.1	49.3
yoy growth	16.0%	12.0%	-5.9%	10.3%	7.5%	-10.0%	-27.8%	-31.6%	-4.4%	6.9%
UK	6.8	5.5	4.9	4.3	21.5	5.3	3.1	13.6	15.0	16.2
yoy growth	-22.5%	-38.8%	-51.7%	-36.2%	-38.0%	-22.2%	-44.1%	-36.8%	10.1%	8.5%
Russia	3.4	11.2	11.2	14.0	39.8	5.1	12.1	30.1	31.9	37.6
yoy growth	-50.1%	67.7%	61.6%	43.5%	32.0%	51.0%	8.5%	-24.2%	6.0%	17.6%
Other markets	14.0	14.6	12.7	15.5	56.8	8.4	8.0	31.1	32.7	36.8
yoy growth	60.8%	48.3%	-16.6%	17.8%	21.0%	-39.7%	-45.3%	-45.3%	5.4%	12.4%
Total revenues	62.2	68.1	71.4	72.4	274.1	49.7	50.4	183.2	184.8	203.8
yoy growth	10.1%	9.8%	1.0%	1.7%	5.2%	-20.1%	-26.1%	-33.2%	0.9%	10.3%
Materials and supplies	-27.6	-32.9	-34.5	-37.9	-133.0	-21.1	-25.4	-88.7	-87.1	-95.5
yoy growth	-4.0%	-4.7%	-3.0%	-3.2%	-3.7%	23.5%	22.7%	33.3%	1.8%	-9.7%
Personnel expenses	-19.3	-19.1	-19.9	-19.2	-77.5	-17.9	-17.7	-63.4	-58.5	-62.0
yoy growth	-18.0%	-6.3%	-11.8%	0.1%	-8.6%	7.4%	7.1%	18.1%	7.7%	-6.0%
Other expenses	-10.3	-11.5	-10.5	-12.5	-44.7	-9.5	-10.7	-34.7	-29.0	-31.5
yoy growth	-6.3%	-36.2%	13.4%	-39.4%	-14.2%	7.7%	6.7%	22.5%	16.3%	-8.5%
EBITDA	5.0	4.7	6.5	2.8	18.9	1.2	-3.5	-3.6	10.2	14.8
yoy growth	27.2%	9.5%	-10.9%	-55.2%	-12.8%	-76.6%	-174.1%	-119.0%	384.3%	45.0%
EBITDA margin	8.3%	7.0%	9.8%	3.9%	7.1%	2.4%	-7.2%	-2.0%	5.7%	7.5%
D&A	-1.7	-1.8	-1.9	-2.2	-7.6	-2.0	-2.1	-8.3	-8.1	-8.0
yoy growth	-14.0%	-12.7%	-18.3%	-17.0%	-15.6%	-20.2%	-16.1%	-9.5%	2.6%	0.3%
EBIT	3.3	2.9	4.6	0.6	11.4	-0.8	-5.6	-11.9	2.2	6.8
yoy growth	35.1%	7.5%	-19.1%	-86.0%	-25.1%	-125.2%	-295.1%	-204.2%	118.2%	214.3%
EBIT margin	5.6%	4.3%	7.0%	0.8%	4.3%	-1.8%	-11.6%	-6.8%	1.2%	3.4%
Net interest result	-0.2	-0.2	-0.3	-0.3	-0.9	-0.3	-0.8	-2.8	-3.5	-3.4
yoy growth	6.8%	7.1%	-51.1%	-70.3%	-25.9%	-92.7%	-314.3%	-218.9%	-24.9%	4.4%
Financial result	-0.1	-0.2	-0.1	-2.3	-2.7	-0.5	-0.8	-3.1	-3.4	-3.2
yoy growth	10.5%	12.2%	46.0%	-1270.3%	-7525.0%	-269.0%	-358.1%	-15.3%	-10.8%	7.6%
EBT	3.2	2.7	4.5	-1.6	8.7	-1.4	-6.4	-15.0	-1.3	3.6
yoy growth	38.4%	9.1%	-18.2%	-138.8%	-42.8%	-143.2%	-336.9%	-271.5%	91.6%	388.8%
EBT margin	5.3%	4.0%	6.8%	-2.3%	3.3%	-2.9%	-13.2%	-8.5%	-0.7%	1.8%
Taxes on income	-0.8	-0.7	-1.3	-1.3	-4.0	-0.5	-0.2	-1.0	-0.2	-0.9
effective tax rate	-24.5%	-25.3%	-28.0%	79.6%	-46.2%	37.7%	3.5%	7.0%	15.0%	-25.0%
Net income b.m.	2.4	2.0	3.2	-3.0	4.7	-1.9	-6.6	-16.0	-1.4	2.7
yoy growth	52.5%	39.6%	-25.2%	-188.3%	-58.9%	-178.7%	-428.4%	-441.0%	91.0%	288.4%
Minority interests	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.2	-0.2	-0.2
yoy growth	87.4%	102.6%	73.9%	-88.0%	76.2%	-138.5%	350.0%	-152.6%	27.7%	-36.7%
Net income a.m.	2.4	2.0	3.2	-3.0	4.6	-1.9	-6.6	-16.2	-1.6	2.5
yoy growth	73.6%	47.5%	-24.2%	-190.4%	-58.3%	-182.2%	-427.6%	-453.3%	90.0%	253.5%
Net income a.m. margin	4.0%	3.0%	4.9%	-4.1%	1.7%	-4.1%	-13.6%	-9.2%	-0.9%	1.3%
EPS	0.10	0.08	0.13	-0.12	0.19	-0.08	-0.27	-0.67	-0.07	0.10
yoy growth	0.0%	0.0%	0.0%	0.0%	-58.3%	0.0%	0.0%	-453.3%	-90.0%	-253.5%
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bene, Raiffeisen Centrobank estimates

Valuation

Recommendation: Hold
Price Target: EUR 1.85

We value Bene based on our DCF model and peer group multiples. Even though the visibility on the top-line is still very low we reckon that Bene will return to operating profits again in FY 10/11e and that the bottom-line will only be negative due to the measures introduced to secure liquidity which come at an estimated net interest expense of some EUR 2.4 mn annually. Given the fact that eop 1H 09/10 the liquidity reserves amounted to 28.4% of total assets and that Bene has a lower gearing and a higher equity ratio than most peer group companies we perceive the company in a strong competitive position. Additionally, the company put the lowest revenue decline on display in 2Q 09/10, but of course a drop of 27.6% is still substantial and the contraction is hitting the company faster than the announced and implemented adjustments to the cost structure could fully compensate and could keep the company from generating operating losses. Additionally, we forecast a further acceleration of the yoy revenue decline rates in 2H 09/10 and hence do not forecast that a bottom has yet been reached in the industry. Nonetheless, we perceive Bene as very well positioned to profit from the natural consolidation in the industry given the conservative balance sheet structure and the high liquidity cushion. On top of the cost-cutting measures which we expect to amount to about EUR 19 mn (7.1% of peak sales) the introduction of the second swivel chair, which was designed in-house and out-licensed to an OEM supplier, and other new products will impact the product mix positively through a shift toward higher gross margin products. Given the fact that the visibility on revenues is still extremely low and that no bottom in the office furniture has been reached yet we confirm our "hold" recommendation and push the price target to EUR 1.85 from EUR 1.45.

Peer group overview

	P/E			EV/EBITDA			EV/EBIT			P/BV		
	2009e	2010e	2011e	2009e	2010e	2011e	2009e	2010e	2011e	2009e	2010e	2011e
Steelcase	103.2	41.3	22.9	9.3	7.1	4.0	42.8	20.3	8.0	1.2	1.1	1.1
Herman Miller	21.9	17.3	12.6	8.5	7.2	0.0	12.5	10.0	8.3	9.2	6.0	4.0
HNI	104.5	26.4	14.6	11.2	8.8	5.5	38.0	19.6	9.1	2.3	2.2	2.0
Knoll	14.4	13.8	10.0	9.4	11.1	6.5	12.4	12.1	8.6	9.0	6.2	4.0
Zumtobel	26.5	9.8	8.3	8.7	5.4	4.6	18.6	8.3	6.9	1.2	1.1	1.0
Mean	54.1	21.7	13.7	9.4	7.9	4.1	24.9	14.0	8.2	4.6	3.3	2.4
Median	26.5	17.3	12.6	9.3	7.2	4.6	18.6	12.1	8.3	2.3	2.2	2.0
Bene	-2.4	-24.5	16.0	-15.6	5.3	3.5	-4.7	25.3	7.5	0.8	0.8	0.8

Source: Reuters, Raiffeisen Centrobank estimates

DCF fair value: EUR 1.95
Peer multiple fair value: EUR 1.80

Our DCF model yields a fair value of EUR 1.95 per share. Based on EV/EBITDA, EV/EBIT and P/E multiples for 2011e we derive a fair value of EUR 1.80 per share. Our ROCE/WACC vs. EV/CE model implies a fair value of EUR 1.90 per share for FY 11/12e. While the upside to a mid-cycle valuation of EUR 4.50 is substantial, the return to an average ROCE of 9.5% out of today's perspective might take a minimum of four years which is the reason why we are reluctant to reflect the ROCE/WACC vs. EV/CE mid-cycle valuation in our weighted average target price, especially before demand bottoms out.

ROCE/WACC vs. EV/CE

	2005/06	2006/07	2007/08	2008/09	2009/10e	2010/11e	2011/12e	Mid-Cycle
ROCE	15.6%	13.8%	14.1%	6.1%	-11.5%	2.8%	4.7%	9.5%
WACC	9.9%	9.9%	9.9%	10.6%	8.1%	8.9%	9.8%	9.6%
ROCE/WACC	1.6	1.4	1.4	0.6	-1.4	0.3	0.5	1.0
CE	53.9	87.2	85.4	91.7	126.9	125.3	127.8	125.3
avg. CE	57.7	70.6	86.3	88.5	109.3	126.1	126.5	126.1
EV	91.1	98.9	123.2	50.5	-154.4	39.1	60.3	125.1
MV of non-operating assets	0.0	2.2	1.8	0.4	0.4	0.4	0.4	0.4
MV of net debt	13.8	5.0	-18.2	-6.4	7.8	16.6	15.1	16.6
MV of minorities	0.6	0.7	0.9	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
Fair value of equity	76.6	95.3	142.3	58.1	-161.1	23.6	46.4	109.6
Fair value per share	3.15	3.92	5.84	2.39	-6.62	0.97	1.90	4.50
EOY share price	n.a.	6.55	3.80	1.36	1.63			

*Share price as of October 9, 2009; Source: Bene, Raiffeisen Centrobank estimates

DCF valuation

FCF projection (EUR mn)	2009e	2010e	2011e	2012e	2013e	2014e	TV CF
NOPLAT	-12.9	2.0	5.9	6.4	7.7	8.9	6.2
Adj. NOPLAT	-12.9	2.0	5.9	6.4	7.7	8.9	6.2
Depreciation of PPE & intangibles	8.3	8.1	8.0	7.8	7.8	7.8	8.2
Gross investment in PPE & intangibles	-7.4	-4.6	-6.1	-7.0	-7.1	-7.2	-9.0
Change in working capital	7.0	-0.1	-1.1	-1.5	-1.3	-1.0	-0.2
NWC/Sales	9.2%	9.1%	8.8%	8.7%	8.6%	8.6%	8.6%
Change in LT provisions other than tax	0.1	-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	-5.0	5.1	7.0	5.8	7.1	8.5	5.1
Adj. free cash flow to firm	-5.0	5.1	7.0	5.8	7.1	8.5	5.1
EV DCF, mid-year assumption		61.2	61.5				
MV of non-operating assets		0.4	0.4				
MV of net debt		16.6	15.1				
MV of minorities		0.2	0.2				
Adjustments to EV		1.0	1.0				
Fair value of equity		45.8	47.5				
Shares outstanding (mn)		24.3	24.3				
Price target per share per 01/02 (in EUR)		1.9	2.0				

Value drivers	2009e	2010e	2011e	2012e	2013e	2014e	TV CF
Consolidated sales yoy	-33.7%	1.9%	10.3%	9.5%	8.1%	5.2%	1.0%
EBITDA margin	-2.0%	5.7%	7.5%	7.6%	7.7%	8.0%	6.2%
Rate of taxes paid	8.8%	-8.7%	-13.4%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	9.2%	9.1%	8.8%	8.7%	8.6%	8.6%	8.6%
Capex/depreciation	89.4%	57.1%	75.9%	89.2%	91.0%	92.8%	110.3%
Free cash flow margin	-2.8%	2.8%	3.5%	2.7%	3.0%	3.4%	1.9%

WACC	2009e	2010e	2011e	2012e	2013e	2014e	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)	1.2%	2.3%	4.1%	4.4%	4.5%	4.5%	4.5%
Equity market premium	5.5%	5.5%	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%	9.5%	10.7%	11.0%	11.1%	11.1%	11.1%
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	8.8%	-8.7%	-13.4%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	8.1%	8.9%	9.8%	10.0%	10.1%	10.1%	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%	2.1	2.1	2.2	2.3	2.5	2.6	2.8
9.1%	1.9	2.0	2.1	2.2	2.3	2.4	2.5
9.6%	1.8	1.9	1.9	2.0	2.1	2.2	2.3
10.1%	1.7	1.7	1.8	1.9	2.0	2.0	2.1
10.6%	1.6	1.6	1.7	1.8	1.8	1.9	2.0
11.1%	1.5	1.5	1.6	1.6	1.7	1.8	1.8
11.6%	1.4	1.5	1.5	1.5	1.6	1.7	1.7

Margin sensitivity (EUR)	FCF margin TV						
	WACC	0.4%	0.9%	1.4%	1.9%	2.4%	2.9%
8.6%	1.1	1.5	1.9	2.3	2.8	3.2	3.6
9.1%	1.0	1.4	1.8	2.2	2.6	2.9	3.3
9.6%	1.0	1.3	1.7	2.0	2.4	2.7	3.1
10.1%	0.9	1.2	1.6	1.9	2.2	2.5	2.8
10.6%	0.9	1.2	1.5	1.8	2.1	2.4	2.6
11.1%	0.8	1.1	1.4	1.6	1.9	2.2	2.5
11.6%	0.8	1.0	1.3	1.5	1.8	2.1	2.3

Source: Raiffeisen Centrobank estimates

**Financial statements
(IFRS)**

<i>Income statement (EUR mn)</i>	<i>1/2007</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010e</i>	<i>1/2011e</i>	<i>1/2012e</i>
Consolidated sales	198.6	252.5	265.3	175.8	179.1	197.5
Changes in inventories	0.2	1.2	0.4	1.1	0.0	0.0
Own work capitalised	0.9	2.6	3.5	2.3	1.6	1.8
Other operating income	3.7	4.2	4.9	4.0	4.1	4.5
Total revenues	203.4	260.5	274.1	183.2	184.8	203.8
Material costs	-93.2	-128.2	-133.0	-88.7	-87.1	-95.5
Personnel expenses	-60.1	-71.3	-77.5	-63.4	-58.5	-62.0
Other operating expenses	-31.4	-39.2	-44.7	-34.7	-29.0	-31.5
EBITDA	18.7	21.7	18.9	-3.6	10.2	14.8
Depreciation of PPE and intangibles	-5.6	-6.5	-7.5	-8.3	-8.1	-8.0
EBITA	13.1	15.2	11.5	-11.9	2.2	6.8
Amortisation, impairment of goodwill	0.0	0.0	-0.1	0.0	0.0	0.0
EBIT	13.1	15.2	11.4	-11.9	2.2	6.8
Investment income	0.1	0.2	0.0	0.0	0.1	0.2
Net interest income	-0.9	-0.7	-0.9	-2.8	-3.5	-3.4
Other financial result	0.1	0.6	-1.8	-0.3	0.0	0.0
Financial result	-0.7	0.0	-2.7	-3.1	-3.4	-3.2
Earnings before taxes	12.4	15.2	8.7	-15.0	-1.3	3.6
Taxes on income	-3.4	-3.8	-4.0	-1.0	-0.2	-0.9
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	9.0	11.4	4.7	-16.0	-1.4	2.7
Minority interests	-0.5	-0.4	-0.1	-0.2	-0.2	-0.2
Net profit after minorities	8.4	11.0	4.6	-16.2	-1.6	2.5

<i>Balance sheet (EUR mn)</i>	<i>1/2007</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010e</i>	<i>1/2011e</i>	<i>1/2012e</i>
Current assets	97.4	90.4	79.7	111.4	113.2	120.2
Liquid funds	41.2	22.5	15.5	58.3	59.8	63.3
Receivables	41.5	48.5	45.1	33.4	33.8	37.1
Inventories	14.7	19.4	19.1	19.7	19.5	19.8
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	35.0	44.6	59.1	58.3	54.9	53.0
Property, plant & equipment	27.2	34.8	45.3	45.0	42.2	40.8
Intangible assets	3.2	5.2	8.9	8.2	7.7	7.1
Goodwill	2.6	4.1	4.3	4.3	4.3	4.3
Financial assets	2.1	0.6	0.7	0.8	0.8	0.9
Deferred tax assets	7.7	6.9	6.7	6.7	6.7	6.7
Total assets	140.2	142.0	145.6	176.5	174.8	180.0
Current liabilities	50.5	53.6	61.3	60.8	61.0	63.5
Long-term liabilities	25.7	19.1	16.1	63.7	63.5	63.7
Shareholders' equity	63.0	69.0	67.9	51.6	50.0	52.4
Minority interests	0.9	0.2	0.2	0.2	0.2	0.2
Deferred tax liabilities	0.0	0.1	0.1	0.1	0.1	0.1
Total liabilities	140.2	142.0	145.6	176.5	174.8	180.0

<i>Cash flow statement (EUR mn)</i>	<i>1/2007</i>	<i>1/2008</i>	<i>1/2009</i>	<i>1/2010e</i>	<i>1/2011e</i>	<i>1/2012e</i>
Earnings before taxes	12.4	15.2	8.7	-15.0	-1.3	3.6
Taxes paid	-3.6	-3.6	-3.7	-1.0	-0.2	-0.9
Amortisation and depreciation	5.6	6.5	7.6	8.3	8.1	8.0
Other non-cash items	0.1	-0.5	2.7	0.1	-0.2	0.2
Cash flow from result	14.4	17.6	15.3	-7.6	6.4	11.0
Change in working capital	-11.3	-7.9	-0.7	6.7	-0.1	-1.1
Operating cash flow	3.1	9.8	14.6	-0.9	6.3	9.9
Capex PPE and intangible assets	-6.0	-17.4	-20.9	-7.4	-4.6	-6.1
Acquisitions	-0.9	-1.4	-0.5	0.0	0.0	0.0
Disposal of fixed assets (total)	1.6	23.2	1.5	0.0	0.0	0.0
Other items (investments)	-17.4	-7.6	-0.1	-0.1	-0.1	-0.1
Investing cash flow	-22.8	-3.2	-20.1	-7.5	-4.7	-6.2
Dividend payments	-1.9	-4.9	-5.4	0.0	0.0	0.0
Other changes in equity	28.1	-0.8	0.0	-0.3	-0.2	-0.2
Change in interest-bearing financial assets	17.1	-12.2	-2.5	-0.1	0.0	0.0
Other items	-0.4	-0.5	-0.8	0.0	0.0	0.0
Change in NIBD	23.2	-11.8	-14.2	-8.8	1.5	3.5

Source: Bene, Raiffeisen Centrobank estimates

Financial ratios

Changes yoy	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Consolidated sales yoy	6.3%	27.2%	5.1%	-33.7%	1.9%	10.3%
EBITDA yoy	11.0%	16.6%	-12.8%	-119.0%	-384.3%	45.0%
EBITA yoy	15.9%	16.2%	-24.4%	-203.3%	-118.2%	214.3%
EBIT yoy	15.9%	16.2%	-25.1%	-204.2%	-118.2%	214.3%
EBT yoy	19.6%	23.0%	-42.8%	-271.5%	-91.6%	-388.8%
Net profit after minorities yoy	12.7%	30.9%	-58.3%	-453.3%	-90.0%	-253.5%

Margins	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Material costs margin	-46.9%	-50.8%	-50.1%	-50.4%	-48.6%	-48.3%
EBITDA margin	9.4%	8.6%	7.1%	-2.0%	5.7%	7.5%
EBITA margin	6.6%	6.0%	4.3%	-6.8%	1.2%	3.4%
EBIT margin	6.6%	6.0%	4.3%	-6.8%	1.2%	3.4%
EBT margin	6.2%	6.0%	3.3%	-8.5%	-0.7%	1.8%
Net margin	4.2%	4.4%	1.7%	-9.2%	-0.9%	1.3%

Balance sheet (EUR mn)	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Net working capital	16.4	23.9	22.8	16.2	16.3	17.3
Net interest-bearing debt	-18.2	-6.4	7.8	16.6	15.1	11.6
Capital employed	87.2	85.4	91.7	126.9	125.3	127.8
Market capitalisation	159.5	92.5	33.1	39.7	39.7	39.7
Enterprise value	140.4	85.9	40.7	56.1	54.7	51.1

Financing (x)	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Interest cover	16.9	22.0	15.6	-1.0	2.6	3.7
Internal financing ratio	0.5	0.6	0.7	-0.1	1.4	1.6
Net gearing	-28.5%	-9.3%	11.4%	32.1%	30.2%	22.0%
Quick ratio	1.6	1.3	1.0	1.5	1.5	1.6
Fixed assets cover	2.6	2.0	1.4	2.0	2.1	2.2
Capex / depreciation	1.1	2.7	2.8	0.9	0.6	0.8
Equity ratio	45.6%	48.7%	46.8%	29.3%	28.7%	29.3%

Profitability	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Return on assets	8.0%	8.6%	3.7%	-7.8%	2.0%	3.3%
Return on equity	18.4%	16.7%	6.7%	-27.2%	-3.2%	4.9%
Return on capital employed	13.8%	14.1%	6.1%	-11.5%	2.8%	4.7%

Per share data (EUR)	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
Weighted avg. no. of shares (mn)	20.1	24.3	24.3	24.3	24.3	24.3
EPS reported	0.42	0.45	0.19	-0.67	-0.07	0.10
EPS pre-goodwill	0.42	0.45	0.19	-0.67	-0.07	0.10
Adjusted EPS diluted	0.42	0.45	0.19	-0.67	-0.07	0.10
Operating cash flow per share	0.15	0.40	0.60	-0.04	0.26	0.41
Book value per share	2.59	2.83	2.79	2.12	2.05	2.15
Dividend per share	0.20	0.22	0.00	0.00	0.00	0.00
Payout ratio	57.8%	48.6%	0.0%	0.0%	0.0%	0.0%

Valuation (x)	1/2007	1/2008	1/2009	1/2010e	1/2011e	1/2012e
PE reported	15.6	8.4	7.2	-2.4	-24.5	16.0
PE pre-goodwill	15.6	8.4	7.0	-2.4	-24.5	16.0
Adjusted PE diluted	15.6	8.4	7.0	-2.4	-24.5	16.0
Price cash flow	42.4	9.5	2.3	-41.9	6.3	4.0
Price book value	2.5	1.3	0.5	0.8	0.8	0.8
Dividend yield	3.1%	5.8%	0.0%	0.0%	0.0%	0.0%
Free cash flow yield	-1.6%	-6.7%	-17.9%	-20.9%	4.2%	9.6%
EV/sales	0.7	0.3	0.2	0.3	0.3	0.3
EV/EBITDA	7.5	4.0	2.2	-15.6	5.3	3.5
EV/EBIT	10.7	5.7	3.6	-4.7	25.3	7.5
EV/operating cash flow	45.3	8.8	2.8	-59.3	8.7	5.2
Adjusted EV/CE	2.1	1.3	0.6	0.9	0.9	0.9

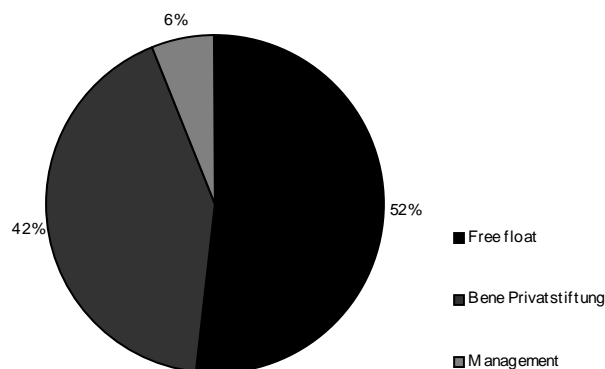
Source: Bene, Raiffeisen Centrobank estimates

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 265.3 mn and 1,492 employees as of FY 2008/09. Sales are mainly generated in Austria (29%), Germany (about 27%), UK (8%), Russia (15%) and several CEE as well as Western European countries and the United Arab Emirates (21%). 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 sales. 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
- Strong outperformance of European office furniture market in recent years
- Productivity advantages due to innovative production and supply-chain management
- Bene should benefit from the ongoing consolidation process in the very fragmented European market

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)	1/2009	1/2010e	1/2011e	1/2012e
Consolidated sales	265.3	175.8	179.1	197.5
EBITDA	18.9	-3.6	10.2	14.8
EBIT	11.4	-11.9	2.2	6.8
EBT	8.7	-15.0	-1.3	3.6
Net profit bef. min.	4.7	-16.0	-1.4	2.7
Net profit after min.	4.6	-16.2	-1.6	2.5

Balance sheet

	1/2009	1/2010e	1/2011e	1/2012e
Total assets	145.6	176.5	174.8	180.0
Shareholders' equity	67.9	51.6	50.0	52.4
Goodwill	4.3	4.3	4.3	4.3
NIBD	7.8	16.6	15.1	11.6

Cash flow statement

	1/2009	1/2010e	1/2011e	1/2012e
Operating cash flow	14.6	-0.9	6.3	9.9
Investing cash flow	-20.1	-7.5	-4.7	-6.2
Change NIBD	-14.2	-8.8	1.5	3.5

Source: Bene, Raiffeisen Centrobank estimates

Per share data (EUR)	1/2009	1/2010e	1/2011e	1/2012e
EPS pre-goodwill	0.19	-0.67	-0.07	0.10
Adj. EPS diluted	0.19	-0.67	-0.07	0.10
Operating cash flow	0.60	-0.04	0.26	0.41
Book value	2.79	2.12	2.05	2.15
Dividend	0.00	0.00	0.00	0.00
Payout ratio	0.0%	0.0%	0.0%	0.0%

Valuation (x)

	1/2009	1/2010e	1/2011e	1/2012e
PE pre-goodwill	7.0	-2.4	-24.5	16.0
Adj. PE diluted	7.0	-2.4	-24.5	16.0
Price cash flow	2.3	-41.9	6.3	4.0
Price book value	0.5	0.8	0.8	0.8
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-17.9%	-20.9%	4.2%	9.6%
EV/EBITDA	2.2	-15.6	5.3	3.5
EV/EBIT	3.6	-4.7	25.3	7.5
EV/operating CF	2.8	-59.3	8.7	5.2

Raiffeisen Centrobank AG - Your contacts:
A-1015 Vienna, Tegetthoffstraße 1, Internet: <http://www.rcb.at>

Sales & Trading

Tel.: +43/1515 20-0

Wilhelm Celeda (Head) ext. 402

International Institutional Sales

Klaus della Torre (Head) ext. 472

Günter Englhart ext. 268
Oliver Fendt ext. 498
Elena Filonova ext. 436
Ozgur Guyuldar ext. 336
Reinhard Haushofer ext. 477
György Karolyi ext. 437
Tomislav Pasalic ext. 435
Andreas Steinbichler ext. 471

Salestrading Blocktrades

Patrik Steirer (Head) ext. 409

Robert Hein ext. 476
Maximilian Hönigsmann ext. 497
Michael Kriechbaum ext. 464
Wojciech Kolacz ext. 343
Stefan Waidhofer ext. 463
Christof Wallner ext. 457

Email: surname@rcb.at

Company Research

Tel.: +43/1515 20-0

Birgit Kuras (Head) ext. 150

Company Research Austria

Stefan Maxian (Head of CEE) ext. 177

Philipp Chladek ext. 175
Daniel Damaska ext. 174
Reinhard Ebenauer ext. 412
Natalia Frey ext. 183
Klaus Küng ext. 158
Bernd Maurer ext. 169
Klaus Ofner ext. 178
Teresa Schinwald ext. 179
Jovan Sikimic ext. 184
Alexander Stieger ext. 185
Arno Supper ext. 153
Iryna Trygub-Kainz ext. 176

Poland

Dominik Niszcz ext. 196

Company Research CEE

Croatia Tel.: +385/1 61 74-0

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

Nada Harambašić ext. 870

nada.harambasic@rba.hr

Czech Republic Tel.: +420/221 14-0

Jindrich Svatek ext. 1841

jindrich.svatek@rb.cz

Hungary Tel.: +36/1484-0

Levente Blahó ext. 4301

levente.blaho@raiffeisen.hu

Ákos Herczenik ext. 4812

akos.herczenik@raiffeisen.hu

Romania Tel.: +40/21 306-0

Oleg Galbur (Head) ext. 1229

oleg.galbur@rzb.ro

Alexandru Combei ext. 1239

alexandru.combei@rzb.ro

Genghiz Curtali ext. 1225

genghiz.curtali@rzb.ro

Ionut Gutis ext. 1267

ionut.gutis@rzb.ro

Iuliana Mocanu ext. 1202

iuliana-simona.mocanu@rzb.ro

Russia Tel.: +7/495

Anna Yudina ext. 221 9817

ayudina@raiffeisen.ru

Alexander Protsenko ext. 721 9938

aprotsenko@raiffeisen.ru

Serbia Tel.: +381/11 220-0

Aleksandra Vukosavljevic ext. 7175

aleksandra.vukosavljevic@raiffeisenbank.rs

Ljiljana Grubic ext. 7178

ljiljana.grubic@raiffeisenbank.rs

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Buy: Buy stocks are expected to have a total return of at least 15% (30% for shares with a high volatility risk) and are the most attractive stocks in our coverage universe on a 12 month horizon.

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Reduce: Reduce stocks are expected to achieve a negative total return up to -10% within a 12-month period.

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