



Ludwig Beck AG

Consumers & Retail

Buy **PT €24,00, upside 23%**

Trading statement 2011 issued and earnings guidance narrowed

Ludwig Beck shares have outperformed the SDAX by 21% y-o-y. The company continues to benefit from its unique location at the heart of Munich's city centre just opposite the town hall. The Munich area belongs to the 10 regions with the highest purchasing power of consumers in Germany.

Trading statement and earnings guidance for 2011 published

Ludwig Beck published today trading statement for financial year 2011. Adjusted gross sales were up 1.7% to EUR103.3m (2010: EUR101.6m). Sales at its main Marienplatz store rose by 2.3% to EUR98.6m (2010: EUR96.4m). Ludwig Beck said that the performance during the 2011 Christmas sales season was satisfying and that customers have been willing to spend money at Ludwig Beck. Ludwig Beck also fine-tuned its guidance for earnings before taxes and now expects EBT to rise to the upper end of the previously predicted range extending from EUR9.0m to EUR11.0m. The Munich based company added that 2010 EBT (EUR9.9m) "will be topped significantly".

Assessment:

Ludwig Beck sales figures are hard to compare with our estimates as we estimate unadjusted net-sales figures as Ludwig Beck traditionally publishes only gross sales in its trading statement. However much more important in our perception is the fine-tuned guidance which meets our optimistic estimates of EUR10.9m. Therefore we have adjusted our estimates mainly by the impact of the purchase of a further stake in the special purpose real estate company which owns Ludwig Beck's property at Marienplatz. Ludwig Beck has now a 68% stake in this special purpose vehicle. The remaining 32% will come under Ludwig Beck's influence once the minority stakeholders die. The property already has been consolidated in Ludwig Beck's balance sheet. For 2012 and beyond we expect further growth for Ludwig Beck as the company has shown its ability to outperform German retailers. However the general prospects for private consumption are quite sound at the moment as German economic think tanks predict a growth of roughly 1% (median) in 2012 given that conditions at German labour markets remain stable.

Conclusion:

Ludwig Beck AG currently trades at a PER of 9.8 (SQR 2012e) and an EV/EBITDA of 3.3 (SQR 2012e) while its peers trade at a PER14.1 (2012e) and an EV/EBITDA of 7.1 (2012e). We confirm our "Buy" recommendation with an unchanged price target of EU24.00 (SQR Fair Value EUR28.16 adjusted by a 15% small cap discount) as we think that Ludwig Beck will show an excellent operational performance in 2012.

Next trigger will be the release of the 2011 annual report and the issue of 2012 guidance. Very interesting in our view will be the disclosure of the impact of the property transaction as all 2011 figures are our estimates at this point of time.

Klaus Kraenzle, kraenzle@silviaquandt.de, +49-69-95 92 90 93 -195
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Potential risks to our recommendation

Propensity to spend dependent on several macroeconomic factors

Ludwig Beck has managed in the past to weather the difficult environment for German retailers as a result of operational strength. Although prospects for German private consumption have improved since 2010, consumer confidence can rapidly change. Important drivers for German consumers are inflation rate and jobless figures. At the moment there is little threat in our view to Ludwig Beck from the macroeconomic background as German Statistical Office said today that price adjusted German retail sales have been risen in a range from 1.1% up to 1.3%. Economic think-tank DIW confirmed these days the positive view and forecasts private consumption in Germany to grow by 1.1% in 2012.

LUDWIG BECK am Rathauseck AG						
Consolidated income statement (Financial year runs 31.12)						
EURm	2008	2009	2010	2011e	2012e	CAGR
Net Sales revenues € (without VAT)	86,2	87,2	90,1	87,4	90,4	1,2%
Own work capitalized	0,2	0,1	-	0,1	0,1	-29,3%
Other operating income	3,3	3,0	3,5	3,2	3,2	-0,8%
Total overall performance	89,7	90,3	93,6	90,7	93,7	1,1%
Gross profit (Net sales - cost of materials)	41,4	43,0	45,5	44,8	46,6	3,0%
Cost of materials	44,8	44,2	44,6	42,6	43,8	-0,6%
Personnel expenses	16,9	16,8	17,0	16,4	16,9	-0,1%
Other operating expenses	15,7	15,9	15,1	15,3	15,6	-0,2%
EBITDA	12,2	13,3	16,9	16,4	17,3	9,2%
depreciation and amortisation	4,1	3,5	3,1	3,0	3,0	-7,4%
EBIT	8,1	9,8	13,7	13,4	14,3	15,3%
Net financial result	- 3,7	- 3,4	- 3,8	- 2,5	- 2,9	-5,9%
Pre tax profits	4,4	6,4	9,9	10,9	11,4	26,9%
Income and other taxes	1,7	4,1	3,5	2,2	4,0	23,8%
<i>Tax rate</i>	39%	64%	35%	20%	35%	-2,4%
Net profit	2,7	2,2	6,4	8,7	7,4	35,2%
Minority Inter. / Extraord. Effects	0,0	0,0	0,0	0,0	0,0	n.a.
Atributable net income	2,7	2,2	6,4	8,7	7,4	-30,8%
EPS	0,73	0,61	1,74	2,34	2,00	28,7%
P/E	26,6	32,4	11,2	8,3	9,7	-26,0%
DPS	0,3	0,35	0,35	0,5	0,45	6,5%

Source: Ludwig Beck AG, SQR estimates

EURm	2008	2009	2010	2011e	2012e	CAGR
Total equity and liabilities	112,9	109,3	108,8	109,5	110,8	-0,5%
Total Non-current assets	97,8	95,1	93,9	93,7	93,2	-1,2%
Total Current assets	15,2	14,1	14,9	15,8	16,6	2,2%
Cash and cash equivalents	0,6	4,4	4,8	5,5	6,0	77,8%
Equity	42,8	47,6	52,7	59,5	65,3	11,1%
Bank Debt	44,7	40,5	33,3	31,2	28,3	-10,8%
Net debt (including pensions)	48,1	39,8	31,9	29,6	25,0	-11,0%
Enterprise Value	116,7	112,5	105,3	103,2	100,3	-3,7%

Source: Ludwig Beck AG, SQR estimates



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Author of the present financial analysis: Klaus Kraenzle, Senior Analyst Consumer & Retail

2.2. Sources of information and summary of the basis of valuation and the valuation methods applied during the preparation

2.2.1. Sources of information:

Essential sources of information for the preparation of this document are publications in interior and foreign media like information services (e.g., Reuters, VWD, Bloomberg, dpa-AFX, among others), business press (e.g., "Börsenzeitung" (financial paper), "Handelsblatt", "Frankfurter Allgemeine Zeitung", Financial Times, among others), specialized press, published statistics, rating agencies as well as publications of the analysed issuers.

All information refers to the date of the publication: [Date, time, refer to the date at the end of the disclaimer]

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Within the scope of the evaluation of enterprises the following valuation methods are applied: multiplier models (stock exchange value / profit, stock exchange value / cash flow, stock exchange value / book value, Enterprise Value (EV) / turnover, EV / EBIT, EV / EBITA, EV / EBITDA), Peer Group comparisons, historic valuation methods, discounting models (DCF, DDM, EVA, RIM), Break-up-Value- and Sum-of-the-Parts-approaches, substance-valuation methods or a combination of different methods. The valuation models are dependent on economic parameters like interest rates, currencies, resources and on economic assumptions. Moreover, market moods influence the valuations of enterprises. Also, the approaches are based on expectations that may change rapidly and without advance warning according to developments specific for the respective branch. Therefore, the valuation results and fair values derived from the models may also change accordingly. The results of the evaluation basically refer to a period of 12 months. Nevertheless, they are also subjected to market conditions and constitute merely a snapshot. They may be reached faster or slower or may be scaled up or down.

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NEUTRAL: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to between -10% and $\leq +10\%$.

AVOID: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to $\leq -10\%$.

2.3. Update

A specific update of the present analysis at a firm time has currently not yet been determined. The analysis and the opinions and assessments contained therein merely reflect the perspective taken at the date stated on the first page of the analysis. Silvia Quandt Research GmbH reserves the right to make an update of the analysis or the opinions and assessments contained therein without prior notice. The decision whether and when an update is made lies solely in the discretion of Silvia Quandt Research GmbH.

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3. In their trading portfolio the aforementioned Persons and/or enterprises regularly hold financial instruments which or the issuer of which are subjected to the financial analysis.
4. The aforementioned persons and/or enterprises hold in respect of the financial instruments, which or the issuer of which are subjected to the financial analysis, a net short (short position) of at least 1 percent of the share capital of the issuer.
5. The aforementioned persons and/or enterprises supervise financial instruments, which or the issuer of which are subjected to the financial analysis, in a market by placing purchase or selling orders (Market Making/ Designated Sponsoring).
6. The aforementioned persons and/or enterprises were involved within the preceding twelve months in lead managing a consortium for in the public offering of financial instruments, which or the issuer of which are subjected to the financial analysis.
7. The aforementioned persons and/or enterprises acted as an issuing bank or a selling agent within the scope of the listing on the stock exchange of the issuer, who or whose financial instruments are subjected to the financial analysis.
8. The aforementioned persons and/or enterprises, within the preceding twelve months and towards the issuer, who or whose financial instruments are subjected to the financial analysis, were bound by an agreement about services in connection with investment banking transactions or received in this period from such an agreement a benefit or a performance promise.
9. The aforementioned persons and/or enterprises expect from the issuer, who or whose financial instruments are subjected to the financial analysis, during the next three months remunerations for services in connection with investment banking transactions or seek at such remunerations.
10. The aforementioned persons and/or enterprises have concluded an agreement for the preparation of a financial analysis with the issuer, who or whose financial instruments are subjected to the financial analysis.



11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.

12. The aforementioned persons and/or members of the management board of the aforementioned enterprises hold seats on the board of directors or seats on the supervisory board with issuers, who or whose financial instruments are subjected to the financial analysis.

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2.5. Quarterly overview according to section 5 subsection 4 No. 3 FinAnV

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3.1. Issuer and notice according to section 4 subsection 4 No. 4 FinAnV about preceding publications during the last twelve months about the security or the issuer

Issuer of the analyzed finance instrument is Ludwig Beck am Rathauseck

3.2. Date of the first publication and date and time of the price of financial instruments

Company	1st publication	Price €	Recommendation	Target €
Ludwig Beck	19.01.2011	18,40 €	Buy	21,50 €



3.3. Overview of our financial analyses of securities or issuers during the last twelve months

Company	Date of issue	Price at issue	Recommendation	Target price
Ludwig Beck	15.02.2011	18,88 €	Buy	22,50 €
Ludwig Beck	20.04.2011	20,15 €	Buy	24,00 €
Ludwig Beck	20.07.2011	18,46 €	Buy	24,00 €
Ludwig Beck	20.10.2011	18,82 €	Buy	24,00 €

3.4. Information about possible conflicts of interest

3.4.1. Conflict of interests of Silvia Quandt Research GmbH

2.4.1.1. Bet: >5%	2.4.1.2. Comp.	2.4.1.3. Trade	2.4.1.4. Short >1%	2.4.1.5. DS	2.4.1.6. ECM act.	2.4.1.7. IPO	2.4.1.8. Comp.Res.	2.4.1.9. Comp.ECM	2.4.1.10. Contract	2.4.1.11. Inform.	2.4.1.12. Mandate	2.4.1.13. Holding

3.4.2. Conflicts of interest biw bank für Investments und Wertpapiere AG when transmitting the financial analysis

2.4.2.1. Bet: >5%	2.4.2.2. Comp.	2.4.2.3. Trade	2.4.2.4. Short >1%	2.4.2.5. DS	2.4.2.6. ECM act.	2.4.2.7. IPO	2.4.2.8. Comp.Res.	2.4.2.9. Comp.ECM	2.4.2.10. Contract	2.4.2.11. Inform.	2.4.2.12. Mandate	2.4.2.13. Holding
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3.5. Publication according to article 5 (4) no. 3 of the German Regulation concerning the analysis of financial instruments (Finanzanalyseverordnung):

Number of recommendations from Silvia Quandt Research GmbH in 2012	Thereof recommendations for issuers to which investment banking services were provided during the preceding twelve months
Buy: 105	35
Neutral: 37	6
Avoid: 9	0

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Frankfurt am Main, 05.01.2012

**Silvia Quandt Research
GmbH**

Grüneburgweg 18
60322 Frankfurt
Tel: + 49 69 95 92 90 93 -0
Fax: + 49 69 95 92 90 93 -
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